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# GENERAL INTRODUCTION TO OFFICE PRACTICE

## OUTCOMES:

- Explain the meaning of office practice*
- Explain the meaning of an office*
- state the functions of an office*
- State the functions of an office*
- differentiate between open plan and closed offices*
- Identify job opportunities available upon completion of the course*

## Office Practice

Office practice is simply a business subject in which we learn about different clerical duties performed in an office, expectations and functions of an office. It also teaches about various types of office workers as well as the types of stationery and equipment they use.

## An Office

An office could be any place of room in an organization where various clerical work is carried out/performed. It is actually a place where planning and organization of work is done.

**Note:** a person who works in an office is called an officer/an assistant/a clerk.

## FUNCTIONS OF AN OFFICE:

Some of the main functions of an office may include:

1. Storage and retrieval of information
2. Recording and processing of information
3. Supervision
4. Computing, etc

## TYPES OF OFFICES

Basically there are two (2) types of offices, namely:

- a) Open plan office
- b) Closed plan office

### A. Open Plan Office

An open plan office is a large open space or room where many workers operate from or carry out their duties. It is designed in such a way that, there could be many desks of workers to accommodate. Examples of an open plan offices include: a staff room, a typing pool, a post office, a bank, etc

### B. Closed Office

This is a room or place where one or two persons operate from. Generally closed offices are small to accommodate only one or two workers and are referred to as an “enclosed office”. Examples of closed offices include: Head teacher’s office, accountant’s office, manager’s office, etc.

## ADVANTAGES OF AN OPEN PLAN OFFICE

The following are some of the advantages of an open plan office:

- Punctuality is easily observed
- There is economic use of space as many working desks are accommodated
- There is an economic of lighting and heating, few bulbs and heaters are used

- Supervision is easier to carry out as a supervisor does not need to move from one place to another

## **DISADVANTAGES OF AN OPEN PLAN OFFICE**

The following are some of the advantages of an open plan office

- There is noise and disturbances which make workers to lose concentrate
- Diseases are quickly spread such as air borne diseases, e.g. Tuberculosis, cough, etc
- There is too much gossip among workers which lessens efficiency in production
- There is no privacy since it is an open room/place

## **ADVANTAGES OF A CLOSED PLAN OFFICE**

The following are some of the advantages of a closed plan office:

- There is limited/no noise hence workers' concentration is enhanced
- There is privacy since the room is closed
- Air borne diseases are not quickly spread
- There is limited/no gossiping hence production is not affected
- Lighting and heating facilities are used to the satisfaction of one or two workers

## **DISADVANTAGES OF A CLOSED PLAN OFFICE**

The following are some of the advantages of a closed plan office

- Punctuality is difficult to observe
- Supervision is difficult to carry out as the supervision needs to move from one office to another
- There is no economic use of lighting and heating facilities
- There is no economic use of space as offices take a lot of space
- Privacy may promote office mal-practices such as corruption, etc.

## **DIFFERENCES BETWEEN AN OPEN PLAN OFFICE AND CLOSED PLAN OFFICE**

<b>(A) OPEN PLAN OFFICE</b>	<b>(B) CLOSED OFFICE</b>
Punctually is easily observed	Punctually is not easily observed
There is an economic use of space	There is no economic use of space as an office takes up a lot of space
There is economic use of lighting and heating elements such as bulbs, heaters, fans, etc	There is no use of lighting and heating elements such as bulbs, heaters, fans, etc
There is too much noise and disturbances hence workers fail to concentrate on work	There is no noise and less disturbances hence worker concentrate on work
There is no privacy since it is an open place	There is privacy since it is a closed room
Supervision is easier to carry out	Supervision requires a supervisor to move from one office to another

# OFFICE ORGANIZATION AND PERSONNEL

## OUTCOMES

1. *-Define an organization chart*
2. *-Draw an organization chart*
3. *-Distinguish the various departments and their personnel*
4. *-explain the functions of various departments and their personnel*
5. *-Interpret an organization chart*

## OFFICE ORGANIZATION AND PERSONNEL

The efficiency and effectiveness of an organization/company depends on good organization and quality of its personnel. And this is interpreted by an organization chart.

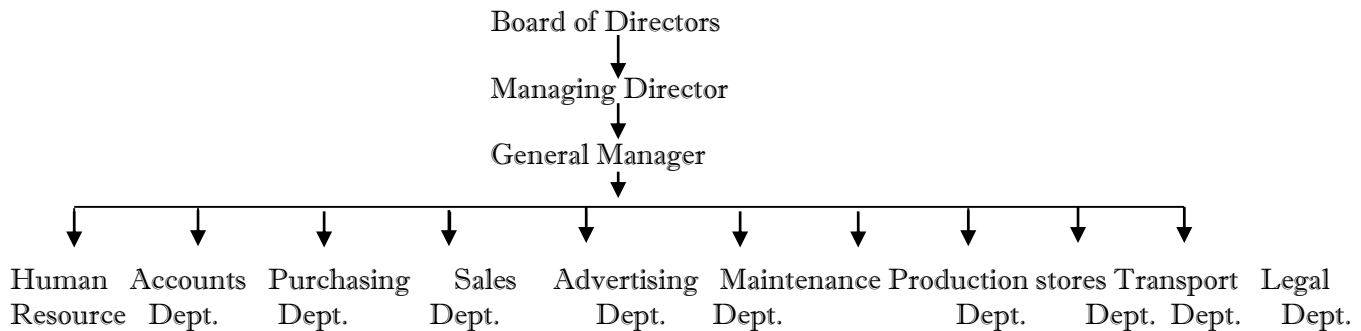
### AN ORGANIZATION CHART

An organization chart is simply a plan in an organization which shows channels or levels of communication.

#### Purpose:

- To show the hierarchy of who should report to and who should manage who.
- To identify various department for which different employees work and the departmental managers at lower levels.

### THE ORGANIZATION STRUCTURE



#### *An organization chart*

Terms defined:

#### (a) **Board of Directors:**

These are either appointed or elected group of people responsible for running and controlling the activities of the organization. They could either be founder members or investors of a company

#### (b) **Managing Director:**

This is an elected or appointed person from among the shareholders or organization and oversees all activities of an organization.

#### (c) **General Manager:**

This is a person appointed/elected by the managing director or board of directors to be in charge of all departmental managers of an organization. The general manager is responsible to the managing director

## Departments in an organization

Organization's departments are headed by elected/appointed managers, called departmental managers, who have the same rank or position. The following are some of the departments found in an organization:

### 1. Human Resource Department

This department is headed by the human resource manager and is responsible for welfare of workers and people who visit the organization. All employees in various departments including those working in the human resource department are recruited by the human resource account.

***N.B Human resource department has taken over administration and personnel departments***

**Duties:**

- Recruits and trains new staff
- Conducts induction courses for new staff
- Conducts interviews
- Provides housing facilities ,recreation/entertainment and canteen facilities
- Attends to workers' complaints

### 2. Accounts Department

This department is headed by the chief accountant and is responsible for the financial matters of an organization.

**Duties:**

- Makes budget for the whole organization
- Safe keeps funds
- Makes payments
- Audits the books of accounts

**Staff of Accounts Department:**

The accounts department consists of the following staff or officers:

- Auditor***- This is an officer responsible for checking the accounting records(books of accounts) in order to prevent embezzlement of funds and fraud by responsible officers
- Chief accountant***- This is the head of the accounts department and does all supervisory work in the department.
- Accountant***- This is an officer who computes profits/losses and prepares the balance sheet/financial statement of a company/organization. The assistant accountant assists the accountant in doing other accounts activities.
- Cashier***- This is an officer responsible for safekeeping of cash and also makes cash payments in an organization. A petty cashier is responsible for handling small imprest and makes smaller cash payments at departmental level.
- Book Keeper***- This is responsible for recording business transactions in the books of accounts on daily basis for record keeping. He/she is responsible to the accountant.

### 3. Purchasing Department

This department is headed by the purchasing manager/officer who is also referred to as the "chief buyer" of the company

**N.B.** Organizations that are profit-making have purchasing managers/officers while non-profit making organizations have procurement officers

**Functions:**

- Procures goods and materials on behalf of the company/organization
- Procures all departmental requirements
- Receives all departmental requisitions
- Submits all departmental requisitions to the accounts department for funds required to buy goods and materials requested for.

*Example of a requisition form:*

<b>PURCHASES REQUISITION</b>				
No .....				
Date .....				
Quantity	Description	Supplier's Cat No	Purchase Order No	Supplier
3	Systems desks 1050mm x 750mm	A52	489	Systems furniture
3	1050mm x 680mm 3 Drawer pedestals(mobile)	AP4	"	"
Signed S.Musonda		Approved T. Bwalya		
		BUYER		
Authorized S Lungu				

#### 4. Sales Department

This department is headed by the sales manager.

**Staff in the sales department:**

- Sales person** – This is a person who sells the goods of the firm/organization on site. He/she works in the show room where customers are shown the goods they intend to buy and advises them accordingly.
- Sales representatives** – These are workers who sell company products/services on behalf of the company and usually move from place to place in an effort to sell more goods. They also look for customers and search for new markets for the company and are referred to as “commercial travellers”.
- Invoice typist**-This one prepares all the invoices and occasional administration tasks in order to make it easier for the sales representatives.

**Functions of the sales department:**

- Sells products/services of the company
- Markets the company products
- Creates revenue for the company

## **5. Advertising Department**

This department is headed by the advertising manager and in some companies, advertising department works in liaison with the sales department

**Functions:**

- Informs the public about the goods offered by the company
- Educates the public how to use a particular product, which the company produces via promotions
- Persuades the customers to buy products offered by the company
- Places advertisements on electronic and print media, eg. TVs, radio, newspapers, brochures, etc.
- Packages products in various sizes, quantities, etc before sales
- Supplies goods and services ordered by customers

## **6. Maintenance Department**

This department is headed by the maintenance manager

**Functions:**

- Repairs the property, equipment and machinery of the company
- Maintains the property of the company
- Ensures that there is sanity and safety in the working place

## **7. Production Department**

This department is headed by the production manager/ officer who is also called the “supervisor”. He/she is assisted by the site clerks.

**Duties/functions:**

- Provides products to meet the needs of the consumers
- Processes raw materials into finished goods

**Staff of the production department**

- Progress Clerk*** – He/she ensures that there are no shortage of raw materials at the factory/ site and records all incoming and outgoing materials. A progress clerk is also known as “Site Clerk”
- Foreman*** – He/she supervises the production works at the factory/site

## **8. Stores Department**

This department is headed by the Stores Manager/officer.

**Functions:**

- Receives goods and property brought/procured by the company
- Stores goods and equipment of a company safely
- Provides accurate and updated stock records using a stock card

STOCK CARD				
Item:				
Min:				
Max:				
Date	Description	In	Out	Balance

*Stock card exhibit*

## 9. Transport Department

This department is headed by the transport manager/ officer who is also known as “Chief Driver” or “Head driver”

### **Functions:**

- To carry workers/staff to and from the place of work
- Delivers raw materials to the factory for processing
- Delivers processed goods to warehouse for storage
- Delivers finished products to the market for sale

## 10. Legal Department

This department is headed by the Company Secretary who is also known as the “Legal Counsel”.

Duties/functions:

- Defends the company in all legal matters of the organization



# ENTREPRENEURSHIP

## DEFINITION

Entrepreneurship is the ability to create and build something practically from nothing. It is initiating, doing, achieving, and building an enterprise or organizing, rather than just watching, analysing or describing one. It is the instinct of sensing an opportunity where others see chaos, contradiction and confusion.

## QUALITIES OF A GOOD ENTREPRENEUR (CHARACTERISTICS)

- Willing to take risks
- Commitment or hardworking
- Will seek challenges
- Making decisions
- Initiating action
- Creative
- Independent
- Flexible and adaptable
- Motivated

## WAYS OF STRENGTHENING ENTREPRENEURIAL ABILITIES

- Help from other people, friends, family members etc.
- Training
- Read books
- Communication
- Observe from successful business people
- Motivational talks
- Activities been done within the communities

## ENTREPRENEURIAL ACTIVITIES FOUND IN THE COMMUNITY

- Farming
- Fishing
- Hair dressing
- Dairy selling
- Shoe repairs
- Stone crushing and selling
- Tailoring
- Constructions
- Street vending
- Transport

## REASONS FOR ENTREPRENEURSHIP

- Create jobs
- Self-reliance
- Promote healthy competition
- Generate profit

- National development
- Spread prosperity
- Employer (self)

## **TYPES OF BUSINESSES**

**Sole trader;** a business run by one person in order to make profit

**Partnership;** two or more people share ownership of the a single business in order to make a profit

**Cooperatives;** an organization of people who come together to achieve a common goal or purpose.

**Limited company;** is a group of people who come together to do business in order to make profit

## **SOURCES OF BUSINESS IDEAS**

- Self
- Friends
- Family, members, books and media
- Existing business
- New knowledge and new technology

## **SWOT ANALYSIS**

- Strengths of the new idea
- Weakness of the new idea
- Opportunities of a new idea
- Threats of a new idea

### **STRENGTHS**

These are positive internal factors which a business can draw on to achieve a mission, goals and objectives e.g. special skills, knowledge or a positive public image etc.

### **WEAKNESSES**

These are negative internal factors which hinders progress of the business e. g shortage of skilled workers, inability to use the technology, and inferior location or bad location e. t. c

### **OPPORTUNITIES**

These are positive external options that a firm can exploit to champion its mission, goals and objectives e. g if the town is growing and so is the demand, say there are three filling stations for gas hence the town needs more filling stations.

### **THREATS**

These are negative external forces that present a business ability to attain its mission, goals, and objectives e.g. competition like too many people dealing with the same business e. g lodges, damping where by our local products are disadvantaged

## **FACTORS TO CONSIDER BEFORE FORMING A COMPANY**

1. locality
2. start-up capital
3. trading hours
4. source of raw materials
5. competition
6. advertising
7. banking

## **DOCUMENTS NEEDED FOR THE FORMATION OF DIFFERENT TYPES OF BUSINESS**

### **PARTNERSHIP DEED**

It is a written agreement that spells out the duties and right of partners. Partnership deed may include the following:

- (i) Name of the partnership
- (ii) Name of the business
- (iii) Amount of capital each partner contributes
- (iv) The ratio in which partners share profit
- (v) The rate of interest each partner is to be paid
- (vi) The rights of each partner
- (vii) Ways of admitting a new partner.

### **ARTICLES OF ASSOCIATION**

It is a set of rules and it contains the following rules

- (a) Rights of shareholders
- (b) Powers of directors
- (c) Procedures of meetings
- (d) Sharing of profit
- (e) Borrowing powers of a business
- (f) Method of audit

### **MEMORANDUM OF ASSOCIATION**

This is an application letter to the registrar of companies to form a company and it relates to the external affairs of business and it contains the following:

- (i) Name of the company e.g. ltd, for private, plc for public
- (ii) Address of the company's registered headquarters
- (iii) The objects of a company
- (iv) A statement that shareholders have limited liabilities i.e. shareholders properties cannot be grabbed if the company has collapsed
- (v) The amount of authorized capital
- (vi) A list of founders or promoters
- (vii) Names and addresses of the first board of directors

## **Trading Licenses**

These are business permit issued by the government agencies that allow individuals or companies to conduct businesses. Councils

## **BUSINESS PLAN**

Business plan, is a plan prepared by an entrepreneur that presents the business idea, goals and objectives and how to achieve them.

### **FUNCTIONS OF A BUSINESS PLAN**

- Provides more clearer and organized business ideas
- Leads to putting down of ideas into written documents
- An operational plan
- Used for sourcing loans from lending institutions
- Help to determine liability of a business ideas
- Provides an answer as to the profitability of the business

### **CONTENTS OF A BUSINESS PLAN**

1. Executive Summary
2. Logo on the cover
3. Business idea
4. Table of content
5. Product description
6. Marketing plan
7. Premises
8. Equipment
9. Organization structure
10. Legal responsibilities
11. Start up capital
12. Financial plan
13. Form of business
14. Staff
15. Costing items

### **EXECUTIVE SUMMARY**

It gives the brief description of the business and highlight its purpose. It should explain how the purpose will be achieved.

### **LOGO ON THE COVER/FRONT COVER**

It gives the reader an instinct impression of the business and also shows the business name and logo.

### **TABLE OF CONTENT**

A title page is critical to ensure that your document is easy to read as it provides the reader with a road map to your plan.

## **BUSINESS IDEA**

It is a thought/concept which comes across someone's mind with a view of making a profit his/her economic wellbeing.

## **PRODUCT DESCRIPTION**

It is anything that has physical and emotional utility which can satisfy the needs and wants of customers.

## **MARKETING PLAN**

A marketing plan is part of the business plan outlining the marketing methods for a product or service. This includes;

- Company
- Pricing
- Target market
- Competitors
- Marketing budget
- Promotion mix

## **PREMISES**

This is an area or locality of operation or where business will be taking place.

## **FORM OF BUSINESS**

It states the types of business. E.g a sole traders

## **STAFF**

Personnel to help run the business (human resource)

## **LEGAL RESPONSIBILITIES AND INSURANCE**

Payment of taxes to the government and protection of the business

## **COSTING ITEMS**

The price of a product or a service is determined by its cost of production and how much profit the entrepreneur wants to make for it.

## **FINANCIAL PLANNING**

Financial planning is the predicting revenues and costs, and comparing of estimated profit with the cost of investment i.e. start-up cost, cash flow income statement and balance sheet

## **START-UP CAPITAL**

This is the money or assets required to start a business e.g. machinery.

## SOURCE OF START UP CAPITAL

Self, friends, family members, bank loans etc.

## WAYS OF FINANCING BUSINESSES

- Savings
- Banking loans
- Borrowing from friends or family members
- Leasing (to allow someone to use an apartment for a period of time e.g. 20 years and above)
- Subletting (to allow someone to use an apartment. This happens when an existing tenant that lets all or part of their home to someone else who is known as a sub-tenant)

## BUSINESS ETHICS

- Honesty
- Integrity
- Loyalty
- Dependability
- Flexibility
- Punctuality
- responsibility

## OFFICE STATIONERY AND EQUIPMENT STATIONERY

Stationery refers to small equipment used in an office such as pens, paper, envelopes, etc. stationery is also referred to as “Consumables”

### 1. PAPER

There are different types of paper used in an office and these are:

- a) Bond paper – This is used for general typing of letters, legal documents, etc
- b) Stencil duplicating paper- This is used for making as many copies on the stencil as possible. This paper is not smooth or is rough in order for it to suck ink
- c) Flimsy Paper- This is used in such a way that you can make more than one copy without using Carbon Paper

**N.B** The letters NRC stand for No Carbon Required

### Packing of paper

Papers may be packaged in the following two ways:

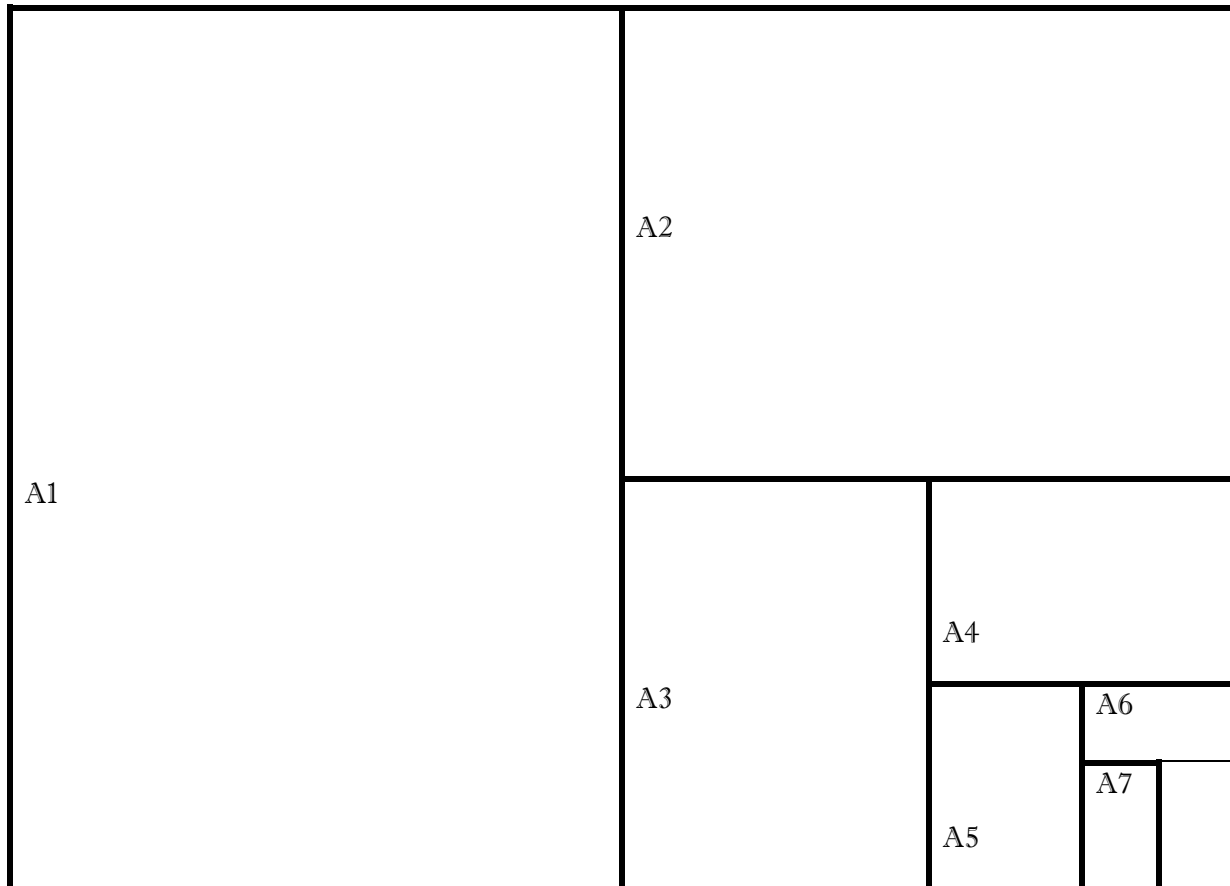
- i. **A Quire** – This is a measure of paper containing 25 sheets
- ii. **A Ream** – This is a measure/pack of paper that consists of 500 sheets

### INTERNATIONAL PAPER SIZES

The internationally used A series paper sizes various from A0 to A10. The following are the examples of the common uses sizes of paper:

- a) **A3** – This is used for legal documents, balance sheets ,posters, financial, financial statements, etc

- b) **A4** – This is used for business letters, reports, minutes ,agenda, specifications, bills of quantities, estimates, quotations, invoices, etc
- c) **A5**- This is used for short letters, memos, small invoices, credit notes
- d) **A6**- This is used for post cards, index cards, requisitions, petty cash vouchers, compliment slips, short memos
- e) **A7**- This is used for business (visiting) cards, labels.



## 2. ENVELOPES

These used for enclosing letters and other correspondence. There are many types of envelopes and these are:

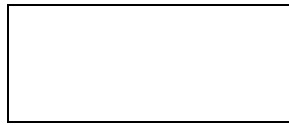
### a) **Pocket envelope**

This type of an envelope has a flap and opening on the short side as shown.



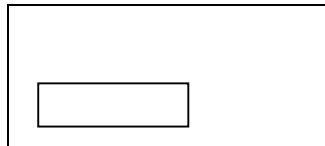
**b) Banker envelope**

This envelope has a flap and opening on the long side as shown below.



**c) Window envelope**

This is also known as “aperture envelope”. It has an opening on the front which is covered with transparent paper. The name of the addressee need not to be written on the envelope as the letter that must come inside it, can be folded in such a way to show the postal address through the window as it appears at the top of the letter.



**d) Registered envelope**

This one is used for sending postal orders, cheques, etc.



**e) Prepaid envelope**

This is an envelope used where a person/ organization/company is in need of information from another person, but is not sure that the target audience will find it worth paying the postage. Therefore, the company/organization sends an envelope for which postage has been paid for, i.e. prepaid. The respondent simply inserts the information slip/ letter and posts the envelope.

The machine used to put the postage work on the envelope is known as a franking machine.

Example



### 3. RUBBERS

These are used for erasing errors/mistakes made in written ink or in pencil.

### 4. STENCILS

A stencil is a thin sheet of fine fibres coated with special ink-resistant compound. It also contains a carbon paper and a hard sheet which serves as a backing/supporting sheet.

### 5. FILES AND FOLDERS

**A. Files**

These are office equipment that are often perforated and have tags or fasteners inserted to keep the documents intact in each file.



## **B. Folders**

These are office equipment that form the basis of filing. They are made of manila cardboard and are usually folded to size.

## **6. STAPLES AND STAPLER**

These are used for attaching papers together

## **7. CORRECTION FLUID**

This is a special white fluid for painting over or covering incorrect text. A good example of a correction fluid is Tipex

## **8. THINNERS**

This is fluid used to soften the correction fluid when it gets thick or dry.

## **9. PAPER CLIPS**

These are used for holding two or more papers together.

## **10. PENS AND PENCILS**

These are used for writing and drawing on paper. All tools used for writing are collectively called writing utensils.

## **11. SHARPENER**

This is used for sharpening the pencils. It is needed where pencils are mostly used

## **12. DATE STAMP**

This is used for printing dates on the document such as letters, envelopes, etc.

## **13. PAPER KNIFE**

This is used to carefully open letters once they are received. In line with a paper knife, a letter opening machine is also used for the same purpose.

## **14. HOLE PUNCHER/ PERFORATOR**

This is for making holes on the edge of the paper for the purpose of filing. It is also known as a perforator.

## **15. PAPER TRAY**

This device is used to organize and keep papers or documents together on a person's desk. There are two types of trays:

- a) In-tray- This is used for all incoming mail/letters
- b) Out-tray- This is used for all outgoing letters/ mail

# **OFFICE EQUIPMENT**

There are several types of office equipment used and some of them have been discussed.

## **1. Typewriters**

A typewriter is a machine used to type up correspondence such as typing letters, circulars, invoices, etc

Types of typewriters

There are several types of typewriters some of them are:

- a) **Manual Typewriters-** These are typewriters that do not use electricity in order to type. For this reason, it requires a great deal of pressure from fingers of the person typing on it.
- b) **Electric Typewriters-** These typewriters use electricity and they do not require so much pressure when typing

- c) **Continuous Stationery Typewriters-** These are typewriters that use special continuous stationery paper. This special continuous stationery paper is fed through the type writer automatically instead of feeding it with loose sheets of paper.
- d) **Electronic Typewriters-** These typewriters operates automatically. They can store information on magnetic cards, center automatically, memorize instructions, etc
- e) **Portable typewriters** – These are very small and portable typewriters, which can be carried from one place to another. They are suitable for secretaries attending meetings far away from their usual work stations.
- f) **Braille typewriters-** These are special typewriters that can type the alphabet. These typewriters are used by blind people to read by using raised symbols that are identified by touch.

## 2. Duplicating ink

- a) **Ink and Spirit Duplicators-** These machines are used for duplicating typewritten and handwritten work. These machines are used to make many copies of the same document.  
*N.B-* Ink duplicators make more copies than spirit duplicators.
- b) **Stencil Duplicators-** These machines are used for duplicating/producing any number of copies, e.g. Up to 10,000 copies using the cheapest means.

## 3. Filing Cabinets

A filing cabinet is a office equipment that has been developed as a reliable and suitable way of storing documents.

*N.B-* The majority of the filing cabinets are now made of metal because they are made up of heat resistant material so that essential records are safeguarded in of an outbreak of fire.

*N.B* -Other office equipment have been covered in telecommunication services.

## 4. Computer

**Definition of a computer,** this is an electronic device that is made up of input devices such as the keyboard and is used to capture data and instructions, with the help of sets of instructions it will be able to produce results or output through devices such as printers or screens.

### 1. Classes of computers

Computers can be classified as follows:

- Supercomputers
- Mainframe computers
- Minicomputers
- Microcomputers, commonly called PCs

# BUSINESS ETIQUETTE

Etiquette means rules for formal relations or behaviour among people in a working place. There should be some rule that is meant to control the behaviour of people at the work place.

Additionally, business etiquette can refer to normal everyday good manners at work place.

Etiquette ranges from the simplest rule of observing punctuality at work to the relations among fellow workers. These include punctuality, personal appearances, personal reliability, courtesy, and loyalty.

## PERSONAL APPEARANCES

- i. An officer should always appear as presentable as possible at work. They should dress properly according to the nature of the work that they perform in the company.
- ii. Some jobs require that a worker wears protective clothing when they are working, for example, factory workers, mechanics, miners, and electricians will wear an overall to protect their own clothes. Others are uniformed staff such as soldiers, police, nurses etc. Any worker who does not wear a uniform when he is expected to, will be considered to have violated the ground rule.
- iii. However, some workers do not wear a uniform, but wear their own clothes according to the nature of work they do in the company. It is improper for a teacher to go to work in sports or outdoor clothing.

## RELIABILITY

- i. Reliability refers to how dependable a worker should be at the place of work.
- ii. A worker should display a hard-working attitude when they perform their everyday duties in an organisation.
- iii. They should work without any supervision or constant instruction and should have proper knowledge.
- iv. Reliability is considered as etiquette because workers cannot perform well if they are not reliable in their job.

## PUNCTUALITY

- i. Punctuality refers to how early a worker reports to work. It is ill discipline for a worker to report late for work. An employee in an organisation must report early for work and he/she must be consistent in reporting early for work.
- ii. A worker should report for work earlier or before his supervisors arrive.
- iii. Punctuality adds to good performance and quality production in a firm
- iv. In general all types of work performed in companies require that the respective employees consider punctuality as office etiquette

## LOYALTY

- i. To be loyal at one's place of work means to support, listen to and add care for fellow workers, supervisors and the company one works for.
- ii. An employee who is not loyal speaks badly of the people or the place he works at. He is not a good employee because he is less likely to carry out instructions from superiors effectively and perform well at work.
- iii. Being loyal to one's superior will contribute greatly to an enjoyable work environment and will ultimately improve the quality of production

## COURTESY

- i. Courtesy at work means to have good manners, being polite and kind. All employees must have good manners while at work because it portrays one's background.
- ii. An employee should not look down upon anybody in the company.
- iii. There should be politeness in the way he/she responds to fellow workers and managers or supervisors

## RELATIONSHIP WITH FELLOW WORKERS AND OTHERS

- i. Employees should try against all odds to establish good relationship with his/her fellow workers.
- ii. Good working relationships should exist where people are working together as it will promote what is called *Esprit de corps* (team work)
- iii. If a person isolates her/himself from his/her team, neither will she or he nor the team can do the necessary tasks effectively. The team members are dependent on each other. People at the work place need to learn to get along with each other.
- iv. Bad working relations and fighting are a danger to the quality of production in the company and can even bring production to a standstill.
- v. Management should be sensitive to these issues and have a policy in place that geared to optimize good working relationships among employees.
- vi. A content, happy worker who has good relationships with his/her fellow workers and supervisors will be more productive at work.

## BUSINESS TRANSACTIONS

**Definition:** - An act of buying and selling of goods and services or an economic event that initiates the accounting process of recording in the company's accounting system.

### TYPES OF BUSINESS TRANSACTIONS

There are about three types, and these are:

1. Cash /Bank transactions
2. Credit transactions
3. Barter transactions

#### 1. CASH TRANSACTIONS

It is an act of buying and selling of goods and services where immediate payment by cash is made

1. It involves the immediate exchange of goods and services with cash.
2. The records of Cash transactions are used to prepare the cash account.

#### 2. CREDIT TRANSACTIONS

This is an act of buying and selling of goods and services where payments are made on the future date. Goods and services are collected before payments are done, though it will be done later.

Information of credit transaction is used to prepare subsidiary books such as purchases day book, sales day book etc.

#### 3. BANK TRANSACTION

This is the buying and selling of goods and services by cheque. There is no handling of cash.

Examples of bank transaction are:

Bwalya bought goods worth K100.00 by Cheque

Kasama Girls paid water bills K 4000.00 to Chambeshi by Cheque

#### 4. BARTER SYSTEM

This is the system of exchanging goods for goods. For example, a bag of Salt is being exchanged with a bag of groundnuts. These type of business transactions are never recorded in the books of account

### THE BALANCE SHEET

A Balance Sheet is a statement showing the financial position of a business at a given date. It consists of all balances remaining in the books of accounts after the Trading and Profit and Loss Account (expenses and incomes) for the period that has been completed. The balances will be for assets, liabilities, capital, drawing and net profit or loss.

*This is the statement which shows the financial position of the business. Or a statement of assets*

1. **Debtors** ( Trade Receivables) : these are people, firms who owe us money e.g. credit customers
2. **Creditors**: (trade Payables) - these are people, firms whom we owe money: credit suppliers
3. **Debts**: money we owe other firms, or people
4. **Assets**: An asset is anything owned by an organization that has monetary value.

## COMPOSITION OF ASSETS AND LIABILITIES

### TYPES OF ASSETS

Assets are classified as current assets and Fixed assets.

#### CURRENT ASSETS

They are called current assets because they are temporal in nature. They easily change in value with time and can be turned into cash fairly soon. Examples of current assets are:

Stock of goods, debtors, Prepayments – (amounts paid in advance by the business for which a service has not yet been provided.) Cash in hand -this is cash available for use in the office. Cash at bank – this is money the business has with the bank.

#### FIXED ASSETS

Sometimes called **NON-CURRENT ASSETS OR CAPITAL ASSETS**.

These are possessions which do not change in value easily. They are long lasting and help generate income for the business on long term basis. They are acquired not for sale as long as they are useful to the business. Examples of fixed assets **includes**:- Land Buildings, Machinery, Furniture and fittings, Goodwill, motor van.

Nearly all non-current assets will be subject to depreciation, another term used to describe the acquisition of non-current assets is capital expenditure, i.e. expenditure on assets contributing to the long-term capital accumulation of the organisation.

## LIABILITIES

These are amounts owed by the business (debts) to its trade creditors and to its owner(s).

### TYPES OF LIABILITIES

#### CURRENT LIABILITIES

These are debts of the business that must be paid within a fairly short period of time. A fairly short period of time may be taken as one year. Examples of current liabilities include the following:

1. **Trade creditors** (trade Payables)– suppliers to whom the business owes money for goods supplied on credit.
2. **Accrued expenses**- They represent bills for expenses for services which the business been provided but has not yet been paid for at the time the balance sheet is being prepared.
3. **Bank overdraft**: These are short term borrowings repayable on demand. This happens when a business over- draws from its bank current account e.g. a business may have K100 000 in its current account, with prior consent from the bank manager, the business may be allowed to withdraw K120 000 The excess K20 000 withdrawn is bank overdraft, which must be shown as current liability at the balance sheet date as long as it is not paid at that date.

#### LONG TERM LIABILITIES

These are debts by arrangement with creditors concerned, have to be paid over a long period of time, usually more than one year e.g. 5 year loan. Examples of Long term liabilities may include: Loan, Mortgage Loan

## CAPITAL

Capital is also sometimes referred to as 'equity' or 'ownership interest', that is, the value which the owner or owners have invested in their business. However, capital is a **LIABILITY**. The Framework defines Equity as 'the residual interest in the assets of the entity after deducting all its liabilities.

### How does the value of capital change?

The owner's investment will change for a number of reasons, most obvious of which is if more capital is contributed by the owner, or capital is withdrawn by the owner. However, the other main reason is the business making either a profit or a loss. We calculate profit or loss by comparing a business's Revenue with its Expenses.

- If Revenue exceeds Expenses, the business makes a profit, and the owner's capital increases.
- If Expenses exceed Revenue, the business makes a loss, and the owner's capital decreases.

### Exercise

Classify the following into fixed, current assets and liabilities

Office Machinery: Loan From Mulenga: Debtors, Creditors, Owing To the Bank Fixtures and Fittings, Cash In Hand Cash at Bank; Electricity Prepaid, Mortgage, Creditors of Goods,

## ACCOUNTING EQUATION

The Accounting equation states that at any point in time, the assets of the business will be equal to its capital and liabilities.

If the proprietor is the only supplier of the resources to the business, the equation is recorded as: **Assets = Capital**.

If the resources are supplied by the proprietor and others, the equation is recorded as:

**Capital = Assets – Liabilities**

**Assets = Capital + Liabilities**

**Liabilities = Assets – Capital**

Complete the Gaps following table

	Assets	Liabilities	Capital
1.	11 000	8 000	
2.	18 000	3 200	
3.	16 800		12 500
4.	19 600		16 450
5.		6 300	19 200
6.		11 650	39 750
7.	98 000	-	
8.		17 200	28 500
9.	88 000		62 000
10.	119 500	15 400	

## PREPARATION OF BALANCE SHEET

Fixed Assets				
Land And Buildings		Xxxx	}	+
Motor Van		Xxxx		
Fixture And Fittings		Xxxx		
Furniture		Xxxx		
Total Fixed Asset			Xxxx	}
Current Assets				
Stock	Xxxx	}	+	
Debtors	Xxxx			
Bank	Xxxx			
Cash In Hand	Xxxx			
Prepaid	Xxxx			
Total Current Assets		Xxxx	}	
Less Current Liabilities				
Creditors	Xxxx	}		
Owing/Accrued	Xxxx			
Bank Overdraft	Xxxx			
Total Current Liability		Xxxx		
Working Capital			Xxxx	
Net Asset			Xxxx	
Financed By				
Capital			Xxxx	

Equations

**Working capital** = Total Current Assets – Total Current Liabilities

**Net Assets** = Working Capital + Total Fixed Assets

**Order of permanence:** when preparing the balance sheet is where you start with assets that takes long in business.

**For current assets it is**

Stock, debtors, Bank, Cash

For **fixed assets** it is:

Land and buildings, motor van, fixtures and fittings, e t c

**Order of Liquidity** is the opposite of order of permanence

### Example

Balance sheet as at 31 December 2010

<b>Fixed Assets</b>			
Land And Buildings		100,000	
Fixture And Fittings		50,000	
Total Fixed Asset			150,000
<b>Current Assets</b>			
Stock	20,000		
Debtors	200,000		
Bank	30,000		
Cash In Hand	20,000		
Rent Prepaid	<u>60,000</u>		
<b>Total Current Assets</b>		330,000	
<b>Less Current Liabilities</b>			
Creditors	10,000		
Bank Overdraft	<u>10,000</u>		
<b>Total Current Liability</b>		<u>20,000</u>	
Working Capital			<u>310,000</u>
Net Asset			<b>460,000</b>
<b>Financed By</b>			
Capital			<b>460,000</b>

From the following information; calculate the capital of SKM who stated business on January 2010

Stock	20 000
Buildings	100 000
Debtors	200 000
Creditors	10 000
Bank overdraft	10 000
Fixtures and fittings	50 000
Cash in hand	20 000
Cash at bank	30 000
Rent prepaid	60 000

### Exercise

- Bwalya is setting up a new business. Before actually starting to sell anything, she Bought fixtures for K200 000, Premises for K500 000 and a stock of goods for K100 000 and still owes K4000 in respect of the Premises. Mwansa lent her K20 000. Bwalya after the above she has K120 000 in the bank account and K150 000 cash in hand. You are required to calculate her capital. [ 5 marks]

2. SKM has the following assets and liabilities on January 2009

Bank Balance	K24 000
Stock	K145 000
Fixtures and Fittings`	K40 000
Debtors	K12 000
Premises	K400 000
Creditors	K80 000
Motor Van	K80 000
Loan	K200 000

From the following calculate

- i. SKM's capital [5]
- ii. SKM's Current Assets [4]
- iii. SKM's Fixed Assets [2]
- iv. SKM's Current Liabilities [2]
- v. SKM's working Capital [3]
- vi. SKM's Net Assets [4]

## EFFECT IF BUSINESS TRANSACTIONS ON THE BALANCE SHEET EQUATION (ASSET, CAPITAL, LIABILITIES)

This is a system which show how business transaction affect the asset Liabilities and Capital

### Example

S/N	Transaction	EFFECT UPON		
		Asset	Capital	Liability
a.	We pay a credit K70 000 by cash	-Cash	No effect	-credit
b.	Bought goods on credit K20 000	+ stock	No effect	+creditor
c.	Bought fixtures K500 000 by cheque	+ fixture - bank	No effect	No effect
d.	The owner introduces another K700 000 cash into the business	+cash	+capital	No effect
e.	Repaid loan by cash owed to SKM	-cash	No effect	- creditor
f.	Deposited cash into the bank	-cash,+bank	No effect	No effect
g.	Sold goods by cash	-stock,+cash	No effect	No effect

### Exercise

The recording of book keeping and accounting transaction requires consideration of the basic accounting concepts and principles. Write down the effect of the following transactions on the dual aspect concepts i.e. Assets, Capital and Liabilities

S/N	transaction	Asset	Liabilities	Capital
1.	Started business with cash K50 000 cash			
2.	Bought goods on credit K2 000 000			



3.	Bought office furniture by cash K80 000			
4.	Paid rent by cheque K 45 000 000			
5.	Proprietor brings into the business a further K 1500 000 payment by cheque			
6.	Bought Motor Van on credit from Toyota Zambia K20 000 000			
7.	Paid Toyota Zambia by cheque			

## DOUBLE ENTRY SYSTEM

This is the process of recording business transactions in two aspects, that is

- The receiving and
- The giving of money or something of value.

The recording of these two aspects in the books of accounts of a business is called double entry.

In the double entry system, the receiving account is always **debited** while the giving out account is always **credited**. It is also important to identify the accounts involved in the business transactions in order to complete a double entry system correctly.

## DOUBLE ENTRY SYSTEM

Every credit entry must have a corresponding debit entry and vice versa

**DEBIT**                      THE ACCOUNT RECEIVING

**CREDIT**                      THE ACCOUNT *GIVING OUT*

Example

1. Complete the table below

	Transactions	A/C to be Debited	A/C to be Credited
	Bought motor van by cash	Motor Van	Cash
	Paid Creditor Bwalya by Cheque	Bwalya	Bank
	Repaid Johns loan by Cash	Johns	Cash
	Bought Machinery on credit from James	Machinery	James
	Sold a van by cash	Cash	van

2. From the following information state the account to be debited and account to be credited

### Exercise

3. From the following information state the account to be debited and account to be credited

	A/C to be debited	A/C to be credited
Bought Office Furniture on credit from Banda		
A debtor Steve paid us in cash		
Repaid part of the loan from Musonda by cheque		
Returned some of Office Furniture to Banda		
A debtor Hope paid us by cash		
Bought a Motor Van by cash		
Bought goods on credit from Chibuye		
Goods returned to Zyambo		
Sold goods on credit to Singoi		
Sold goods by cheque		

Transaction	A/C to be debited	a/c to be credited
Started business with K5 000 000 cash	cash	capital
Bought goods on credit K150 000 from Chewe	purchase	chewe
Machine returned to Chisala K200 000	chisala	Machine
Mutale paid his account by cheque	bank	Mutale
Goods returned by us to Kaluba K120 000	kaluba	Purchase returns
We paid Musonda a creditor by Cash	Musonda	Cash
Simwinga returns goods to the business	Sales returns	Simwinga
Goods sold for cash	cash	Sales
Cash deposited in the bank account	bank	Cash
Owner of the business takes goods for private use	drawings	Purchase/stock

## CLASSES OF ACCOUNTS OR TYPES OF ACCOUNTS

There are two main types of ledger accounts i.e. personal and impersonal accounts.

### a) PERSONAL ACCOUNTS

These are accounts of a person or business. (Debtors and Creditors). Examples of personal account:

- i) Kasama Girls Account
- ii) Kunda. j's. account (a debtor)
- iii) ZESCO Ltd

### b) IMPERSONAL ACCOUNTS

These are accounts of things which are not people or business.

## TYPES OF IMPERSONAL ACCOUNTS

There are two types

- 1) Real accounts and
- 2) Nominal accounts

## 1. REAL ACCOUNTS

These are accounts which represent things that actually exist and can be touched, seen or moved (tangible). Examples of real accounts are

- Furniture
- Land and building (premises)
- Motor van

## 2. NOMINAL ACCOUNTS

These are accounts that deal with all income (gains) capital and expenses (loss) of the business. Examples of nominal accounts are: wages, salaries, profit and loss, general expenses, income received, rent paid etc.

### THE RULES FOR DEBITING AND CREDITING IN PERSONAL AND IMPERSONAL

Cash Account		Personal Account		Real Account		Nominal Account		
Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	
Receipts	Payments	receiver	Giver	property Acquired	property sold	Property losses	Expenses Gains	Income

## EXERCISE

Show by placing a tick in the appropriate column, whether each of the following accounts is personal, real or nominal.

s/n	Name of account	Personal	Nominal	Real
i	Stock			
ii	Wages			
iii	Bank			
iv	Debtors			
v	Office Equipment			
vi	Purchases			
vii	Rent received			
viii	SKM and Sons			
ix	Machinery			
x	JB Hotel			
xi	Mungwi Tech			
xii	Profit and loss			
xiii	Toyota Zambia Ltd			
xiv	Land and building			
xv	Premises			

# LEDGER

Definition: A Ledger is the main book of account Or It is made up of different types of accounts or it is a collection of financial accounts.

## USES

- For totaling business transactions in term of profit and loss accounts
- It summarises all information recorded in subsidiary books.

## TYPES OF LEDGERS

- A) General ledger
- B) Purchases ledger(creditor's)
- C) Sales ledger (Debtors ledger)
- D) Cash book

### A) GENERAL LEDGER

- The other name for general ledger is nominal ledger
- This book contains all other accounts **not found** in the cash book, creditor's ledger and debtor's ledger.

### B) PURCHASES LEDGER

- It is also known as creditors ledger
- It records all personal accounts of creditors

### C). SALES LEDGER

- This is also called Debtors ledger.
- It is a book which contains personal accounts for all debtors.

### D). CASH BOOK

It is a ledger (book) where the double entry of contra transactions are completed. . *Meaning that, these transactions are not posted to the ledger. Examples of contra entry transaction: withdrew cash from the bank for business use, cash deposited to the bank*

# THE BUSINESS DOCUMENTS.

The business documents are used in the process of buying and selling of goods and services .The following are the documents:

## THE INQUIRY:

This document is prepared by the buyer to the seller. An inquiry may be made by a letter, telephone or by word of mouth.

**The purpose of using an inquiry in a business transaction are:**

- i. It enables the buyer to discover the type, quantity, prices etc of goods that the seller has for sell.
- ii. It enables the buyer to find out the terms of sells etc

## QUOTATION.

A quotation is a reply to an inquiry that shows the goods available for sale, their terms and conditions of sale. It gives details of the goods requested for by the buyer. It is prepared by the seller and sent to the buyer.

### FORMS OF A QUOTATION.

- a. CATALOGUE: This is a printed book or pamphlet that shows all the goods that the seller has to offer .It shows details such as colour, size, quantity, prices etc. The buyer will then decide which products he/she is interested in and make further inquiries to the supplier about it.
- b. PRICE LIST: A price list is a document that list goods the seller has for sale and the prices at which the seller is prepared to sell goods written alongside the description. Bellow is an example of a price list.

Reference no.	Description.	Price per item.
F20	Ream of paper A4.	K30.00 per ream.
G140	Box files.	K50.00 per box.

- c. Estimate: It is a special kind of quotation usually sent by the seller (supplier) in reply to an inquiry for a certain work to be done according to specific instructions .e.g redecoration of offices etc. An estimate is based on the amount of time and materials which the supplier (seller) estimates will be used in completing the work.
- d. Tender: A tender is sent by the buyer to the sellers requesting for sellers to compete for the supply of goods and services for the particular period of time. They are also used to supply goods or services to an organization or to a government department and usually tenders are for a long contract period of time, say one year or where large sums of money are involved .e.g. if the government wants a big job done such as building a bridge.

## ORDER

An order is sent by the buyer to the seller asking the seller to supply the goods indicated on it. it shows the details of goods to be sent.

Lusaka Wholesalers Box 500 007 Lusaka.			
<b>Order no. 70</b>			
To: PJT Enterprise 28/04/14 Kasama		Date:	
QUANTITY	DESCRIPTION	Unit Price	Total
20	Boxes of Boom	50.00	1000.00
10	Cases of Sugar	110	1100.00
05	Bags of salt	40	200.00
Total			2 300.00
Delivery instruction to be collected by our own transport			
Namkamb Purchasing manager			

A proforma invoice is a document used before the proper invoice. A proforma invoice has the some details like those of the proper invoice such as quantity, description, unit price, total p

## **Invoice**

An invoice is bill requesting for the goods and services supplied by the seller. It is prepared by the seller and is sent to the buyer whenever goods or services are sold. The invoice serves as a reminder for payments.

Example of an invoice

<p style="text-align: center;"><b>INVOICE</b></p> <p style="text-align: right;">NO 25 CHIBUSA BUSINESS CENTER P.O BOX 410001 KASAMA</p> <p style="text-align: right;">12<sup>TH</sup> September, 2014</p> <p>KASAMA BOYS SECONDARY SCHOOL P.O BOX 410235 KASAMA</p> <p style="text-align: center;">Terms:5% 1 week,2% 2 weeks,Net 1 Month</p>			
quantity	Description	Unit price	Total price
10	Boxes of coloured chalks	K15	K 150
100	Blank DVDs	K 3	K 300
8	Reams of papers	K 35	<u>K 280</u>
			K 730
	Less 10% Trade Discount		<u>K 73</u>
			K 657
	Add 16% VAT		<u>K105.12</u>
			K 762.12
	Chibusa s Chief buyer	E.&O.E	

The invoice also shows other forms of payment such as Value Added Tax (VAT), Discount and as the letters E&OE which stand for Errors and Omission Excepted. E&OE means that the buyer has a right to make correction on the invoice.

### VALUE ADDED TAX (VAT)

VAT is the abbreviation for Value Added Tax. This tax is levied on goods and services at every stage at which supplies pass. If a product passes through several stages before it can be consumed, it means that each and every stage there should be some tax being levied on the same product.

-The current rate of VAT in Zambia is 17.5% DISCOUNTS

Discounts are price reductions, which the seller gives to buyers.

- There are two types of discounts in buying and selling of goods. These are trade and cash discount

## TRADE DISCOUNT

A trade discount is discount offered to traders who buy goods in large quantities, for example a retailer is given a trade discount by a wholesaler for buying goods in big quantities

## CASH DISCOUNT

This is a price reduction offered to regular customers who buys goods on a cash basis. A cash discount is give to the buyer by the seller in order to encourage the buyer to pay for the goods promptly or within credit period.

EXAMPLE: Calculating Trade and Cash discount

On 1<sup>st</sup> July, 2014. Bwalya bought 30 hard cover book at a price K5 each she was given a trade discount of 10%. Further he was given a 5% cash discount if she pays within 2 weeks.

Find the:

- a. Amount to pay for the goods i.e the Gross Price.

$$\begin{aligned}\text{Gross Price} &= \text{K}30 \times \text{K} 5 \\ &= \underline{\text{K } 150}\end{aligned}$$

- b. Amount of the trade discount.

$$\begin{aligned}\text{Trade Disc} &= 10/100 \times \text{K}150 \\ &= \underline{\text{K}15}\end{aligned}$$

- c. Invoice Price

$$\begin{aligned}&= \text{Gross Price} - \text{Trade Discount} \\ &= \text{K}150 - \text{K}15 \\ &= \underline{\text{K } 135}\end{aligned}$$

- d. Amount she paid if she paid after 2 weeks

- i. First calculate the cash discount

$$\begin{aligned}\text{Cash discount} &= 5/100 \times \text{K}135 \\ &= \underline{\text{K } 6.75}\end{aligned}$$

- ii. Then calculate the amount she paid i.e Net Price

$$\begin{aligned}\text{Net price} &= \text{K } 135 - \text{K } 6.75 \\ &= \underline{\text{K } 128.25}\end{aligned}$$

## DISPATCH ADVICE NOTE

It is sent by the seller to the buy to inform or advice the buyer that goods ordered has been sent or are ready for dispatch

## DELIVERY NOTE

A delivery note is a document which is sent together with goods being delivered. It shows all the particulars of the delivered goods in terms of weight, quantity, quality and description. when goods have been delivered you will always have to sign both copies of the delivery note to acknowledge the



receipt of the goods. The seller keeps one copy and the other one is given the buyer. A delivery note enables the driver to deliver the right type and the amounts of goods and of a seller to obtain the receipt of goods.

### CONSIGNMENT NOTES

A Consignment note is sent by the seller to the buyer when the seller has used hired transport to deliver goods to the buyer. The Transporting Company prepares the consignment note in three copies; one copy for the buyer, one copy for seller and the other copy is retained by the transporting company.

### DEBIT NOTE

A debit Note is sent by either the seller or buyer to inform each other to correct the under or overcharge on the invoice.

- This may be printed on the document in any ink apart from red

### CREDIT NOTE

A credit note is a document prepared by the seller and sent to buyer indicating that there is a reduction in the invoice value or when the buyer has been overcharged or undersupplied.

- This shows that the goods were overcharged or that some goods were faulty and they are being returned.
- It is usually printed in red ink on white paper.
- It is also called an invoice in reverse.

### STATEMENT OF ACCOUNT

This is a document sent by the seller to the buyer who buys goods on credit.

- It contains a summary of transactions such as invoices, debit note, credit note, payments made e.t.c. in a given periods.
- It also serves as a reminder that the buyer must pay the amount due and it is sent at the end of the month.
- It enables the buyer to compare the entries in his or her books with the seller so that any differences or queries are corrected.

STATEMENT OF ACCOUNT

In account with

From: P J SUPERMARKET  
P o Box 410201  
Kasama

Your order 245  
  
Date: 6 September 2014

To: Chibs Restaurant  
Kasama

Date	Details	Debit	Credit	Balance
22/08/14	Balance b/f			250
25/08/14	Breakfast	70		320
28/08/14	Cheque		170	150
30/08/14	Packets of sugar	30		180

## CHEQUE

This is a document that instructs the bank to pay a specified amount of money to a particularly named person. The buyer sent it to the seller to pay for the goods/services that he/she bought.

- It means also that the buyer does no longer owe a seller. In other words, a buyer can pay for goods either by cash or by cheque.
- Until the cheque is cleared from the bank, the buyer is still liable

## RECEIPTS

A receipt is prepared by the seller and given to a buyer as a proof of payment made either by cash, cheque or any other means of payment. When a receipt is not used an alternative document may be used called cash sales slip. The difference between a receipt and a cash sale slip is that a cash sale slip shows the details of goods bought while a receipt simply indicate the name the person who paid the money.

# SUBSIDIARY BOOKS

Subsidiary books are books of prime entry, or books of original entry or day books. These books includes: cash book, Sales Day Book, Purchases Day Book, Sales Returns Day Book, Purchases returns Day Book, General Journal, and the Petty Cash Book

## CASH BOOKS

A cash book is a book of original entry where we record the cash transactions of an organisation. There are three types of cash books, namely single column, two column and three column cash book. The two column and three column cash books contain two accounts. These are cash account and bank account.

## CASH ACCOUNT

Cash account is an account which records all details of cash transaction.

**Document used:** Receipts, Cash Till Slips

### HOW TO PREPARE THE CASH ACCOUNT

It has five columns. Namely

1. **Date column:** it shows the date when that transaction happened
2. **Details/ particulars:** It show the full details of that transaction
3. **Folio:** It means page Number. It shows where that transaction will be found
4. **Debit Column (Dr):** It shows all the entry of cash received (receipts)
5. **Credit Column (Cr):** It shows all the entries of Cash Paid ( payments)

At the end of the month or year the account is balanced. The amount which is remaining unspent is called a **balance carried and brought down**.

When the amount on the **credit side** is greater than the amount on the **debit**, then the account will be said to have a **credit balance**. This means that you **overspend**. And when the amount on the **debit side** is greater than the amount on the **credit side**, this shows that the account has a **debit balance**, meaning that some money remained **unspent**.

### Example one

From the following information, prepare the cash account for 2010

May 1 stated business with cash K100 000  
May 2 paid rent by cash K 1 000  
May 3 Cash purchases K210 000  
May 6 cash sales K300 000  
May 7 James paid us cash K600 000  
May 9 Paid wages by cash K 66 000  
May 11 withdrew cash for business use K12 000  
May 14 We paid Musonda cash K22 000  
May 17 received rent by cash K72 000  
May 21 motor expenses K57 000

### Cash Account

Date	Details	f	Dr.	Cr.
2010				
1-May	Capital		100,000	
2-May	Rent			1,000
3-May	Purchases			210,000
6-May	Sales		300,000	
7-May	James		600,000	
9-May	Wages			66,000
11-May	Drawings			12,000
14-May	Musonda			22,000
17-May	Rent Received		72,000	
21-May	Motor Expenses			57,000
31-May	Balance	c/d		704,000
			<b>1,072,000</b>	<b>1,072,000</b>
1-Jun	Balance	b/d	704,000	

### Example two

From the following information, prepare the cash account for 2010

May 1 stated business with cash K100 000  
May 2 paid rent by cash K100 000  
May 3 cash sales K 98 000  
May 9 paid Mulenga cash K 22 000  
May 11 James paid us cash K65 000  
May 12 Paid wages by cash K97 000  
May 19 cash drawings K120 000  
May 21 Bought goods by cash K100 000  
May 28 received a discount by cash K200 000  
May 29 Paid Electricity Bills by cash K70 000

### Cash account

Date	Details	f	Dr.	Cr.
2010				
1-May	Capital		100,000	
2-May	Rent			100,000
3-May	Sales		98,000	
9-May	Mulenga			22,000
11-May	James		65,000	
12-May	Wages			97,000
19-May	Drawings			120,000
21-May	Purchases			100,000
	Discount			
28-May	Received		200,000	
29-May	Electricity Bills			70,000
31-May	Balance	c/d	46,000	
			<b>509,000</b>	<b>509,000</b>
1-Jun	Balance	b/d		46,000

### Exercise

*From the following information you are required to prepare the cash account and post it to the ledger*

- Oct 1. Went into the business with cash K600 000
- 2. Paid lights and water by cash K80 000
- 3. Bought goods by cash K150 000
- 4. Cash sales K250 000
- 5. Paid a creditor Mulenga by cash K120 000
- 6. Received a cash K300 000 for rent
- 10. Paid carriage by cash K90 000
- 11. Cash drawings K200 000 for own use
- 14. Paid wages and salaries by cash K25 000
- 15. Took K30 000 from the cash till and deposited into the bank
- 17. Received a cheque of K700 000 from a debtor Bwalya
- 18. Received K600 000 cash for commissioned earned
- 21. Cash sales K750 000
- 24. Paid motor expenses by cash K70 000

### POSTING TO THE LEDGER

Posting to the ledger is making a second double entry. Ledger is a book not an account

**NOTE:** *If a transaction is debited in the cash account, it will be credited in the ledger, and if a transaction is credited in the cash account, it has to be debited in the ledger. This is to complete the double entry*

## Example

Posting example one to the ledger

Capital Account				
Date	Details	F	Dr	Cr.
2010				
1-May	Cash			100,000

Purchase Account				
Date	Details	F	Dr	Cr.
2010				
3-May	Cash		210,000	

James Account				
Date	Details	F	Dr	Cr.
2010				
9-May	Cash			600,000

Drawings Account				
Date	Details	F	Dr	Cr.
2010				
11-May	Cash		12,000	

Rent Received Account				
Date	Details	F	Dr	Cr.
2010				
17-May	Cash			72,000

Rent Account				
Date	Details	F	Dr.	Cr.
2010				
2-May	Cash		1,000	

Sales Account				
Date	Details	F	Dr.	Cr.
2010				
6-May	Cash			300,000

Wages Account				
Date	Details	F	Dr.	Cr.
2010				
9-May	Cash		66,000	

Musonda's Account				
Date	Details	F	Dr.	Cr.
2010				
14-May	Cash		22,000	

Sales Account				
Date	Details	F	Dr.	Cr.
2010				
21-May	Cash		57,000	

## EXERCISE

*Post example 2 and the exercise to the ledger.*

# BANK ACCOUNT

This is an account which records all the bank transactions of the business.

The bank account is prepared the same way as cash account is prepared. All the money received by cheque is debited, and all the payment by cheque is credited in the bank account.

The documents used are cheques, cheque counterfoils

## Example

### BANK ACCOUNT

date	Details	f	Dr.	Cr.
2010				
1-May	Capital		100,000	
2-May	Rent			1,000
3-May	Purchases			210,000
6-May	Sales		300,000	
7-May	James		600,000	
9-May	Wages			66,000
11-May	cash			12,000
14-May	Musonda			22,000
	Rent			
17-May	Received		72,000	
	Motor			
21-May	Expenses			57,000
31-May	Balance	c/d		704,000
			1,072,000	1,072,000
1-Jun	Balance	b/d	704,000	

From the following information, prepare the bank account for May 2010

May 1 started business with cash at bank K100 000

May 2 paid rent by cheque K 1 000

May 3 purchased goods by cheque K210 000

May 6 sold goods by cheque K300 000

May 7 James paid us by cheque K600 000

May 9 Paid wages by cheque K 66 000

May 11 withdrew cash from the bank for business use K12 000

May 14 we paid Musonda by cheque K22 000

May 17 received rent by cheque K72 000

May 21 paid motor expenses by cheque K57 000

## Example two

### BANK ACCOUNT

From the following information, prepare the bank account for May 2010.

May 1 started business with cash at bank

K100 000

May 2 paid rent by cheque K100 000

May 3 sold goods by cheque K 98 000

May 9 paid Mulenga by cheque K 22 000

May 11 James paid us by cheque K65 000

May 12 Paid wages by cheque K97 000

May 19 withdrew cash from the bank for business use K120 000

May 21 Bought goods by cheque K100 000

May 28 received rent by cheque K200 000

May 29 Paid Electricity Bills by cheque K70 000

Date	Details	f	Dr.	Cr.
2010				
1-May	Capital		100,000	
2-May	Rent			100,000
3-May	Sales		98,000	
9-May	Mulenga			22,000
11-May	James		65,000	
12-May	Wages			97,000
19-May	cash			120,000
21-May	Purchases			100,000
28-May	Rent Received		200,000	
29-May	Electricity Bills			70,000
31-May	Balance	c/d	46,000	
			509,000	509,000
1-Jun	Balance	b/d		46,000

### Exercise

*From the following information you are required to prepare the bank account and post it to the ledger*

- Oct 1. Went into the business with capital at bank K600 000
2. Paid lights and water by cheque K80 000
  3. Bought goods by cheque K150 000
  6. Received a cheque K300 000 for rent
  7. Withdrew K100 000 from the bank for office use
  10. Paid carriage by cheque K90 000
  14. Paid wages and salaries by cash K25 000
  15. Took K30 000 from the cash till and deposited into the bank
  17. Received a cheque of K700 000 from a debtor Bwalya
  18. Received a cheque K600 000 for commissioned earned

## TWO COLUMN CASH BOOK

Two column cash book is the combination of the cash account and the bank account

Example

Write up the two column cash book for SKM from the following information for the month of December 2010

- Dec. 1            stated business with cash in hand K100 000 and cash at bank K200 000
- Dec.2            Paid rent by cash K10 000
- Dec. 3            Bwalya lent us K500 000 , Paid by cheque
- Dec. 4            we paid Chanda by cheque K65 000
- Dec. 5            Cash sales k98 000
- Dec. 7            Musonda paid us by cheque K62 000
- Dec. 9            we paid Mwansa cash K 22 000
- Dec. 11           Cash sales paid directly to the bank K53 000
- Dec. 15           Chisala paid us K65 000 cash
- Dec. 20           withdrew cash K100 000 from the bank for business use
- Dec. 21           cash deposited to the bank K20 000

### Solution

#### TWO COLUMN CASH BOOK

Date	Details	F	Cash Account		Bank Account	
2010			Dr.	Cr.	Dr.	Cr.
1-Dec	Capital		100,000		200,000	
2-Dec	Rent			10,000		
3-Dec	Bwalya (Loan)				500,000	
4-Dec	Chanda					65,000
5-Dec	Sales		98,000			
7-Dec	Musonda				62,000	
9-Dec	Mwansa			22,000		
11-Dec	Sales				53,000	
15-Dec	Chisala		65,000			
20-Dec	Cash/ Bank	C	100,000			100,000
21-Dec	Bank/ Cash			20,000	20,000	
31-Dec	Balance	c/d		311,000		670,000
			<b>363,000</b>	<b>363,000</b>	<b>835,000</b>	<b>835,000</b>
1-Jan	Balance	b/d	311,000		670,000	

*“C” in the folio column stands for “Contra Entry”*

*Contra entry is a transaction where its double entry has been completed within the cash book. Meaning that, these transactions are not posted to the ledger. Examples of contra entry transaction: withdrew cash from the bank for business use, cash deposited to the bank*

### **Exercise 1**

Write up the two column cash book for SKM from the following information for the month of September 2010

- Sept. 1. Went into the business with capital at bank K600 000
- 2. Paid lights and water by cheque K80 000
- 3. Bought goods by cheque K150 000
- 4. Cash sales K250 000
- 5. Paid a creditor Mulenga by cash K120 000
- 6. Received a cheque K300 000 for rent
- 7. Withdrew K100 000 from the bank for office use
- 10. Paid carriage by cheque K90 000
- 11. Cash drawings K200 000 for own use
- 14. Paid wages and salaries by cash K25 000
- 15. Took K30 000 from the cash till and deposited into the bank
- 17. Received a cheque of K700 000 from a debtor Bwalya
- 18. Received a cheque K600 000 for commissioned earned
- 21. Cash sales K750 000
- 24. Paid motor expenses by cash K70 000

### **Exercise 2**

Write up the two column cash book for SKM from the following information for the month of December 2010

- Dec. 1 stated business with cash in hand K600 000 and cash at bank K500 000
- Dec.2 Paid lights and water by cheque K80 000
- Dec. 3 Paid rent by cash K10 000
- Dec. 3 repaid loan by cheque
- Dec. 4 we paid Chanda by cheque K65 000
- Dec. 5 Cash sales k98 000
- Dec. 7 a debtor, Musonda paid us his account by cheque K62 000
- Dec. 9 we paid Mwansa a creditor cash K 22 000
- Dec. 11 Cash sales paid directly to the bank K53 000
- Dec. 15 Chisala paid us K65 000 cash
- Dec. 20 withdrew cash K100 000 from the bank for business use
- Dec. 21 cash deposited to the bank K20 000
- Dec. 23 cash drawings K57 000
- Dec. 25Cash purchases K24 000



## THREE COLUMN CASH BOOK

Three column cash book consist of the bank account, the cash account, and the discounts

### DISCOUNTS

#### Types of discounts

1. **Cash discount:** This is a discount given to customers for prompt payment (paying quickly). This discount appears in the books of accounts, however, it consists of discount allowed and the discount received
2. **Trade discount:** This is a discount given to customers for bulky buying (buying in large quantities) it does not appear in the books of accounts. It encourages customers to buy in large quantities hence maximizes profit and increase the working capital

**Discount column consist of the discount allowed and the discount received**

#### DISCOUNT ALLOWED

*This is a cash discount allowed by the business/person to its customers when they pay their accounts quickly. This discount reduces the amount to be paid by the customers. Hence it is an expense to the firm/business.*

**NOTE** *When we receive the money, we allow a discount.*

**Discount received:** *This is a cash discount received by the firm/ business/person from its supplier when they paid what they owe the business quickly. It reduces the money to be paid to the suppliers; hence discount received is an income to the firm/business. NOTE: When we pay the money we receive a discount*

#### Example1

*Write up a three column cash book from the following details and balance off.*

- |         |  |
|---------|--|
| June 1  | balance brought forward: cash K230 000; bank K475 600  |
| June 2  | the following paid their accounts by cheque, in each case deducting 5% cash discount. Banda K140 000, Tembo K220 000 |
| June 4  | Paid rent by cheque K120 000   |
| June 8  | paid Chanda's account K360 000 by cheque less 2% cash discount   |
| June 10 | paid motor expenses in cash K44 000  |
| June 12 | Mulenga paid his account K77 000 by cheque K74 000 after deducting K3 000 cash discount                              |
| June 15 | paid wages and salaries in cash K160 000   |
| June 16 | the proprietor brings in further cash of K5000 000   |
| June 17 | cash withdrawn from the bank K350 000 for business use   |
| June 21 | cash Drawings K120 000   |
| June 23 | Paid Bwalya's Account of K140 000 by cash K133 000 having deducted cash discount                                     |
| June 31 | Received Commission by Cheque K88 0000   |

**THREE-COLUMN CASH BOOK**

			CASH		BANK		DISCOUNTS	
Date	Details	F	Dr	Cr	Dr	Cr	All	Rec
1-Jun	Balance	B/F	230,000		475,600			
2-Jun	Banda				133,000		7,000	
	Tembo				209,000		11,000	
4-Jun	Rent					120,000		
8-Jun	Chanda					352,800		7,200
10-Jun	Motor Expenses			44,000				
12-Jun	Mulenga				74,000		3,000	
15-Jun	Wages And Salaries			160,000				
16-Jun	Capital		5,000,000					
17-Jun	Cash/Bank		350,000			350,000		
21-Jun	Drawings			120,000				
23-Jun	Bwalya			133,000				7,000
30-Jan	Commission Received				880,000			
30-Jan	Balance	c/d		5,123,000		948,800		
			<b>5,580,000</b>	<b>5,580,000</b>	<b>1,771,600</b>	<b>1,771,600</b>	<b>21,000</b>	<b>14,200</b>
1-Jul	Balance	b/d	5,123,000		948,800			

**Exercise**

From the following information prepare the three column cash book of SKM in the year 2010

May 1. Balances brought down from April: cash K290 000, bank K650 000

May 3. Debtors account: Bwalya K120 000, Musonda K280 000, Tembo K40 000, all paid their account by cash deducting 2% cash discount in each case

May 3 A creditor Banda K600 000 was paid by cheque deducting 5% cash discount

May 8 Withdrawn cash from the bank K100 000 for business use

May 11 Musonda paid his account by cheque deducting 2 ½ % cash discount.

May 14 Paid wages and salaries by cash K92 000

May 20 Received Commission by Cheque K100 000

May 21 Paid motor expenses in cash K60 000

May 24 Paid Chanda's account K300 000 by cheque less 2% cash discount

**Exercise 2**

From the following information prepare the three column cash book of SKM in the year 2010 and post them to the ledger

Dec. 1 Balance brought forward: cash K970 000, Bank K400 000

Dec. 2 The following paid their accounts by cheque in each case deducting 5% cash discount. Musonda K1 000 000; Chanda K480 000; Mulenga K700 000

Dec. 3 Cash sales paid directly to the bank K670 000

Dec. 5 Paid rent by cash K 200 000

Dec. 6 We paid the following account by cheque, in each case deducting 5% cash discount Kaluba K400 000, Mwansa K640 000, Chota K200 000

Dec. 8 Withdrew cash from the bank K250 000 for business use

Dec. 10 Cash sales K670 000

Dec. 11 Paid wages by cash K300 000

Dec. 14 Bought fixtures and fittings by cheque K800 000

## PETTY CASH BOOK

This is the amount of money kept in an office to cover small day to day items of expenditure such as postage, stationary, travelling expenses and sundry expenses.

The source document is the petty cash voucher.

## IMPREST SYSTEM

This is a method by which a measure of control is kept of petty cash expenditure. The method operates as follows:

At the beginning of the petty cash period (eg weekly, fortnightly, monthly) the petty cashier is given a fixed sum of money known as petty cash float. The double entry for this being:

**Dr- Petty cash book**

**Cr - Bank account**

During the petty cash period, all payments made out of petty cash book will be credited in the petty cash book. At the end of the petty cash period, the petty cash book is balanced; the amount in hand checked with the cash box and the amount spent checked with receipts and petty cash vouchers.

The petty cashier is then reimbursed the amount of cash spent so that he/she starts every new period with the same amount float.

## ANALYSIS COLUMNS

Payments out of petty cash are analysed and grouped under analysis headings for each type of expenditure. The number of columns and the headings will depend on the nature and requirements of the business. This helps reducing the number of postings made to the general ledger. The total of each analysis column is then debited to the respective expense account in the general ledger. This completes the double entry for petty cash payments.

### Example

The following is a summary of the petty cash transactions of JK Kapenyamushi Ltd for May 2016:

May 1 Received from cashier K300 000 as petty cash float.

Payments for the month were as follows:

May 2 Postage	k18 000
3 Travelling	k12 000
4 Cleaning	k15 000
7 Petrol for van	k22 000
8 Travelling	K25 000
11 Stationery	K17 000
14 postage	K5 000
15 Travelling	K8 000
18 Stationery	K9 000
18 Cleaning	K23 000
20 Postage	K13 000
24 service of van	K43 000
26 petrol	K18 000
27 Cleaning	K21 000
29 Postage	K5 000
30 Petrol	K14 000

*You are required to:*

Rule up a suitable petty cash book with analysis columns for expenditure on Cleaning, motor expenses, postage, stationery and travelling.

Enter the month's transactions

Enter the receipt of the amount necessary to restore the imprest and carry down the balances for the commencement of the following month.

Show how the double entry for the expenditure is completed.

**Solution**

Received	Date	Details	Pc v no.	Total	Cleaning	Motor exp	Postage	Stationer y	Travelling
K'000 300	2009 May 1	Bank		K'000	K'000	K'000	K'000	K'000	K'000
		Postage		18			18		
		Travelling		12					12
		Cleaning		15	15				
		Petrol		22		22			
		Travelling		25					25
		Stationery		17				17	
		Cleaning		18	18				
		Postage		5			5		
		Travelling		8					8
		Stationery		9				9	
		Cleaning		23	23				
		Postage		13			13		
		Van service		43		43			
		Petrol		18		18			
		Cleaning		21	21				
		Postage		5			5		
		Petrol		14		14			
				<b>286</b>	<b>77</b>	<b>97</b>	<b>41</b>	<b>26</b>	<b>45</b>
	31	Bank							
	31	Balance c/d		14					
				<b>300</b>					
300	Jun 1	Balance b/d							

**General ledger**

**Cleaning account**

Date	Details	f	Dr	Cr
2016			K'000	K'000
May 31	Petty cash		77	

**Motor Expenses account**

Date	Details	f	Dr	Cr
2016			K'000	K'000
May 31	Petty cash		97	

**Postage account**

Date	Details	f	Dr	Cr
2016			K'000	K'000
May 31	Petty cash		41	

### Stationery Account

Date	Details	f	Dr	Cr
2016			K'000	K'000
May 31	Petty cash		26	

### Travelling Account

Date	Details	f	Dr	Cr
2016			K'000	K'000
May 31	Petty cash		45	

### Exercise

You are to draw up a petty cash book with the following analysis columns: motor expenses, staff travelling expenses, postage, cleaning, and prepare ledger accounts. You should restore the imprest on 1<sup>st</sup> October 2017.

Sept. 1 cashier gives K1 000 000 as float to the petty cashier

Payments out of the petty cash during September were:

Sept 2 Petrol 120  
3 J Kaluwe travelling expenses K60  
3 Postages K60  
4 D.Daka – Travelling expenses K40  
7 Cleaning expenses K20  
9 Petrol K20  
12 K. Kalulete – travelling expenses K60  
14 Petrol K60  
15 V. Mbeba – Travelling expenses K100  
16 Cleaning K20  
18 Petrol K40  
20 Postages K60  
22 Cleaning exp. K20  
24 W. Gondwe – Travelling exp. K140  
27 Settlement of M Kapelele 's account in the purchases ledger K60

## SALES DAY BOOK

- This is a book which records **credit sales only** ( all goods sold on credit)
- It shows how much credit customers (debtors) owe the business.
- It is prepared by the seller.

### Document used to prepare the sales day book

The document used to prepare the sales day book is the Duplicate invoice or sales invoice or copy invoice.

### Preparation of sales day book

#### Example

SKM executive furniture Limited sold the following items during the month of May 2010

May 1 5 lounge Suits to Pamodzi Hotel on credit K800 000 each with a 2% trade discount  
2 executive chairs to Mungwi Tech by cheque K7 00 000 each  
May 10 7 Dinning Sets to Pamodzi Hotel on credit K1000 000 each, with a trade discount of 5%  
1 lounge Suite to Kasama Lodge on credit K1 600 000  
May 19 8 beds to Kasama Hotel on credit K200 000 each  
15 Easy chairs to J.B Hotel by cash K1 500 000  
May 30 25 beds to Ludo Lodge by Cheque K2 500 000

*NOTE: 2 executive chairs to Mungwi Tech by cheque K7 00 000 each, 15 Easy chairs to J.B Hotel by cash K1 500 000, 25 beds to Rudo Lodge by Cheque K2 500 000. These transactions are not entry in the sales day book because, these are bank transactions and they have to be entered in the cash book under bank account not in the sales day book, because this books deals in **credit sales only***

### Exercise 1

SKM suppliers limited made the following sales during the month of January 2010 on credit

Jan. 9 sold 5 computers to Mungwi tech @ K2 000 000 each Less 3 % trade Discount  
 Jan. 11 Sold 1 Disco Music Machine to Valentines Night Club @ K7 000 000 less 5% trade discount  
 Jan 15 Sold 3 Colour televisions Sets to JKK Hotel K1 500 000 each on credit  
 Sold 3 DVDs to JKK Hotel @ K400 000 each by cash  
 Jan 31 Sold 5 Colour TVs to Kasama Lodge at K1 500 000 each

*You are required to prepare the sales day book and post them to the ledger*

### Exercise 2

Below are the sales which were made by SKM Plastic Limited. Determine which ones are to be recorded in the sales day book. Make the recording and post them to the appropriate accounts in the ledger for the month of April 2010

April 3 sold 5 lounge suites on credit to Kasama Lodge at K800 000 each less 5% trade discount  
 April 5 Sold 10 Double beds by cheque to JKK stores at K200 000 each  
 April 8 sold 11 dinning suites on credit to Fatmols Guest House at K900 000 each, less 2% trade discount  
 April 14 Sold 8 Lounge Suites on Credit to Mungwi tech at K600 000 each

Sales Day Book			
Date	Details	Invoice Issued	Total Invoice
2010 May 1	<b>Pamodzi Hotel</b> 5 Lounge Suits Less Discount 2%	4,000,000 80,000	3,920,000
May 10	7 Dinning Suits Less: Discount 5%	7,000,000 350,000	
			6,650,000
May 10 May	<b>Kasama Lodge</b> Lounge Suit 8 Beds		1,600,000 <u>1,600,000</u>
	<b>Sundry Debtors</b>		<b>13,770,000</b>

Sales Ledger				
Pamodzi Hotel				
Date	Details	F	Dr	Cr
31-May	Sales		10,570,000	
<b>Kasama Hotel</b>				
Date	Details	F	Dr	Cr
31-May	Sales		3,200,000	
<b>Sales Account</b>				
Date	Details	F	Dr	Cr
31-May	Debtors			13,770,000

### Exercise 3

From the following information, you are required to prepare the sales day book and post them to appropriate account of JKK stores for the month of January 2010

January 1 sold 100 plates to Mungwi Tech at K210 000 by cash  
 January 4 sold 2 electrical pots to Mungwi Tech. at K3 000 000 each on credit, less 5% trade discount  
 January 8 sold 2 sets of furniture to SKM Holdings at K1000 000 each on credit  
 January 11 sold 2 deep freezers at K1 600 000 on credit to Luwingu High School  
 January 20 sold 1 Four Plates stove at K2 500 000 to Reuben on credit

## PURCHASES DAY BOOK

- This is the book of original entry which records **credit purchases only**.
- It is prepared by the buyer after receiving the invoice
- It shows the total creditors i.e **Credit Suppliers** ( people/firms whom we owe the money as they supplies goods to us on credit)

### DOCUMENT USED

The document used is the Original invoice or purchase invoice

### Example

Banda owned a shop in Kasama and buys goods from different manufacturers for the month of January 2010 as follows:

January 1 Bought 20 Books of Accounts from Book World at K150 000 each on credit less 2% trade discount  
 January 10 bought 2 computers at K4 000 000 from JKK Computers on credit  
 January 12 purchased 20 Books of Commerce from Book World at K80 000 each on credit less 2% trade discount  
 January 19 Bought 10 Flash Discs on credit from JKK Computers at K150 000  
 January 29 bought 50 pens at K50 000 from Book World by cash.

### Solution

Purchases Day book			
Date	Details	Invoice	Total
2010		Received	Invoice
1-Jan	<b>Book World</b> 20 Accounts Books Less Discount 2%	3,000,000 60,000	2,940,000
12-Jan	20 Commerce Books Less: Discount 2%	1,600,000 32,000	1,568,000
10-Jan	<b>JKK Computers</b> 2 computers		4,000,000
19-Jan	10 Flash Discs		1,500,000
	sundry creditors		<b>10,008,000</b>

Purchases Ledger				
Book World				
Date	Details	F	Dr	Cr
30-Jan	Purchases			4,508,000

JKK Computers				
Date	Details	F	Dr	Cr
30-Jan	Purchases			5,500,000

Purchases Account				
Date	Details	F	Dr	Cr
30-Jan	Creditors		10,008,000	

### Exercise1

JKK enterprises & sons own a supermarket in Kasama. They made the following purchases during the month of September 2010

September 3 bought Mealie meal from National Milling by Cheque k10 000 000 less 3% trade discount  
 Bought 90 Pairs of Shoes on Credit from Bata Shoes company K90 000 each  
 Bought 70 Pairs of Gum Boots on credit from Bata Shoe Company K150 000 each Less 5% discount

Bought 100 Blankets from SKM Textiles on credit K200 000 each less 6% trade discount  
 September 27 bought 22 cases of soap from Trade Kings on credit K88 000 each  
 Bought 50 cases of tooth paste from Trade Kings on credit K94 000 each  
 Bought tooth paste from Colgate Palmolive by cheque K110 000 each

*You are required to prepare the purchases day book and post them to appropriate accounts.*

## Exercise 2

Silvia purchased the following goods for her business during the month of June 2010

- June 3 Bought 500 blankets from SKM textiles Limited at K250 000 each on credit, less 5% trade discount  
June 5 Bought 500 blankets from Kafue Textiles at K320 000 on credit, given a discount of 8%  
June 9 Bought 700 Pairs of Trousers from JKK Fashions Ltd at K80 000 each  
June 11 Bought 50 Pairs of Bed Sheets from Excellent Wholesalers at K100 000 per pair on credit  
June 23 Bought 100 pairs of shoes from Bata shoe Company at K350 000 per pair on credit, less 5% trade discount

*You are required to prepare the purchases day book and post it to the appropriate accounts.*

## Exercise 3

Below are the purchases made by JKK enterprise. You are required to prepare the purchases day book and post the to appropriate accounts fro the of January 2010

- January 1 Bought 20 bags of dry beans from Mwansa at K150 000 per bag on credit, less 2% trade discount  
January 10 bought 100 bags of Mealie meal from OMAS at K4 000 000 on credit  
January 12 purchased 30 bales of sugar from Kasama Sugar at K80 000 each on credit less 2% trade discount  
January 19 Bought 10 bags of salt on credit from SKM Enterprises at K150 000  
January 29 bought 50 Boxes washing Pastes at K50 000 from trade Kings by cash

## SALES RETURNS DAY BOOK (RETURNS INWARDS DAY BOOK)

- Sales Returns day book is a book of original entry which records all the credit sales returned by our customers
- It is prepared by the seller
- It reduces the credit sales
- Other names are: Sales Returns Journal, Returns Inwards Journal.
- Document used to prepare sales returns day book is **Duplicate credit note**

### Reasons for returning the goods

- Damaged in transit
- Ordered wrong Quality
- Ordered wrong size
- Bringing goods not ordered

### Example

SKM executive furniture Limited sold the following items during the month of May 2010

- May 1 5 lounge Suits to Pamodzi Hotel on credit K800 000 each with a 2% trade discount  
2 executive chairs to Mungwi Tech by cheque K700 000 each  
May 10 10 Dinning Sets to Pamodzi Hotel on credit K1000 000 each, with a trade discount of 5%  
1 lounge Suite to Kasama Lodge on credit K1 600 000  
May 19 8 beds to Kasama Hotel on credit K200 000 each  
15 Easy chairs to J.B Hotel by cash K1 500 000

On 20<sup>th</sup> May 2010 the following goods were returned because they were damaged in transit.

2 lounge suites, 3 Dinning sets sold to Pamodzi Hotel, and 2 Beds sold to Kasama Hotel.



You are required to prepare the sales returns day book and post them to appropriate accounts showing clearly how they will appear in the sales ledger after the returns of goods.

**Note: when you are preparing the Sales Returns day book, the discount given to the goods bought must also be given to the goods returned**

### Solutions

Sales Returns Day Book			
Date	Details	Credit Note Issued	Total amount
2010	<b>Pamodzi Hotel</b>		
20-May	2 Lounge Suits Less 2% Discount	1,600,000 <u>32,000</u>	1,568,000
20-May	3 Dinning Suits Less: 5% Discount	3,000,000 <u>150,000</u>	2,850,000
20-May	<b>Kasama Lodge</b>		
	2 Beds		<u>400,000</u>
	<b>Sundry Debtors</b>		<b><u>4,818,000</u></b>

Sales Ledger				
Pamodzi Hotel				
Date	Details	F	Dr	Cr
10 May	Sales Returns In		13 420,000	<b>4,418,000</b>
20-May				
31-May	Balance	c/d	13 420,000	9,002,000
				13 420,000
1-Jun	Balance	b/d	9,002,000	

Kasama Hotel				
Date	Details	F	Dr	Cr
31-May	Sales Returns In		3,200,000	<b>400000</b>
20-May				
31-May	Balance	c/d	3,200,000	2,800,000
				<b>3,200,000</b>
1-Jun	Balance	b/d	2,800,000	

Sales Account				
Date	Details	F	Dr	Cr
31May	Debtors			13,770,000
20May	Returns In		<b>4,818,000</b>	
31May	Balance	c/d	8,952,000	
			<b>13,770,000</b>	<b>13,770,000</b>
1-Jun	Balance	b/d		8,952,000

### Exercise 1

SKM suppliers limited made the following sales during the month of January 2010 on credit.

Jan. 9 sold 5 computers to Munali tech @ K2 000 000 each Less 3 % trade Discount.

Jan. 11 Sold 1 Disco Music Machine to Valentines Night Club @ K7 000 000 les 5% trade discount.

Jan 15 Sold 3 Colour televisions Sets to JKK Hotel K1 500 000 each on credit.

Sold 3 DVDs to JKK Hotel @ K400 000 each by cash.

On January 20, 2 of the computers sold to Mungwi Tech were returned because they were damaged in transit, and 1 Colour Television set sold to JKK hotel was also returned because of wrong type.

You are required to prepare the sales returns day book and post them to appropriate accounts showing clearly how they will appear in the sales ledger after the returns of goods.

### Exercise 2

Below are the sales which were made by SKM Plastic Limited. Determine which ones are to be recorded in the sales Returns day book day book. Make the recording and post them to the appropriate accounts in the ledger for the month of April 2010.

April 3            sold 5 lounge suites on credit to Kasama Lodge at K800 000 each less 5% trade discount  
April 5            Sold 10 Double beds by cheque to JKK stores at K200 000 each  
April 8            sold 11 Dinning suites on credit to Fatmols Guest House at K900 000 each: less 2% trade discount  
April 14           Sold 8 Lounge Suites on Credit to Mungwi tech at K600 000 each

On 7<sup>th</sup> April 2010 2 Double beds sold to JKK stores were returned due to poor quality, and 9th April 2010 5 Dinning Suits were also returned.

### Exercise 3

From the following information, you are required to prepare the sales Returns day book and post them to appropriate account of JKK stores for the month of January 2010

January 1           sold 100 plates to Mungwi Tech at K210 000 by cash  
January 4           sold 2 electrical pots to Mungwi Tech. at K3 000 000 each on credit, less 5% trade discount  
January 8           sold 2 sets of furniture to SKM Holdings at K1000 000 each on credit  
January 11          sold 2 deep freezers at K1 600 000 on credit to Luwingu High School  
January 20          sold 1 Four Plates stove at K2 500 000 to Reuben on credit

A few days later, it was discovered that:

20 plates were broken and returned

1 electrical pot was also damaged in transit and retained

## PURCHASES RETURNS DAY BOOK

- This is a book of original entry which records all the goods returned to suppliers
- It is prepared by the buyer
- It reduces the figure of credit purchases (creditors)
- Other names are Purchases returns Journal, Returns outwards Journal
- Document used is Original Credit Note.

### Example

Banda owned a shop in Kasama and buys goods from different manufacturers for the month of January 2010 as follows:

January 1           Bought 20 Books of Accounts from Book World at K150 000 each on credit less 2% trade discount  
January 10          bought 2 computers at K4 000 000 from JKK Computers on credit  
January 12          purchased 20 Books of Commerce from Book World at K80 000 each on credit less 2% trade discount  
January 19          Bought 10 Flash Discs on credit from JKK Computers at K150 000

Three day later of each transaction the following goods were returned because they were of wrong type.

10 books of accounts

5 Flash Discs

1 computer worth K1 800 000

*You are required to prepare the purchases returns day book and post them to appropriate accounts showing clearly how they will appear in the purchases ledger after the returns of goods.*

Solution

Purchases Returns Day Book			
Date	Details	Credit Note Received	Total Amount
2010	<b>Book World</b>		
Jan 3	10 Accounts Books	1,500,000	
	Less Discount 2%	30,000	
			1,470,000
	<b>JKK Computers</b>		
Jan13	1 Computers		1,800,000
Jan22	5 Flash Discs		750,000
	Sundry Creditors		<b>4,020,000</b>

Purchases Ledger				
Book World				
Date	Details	F	Dr	Cr
30-Jan	Purchases			4,508,000
3-Jan	Returns Out		<b>1,470,000</b>	
31-Jan	Balance	C/D	3,038,000	
			4,508,000	4,508,000
1-Feb	Balance	B/D		3,038,000

JKK Computers				
Date	Details	F	Dr	Cr
30-Jan	Purchases			5,500,000
13-Jan	Returns Out		2,550,000	
31-Jan	Balance	c/d	2,950,000	
			<b>5,500,000</b>	<b>5,500,000</b>
1-Feb	Balance	b/d		2,950,000

Purchases Returns Account				
Date	Details	F	Dr	Cr
30-Jan	Creditors		10,008,000	
31-Jan	Returns Out			<b>4,020,000</b>
31-Jan	Balance	C/D		5,988,000
			10,008,000	10,008,000
1-Feb	Balance	B/D	5,988,000	

**Exercise1**

JKK enterprises & sons own supermarkets in Kasama. They made the following purchases during the month of September 2010

- September 3      bought Mealie meal from National Milling by Cheque k10 000 000 less 3% trade discount  
                          Bought 90 Pairs of Shows on Credit from Bata Shoes company K90 000 each  
                          Bought 70 Pairs of Gum Boots on credit from Bata Shoe Company K150 000 each Less 5% discount  
                          Bought 100 Blankets from SKM Textiles on credit K200 000 each less 6% trade discount
- September 27    bought 22 cases of soap from Trade Kings on credit K88 000 each  
                          Bought 50 cases of tooth paste from Trade Kings on credit K94 000 each  
                          Bought tooth paste from Colgate Palmolive by cheque K110 000 each

On 6<sup>th</sup> September 2010 20 pairs of shoes and 30 Blankets were returned because they were of wrong type

You are required to prepare the purchases returns day book and post them to appropriate accounts showing clearly how they will appear in the purchases ledger after the returns of goods.

## Exercise 2

Silvia purchased the following goods for her business during the month of June 2010

June 3 Bought 500 blankets from SKM textiles Limited at K250 000 each on credit, less 5% trade discount

Bought 500 blankets from Kafue Textiles at K320 000 on credit, given a discount of 8%

June 9 Bought 700 Pairs of Trousers from JKK Fashions Ltd at K80 000 each

June 11 Bought 50 Pairs of Bed Sheets from Excellent Wholesalers at K100 000 per pair on credit

June 23 Bought 100 pairs of shoes from Bata shoe Company at K350 000 per pair on credit, less 5% trade discount.

The following goods were returned

1. 100 Blankets to Kafue Textiles on 5<sup>th</sup> June
2. 150 pairs of trousers to JKK Fashions on 11 June 2010
3. 50 Pairs of shoes to Bata company on 25<sup>th</sup> June 2010

*You are required to prepare the purchases returns day book and post them to appropriate accounts showing clearly how they will appear in the Purchases ledger after the returns of goods.*

## THE GENERAL JOURNAL

A journal is a book of original entry which records all the items or transactions that cannot be recorded in the other books of original entry.

The Journal contains the following

- The date
- Name of account to be debited and amount
- Name of account to be credited
- Description /explanation of a transaction called NARRATION

### Uses of the Journal

- The purchase and sale of fixed assets
- The correction of errors
- Bad debts written off
- Opening and closing balances
- Adjustment to any of the entries in the ledger

### Examples

A motor van was sold for K6 000 000 to Steve on January 2 2010

#### The Journal

Date	Details	Dr.	Cr.
2010		K'000	K'000
Jan. 1	Steve	6 000	
	Motor van		6 000
	Being the sale of motor van		

Mwansa a debtor owed K2 000 000 on January 1 2010. He was unable to pay his account in cash but offers a car in full settlement of debts

#### The Journal

Date	Details	Dr.	Cr.
2010		K'000	K'000
Jan. 1	car	2 000	
	Mwansa		2 000
	Being accepting a car in full settlement of debts		

A machine was bought on credit from SKM for K2 000 000 on January 1 2010

#### The Journal

Date	Details	Dr.	Cr.
2010		K'000	K'000
Jan. 1	Machine	2 000	
	SKM		2 000
	Being the purchase of machine on credit		

A debt of K4 000 000 owing to us from Mulenga was written off as bad debts on January 2010

#### The Journal

Date	Details	Dr.	Cr.
2010		K'000	K'000
Jan. 1	Bad Debts	4 000	
	Mulenga		4 000
	Being bad debts written off		

On January 1 2010 Musonda bought furniture on credit from carnival Furnishers on credit worth K8 000 000. On 30<sup>th</sup> January 2010 his house got burnt and managed to pay K6 200 000 in full settlement of debts

#### The journal

Date	Details	Dr.	Cr.
2010		K'000	K'000
Jan. 1	Cash/bank	6 200	
	Bad debts	1 800	
	Musonda		8 000
	Being bad debts written off after the payment of K6 200 000		

# TRIAL BALANCE

A trial balance is a list of balances extracted from the ledger accounts. It proves arithmetical accuracy of the double entry system.

It should have two sides being credit and debit sides. If the double entry is accurate, the sum on the debit side will equal to one on the credit side. In this case we say the trial balance has balanced.

The accounting entries:

1. **Debit:** all the assets, Expenses, Loses, Purchases, Drawings , Sales Returns
2. **Credit:** All the Liabilities, Gains (Income), Sales, Capital, Purchases Returns

The Title of the trial balance should be “**Trial Balance as at .....**”

## FORMAT OF A TRIAL BALANCE

Trial balance as at 31 December 20...

Details	DR	CR
purchases	xxx	
sales		xxx
Returns out ward		xxx
Returns in wards	xxx	
Debtors	xxx	
Creditors		xxx
Cash at hand	xxx	
Bank	xxx	
Capital		xxx
Land/ Building	xxx	
Fixtures / Fittings	xxx	
	xxx	xxx

### Example

From the following details of Kabwe , you are required to prepare the trial balance for the year ended 31 December 2014

Sales	12 000
Creditors	4 000
Bank Overdraft	2 000
Capital	10 000
Debtors	3 000
Cash at Bank	2 000
Cash in Hand	5 000
Stock (01.01.2014)	1 000
Land and Buildings	9 000
Machinery	1 500
Purchases	2 500
Wages	2 200
Sales Returns	800
Drawings	1 000

Details	Dr.	Cr.
Sales		12, 000
Creditors		4, 000
Bank overdraft		2, 000
Capital		10, 000
Debtors	3, 000	
Cash at Bank	2, 000	
Cash in hand	5, 000	
Opening Stock	1, 000	
Land and Buildings	9, 000	
Machinery	1 500	
Purchases	2, 500	
Wages	2 200	
Sales Returns	800	
Drawings	1000	
	<b>28 000</b>	<b>28 000</b>

Kabwe's Trial balance as at 31 December 2014

# TRADING PROFIT AND LOSS ACCOUNT

The trading profit and loss account measures performance of a business over sometime. At the end of the period it shows what profit has been achieved when the income statement is prepared. When the income statement is shown in details, it will contain the **TRADING ACCOUNT** and below this account there will be the **PROFIT AND LOSS ACCOUNT**.

The trading account is prepared in order to calculate the GROSS PROFIT while the profit and loss account is prepared to arrive at the **NET PROFIT**.

## GROSS PROFIT

This is the excess of sales revenue over the cost of goods sold. When the cost of goods sold is greater than the sales revenues, we have the GROSS LOSS.

**Gross profit = Sales – Cost of goods sold**

## Preparation of Trading Account

	K	K	K
Sales		xxxx	
Less sales Returns		<u>(xxxx)</u>	
			Xxxx
Opening stock		xxxx	
Add: Purchases	xxxx		
Less: Purchases Returns	<u>(xxxx)</u>		
		xxxx	
Add: Trading Expenses			
Carriage inwards	<u>xxxx</u>		
Wages	xxxx		
Freight charges	xxxx		
Custom duty	xxxx		
		xxxx	
Stock available		xxxx	
Less: Closing stock		<u>(xxxx)</u>	
Cost of sales			<u>(xxxx)</u>
<b>GROSS PROFIT/(LOSS)</b>			<b>XXXX</b>

1. Sales Returns (Returns Inwards) these are the sales /goods which are returned by our customers. This is debited in the Trading Account because they reduce the sales figure.
2. Purchases Returns (Returns outwards) these are the goods purchased by us now returned to a supplier. This will reduce the figure of purchases in the trading account.
3. Trading Expenses  
These are expense which brings goods into saleable condition. Therefore they are debited in the Trading Account as they increase the cost of goods

Example1.

From the details you are required to prepare the trading account

Sales	900 000
Purchases	100 000
Stock 01.01.2012	50 000
Sales Returns	20 000
Purchases Returns	60 000
Stock 31.12.2012	120 000
Carriage inwards	200 000

## PROFIT AND LOSS ACCOUNT

### NET PROFIT

This consists of the gross profit plus any revenue other than sales, such as rent received, commissions received, less the total costs used during the period other than those already included in the cost of goods sold. In short the net profit calculated in the profit and loss account is what is left of the gross profit after all other expenses have been deducted

## PROFIT AND LOSS ACCOUNT

	K	K	K
<b>Gross Profit</b>			<b>Xxxx</b>
<b>Add: Income</b>			
Rent Received		Xxx	
Commission Received		Xxx	
Total income			Xxx
<b>Less: Expenses</b>			Xxx
Wages and salaries		Xxx	
Rent		Xxx	
Insurance		Xxx	
Bad debts		Xxx	
Electricity Bills		Xxx	
Total Expenses			Xxx
<b>Net Profit/Loss</b>			<b>xxxx</b>

Net profit, found in the **Profit and Loss Account**, consists of the gross profit plus any revenue other than that from sales, such as rents received or commissions earned, less the total costs used up during the period other than those already included in the 'cost of goods sold'. Where the costs used up exceed the gross profit plus other revenue, the result is said to be a **net loss**.

## BALANCE SHEET

Fixed assets	Cost	DEP	NBV
Land and Buildings	xxx	xxx	xxx
Premises	xxx	xxx	xxx
Furniture	xxx	xxx	xxx
Fixtures and Fittings	xxx	xxx	xxx
Total Fixed asset	xxx	xxx	xxx
<b>Current Assets</b>			
Closing Stock		xxx	
Debtors		xxx	
Bank		xxx	
Cash		xxx	
Total Current assets		xxx	
<b>Less: Current Liabilities</b>			
Creditors	xxx		
Bank overdraft	xxx		
Total Current Liabilities		xxx	
Working capital			xxx
Net Assets			<b>xxxx</b>
<b>Financed By:</b>			
Capital	xxx		
Add: net Profit	xxx		
Less Drawings		xxx	
<b>Add: Long term liabilities</b>			
Bank Loan		xxx	
Capital employed			xxx

For any business to operate, it needs resources such as premises, equipment, plant, machinery, raw materials, stocks, cash and other resources. All these are called assets and for the business to acquire all these, it will have to obtain some money especially from the owners. The money obtained from the owner(s) is called capital which is a liability of the business. In addition to the owner(s) other people such as banks may also lend money to the business. Therefore, ***the balance sheet is a list of balances arranged according to whether they are assets, capital or liabilities and depicts the financial position of the business on a specific date.*** It is an accounting question prepared in a columnar or statement format.

All the assets of the business must be equal to the amount of capital supplied by the owner(s) plus all those other outstanding liabilities.

**Assets = Capital**

**Assets = Capital + Liabilities**

### Example

#### Balance sheet as 31<sup>st</sup> December 2012

Working capital is the money available for day to day running of the business.

Working capital = Current Assets – Current liabilities

Net assets = Total Fixed assets + Working Capital

The Net Assets must be equal to the Capital owned or capital Employed.

The net profit will increase the Capital hence it is added to the capital invested

### Example

From the following trial balance for SKM, Draw up an income statement for the year ending 30 March 2012 and the balance sheet as at that date.

	Dr	Cr
Stock: 1 April 2011	83,200	
Carriage outwards		4,200
Carriage inwards	7,400	
Returns inwards	3,080	
Returns outwards		6,820
Purchases	376,860	
Sales		760,800
Salaries and wages	122,800	
Rent	7,400	
Insurance	2712	
Motor Expenses	3,820	
Office Expenses	824	
Lighting and heating	1,788	
General Expenses	490	
Premises	184,000	
Motor Vehicle	26,800	
Fixtures and Fittings	3,800	
Debtors	85,120	
Creditors		63,200
Cash at Bank	10,212	
Drawings	44,000	
Capital		137,686
	<b>968,506</b>	<b>968,506</b>

Stock at 30 March 2012 was K 89,560.



**Solution**

SKM's Trading and Profit and Loss A/C year ending 30 March 2012

	K	K	K
Sales		760,800	
Less Returns in		(3,080)	
			757,720
<u>Less: Cost of Goods Sold</u>			
Opening stock		83,200	
Add Purchases	376,860		
Less Returns out	(6,820)		
		370,040	
Add Carriage inwards		7400	
		460,640	
Less Closing Stock		(89,560)	
			(371,080)
<b>GROSS PROFIT</b>			<b>386,640</b>
Less Expenses:			
Salaries and wages		122,800	
Rent		7,400	
Carriage out		4,200	
Insurance		2,712	
Motor Expenses		3,820	
Office Expenses		824	
Lighting and Heating		1,788	
General Expenses		490	
Total Expenses			(144,034)
<b>NET PROFIT</b>			<b>242,606</b>

Balance sheet as at 30 March 2012

	K	K	K
<b>Fixed Assets</b>			
Premises		184,000	
Fixtures and fittings		3,800	
Motor Vehicles		<u>26,800</u>	
			214,600
<b>Current Assets</b>			
Closing Stock		89,560	
Debtors		85,120	
Bank		<u>10,212</u>	
Total current Assets		184,892	
<b>Current Liabilities</b>			
Creditors		<u>(63,200)</u>	
Working Capital			<u>121692</u>
Net Assets			336,292
<b>Financed By:</b>			
Capital	137,686		
Add Net profit	242,606		
		380,292	
Less Drawings		(44,000)	
<b>TOTAL CAPITAL</b>			<b>336,292</b>

### Exercise

From the following trial balance of JKK after his first year's trading, you are required to draw up a trading and profit and loss account for the year ended 30 June 2012. And balance sheet as at that date

#### Trial Balance as at 30 June 2012

	<i>Dr</i>	<i>Cr</i>
Sales		265,900
Purchases	154,870	
Rent	4,200	
Lighting and heating expenses	530	
Salaries and wages	51,400	
Insurance	2,100	
Buildings	85,000	
Fixtures	1,100	
Debtors	31,300	
Sundry expenses	412	
Creditors		15,910
Cash at bank	14,590	
Drawings	30,000	
Vans	16,400	
Motor running expenses	4,110	
Capital		114,202
	<u>396,012</u>	<u>396,012</u>

Stock at 30<sup>th</sup> June 2012 was K16280

### Exercise 2

From the following details you are required to prepare the trading and profit and loss account for the year ended 31<sup>st</sup> December 2012 and balance sheet as at that date

Trial Balance as at 31 December 2012

	K	K
General expenses	305	
Business rates	2,400	
Motor expenses	910	
Salaries	39,560	
Insurance	1,240	
Purchases	121,040	
Sales		235,812
Car	4,300	
Creditors		11,200
Debtors	21,080	
Premises	53,000	
Cash at bank	2,715	
Cash in hand	325	
Capital		23,263
Drawings	<u>23,400</u>	
	<u>270,275</u>	<u>270,275</u>

Closing stock K 12 400

# POSTAL AND TELECOMMUNICATION SERVICES AND DEVICES

## A. POSTAL SERVICES

These are services offered by the post office to the general. Some of these services include;

### 1) MAIL

This term/word refers to letters and parcels

#### a) Types of mail delivery services

There are different types of mail delivery services, these are:

##### I. Ordinary Mail

This is also known as to as surface mail. This is mail that is not urgent in nature and is delivered by road, rail or sea.

##### II. Air Mail

This is mail that is delivered by air which takes much quicker than surface mail. Thus, it is usually for mail that is more urgent.

##### III. Express mail service

This is a service used to deliver mail urgently or the same day by means of rail or by road. It is more expensive than surface mail.

##### IV. Railex

This mail is delivered only by means of a train.

##### V. Registered Mail

This is special mail that contains money or important documents. This mail has to be registered/recorded at the post office before it can be sent. This is done to ensure that the sender can trace the mail and hence, a certificate of posting is issued to the sender as a proof that the goods/letters have been sent. The certificate will be necessary to compensate the sender should the money get lost.

## 2. POST RESTANTE

Post Restante means "to be called for" or "post waiting". This service is given to those people or travelers who do not have a proper postal address or with no fixed address where correspondence and parcels can reach them. Normally, their parcels and mail are collected from a nearby post office.

## 3. DATA POST

This is a service for urgent parcel delivery that guarantees express deliveries to be made within a stipulated time frame, with money-back guarantees in the event of late delivery.

**N.B-** A parcel can be of documents or goods to be delivered.

The stipulated time frame for parcel delivery under Data post service varies, i.e. within 24 hours, 48 hours, 72 hours, etc

Money-back guarantee is made due to a consequential loss to the sender arising out of some failure in the Data post service, and is over and above the actual value of the articles lost, damaged or delayed. For example, manufactured goods such as a Dining Glass table delayed or damaged in the post, this could result in the consequential loss of sales and profits.

## 4. PARCELS

All parcels that need to be posted have to be weighed before weighed. The weight will determine the cost of posting it.

**N.B -** Parcels that are sent through the post office are those that weigh up to a certain stipulated weight.

## 5. BUSINESS REPLY

This is a postal service that enables a firm/company to receive cards or letters from their customers without prepayment of postage. This means that, under this service a company that wishes to obtain a reply from a client without putting them to the expense of paying postage may enclosed an unstamped/ unused reply Card/lettercard/ envelope of a special design.

## 6. MONEY ORDERS AND POSTAL ORDERS

These are both methods of payments; provided as service by a post office. These are services used when through the post office.

### N.B

- Postal orders are best used in mail order businesses and are a convenient method of remitting small sums.
  - Money orders are more secured than postal orders.
  - postal orders are sent like ordinary mail but the name of the payee/person receiving the money is written on them.
  - Also, money orders can be sent when the money need to reach the receiver urgently.
  - All telegraphic money order: this is more urgent than a normal money and postal order.
- Therefore, telegraphic money orders are more expensive than the money and postal orders.

## 7. CASH ON DELIVERY (COD)

This is a service rendered by the post office to enable a business/ person to make transactions through the post office. the buyers can collect their goods from the post office and sellers of these goods will collect their money from there too. This is known as a “mail order business”.

When the goods have arrived at the post office, they will let the receiver know that their order has arrived and they will be asked to pay cash for it. Then this cash will be paid over to the company providing the goods.

## 8. POST BOXES AND PRIVATE BAGS

These are services provided by the post office which enable a person/organization to rent a private box or private bag at a post office for the reception of postal packets/mail.

- the box/bag must be taken for a definite address in the post district in which the service is required, hence letters and parcels addresses to the renter must include the private box or private bag number.

## 9. FREE POST

This is a service also that allows organizations to receive mail from clients without them paying for postage. However, a silence is obtained from the post office and a free post address is located after paying a fee amounting to the likely number of letters or parcels to be received by the organization. A new payment is paid or made after this amount is exhausted. For example, free post may be used by an advertising company, which may send out invitation letters to customers with a reply envelope included. Hence when customers reply, they will use this free post envelope provided by the advertising company and no postage is needed when they post number, because postage has already been paid by the advertising company

## 10. FRANKING

- This is the printing or marking of postal impressions on envelopes/ letter cards or parcels etc. by using a machine called **franking machine**.
- All types of mail can be franked including ordinary mail, registered mail, parcels etc.
- Franking machines are leased, rented or purchased from the manufacturers but before they ca be used the license must be obtained from the post office.

**N.B** Every time the machine prints the amount of postage used is recorded on the machines' meter and an imprint made shows the date, postal district and value.

## 11. COURIER SERVICE

- This is another service that is offered or provided by the post office, here in Zambia this service is provided by Zampost.
- However, other companies, organizations that provide courier services internationally are ZedEx, Dash Courier, DHL, Mercury Couriers Express logistics, skynet, postnet etc.
- This service is provided to deliver mail and parcels door to door country wide and worldwide.
- The courier company will make use of motor vehicles, motor cycles and aeroplanes to deliver parcels to its customers; this depends on the size and urgency of the parcels delivered.
- Due to door to door delivery of mail or parcels, customers need to give the courier the full physical address of where the parcel must be delivered to ensure correct delivery.

## B. TELECOMMUNICATION SERVICES AND DEVICES

Zamtel is a company that provides Telecommunication services in Zambia. These services provide means of communication between two distant parties. It includes the use of telephone, telegrams, radio facsimile/ computers, etc.

The prefix **“tele”** means **long distance**. The following are some of telecommunication services and devices used in communication.

### 1. TELEPHONE

A telephone is a device used to send oral messages between two places. The telephone services are the quickest method of sending oral messages and provide an immediate reply. It is therefore the best method used by business people.

Types of telephones:

There are two types of telephones, namely:

- a) Land phone
- b) Cellular phone

#### (A) LAND PHONE

These phones are rented from Zamtel and found fixed in homes and offices. The units used is measured by Zamtel and is done monthly. At the end of the each calendar month, the bills are distributed to each telephone subscriber. A telephone subscriber is anyone who rents a telephone.

#### (B) CELLULAR PHONES

These phones are now commonly used worldwide. It is also referred to as “cell phones” or “mobile phone”. They are completely portable and are carried in the pockets and hand bags. These phones are not billed monthly but work as a prepaid system. They use SIM Card which is allocated to a cell phone number.

## **TYPES OF TELEPHONE CALLS**

### **1. LOCAL CALL**

This is a call sent or received outside the radius of 16km or within a town. Or it is a call to another r number with the same area or within the same telephone exchange.

### **2. TRUNK CALL/LONG DISTANCE CALL**

This is a call sent or received outside the radius of 16km or from one town to another, e.g. a call from Kasama to Mansa. A trunk call passes through the telephone operator.

### **3. TIME CALL**

This call is sent in order to know the correct time upon dialling a given number in the telephone directory

### **4. WEATHER CALL**

This call is specifically made to know the prevailing weather conditions at a given time by simply dialling a given number shown in the telephone directory.

### **5. FIXED CALL**

This is sent after arranging with the post office telephone operator for a fixed time when a call will be sent.

### **6. INTERNATIONAL CALL**

This is a call sent from one country to another country or a call sent between countries.

### **7. ADVICE AND DURATION CHARGE CALL (ADC)**

This call is sent to find out the specific duration and cost of telephone call. Calls of this kind are arranged through the telephone operator.

### **8. ALARM CALL**

A call sent to alert someone about an important event and when it starts. This call is for example made by travellers who may wish to be alerted at a specific time when they have to start their journey or go to the airport time.

### **9. REVERSE CALL**

This is a call where the fees are paid by the receiver of the call and not the sender. Usually an arrangement is made between the receiver and the post office telephone operator to acknowledge payment.

### **10. PRIVATE CALL**

This is a call meant for personal issues and not for business.

### **11. BUSINESS CALL**

This call is a purely a business call. It is issued for the purpose of making business transactions.

## **TELEPHONE TONES**

- a) Ringing tone: This is a double beat tone telling you that the number is ready for dialling
- b) Engaged tone: This is a repeated high pitched sound telling you that the line being called is engaged or is in use.
- c) Number Unobtainable Tone: This is a single high tone sound reminding you that the number being called is out of use. This is a pre-recorded sound which tells you that you should try the other numbers.

## HOW TO USE A TELEPHONE

When using telephone at work, there are rules which should be followed and the emphasis is on both courtesy and brevity.

The rules are as follows:

- a) Great the other person on the line warmly
- b) Always announce the number of your phone or simply or simply announce your company name when answering the phone.
- c) Always be polite to the caller when you answer the phone
- d) Remember to take down a message on a message pad, if the person who the call was intended for, is not available.

## MESSAGE PAD

The message pad is used by the receptionist or the switch board operator. It will help her/him not to forget important messages, as she/he can write the relevant detail down and will not have to remember it all. She/he will give the relevant message to the intended person when that person returns back to the office. The message pad should indicate the following:

- Name of and address of a caller
- Date of call
- Time of call
- Name and signature of the receiver

Example of a message pad layout

TELEPHONE MESSAGE PAD	
NAME: _____	DATE: _____
	TIME: _____
CALLER'S NAME: _____	
ADDRESS: _____	
TEL NO: _____	
MESSAGE: _____	
_____	
_____	
Message taken by: _____	

## THE SWITCH BOARD

The switchboard is an electronic telephone exchange device that contains switches for connecting, transferring and disconnecting telephone calls. It is operated by a person called the switchboard operator. The switchboard operator will deal with local calls and trunk calls. The following are the types of telephone exchanges

### A. PRIVATE AUTOMATIC EXCHANGE (PAX)

This device is used for internal communication only. The instrument looks like post office telephones and connection is made by dialing short number codes. Its aim is to lighten the load which would otherwise fall on the switchboard.

## **B. PRIVATE AUTOMATIC BRANCH EXCHANGE (PABX)**

These have the extensions from the switchboard and are used for internal communication. This does not go through the switchboard operator at Zamtel.

## **C. PRIVATE MANUAL BRANCH EXCHANGE (PMBX)**

This is also an internal communication device.

## **THE OFFICIAL TELEPHONE ALPHABETICAL CODE**

When using the telephone, some difficult names may be spelt by using the telephone alphabet. Telephone alphabet has letters from A to Z, each letter stands for a name and these are as follows:

<b>A</b> for Alfred	<b>O</b> for Oliver
<b>B</b> for Benjamin	<b>P</b> for Peter
<b>C</b> for Charles	<b>Q</b> for Queen
<b>D</b> for David	<b>R</b> for Robert
<b>E</b> for Edward	<b>S</b> for Sam
<b>F</b> for Fredrick	<b>T</b> for Tom
<b>G</b> for George	<b>U</b> for Uncle
<b>H</b> for Harry	<b>V</b> for Victor
<b>I</b> for Isaac	<b>W</b> for William
<b>J</b> for Jack	<b>X</b> for x-ray
<b>K</b> for king	<b>Y</b> for Yellow
<b>L</b> for Lucy	<b>Z</b> for Zebra
<b>M</b> for Mary	
<b>N</b> for Nelly	

## **2. TELEGRAM**

A telephone provides a means of transmitting printed or written messages from one point to another. It is used where telephone contact is impossible.

When using a telegram, keep the following in mind:

- Use capital letters or block letters
- Be brief as possible



- The addresses are treated as a name and are charged for
- Names of streets are charged as one name

### **ADVANTAGES OF TELEGRAM**

- I. It is a speedy method of sending urgent messages
- II. It is reliable method of sending messages to people who cannot be talked to by telephone

### **DISADVANTAGES OF A TELEGRAM**

- I. Amount for the telegram depends on the number of words used
- II. It uses few words as possible
- III. Messages may not be understood, incomplete messages because of the telegraphic language used

## **3. TELEX**

This is a system used to send original copies of printed materials to other parts. It uses tele printers which are similar and are connected at both ends. The subscriber is allocated a number to use in his/her tele printer. The advantage of telex is that even if the receiver is not available when the message will be stored, since it is printed. Tele printers are rented just like post office boxes

## **4. FACSMILE TRANSMISSION (FAX)**

This is called a photo telegram because it even transmits pictures. It is suitable way of sending documents very quickly. Documents sent may include certificates, cheques, etc. it also uses a tele printers at both the receiving and sending ends

## **5 INTERNET**

Internet stand for “International networks”. Internet is a computer-based global information system which is composed of many interconnected computer networks. Internet can also be defined as a worldwide system of linked computers or is the interconnection of networked computers

### **A NETWORK**

This is a number of computers people cabled together so that the people who use these computers can share information.

### **FORMS OF NETWORKS**

There are three (3) forms of network, there are:

- I. Local area Network (LAN)
- II. Wide Area Network (WAN)
- III. International Networks (INTERNET)

#### **Local Area Networking (LAN)**

This is a system where computers usually in the same locality/organization/premises are interconnected, e.g. At a school level, computers in various school departments can be interconnected for the purpose of sharing of information between departments.

#### **Wide Area Network (WAN)**

This is a system where computers are interconnected to one another regardless of the locality or distance between them. It may cover many centres in the country. For example, all Barclays bank’s centres in the whole

country have their computers interconnected and linked to the central data base. Thus, any Barclays bank customer can access his/her account details at any Barclays Bank branch throughout Zambia.

## FILING AND INDEXING

### FILING

Filing is the process of arranging and storing records or documents so that they can be retrieved when required.

Reasons for filing:

- To keep the office tidy and clean.
- To have a written record.
- To keep documents safe.
- To have the information contained in the papers available for quick and easy reference.
- To keep the correspondence and other documents clean and tidy.

### FEATURES OF A GOOD FILING SYSTEM

1. **ACCESSIBILITY:** The filing cabinet should be positioned in such a way that it is easy to insert or extract a document easily.
2. **SIMPLICITY:** A clear cross reference and simple classification system enables both the filing and other workers to know at once where to look for particular files.
3. **COMPACTNESS:** Neatly, filed closely and packed together.  
**NOTE:** Too much space should not be taken by the filing cabinet.
4. **SAFETY:** The importance of the document depends on its nature. Proper protection of documents and files should be taken in case of loss, dust dump or theft.
5. **CONFIDENTIALITY:** Certain documents should not be exposed to unauthorised people.
6. **ECONOMY:** Expensive equipment may use too much of the working capital of a firm. Therefore, the most suitable method should be used.
7. **EXPANDABLE:** Should be able to meet future needs.

### FILING SYSTEMS

There are two filing systems namely Departmental and Central filing.

#### DEPARTMENTAL FILING

This is where records and documents are kept in separate departments. In other words each department does its own filing, e.g. sales, Personnel, Production departments e.t.c. each department has its own filing system.

#### Advantages of departmental filing are:

- The filing system is not too large and therefore, it is easier to handle.
- The departmental files are kept in the department and are therefore readily available
- It is most suitable for confidential files.
- Departmental staff will have a better knowledge of work of the department and should be more competent in filing department records.

#### Disadvantages of departmental filing are:

- Effective supervision may not be there as this person has a job to do as well to do filing.

- It is difficult to control access to files. The person handling the documents may not be a specialist; therefore, documents may not be filed correctly. This may bring confusion when one is looking for a file. There is no efficiency of filing since the person does not concentrate on filing alone.
- Wastage of space as each department has its own filing space.

## **CENTRAL FILING**

This is where all files and documents of business are kept in one room instead of separate departments, e.g. Registry rooms.

### **Advantages of Central filing are:**

- It saves space since all the records are kept in one place.
- The staffs are usually specialist workers with experience to control.
- It is easy to trace the required information.
- It also reduces the rate of fraud, e.g. thefts.
- More effective supervision is possible.
- Accommodation and equipment are economically used in the central arrangements of filing cabinets.

### **Disadvantages of Central filing are:**

- Departmental staff lacks filing knowledge.
- Files are not easily accessible.
- Documents may be lost since they are kept in one place.
- It is a work overload for the workers responsible.
- Only one man may have access to the files.

## **METHODS OF FILING**

**SUBJECT FILING:** This is a method of filing documents according to topics. Each topic or subject is filed alphabetically. In the company it may preferred to file documents according to subject matter; example, petty cash, expenditure, revenue e.t.c.

### **Advantages of subject filing are:**

- Relevant documents are grouped together even though they are from different sources.
- Expansion is easy because more subdivided files can be inserted.
- It can be adapted to alphabetical, numerical and geographical filing systems

### **Disadvantages of subject filing are:**

- It is not suitable for an organization with a large amount of correspondence and where there is a centralized system of filing.
- Cross referencing is usually necessary.
- Difficult in deciding which subject title a particular piece of correspondence or document should be filed.

## **GEOGRAPHICAL FILING**

This is the filing of documents according to places of origin. Correspondence may be grouped according to territories in countries, towns or streets, e.g. Kasama - Agriculture, General, Population, and Trade.

### **Advantages:**

- Capable of expansion
- It is particularly suitable for sales departments where countries, cities and towns need to be separated into files.

**Disadvantages:**

- Filing clerks must have a good knowledge of geographical filing for them to operate a large system.
- An index is essential.
- Geographical may be combined with alphabetical classification.

**CHRONOLOGICAL FILING**

This is filing in the order of dates of occurrence. Documents or papers are placed in files in date order, with the latest on top and the oldest at the back of the file. This system is usually combined with alphabetical or numerical systems. It is suitable for documents such as order forms, payment vouchers and receipts.

**Advantages of chronological filing are:**

- Files can be found easily because all one needs to do to locate a file is to know the date when the document was issued.
- It avoids confusion of common names.

**Disadvantages are:**

- Difficulty to find documents if there is no date on it.
- It may be time consuming to consult a card index to find the date.

**NUMERICAL FILING**

This is the kind of filing where documents and letters are filed according to their numerical sequence. This method is used by:

- a) Government department or institutions e.g. schools, hospitals e.t.c.
- b) Financial institutions e.g. banks, insurance companies e.t.c.
- c) Businesses with many customers.

In this system every folder is identified by a reference number. For example, for filing purposes; the documents are numbered. E.g. 5, 3, 1, 4, 6, 2, to file them in order it will be

1		2		3		4		5		6	
---	--	---	--	---	--	---	--	---	--	---	--

**Advantages of numerical filing:**

- The file number may use aid documents for reference purposes.
- It is suitable for records containing confidential or secret information.
- It avoids confusion of common names.
- Files can be easily and quickly identified.

**Disadvantages are:**

- A separate alphabetical index must be maintained.
- It is time consuming to find a card index to find the numbers.
- Errors in the writing of figures on files can cause misplacement of contents.

**ALPHA - NUMERICAL FILING**

This is the type of filing that combines Alphabetical and Numerical filing methods. Each file has a number; and, the documents in that particular file are filed alphabetically. The two methods are combined to overcome the disadvantages of each method when used separately.

An efficient filing clerk will not let her/his file or papers be taken away without first making note of:

- I. Name of the borrower and his/ her department.
- II. Date on which the file is borrowed.
- III. Title of the file document or paper.
- IV. The date on which to return it.

Alpha- numerical sequences are extensively used in Geographical filing.

## **ALPHABETICAL FILLING**

Papers are filed alphabetically, like the words in the dictionary, according to letters of the alphabet (A-Z)

### **Advantages are:**

- It is simple to understand since every one knows the alphabet.
- It is a direct method because it does not require a separate index.
- It is capable of expanding by means of adequate sub-division of index.
- It is convenient to have all papers belonging to a particular company in the same file.
- Less costly material.

### **Disadvantages are:**

- The larger the quantity of files, the longer it takes to locate a particular file.
- It is difficult to estimate how much space will be required for each section.
- Letters are often misplaced into wrong files, e.g. A. J. Smith's into J.A. Smith's.

Example; For filing purposes arrange the following names in alphabetical order.

Kabwe J. Banda L. Chanda M. Akapelwa B. Malele R. Kapolyo C. and Phiri M.

ANSWER:

Akapelwa B. Banda L., Kabwe J., Kapolyo C., Malele R. and Phiri M.

## **ALPHABETICAL FILING RULES**

1. Reverse the names of an individual. Andrew C. Chisanga should be written as Chisanga C. Andrew, and be filed under C.
2. Hyphenated surnames are treated as one name. E.g. Golden Del-mar should be written as Del mar Golden, and filed under D.
3. The title should be ignored when filing. They should be placed after names. Rev. John Humuyi should be written as John Rev, Humuyi and filed under J.
4. Names prefixed with saint (St,) are arranged as if the prefix in each case were spelt in full. E.g. St, Therese filed under T, St, Andrew filed under A.
5. Names should be arranged according to the first letter of the surnames.
6. Arrange the names if they have the same first letters of the surname according to subsequent
7. Letters (letters that follow)
8. Arrange names if they have the same surnames according to initials of their first names (initials of Christian names).

## **FILING EQUIPMENT**

### **A. Spikes and clips**

In small organizations, such as one man shops papers may be pierced on spikes standing on the table or affixed to walls. This method ensures little more than safe keeping but is useful for small numbers of receipts, cheques and bills e.t.c

- B. **Box files:** These are used either to housing small filing systems or to isolate very bulky correspondence from the main system. The papers or documents are held in position in the box by a spring clip, and printed index are often required.
- C. **Vertical filing:** This uses drawer cabinets where folders are placed one behind the other. The equipment consists of pockets which are suspended from the sides of the cabinet into which folders are dropped.

**Advantages are that:**

- They are self-supporting and the files can be separated at any point.
- There is less tear and wear on the folders as they hang clear of the bottom of the drawer.

- D **Lateral filing:** This uses specially designed cupboards which are supported against the wall.

The filing folders are arranged side by side and are suspended individually or in

Concertina form.

**Advantages of lateral filing.**

- There is no extension space needed.
- There are also mechanical drawer cabinets housing rows of suspended lateral files which the operator may call for by pressing an appropriate button.

- E **Folders:** There are two main types of folders. In one, papers are held securely by a binding or Punched hole device, while in the other the papers are loose.

## INDEXING

This is a method used for marking references to files. Index may be self contained and may be stalled as an index separate from the relevant records in which case it is used to facilitate the location of the records as in a numerical filing classification or, indexes are kept alphabetically if they form a guide to the location of other records.

## GENERAL PRINCIPLES OF FILING AND INDEXING

- A. Labeling papers, putting them away and getting them out again when wanted sound rather a dull activity.
- B. Pre- sort papers prior to filing so that it is only necessary to go to each folder only once.
- C. Keep in files essential documents only.
- D. File documents tidily, suitably and safely.
- E. File documents accessibly

## INDEXING EQUIPMENT

1. **ROTARY CARD INDEX:** The cards are kept in a place by a clipping device at the bottom edge. Cards can quickly be found by turning the wheel.

2. **STRIP INDEX:** This is used when there is only a limited amount of information needed. The strips of cards are attached to a backing sheet so that they can be fed into a type writer.
3. **CARD INDEX:** A separate card is used for each topic or name and the cards are stored vertically in drawers or boxes in alphabetical order. – they consist of small cards maintained vertically in drawers.- the card may be listed separately in boxes or may be combined records with the indexing feature.

**Advantages are;**

- Records can be seen at a glance.
- Arrangement and rearrangement of the cards is simple and easy. This facilitates being maintained in proper order.
- The cards are quickly removed for typing and entries can easily be made by hand without removal

**Disadvantages are:**

- It is an expensive form of indexing.
- Where signaling is used it must be kept up to date.

## **SYSTEMS OF PLACING FOLDERS**

1. **FILING CABINET:** These are made out of steel and each contains one, two, three or four containers.
2. **VERTICAL FILING SYSTEM:** Folders are arranged side by side in an upright position behind guide cards.
3. **SUSPENDED FILE SYSTEM:** Documents are placed in 'pocket folders' which hang suspended from the metal frames in the drawer.
4. **LATERAL FILING:** Folders are placed side by side so that they are arranged in very much the same manner as books on the shelf.
5. **SHELF FILING:** Files stand side by side supported by dividers in the shelf or on open boxes. This is suitable for filing magazines e.t.c.
6. **SHALLOW DRAWER CABINETS or HORIZONTAL FILING:**
  - ✓ Papers are placed one on top of the other.
  - ✓ It is used when papers need to lay flat.
  - ✓ They come in different sizes. Some are big and wide, and are meant for maps, charts and plans while others are for storing of forms, letters, and carbon paper e.t.c.

## **TERMS USED IN FILING**

- ❖ **ABSENT MARKER or PAPER:** This is a paper which is put where the file which has been taken/ borrowed was.
- ❖ It is used when a file is taken out of the office and shows where it as been taken to. The marker remains in the containing drawer until the file is brought back.

DATE ISSUED	FILE TITLE	BORROWER	DATE RETURNED	SIGNATURE
21/03/10	Chinsali district	Admin. (A/HRO)	25/08/ 10	

***Absent marker.***

- ❖ **DEAD FILES:** These are documents, files, papers e.t.c. which have been kept for long period's time, and hence they have "died" from age. They are then transferred to archive.
- ❖ **SHREDDING MACHINE:** This is a machine which is used to destroy confidential papers or documents. The shredded paper may be used as packing material. The machine could either be electrical or manual.
- ❖ **MICRO FILMING:** This is the photographing of documents on to microfilm to save on space. For instance; eight thousand A4 sized documents can go on to a micro film roll which is only 30 meters long, also a single storage cabinet 1.3 meters high will hold microfilms with one and a half million documents.

**Advantages**

1. Space is saved as documents are condensed to the size of a postage stamp.
2. Postage is cheaper than postage for originals especially airmail.
3. Duplicate copies of documents can be filed so that they are available in case of damage to originals by fire



# SALARIES AND WAGES

## INTRODUCTION

A wage is a monetary reward for unskilled labour.

Unskilled Workers are workers who have not undertaken any course or training in a particular.

A wage is calculated on a wage sheet where information is obtained from the time card maintained for each worker.

A salary is monetary reward for skilled labour. it is given to persons who have undergone formal training in their area of performance at work. it is displayed on a pay slip.

Wages and salaries are affected by the following factors:

- a) General trade conditions in the country
- b) conditions in the trade or profession
- c) ability, knowledge and job requirements

## TIME CARD

The time card is used for recording man hours worked. The time when workers report for work as well as when they go for lunch are recorded the time card and transferred to the wages sheet at the end of the month to come up with the total pay for each worker.

### EXAMPLE OF TIME CARD

KASAMA SUGAR COMPANY					
TIME CARD					
NAME : MICHELO CHANDA			WEEK: 18		
NO: 30			DATE: 6 August 2012		
DEPT: .....			STORES		
MORNING			AFTERNOON		
	IN	OUT	IN	OUT	TOTAL
MON	07 28	12 59	14 00	17 30	9
TUE	07 29	12 58	13 35	17 33	9
WED	07 30	13 00	13 58	17 31	9
THU	07 30	12 59	14 00	19 00	10 <sup>1</sup> / <sub>2</sub>
FRI	07 28	13 03	14 00	18 30	10
SAT	07 28	13 01	13 56	15 30	7
GRAND TOTAL					54 <sup>1</sup> / <sub>2</sub>

## RATES OF PAY

There are many rates of pay and a company only chooses the one that will give high incentives to the employees. There are however, four common ones that will be discussed below:

### **TIME OR HOURLY RATES**

According to this method, workers are paid according to the number of hours spent working. This is commonly practiced in factories in building, catering, bakery and other trade environments. There requirements for this system are:

- a) an agreed rate per hour
- b) an agreed number of hours per week at the same rate.
- c) an agreement on payment for work done overtime

#### **EXAMPLE**

Mr Ntambo worked for Savenda constructors for a week with a agreed number of hours which was 52 hours. These hours had been calculated at the normal hourly rate of K160 per hour for the first 40 hours. Time and a quarter for the first six hours overtime and time and a half for other overtime. Calculate his total earning for the whole week.

The time and a quarter,

( T  $\frac{1}{4}$  ) means normal K160 plus a  $\frac{1}{4}$  of K160

$$= 160 + 40 = 200$$

( T  $\frac{1}{2}$  ) means K160 plus  $\frac{1}{2}$  of K160 = K160 + 80 = 240

$$40 \text{ hours @ } 160 = 6400$$

$$6 \text{ hours @ } 240 = 1440$$

$$6 \text{ hours @ } 200 = \underline{1200}$$

**K9 040**

Mr Ntambo got K9 040 for the whole week.

### **PIECE RATE**

This is paying a worker according to the job he/she has done on site. The worker gets paid soon after the job has been performed.

### **FLAT RATE**

This is paying an employee a fixed salary over a fixed period of time despite how many hours one might spend or work on the premises.

### **COMMISSION**

Commission may be paid to some workers. It is common practice to pay commission to agents of an organisation. it may be calculated as a percentage on the sales made or on the profit generated.

### **WAGE SHEET**

It is a final sheet for calculating wages after the time card. All the hours worked is transferred on the wage sheet for the final calculation of the wage.

A wage where no deductions have been made is called a Gross Wage and the one where deductions have been made is called Net Wage.

## PAYSLIP

A payslip is a document used for calculating a salary. Every graded employee working on a permanent basis receives a payslip at the end of the month. It shows the amount of money that one is getting that month, taking into account some allowances and **deductions**.

### EXAMPLE OF A PAYSLIP

DATE: 4 MAY		NAME: HAMFWITI JOHN	
DESCRIPTION	BASIC PAY ALLOWANCE	DEDUCTIONS	NET SALARY
Salary	420 000		
Travel allowance	25 000		
Housing allowance	50 000		
P.A.Y.E		4 300	
Personal Levy		700	
Union fees		1 000	
Car loan		15 000	
House rent		10 000	
Cub fees		6 000	
TOTAL			<u>458 000</u>

A salary before allowable deductions is called a Gross Salary.

A salary after deductions is called Net salary.

## DEDUCTIONS

There are two basic types of deductions. These are:

1. Statutory
2. Voluntary deductions

### 1. STATUTORY DEDUCTIONS

This is a deduction imposed by the state. The most important ones are national insurance, graduated pension and income tax.

### 2. VOLUNTARY DEDUCTIONS

These are deductions other than the ones imposed by the state. This is made with the consent of the employees themselves.

Examples of this is deductions are for hospital savings, holiday funds, sports funds, car loans, etc.

# BANKING

Def: A Bank is a financial institution set up to promote and facilitate financial transactions. It's any financial institution that lends and borrows moneys from the members of the public and the business community

**BANKING** is the safe keeping of money and other valuable items in the bank.

## FINANCIAL INSTITUTIONS

### 1. COMMERCIAL BANKS

- ZANACO
- INDO Zambia bank
- Finance bank
- Barclays bank
- Standard chartered bank
- Stanbic bank etc

### 2. Central bank

All countries, by means of international agreement have what is referred to as Central Bank. In the case of Zambia the Bank of Zambia is our Central bank established by an act of parliament.

The main roles/ functions of the Bank of Zambia are –:

- To make sure that there is monetary stability in Zambia
- To make sure that the domestic financial system works well
- To make sure that there is enough money available to pay for goods and services
- It's the only institution that is allowed in Zambia to print notes and mint coins to be used as money for legal tender.
- The BOZ is the financial institutional advisor to government on monetary issues.
- Regulates the operations of financial institutions in the country.
- Is the governments Bank
- Acts as the bankers bank

### 3. BUILDING SOCIETY

This financial institution helps to solve a problem of mortgages for people who wish to build houses. Contributions are made to the national building society whilst one is still working for a company.

### 4. NATIONAL SAVING AND CREDIT BANK

They contribute to the national and credit scheme where they r issued with card from the post office.

### 5. CREDIT UNIONS AND CREDIT ASSOCIATIONS

These are financial institutions meant to assist groups of people and associations by giving loans and by keeping their money.

## FUNCTIONS OF THE FINANCIAL INSTITUTIONS

1. To safeguard the customers money.
2. To lend money to business houses and private individuals via loan and overdraft

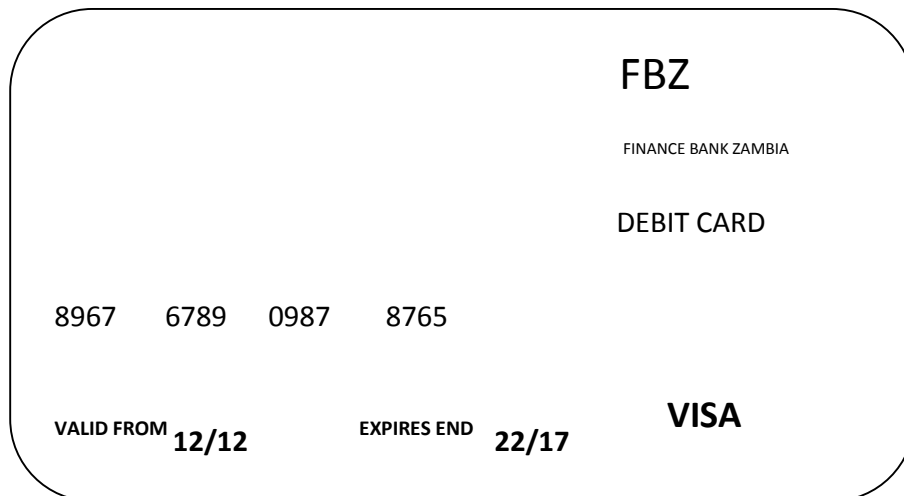
3. To issue coins and notes

## SERVICES OFFERED BY FINANCIAL INSTITUTIONS

1. They give loans and overdrafts to customer.
2. They offer Automatic Teller Machines (They offer cash dispensers)
3. They offer credit cards which are used world wide
4. They provide payments through Standing orders, banks pay creditor on behalf of its customer a particular fixed sum of money regularly.
5. They provide payments through Credit transfer, banks can pay on behalf of their customers an amount which is not fixed. The bank customer will make arrangements with the bank to pay someone a prescribed amount of money.

## ELECTRONIC VISA

This is the service which is developed by the banks and is offered everywhere around the globe. It is used for withdrawing money from banks at anytime. It can be used in much the same way as the credit cards are used when buying goods or services. It may be different from an ATM card which can only be used by the bank that issues it and not any other bank.



## TYPES OF BANK ACCOUNTS

An account is the record of information relating to a particular item.

### 1. Current account

This is the only account that uses cheques for withdrawing cash from the account and also for making payments. For this reason, a current account is referred to as a cheque account. No interest is offered to account holders.

### 2. Saving account

This account is used by people who wish to save fairly small amounts of money. A minimal balance is required to maintain the account. Most banks no longer issue passbooks to customers in which amount of deposits and withdraw are recorded. Interest is paid on savings account.

### 3. Fixed /Deposit Account

This account is opened for those who wish to save for a long period of time for example six months or a year and interest is given. Withdrawals are not allowed before the actual day

### 4. Joint Account

This is an account which is opened by more than one person or it is an account opened by a group of people.

### 5. Save As You Earn

This account is opened by working class people or those who earn some income to save part of their monthly earnings. The more the income the greater the capacity to save becomes.

## DOCUMENTS USED IN BANKING

### 1. BANK STATEMENT

A bank statement is a record of transactions between the bank and the account holder. It is maintained by the bank. All the transactions which are recorded in the cash book should also be recorded on the bank statement. When a bank receives money from the customer, the bank will debit its account and credit the customer's account and when the customers withdraws money, the bank will credit its account and debit the customer's account.

#### Example of Bank Statement

Details	Dr	Cr	Balance
Balance b/f			580
l.kancepa	300		280
Cheque No. 2110		925	1205
M.Muvula		150	1355
L. Funga	50		1305
Cheque no 785081	130		1175
S.Sekwila	200		975
V. Sibalwa		400	1375
B. Mulenga		350	1725
Cheque No. 785082	280		1445
Credit Transfer		600	2045
Bank charges	230		1815
Interest		700	2515

### 2. PAYING - IN SLIP

This is the document used when paying money into the bank or when depositing the money. The amounts must be sorted out in a specific way, for example, the notes are added in separately and ordered from the highest to the lowest value. Coins are also added in an orderly manner from highest to lowest value. Once this has been done the information is transferred onto the paying – in slip.

### 3. DEPOSIT SLIP

When making deposits, the word '**self**' should be written in the account number box on the deposit slip. Cheques deposited are normally credited to the customer account upon receipt by the bank, but

the bank reserves the right to subsequently debit the account for the amount if any cheque fails to clear.

#### 4. CHEQUES

A cheque is an order in writing requesting a bank to pay on demand the named person the stated sum of money. There are three parties to a cheque

- Drawer: a person who draws or writes up a cheque ordering his banker to pay a sum of money. He is also a person who is paying another person using a cheque
- Drawee: the bank where the cheque is being cashed.
- Payee: the person who is paid or a person receiving money.

Payee

Drawee

Date on which the cheque is drawn

BARCLAYS BANK (Z) LTD  
(Registered Commercial Bank)  
Mazabuka Branch

Date 31<sup>st</sup> May 2016

Pay: Celtel Mweemba or order

The sum of Five Million Kwacha only

K5 000 000

Crankshaft Banda

Amount in words

Amount in figures

Signature of the Drawer

### Types of cheques.

There are basically two types of cheques. These are

- Open cheques
- Crossed cheques

#### A. OPEN CHEQUE

This is a cheque which is not crossed with two parallel lines. These cheques can easily be cashed at the bank's counter

**I. Bearer cheque:** this is a cheque which can easily be cashed by anyone. Normally, these cheques have no security.

**II .Order cheque:** can only be cashed by the named person. The cheque may read:

PAY ..... Or order.

When filled in, it reads

**PAY** P. Chifwenge or order.

This means that the bank only pays P. chifwege or anyone ordered to be paid.

The payee of this cheque has three choices to make:

- He can take it to the bank or branch named on the cheque (the drawee) and claims the money.
- He can ask his own bank to collect the money for him
- He can transfer the cheque to somebody else to whom he owes money and that person still has the same three choices.

**Endorsing a cheque** means that it is signed at the back of the cheque. This means that the cheque can be negotiated to the other person. The signature at the back of the cheque must be the same as that on the front of the same cheque.

## B. CROSSED CHEQUE

These are cheques crossed with two parallel lines. When a cheque is crossed it means it cannot immediately be cashed at the counter. It will be deposited into the account. This kind of crossing is called simple or general crossing. A special cross has extra or additional security or instructions.

### TYPES OF CLOSINGS

1. **& CO** – This abbreviation represents a general crossing as it has no significance and no effect to the crossing.
2. **Barclays bank ltd** – this gives an extra instruction to the paying banker that the banker should not only be encashed at the Barclays bank and nowhere else
3. **A/C Payee only** – there is an instruction that the bank should pay only the named person and no one else. It is a special crossing
4. **Under fifty kwacha** – this is a general crossing as it has additional instructions
5. **Not negotiable** - this does not necessary mean that the cheque can no longer be transferrable. It means though it can be transferrable, the title remains the one who initiated it. It is more secured as it cannot be stolen by anyone because the title. This is called a general crossing. if there were additional words to it, it would be a special crossings.

## Dishonoured cheque

A cheque is dishonoured when it is not encashed at the bank's counter or if it is rejected. When this happens, the words 'Referred to drawer' (RD) will appear on the cheque. A cheque may be dishonoured due to the following reasons.

- If there is no signature of the drawer
- If it has no date
- If the amount to be drawn is more than what is in the drawer's account.
- If the amount in figures differs from the amount in words
- If the cheque is presented to the bank six months after (Stale) it has been written out
- If there are many alterations or rubbings. The signature of the drawer should be appended to show the correction.



## Revision exercise.

### A. Fill in the blank spaces below with suitable words or phrases

- (i) ..... is keeping money and valuable goods in the bank safe
- (ii) The financial institution intermediaries empowered by the central bank of Zambia to issue notes and coins are collectively called .....
- (iii) The ..... Account is an account which does not allow withdrawals without a notice
- (iv) A ..... Is opened by many people
- (v) A situation where in the bank pays on behalf o its customers affixed amount of money or a period of time called .....
- (vi) To ..... A cheque means to sign at the back of it.
- (vii) A person signing on a cheque is called a .....
- (viii) When paying money in the bank, the ..... is used.
- (ix) A ..... is used when taking money out of the bank.
- (x) A .....cheque is the cheque presented at the bank after six months.

### B. (i) Name four services of financial institutions you know?

- (II) Mention the three parties to a bearer cheque
- (iii) What does 'order cheque' mean?
- (iv) Give five reasons why a cheque may be dishonoured.
- (v) Name three functions of financial institutions

### C. write true or false in each of the following statements

- (i) A bearer cheque is an open cheque
- (ii) Customers to the bank receive interest for maintaining a current account
- (iii) A coin is not a legal tender.
- (iv) Crossed cheque can not be encashed immediately when they are collected.
- (v) When opening a bank account, one simply takes the money to the bank.

## COMMON BUSINESS ABBREVIATIONS AND TERMS

<b>A/c</b>	<b>Account</b>
<b>Av.</b>	<b>Average</b>
<b>Bal.</b>	<b>Balance in Bookkeeping</b>
<b>B/d.</b>	<b>Brought down in Bookkeeping</b>
<b>B/f.</b>	<b>Brought forward in Bookkeeping</b>
<b>Bros.</b>	<b>Brothers</b>
<b>C.A.I.</b>	<b>Cash Against Invoice</b>
<b>C.W.O.</b>	<b>Cash With Order</b>
<b>c/d.</b>	<b>Carried down in Bookkeeping</b>
<b>Cert.</b>	<b>Certificate</b>
<b>c/f.</b>	<b>Carried forward in Bookkeeping</b>
<b>chq.</b>	<b>Cheque</b>
<b>C.N.</b>	<b>Credit Note or Circular Note when used in banking</b>
<b>Co.</b>	<b>Company</b>
<b>C/o.</b>	<b>Care of (when used in an address)</b>
<b>C.O.D.</b>	<b>Cash On Delivery (goods to be paid for on delivery)</b>
<b>Cr.</b>	<b>Credit</b>
<b>Dept.</b>	<b>Department</b>
<b>Dis.</b>	<b>Discount</b>
<b>Dls.</b>	<b>Dollars</b>
<b>D.N.</b>	<b>Debit Note</b>
<b>do.</b>	<b>ditto (same as)</b>
<b>Dr.</b>	<b>Debit</b>
<b>e.g.</b>	<b>For example</b>
<b>E. &amp; O, E.</b>	<b>Errors and Omissions Excepted (from an account)</b>
<b>etc.</b>	<b>And so on</b>
<b>fig.</b>	<b>Figure</b>
<b>figs.</b>	<b>Figures</b>
<b>Fo.</b>	<b>Folio in Bookkeeping</b>
<b>f.y.a.</b>	<b>For your action</b>
<b>f.y.i.</b>	<b>For your information</b>

<b>Govt.</b>	<b>Government</b>
<b>i.e.</b>	<b>id est — that is</b>
<b>Inc.</b>	<b>Incorporated</b>
<b>Int.</b>	<b>Interest</b>
<b>Inv.</b>	<b>Invoice</b>
<b>I.O.U.</b>	<b>I owe you</b>
<b>J/A</b>	<b>Joint Account</b>
<b>£</b>	<b>Pound</b>
<b>Ltd.</b>	<b>Limited</b>
<b>Max.</b>	<b>Maximum</b>
<b>Memo.</b>	<b>Memorandum</b>
<b>Messrs.</b>	<b>Gentlemen, Sirs (used in an address before the name of firm e.g. Messrs Mulenga Walubita &amp; Co.)</b>
<b>N/A</b>	<b>Not Applicable</b>
<b>N/B</b>	<b>Take note</b>
<b>No.</b>	<b>Number</b>
<b>Nos.</b>	<b>Numbers</b>
<b>O.N.C.O.</b>	<b>Or Nearest Cash Offer</b>
<b>%</b>	<b>Per cent</b>
<b>P.A.</b>	<b>Put Away</b>
<b>Per Annum</b>	<b>Each year</b>
<b>Pvt.</b>	<b>Private</b>
<b>P.T.O.</b>	<b>Please turnover</b>
<b>R/D</b>	<b>In regard to</b>
<b>Re.</b>	<b>Received</b>
<b>Recd.</b>	<b>Received</b>
<b>Rect.</b>	<b>Receipt</b>
<b>Ref.</b>	<b>Reference</b>
<b>Reg.</b>	<b>Registered</b>

<b>a.m</b>	<b>before noon</b>
<b>a/o</b>	<b>account of</b>
<b>Admin</b>	<b>administration, administrator</b>
<b>ADSL</b>	<b>asymmetric Digital Subscriber line</b>
<b>AGM</b>	<b>annual general Meeting</b>
<b>Aka</b>	<b>also known as</b>
<b>amt</b>	<b>amount</b>
<b>AOB</b>	<b>any other business</b>
<b>App</b>	<b>appendix</b>
<b>Appro</b>	<b>approximate</b>
<b>ATM</b>	<b>Automatic teller machines</b>
<b>Cc</b>	<b>carbon copy</b>
<b>CWS</b>	<b>cash and Carry Wholesalers</b>
<b>EFTPOS</b>	<b>Electronic funds Transfer at the Point of Sale</b>
<b>E-Mail</b>	<b>Electronic mail</b>
<b>ICT</b>	<b>information and Communication Technology</b>
<b>LUSE</b>	<b>Lusaka Stock Exchange</b>
<b>P/b</b>	<b>private bag</b>
<b>P0</b>	<b>Post office</b>
<b>PABX</b>	<b>private automatic branch exchange</b>

<b>PAYE</b>	<b>pay as you earn</b>
<b>PMBX</b>	<b>private manual branch exchange</b>
<b>POS</b>	<b>POINT OF SALE</b>
<b>PRO</b>	<b>public relation officer</b>
<b>PS</b>	<b>post script: private secretary</b>
<b>Pty</b>	<b>proprietary</b>
<b>R/D</b>	<b>refer to drawer</b>
<b>VAT</b>	<b>value added tax</b>
<b>Via</b>	<b>by way of</b>
<b>VIP</b>	<b>very important person</b>
<b>VIZ</b>	<b>namely (latin, videlicet)</b>
<b>VS</b>	<b>against ( latin, verse)</b>
<b>WAP</b>	<b>wireless application protocol</b>
<b>WWW</b>	<b>WORLD WIDE WEB</b>
<b>ZRA</b>	<b>Zambia Revenue Authority</b>

