

FACULTY: ADMINISTRATIVE SCIENCES

SEMESTER: (2)

COURSE TITLE: FINANCIAL ACCOUNTING-2

PREPARED BY: MAYSOON ZAKARIA

TEL: 0119753456



CHAPTER

11

**Books of original entry
and ledgers**

Learning objectives



After you have studied this chapter, you should be able to:

- ✓ Justify the need for books of original entry
- ✓ Explain what each book of original entry is used for
- ✓ Describe the process of recording transactions in a book of original entry and then recording a summary of the transactions involving similar items in a ledger

Learning objectives



After you have studied this chapter, you should be able to:

- ✓ Distinguish between personal and impersonal accounts
- ✓ List the ledgers most commonly used and distinguish between those that are used for personal accounts and those that are used for impersonal accounts

Books of original entry



Books of original entry are the books in which we first record transactions. When we enter transactions in these books, we record:

- The date on which each transaction took place
- Details relating to the transaction , which are entered in a 'details' column.
- A folio column entry is made cross-referencing back to the original 'source document',
- The monetary amounts

Types of books of original entry

There are six books of original entry:

1. **Sales day book** – for credit sales
2. **Purchases day book** – for credit purchases
3. **Returns inwards day book** – for returns inwards
4. **Returns outwards day book** – for returns outwards
5. **Cash book** – for receipts and payments of cash and cheques
6. **Journal** – for all other items

Types of ledger



There are three types of ledgers:

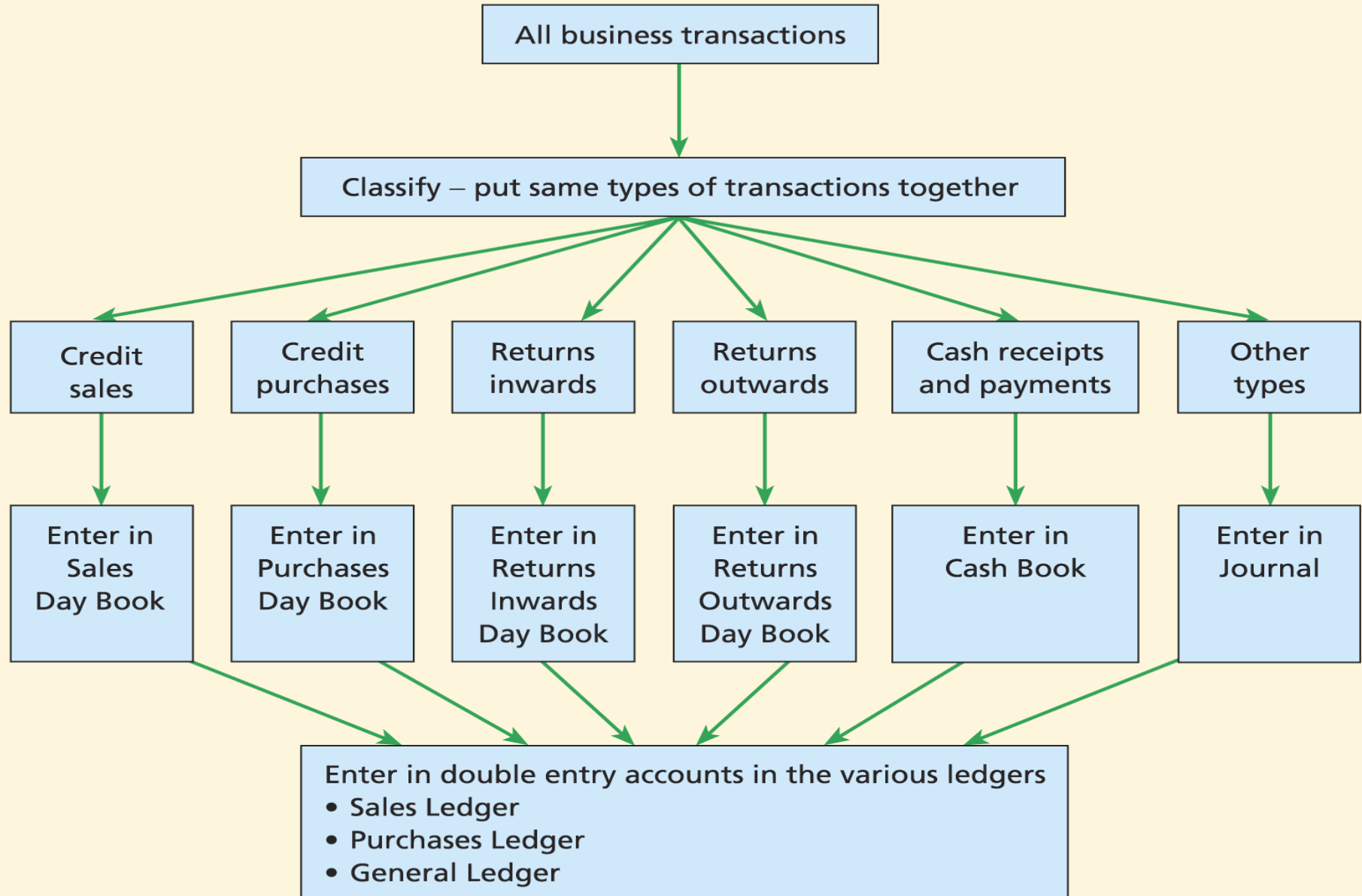
- **Sales ledger** – for customers' personal accounts.
- **Purchases ledger** – for suppliers' personal accounts.
- **General ledger** – for the remaining double entry accounts such as expenses, non-current assets and capital.

Procedure



- Entries are made in the books of original entry.
- These entries are then summarised and the summary information is entered into the various ledgers using double entry bookkeeping.
- Often, each ledger is operated by a separate bookkeeper, to make the work easier and to allow checking to take place.

A diagram of the books commonly used



TYPES OF ACCOUNTS

Accounts can be classified as personal or impersonal accounts:

- **Personal accounts** belong to debtors and creditors.
- **Impersonal accounts** are subdivided between –
 1. **Real accounts** in which possessions such as assets are recorded.
 2. **Nominal accounts** in which expenses, income and capital are recorded.

TYPES OF ACCOUNTS

