BUSINESS STUDIES

WEEK ONE: JSS ONE

JOURNALS

A journal is known as a book of original entry because its entries are transferred to a second book. When journals are made, there must be a written evidence which are gotten from source document.

GENERAL JOURNAL

This is a book that records all transactions (both sales and purchases) which do not pass through a book of original prime entry. It shows;

- the date;
- the name of the account to be debited and the amount;
- the name of the account to be credited and the amount; and
- a description of the transaction.

ADVANTAGES

1. The book-keeper do not rely on his/her memory to recall every transaction.
2. The transactions are easy to understand once entered into the journal.
3. It helps to prevent fraud and detect irregularities as well as errors.
4. The risk of omitting a transaction is reduced.
5. The entries in the journal provides enough information.

SPECIAL JOURNALS

These special journals are;

1. PURCHASE JOURNAL: is called purchase day book, it provides a record of all goods a business has bought for re-sale. It is used for recording credit purchases and information are obtained from the invoice.
2. RETURN OUTWARD JOURNAL: is also known as the purchase returns book, sometimes part of the goods bought by a business may be damaged. When this occurs the goods are returned to the supplier (seller). The seller will issue a credit note of which is used for making entries into the return outward journal.
3. SALES JOURNAL: is called sales day book, it records all sales made as part of the trading operation of a business and is usually totalled up periodically and posted to the credit side of the sales account. It is kept mainly for sales made on credit.
4. RETURN INWARD JOURNAL: is also known as sales return book. It is usually kept by a supplier of a product, returned. The goods returned are recorded in the return inward journal.

ASSIGNMENT: Construct the format of a journal.

WEEK TWO: DOUBLE ENTRY IN BOOK KEEPING

Double entry is a system of book keeping in which transaction are recorded in both the debit and credit sides of the ledger at the same time.

The double entry principles states that “for every debit (receiving) entry recorded there must be a corresponding credit (giving) entry in another account.

The total sum of the debit side must be equal to that of the credit side.

The double entry system divides the page into two, the left side is the debit (DR) side while the right side is the credit (CR) side.

Every business established must have this items; asset; is anything of value that is owned by a business, liabilities; is the amount owed by a business to others (creditors) and capital; is the total amount invested into the business.

An account is opened for every asset owned by a business and every liability owed by the business.

TYPES OF ACCOUNTS

- Personal account
- Impersonal account

Personal account is those of debtors (those owing the company) and creditors (those the company is owing) while impersonal account refers to account in which properties such as machinery and building (real account) is recorded while revenue and expenses (nominal account) is recorded.

Expenses: means cost owners incurred while doing business, like rents, wages and salaries, electricity bills, etc.

TREATMENT OF DOUBLE ENTRY

Illustration: January 1: C. Okeke started a business with $20,000 cash as capital. to record this using double entry, two account must be opened, the cash account and the capital account.

Debit (DR): Cash account which is the receiving the money

Credit (CR): Capital account which gives out the money.