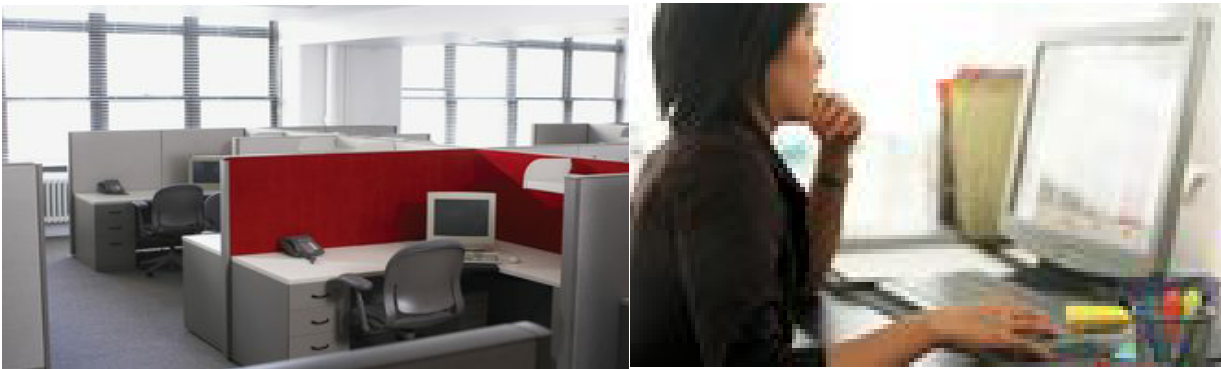


KITWE DISTRICT EDUCATION BOARD

MINISTRY OF GENERAL EDUCATION



VISION WITH ACTION



BUSINESS STUDIES STUDY



EDITED VERSION 2018



Edit with WPS Office

This document is intended for the use by scholars of Business studies who are preparing to write their Junior **Secondary School Leaving Examinations**.

The project was initiated by Kitwe District Education Board Secretary as one of the Strategies to be used in improving examination results in Kitwe District.

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TABLE OF CONTENTS

8.1 AN OFFICE

- Functions of an Office
- Types of offices
- Organisation Chart
- Job opportunities
- Office Etiquette

8.2 OFFICE STATIONERY AND EQUIPMENT

- Stationery and uses
- Office equipment and uses

8.3 ENTREPRENEURSHIP

- Entrepreneur
- Entrepreneurial Activities
- Reasons for entrepreneurship
- Types of Businesses
- Business Idea
- SWOT Analysis
- Company formation
- Business plan
- Financing businesses
- Desirable business ethics

8.4 BUSINESS TRANSACTIONS

- Types of Business Transactions

8.5 BUSINESS DOCUMENTS

- Types of Business Documents



8.6 SOURCE DOCUMENTS

- Types of Source Documents

8.6 BOOKS OF ORIGINAL ENTRY

- Types of Books of Original Entry

8.7 CLASSES OF ACCOUNTS

- Types of Classes of Accounts

8.8 LEDGER

- Double entry system

8.9 TRIAL BALANCE

- Use of the Trial Balance

9.1 FINAL ACCOUNTS

- Trading Account
- Profit and Loss Account
- Balance sheet

9.2 WAGES AND SALARIES

- Wages and Salaries

9.3 BANKING

- Types of Financial Institutions
- Services offered by financial institutions
- Types of Accounts
- Documents used in Banking

9.4 PERSONAL FINANCIAL MANAGEMENT

- Savings
- Investments
- Budgeting

9.5 FILING



- Filing Systems
- Filing Methods
- Filing Equipment

9.6 POSTAL AND TELECOMMUNICATION SERVICES

- Postal Services
- Telecommunication services

9.7 COMMONLY USED ABBREVIATIONS

- Business Abbreviations

9.8 ENTREPRENEURSHIP

- Business Management
- Managing Business Finances
- Keeping Financial Records
- Dissolution of Companies

8.1

AN OFFICE

State and explain the function of an office.

➤ Computing

This means to do very involving work such as handling the calculations for salaries and wages and many more using a computer.

➤ Analysing data

It is the duty of the clerk or an officer to ensure that any data that arrives in the company is carefully studied. This enables management to suitably know what should be done on it.

➤ Storing data

The data which might be useful to the company should be stored safely so that it can be referred to at a later stage. Storing data could be by using computer or filing cabinets.

➤ Planning



An organization is simply a composition of several activities and planning, so that all these activities are consolidated. Analyzing of data, storing and all other activities are to be propagated towards the improvement of the company.

Identify the types of offices

i. Open plan office



This is a type of an office where many workers operate from. Each worker performs the same or different types of work. For example the staff room in the school, the bank, typing or accounting pool, post office etc.

Advantages of an open plan office.

- It is easy to supervise workers
- It is Economical in the use of office space
- Workers are encouraged to work hard and report early
- It becomes easy to learn new skills

Disadvantages of an open plan office

- There is no privacy

- Easy to contract contagious diseases like sneezing
- Offices are usually noisy
- Less security of documents

ii. Closed plan office



This is an office where only one or two people work from. For example the Head teachers office, the manager's office etc.

Advantages of a closed plan office

- The offices are usually quiet
- Contagious diseases cannot easily spread
- No/less cases of gossip among workers
- Allows concentration to duty

Disadvantages of closed plan office

- It is not easy to supervise workers
- Workers report late for work as they cannot be easily noticed
- Difficulty for new staff to learn new skills from others.
- Not economical in the use of office space because a separate office has to be built for each worker.

iii. Virtual office



This is a type of office that does not require any physical visitation by clients it is an office that is found on-line. On-line refers to internet communication by means of computers, cell phones with internet facility, or any other electronic gadget with internet facility .A virtual office can be accessed by anyone regardless of their geographical location

Advantages of a virtual office

- **Cost saving**-by reducing expenses such as rent salaries etc.

- **Time saving-** there is quicker response to customers and suppliers
- **Quality improvement-**through access to innovative ways of marketing new products and services
- Can be Accessed by anyone

Disadvantages of a Virtual office

- Many people find a virtual office too difficult to deal with
- Communication used in this office may not be common in some areas
- There is fear of being swindled.

Interpret an organizational chart

An organizational chart is a diagram that shows the structure of an organization and the relationships and relative ranks of its parts and positions/jobs

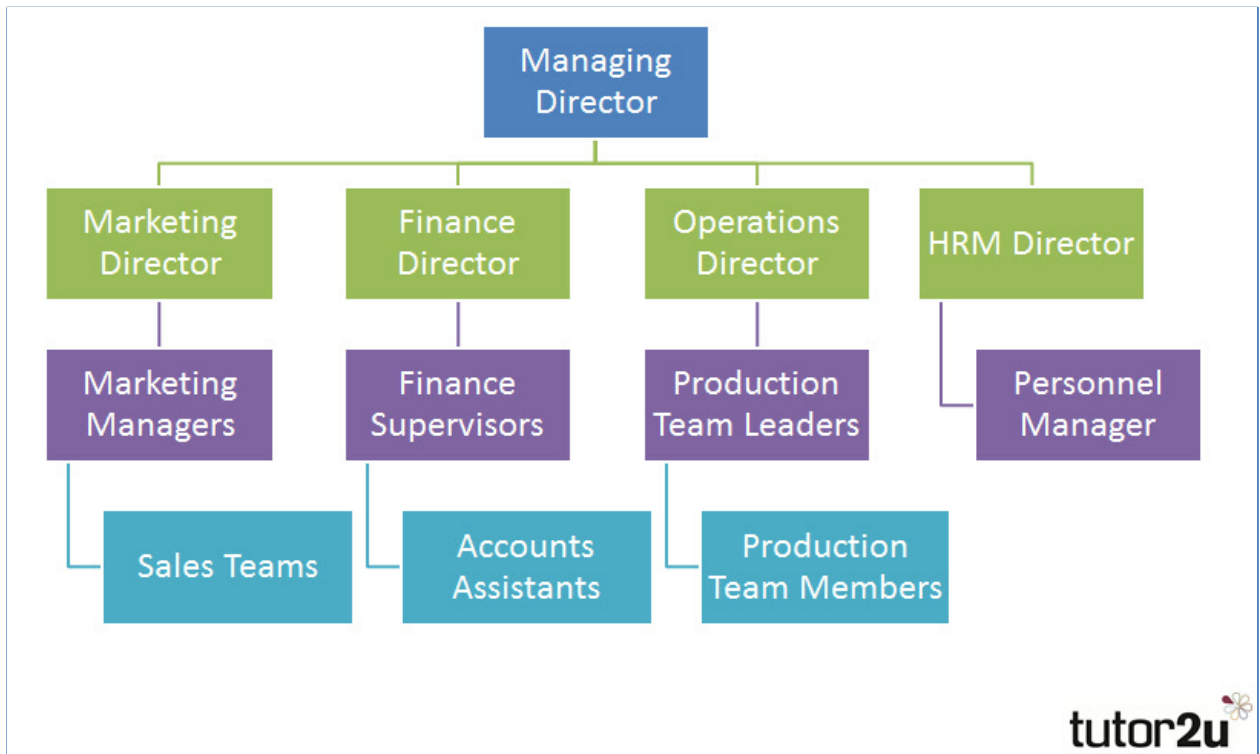
Board of Directors

|

Managing Directors

|

General Manager



State the functions of each department

i. **Administration.**

- Recruitment and sometimes training of new staff in the organization does not have a separate training department.
- Conducting inclusion course where new employees are exposed to the new working environment.
- It promotes, demotes and retires employees.
- Conducts interviews.
- Provision of housing facilities, recreation or entertainment and canteen facilities to employees. Etc.

- Attending to workers complaints

ii. **Accounts/finance department.**

- Preparation of salaries and wages for all employees in the organization unless the organization has the salaries and wages department.
- Preparation of the financial report for the organization.
- Safe keeping of the finances for the organization.
- Receives and makes payments for the organization.

iii. **Human resource**

- To recruit new employees in all departments of the organization.
- Looking after the welfare of all employees in the organization e.g. healthy and safety issues etc.
- Keeping records of all employees in the organization.
- Promoting deserving employees and dismissing erring. Employees.
- Conducting induction trainings also arranging for in-service training.
- Arranging for pensions and voluntary separation of some employees.

iv. **Marketing/ advertising/sales**

- To portray and maintain a sound and positive image of an organization.
- To ensure that the goods being sold by the company are known to them.
- To offer free samples and all other means that should see the consumer morale to buy the goods provoked.
- To inform the consumers.

- To remind the consumers.
- To educate the consumers.
- To persuade the consumers.

v. Procurement/purchasing

- Procurement of all requirements for the business such as raw materials, stationery, machinery and etc.
- Follow all procurement procedures of the business.
- Keeps copies of documents for all goods, material and services bought.

vi. Planning

- Analysing data
- Storing data

vii. Maintenance/Engineering

- To repair and maintain the property and equipment belonging to the company such as building machinery and equipment to ensure continuity in the production of goods.
- To ensure good sanitation and safety in the working place and making it conducive to work in.

viii. Transport and Logistics

- Delivery of raw materials and other supplies to the business and also deliveries of goods to consumers.
- It is also responsible for the movement of employees to and from the work place.
- It ensures the movement of company executives to and from the meeting and places of appointments.

ix. Legal

- Responsible for legal documents of the documents of the organizations.
- It also represents the organization on legal matters.

Identify the job opportunities available to business studies scholars

- Managing director
- General manager
- Financial manager
- Accounts clerk
- Registry clerk

Describe acceptable office etiquette

- Appearance- An officer should always appear as presentable as possible at work.
- Reliability- Reliability refers to how dependable a worker should be at the place of work.
- Punctuality- Punctuality refers to how early a worker report for work
- Loyalty-To be loyal at one's place of work means to support, listen to and care for fellow workers supervisors and the company one works.

- Courtesy- Courtesy at work means to have good manners, begin polite and kind
- Responsibility-An officer should be responsible at work.

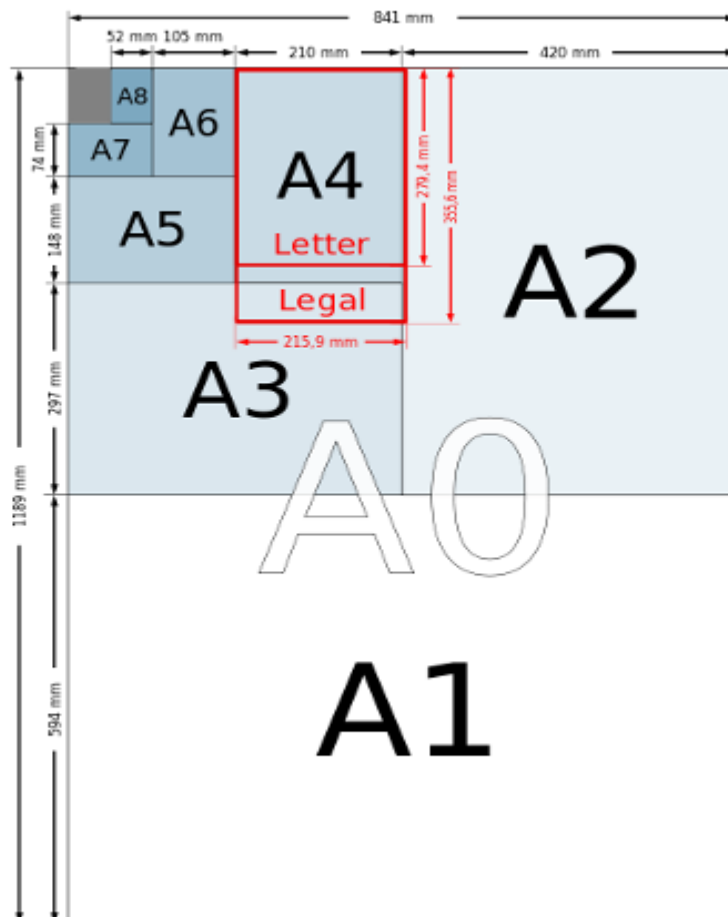
8.2

OFFICE STATIONERY AND EQUIPMENT

Identify the different types of stationery

- Paper- is used for writing, drawing and printing in an office.





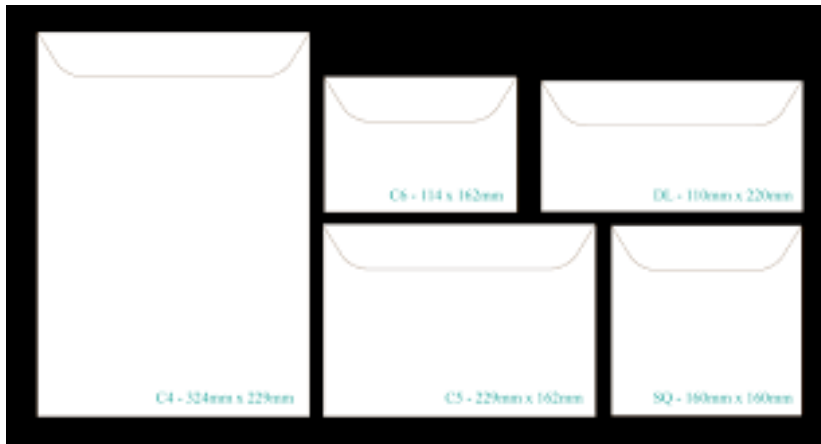
- **Pens-** This is used for writing on various kinds of documents



- **Rulers-** these are used for measuring and making straight lines/edges of a drawing.



- **Envelopes-** These are used for enclosing letters and other Correspondence.



- **Rubbers-** are used for erasing any written words in ink and pencil.



- **Stencils-** These are used in duplicating machines to produce the same copy



- **Ink/toner-** is a liquid or paste that contains pigments or dyes and is used to color a surface to produce an image, text or design.



- **Carbon paper-** This is a special kind of paper that is linked on one side. It is used to produce more documents at the same time.



- **Correction fluid-** A special white fluid for painting over/ covering incorrect text (for example tipex)



- **Filling clips-** These are clips that are used to attach papers together in a file/folder.



- **Pins-** are used for holding papers together.



1. Identify the different types of office equipment and state the use for each one of them.

- **Ink/spirit duplicators-** These are used to make many copies of the same document



- **Filing cabinets-** These are used for storing files and folders containing information kept for future reference



- **Stapler-** This is used for attaching paper together



- **Hole puncher-** This is used for making holes on the edge of the papers the purpose of

filing



- **Telephones-** This office equipment is used for quick oral communication mainly over long distance. This can either be through a land phone or a mobile phone.

Land phone –this is stationed in one place



Cell/Mobile phones –this is not stationed one can move with it



- **Intercoms**- This is a telephone system used within an organization and does not go out of the office. it is used for internal communication.



- **Desk calendar**-the system used to measure and arrange the days, weeks, months, and special events of the year according to a belief system or tradition.



- **Date stamp-** This is a tool used as a seal or authority on documents. It shows the date and the office that has signed the document.



- **Facsimile machine-** It is equipment used to seal writer documents over a Distance.



- **Styles pen-** is used for writing on a stencil.



- **Calculating machine-** It is used to perform mathematical computation.



- **Photocopier-** it used to produce many copies from the original.



- **Computer-** it is an electronic device used to create store or retrieve document stored in digital form.



- **Shredder** -This is used to destroy paper by cutting it into smaller pieces that cannot be mended back; it is used to destroy confidential information.



- **Scanner-** this is equipment used to capture documents e.g. maps, letter, pictures etc into the computer.



- **Guillotine-** this is a paper cutter. it is used to cut paper in different sizes.



3

ENTREPRENEURSHIP

Entrepreneurship is the ability to create, build or generate something from nothing. For example from sand and cement one can make blocks which can be used for building a house. It is the willingness to take risks in trying to make a profit.

1. Who is an Entrepreneur?

(i) An entrepreneur is a person who runs a business and bears risks.

(ii) An Entrepreneur is a person who sees and uses an opportunity to start a new business.

2. State characteristics of a good entrepreneur.(qualities)

- Open to criticism
 - Hard work
 - Independence and organized
 - Innovative and creative
 - Responsive to feed back
 - Risk taker
 - Desire to achieve
 - Problem solver

- Always positive
- Self-confident
- Action oriented

3. List ways of strengthening entrepreneurial abilities.

- Get help from other people such as friends, family and other business people
 - Observe successful business people
 - Get trained
 - Communication
 - Reading Books
 - Get to know activities being done in the community

4. Identify entrepreneurial activities in your community. -

- Fishing





► Poultry



► Bee keeping



► Cattle

rearing



► Brick making



► Gardening



➤ Hair dressing



► Transport



Trading



➤ Farming



➤ Welding



5. Engaging into Entrepreneurial activities brings about:

- Maintain free enterprise
- Promotion of health completion
- Generation of wealth
- Spreading prosperity
- Enhancing wealth stability

- Ensure innovation and creativity
- National Development
- Self-reliance
- Flexibility
- Self-employment
- Job creation

6. Identify three (3) business units

- Sole trader
 - Partnership
 - Co-operative
- **Sole trader:** these are businesses owned and controlled by one person.



- **Partnership**-these are businesses run by two or more people who share responsibilities, profits and risks.



- **Co-operatives**: in a bid to lower prices, retailers may come together and form co-operative. These are organizations of people who come together to achieve a common goal or purpose.





7. Match the items in column A with those in column B

A	B
Sole Trader	Business owned and democratically run and controlled by its members
Partnership	Business run by one person who starts it and owns it
Cooperatives	Two or more people work together to start and run the business

A	B
Sole Trader	Business run by one person who starts it and owns it
Partnership	Two or more people work together to start and run the business

Cooperatives	Business owned and democratically run and controlled by its members
--------------	---

Identify sources of business ideas

- Friends
- self
- Family members
- Reading books
- Media (Newspapers, Magazines etc.)
- Existing business

What do the acronym SWOT stands for?

Strength- Positive internal factors that a company can draw to accomplishment of the company's mission, goals and objectives	Weaknesses- Negative internal factors that inhibit the accomplishment of the company's mission, goals and objectives
Opportunities- positive external options that a firm can exploit to champion its mission, goals and objectives	Threats- negative external forces that inhibit a company's ability to attain its mission, goals and objectives.

Describe factors to consider before forming a company.

- **Start-up capital:** capital is an important factor to consider before starting business it will determine the size of the business to be established. Therefore entrepreneurs need to find ways of getting money to start their business.
- **Locality:** it refers to the area or place where the business will be established. Locality includes road network to bring in raw material and to transport finished products. Customers will also need roads to get to the business.
- Other issues to consider include whether there is good communication system and adequate infrastructure. The cost of the site should also be taken into consideration in relation to expected profits or turnover.
- **Trading hours:** Time to open and close the business must suit the customer. Long trading hour can give a new business an advantage.
- **Source of raw material:** it is important for the business to be located in a place where source of supply for raw material is reliable so as to ensure adequate stocking of good or raw material. This will help in maintaining customer loyalty as the goods will be in supply regularly.
- **Competitors:** The product you are dealing in must be in the position of being sold because there are a lot of such products on the market. You have to beat your competitors by making your products better than them or lowly priced than them.



- **Advertising:** You need to know how to get your product message across to the customers. Advertise your products through radio, television, newspapers, billboards, internet or point of sale.

- **Banking:** These are needed by the business for keeping money safe as well as borrowing money if necessary.

- **Pricing:** decide on how much to charge for the products or services. A low-price strategy may force the business to use low-quality raw material. Alternatively, the business can go for the high-price, high quality strategy which may appeal to fewer clients, but will yield high profits. What is important in pricing is that customers must get value for their money.

Describe the documents needed for the formation of different types of businesses.

- **Business Permits:** these are licenses issued by local councils to enable one do business in their locality.

- **Articles of partnership:** these are documents which a partnership business must have to specify:
 - Who the partners are and what the share of each partner is
 - The name of the partnership
 - The address and nature of the partnership
 - The date on which the partnership starts and how long it will exist

- How much capital each partner will contribute and whether the partnership will pay interest on the capital
 - The bank account of the company and names of signatories on cheques
 - Partners to manage the company
 - Sharing of profits
 - How financial statements will be prepared
 - How to dissolve the partnership in case one partner dies
- i. **Articles of Association:** is a document that shows how the internal running of the business will be. It contains the following:
- Powers, duties and limitations of the Directors.
 - The procedure for calling the Annual General Meetings (AGM) held once per year between shareholders and Board of Directors to discuss important decisions for the company.
 - The voting procedures at the Annual General Meetings.
 - The procedure for settling disputes.
- ii. **Memorandum of Association:** it is a document that shows the relationship of the company with the people outside the company. The document contains the following:
- The objectives of the company. (what the company deals in)
 - Registered address of the company.
 - Names, addresses and qualifications of the directors.
 - The amount of the authorized capital (maximum amount of capital a company is allowed to raise through the selling of shares)
 - A full statement that it is a limited liability company.

State and explain the content of a business plan.

- **Cover page:** this is the first part of the document which gives the reader an instant impressing of the business
- **Table of content:** this is a critical part in the document because it provides the reader with a road map of your plan
- **Executive summary:** this is an attention capture at the front of the plan giving a brief description of the business and highlights the purpose of the business and how the purpose of the business will be achieved.
- **Business idea:** This part briefly describes the purpose and goals of the business, the owners of the business and what the need for the start of the business was. If the business has been in existence long it outlines its history and performance to date. If the business is starting it gives a description of goods and services the business intends to off load on the market.
- **Marketing plan:** A marketing plan is a business document outlining you marketing strategy and tactics. It's often focused on a specific period of time.
- **Staff Legal responsibilities and insurance:** describe the qualifications and responsibilities of management. The quality of management is often the key factor in obtaining debt or equity funding.
- **Costing items:** consists of Financial planning Required start -up capital Source of start-up capital.

Describe the functions of a business plan

- It provides more clearer and organized business ideas.
- It leads to putting down of ideas into written documents.
- It is an operational plan
- It is used for sourcing loans from leading institutions.
- Helps to determine viability of the business ideas
- Provides an answer to the profitability of the business

Explain ways of financing businesses

- **Savings:** personal savings where the owner of the business saves money to start up a business. These will include securities, real estate and other personal assets.
- **Bank loans:** it is a financial transaction in which one party(the lender) agrees to give another party(the borrower) a certain amount of money with the expectation of total repayment which includes interest on the loan
- **Borrowing** from friends or family members: friends and relatives may provide additional source of funds by means of lending or donations where there is a challenge for young entrepreneurs to obtain loans from lending institutions.
- **Leasing:** This is agreement where the entrepreneur pays a monthly fee for using an asset, but does not become the owner until the end of the leasing period.

Describe desirable business ethics.

- **Integrity:** a business person must show high levels of moral behaviour.
- **Honesty:** Free from cheating.



- **Fairness:** a business person must be equitable without any injustice
- **Loyalty:** the ability to satisfy customers quality and fairly priced goods/services.
- **Dependability:** a business person should always keep his promise because customers prefer to deal with a dependable business person and employees prefer to work with a dependable employer.
- **Flexibility:** a good entrepreneur should be so that they are willing to see another point of view. This will lead to have loyal customers.
- **Punctuality:** doing things on time in business. To be punctual one has to keep time in all events in order to show value for other people's time.
- **Responsibility:** must be counted as a worthy and trusted person

8.4 BUSINESS TRANSACTIONS

A business transaction is an exchange of goods or services with money or something worth money.

4.1 Identify the different types of business transactions

- Cash transactions-this is an exchange of goods or services where payment is done immediately. This can be done through the bank or cash.
- Credit transactions-this is where payment is postponed to a later date.
- Barter transaction this is where there is an exchange of goods or performance of a service for goods or services.

8.5 BUSINESS DOCUMENTS

These **documents** include receipt records, payroll reports, paid bills, bank statements, income



statements, balance sheets and tax reporting forms. ... A business owner uses these documents to determine the financial success of the company and to identify areas that are unproductive.

5.1. Identify the types of business documents and draw each one of them

- **An inquiry**-is a document sent by the buyer to the seller to find out more details about the goods he wants to buy.

An inquiry shows the following:

- Description of goods
- Type and price of goods
- Delivery services
- Warrants and guarantees
- And any other relevant information

Milumbe Secondary School

P.O. Box 220567,Kitwe

Inquiry No.03/18

13th February,2018

The Sales Manager

Kaloko Book Sellers

P.O.Box 350287,

Ndola.

Dear Sir/Madam.

We would like to find out if you have the following books in stock :

- Business studies grade 8 by Hampungani



- Business studies grade 9 by Wakumelo
- Business studies Revision by Sakala

In reply please include information on terms of payment and delivery conditions.

Waiting to hear from you soon.

Yours faithfully,

Muka Carol

Procurement officer

Tender: This is prepared by the buyer to the supplier requesting suppliers to compete for the provision of goods and services. Tenders are mostly used by government departments and private companies.



MINISTRY OF GENERAL EDUCATION

KITWE DISTRICT EDUCATION BOARD

TENDER FOR THE SUPPLY OF NEW CURRICULUM BUSINESS STUDIES BOOKS

The Ministry of General Education is inviting tenders for the supply of New Curriculum Business Studies Books in the year 2018.

Requirements

- The organisation must be an approved book seller
- Must have supplied books to reputable learning institutions for the past 4 years.
- Must have the capacity to supply 1200 books per year.
- Attach a copy of audited financial report of the organisation for the past three years.
- Bids must reach the procurement officer's office at 14:00 hours on 16th March, 2018.

Wakumelo Edwin

PRUCUREMENT OFFICER

QUOTATION-This is a document sent by the seller to the buyer as a response to an inquiry.

YOUR LOGO HERE	Quotation		
Date [Enter date] INVOICE # [100] Expiration Date [Enter date]			
TO: [Name] [Company Name] [Street Address] [City, ST ZIP Code] [Phone] Customer ID [ABC12345]			
Salesperson	Job	Payment Terms	Due Date
		O/e on receipt	
Qty	Description	Unit Price	Line Total
Subtotal			
Sales Tax			
Total			

Citation prepared by: _____

This is a quotation on the goods named, subject to the conditions noted below. (Describe any conditions pertaining to these prices and any additional terms of the agreement. You may want to include contingencies that will affect the quotation.)

To accept this quotation, sign here and return: _____

Thank you for your business!

[Your Company Name], [Street Address], [City, ST ZIP Code] Phone [(00)0-000-(000)] Fax [(00)-000-(000)] E-mail:

There are different types of quotation.

- **Catalogues** -This is a colourful pamphlet showing items with their price



- **Price list** -It is a schedule of the names of the items being sold with prices against them

KALOKO BOOK SELLERS P.O.BOX 35087, NDOLA. PRICE LIST		
REFERENCE	DESCRPITION	UNIT PRICE (K)
Grade 8	Business studies	80.00
Grade 9	Business studies	80.00
Grade 10	Commerce made simple	120.00
Grade11	Principles of accounts	120.00
Grade 12	Business Accounting	150.00
Terms and conditions: • Trade discount of order 10% on order over K2000 • Cash discount 15% in 14 days . • Prices valid for 21 days and include transport.		

- **Proforma invoice**-this is a document which shows the cost of goods the customer intends to buy.

<http://www.sagepub.com>

- **Estimates-** It is prepared by the supplier giving the price of work to be done according to specific given instructions.

Costs				Totals
Direct costs	Labor			
	Writer			\$2,000
	Research			\$250
	Layout			\$1,100
	Design			\$1,500
	Total direct labor			\$4,850
	Travel	200 miles	\$0.30/mile	\$60
Total direct costs				\$4910
Administration costs				\$912
Overall project total				\$5822

ORDER

An order is a document prepared by the buyer to the supplier asking for the supply of goods or services. The order will normally contain the phrase “please supply the following”. In order, the buyer states the quality, quantity and price of the goods to be ordered.

QTY	REF. no	Details	Unit price	Discount	Total price
50	201	Commerce books	120.00	10%	6000.00
20	205	Business studies books	80.00		1600.00

Purchasing agent name.....

Activity

Study the following document and answer the questions that follow:

No.033456

16/03/2018

Kaloko Book Sellers

P.O. Box 35087

Ndola

Milumbe Secondary School

P.O. Box 220567,

Kitwe

MWENSE (PLEASE SUPPLY THE FOLLOWING GOODS).



QTY	REF.NO	DETAILS	LIST PRICE	DISCOUNT	TOTAL PRICE
2		Whites shirts.			K 810 000
units	461	All invoices quote order no.	K 45 000	10%	K 810 000

- (a) Name the document above?
- (b) Who is the buyer?
- (c) What does QTY stand for?
- (d) What was the discount allowed in value?
- (e) Why is this document important?

SOLUTION

- (a) **Order**
- (b) **Chibesa & co**
- (c) **Quantity**
- (d) **K4,500**
- (e) **This is important because the supplier will know the goods the buyer wants**

INVIOCE

- It is a document sent to the buyer from the seller .It contains the quantity, description, prices, discounts and Value Added Tax(TAX) if applicable.
- An invoice is a document that starts the accounting process.

- It forms a basis of the contract of purchase or sale of goods between the buyer and the seller. An invoice is said to be a request by the supplier to the buyer to pay the amount owing.
- The letters E&OE (Errors and Omission Expected) will normally appear on the invoice. It means that any errors on the invoice can be corrected by the seller.

INVOICE

Kaloko Book Sellers

P.O. Box 35087

Ndola

20th March ,2018

Milumbe Secondary School

P.O. Box 220567



Ndola.			
Terms :5% 1 week,2% 2 weeks, Net 1 month			
QTY	DESCRIPTION	UNIT PRICE	TOTAL PRICE
5	Bags of Sugar	100	500
10	Cases of books	100	1000
40	Bags of cement	50	2000
Less			3500
10% trade discount			350
E&OE			3150

- **Advice Note**-this is a document sent to the buyer from the seller. To prepare to receive goods.
- **Dispatch Note**-This is sent to inform the buyer that the goods have been dispatched.
- **Delivery Note**-this is a document sent to the buyer together with the goods to show details of

goods being delivered.

[illegible]

► RECEIPT

Receipt are issued upon or payment or payment by cash or cheque. Receipts issued are used as source for recording entries in the cash receipt journal by the seller while receipt received are used for recording entries in the cash payment journal by the buyer.

RECEIPT NANAK & COMPANY 231, Chhota Bazar, Kolkata	
No: _____	Date: _____
Received with thanks from Mr. /Ms.	
on account of	
Authorised Signatory	

- **CASH SALE** -It serves most the same purpose as the receipt except that a receipt is also issued when payment is received from debtors.

8.6 SOURCE DOCUMENTS

► THE DEBIT NOTE

This is a business document issued by the seller to the buyer to correct undercharge errors in the invoice. It may be a debit note issued or debit note received.

M/S AKBAR & CO.		1218, Ram Nagar, Nagpur, 29 th August, 2011
No. 2318	DEBIT NOTE	
Against : M/s Kabir and Sons, New Delhi		
Goods returned as per delivery		
Challan No.		
(Details of goods returned)		
(Rupees Ten thousand only)	₹ 10,000/- M. Karuna Sagar Manager	

► CREDIT NOTE

This is a

issued
the

errors in
may be
issued
received.

M/S SMITH & CO.		1/2218, White House Walchand Hirachand Marg, Mumbai-400001 19 th September, 2011
No. 18	CREDIT NOTE	
In Favour of : M/s Amrik Singh & Sons, New Delhi		
Goods received as per delivery		
Challan No.		
(Details of goods received)		
(Rupees Twelve thousand only)	₹ 12,000/- Madho Kumar Manager	

business
document
by the seller to
buyer to correct
overcharge
the invoice. It
a credit note
or credit note

► RECEIPT

Receipt are issued upon or payment or payment by cash or cheque. Receipts issued are used as source documents for recording entries in the cash receipt journal by the seller while receipt received are used for recording entries in the cash payment journal by the buyer.

RECEIPT	
NANAK & COMPANY	
231, Chhota Bazar, Kolkata	
No:	Date:
Received with thanks from Mr. /Ms.	
on account of	
Authorised Signatory	

► CHEQUES

Deposit are issued by the bank upon deposit of cash or cheque into a bank account. They provide evidence that cash or cheque have been deposited into the bank account. They act as source documents for recording entries in the cash receipt journal.

Cheque counterfoil/stabs: they are used as source documents for recording entries in the cash payment

CREDIT VOUCHER

ABC & Co. Ltd. 108, Nai Sarak, Delhi	
Voucher No. 909	Date 25.3.2011
Credit : Sales A/c (Being goods sold for cash vide Bill No. 306)	50,000
Total	50,000
Sd/ Manager	Sd/ Accountant

CHEQUE COUNTER FOIL

Date: <u>17 March 2015</u> To: <u>Office Decorators</u> For: <u>Purchase of 1 Desk</u> Balance b/f _____ Deposit _____ Balance _____ This Cheque <u>₹ 570.00 (only)</u> Balance c/f _____ 105	600 001 Date <u>17 March 2015</u> or Bearer Pay <u>Office Decorators</u> The sum of <u>Five Hundred and Seventy Rupees Only</u> ---570.00 <u>Handy</u> Handyman Hardware Store 105: 600001:1003030031 "01
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8.7 BOOKS OF ORIGINAL ENTRY

Books of original entry are books in which transactions are first recorded as they are posted to the relevant books on a daily basis. Books of original entry are also known as **subsidiary books/ books of prime entry/journals/day books**.

► **Books of Prime Entry, Transaction Type and Source Documents**

BOOK	SOURCE DOCUMENTS
Sales daybook (or Sales journal) for credit sales	Duplicate invoice
Purchases daybook (or Purchases journal)for credit purchases	Original/purchases invoice
Sales returns day book>Returns inwards daybook (or Returns inwards journal)	duplicate Credit notes
Purchases returns daybook>Returns outwards daybook (or Returns outwards journal)	original credit notes
Cashbook for Cash / Bank (cheque) receipts and payments	Receipts, Deposit slip, cheque counterfoil, cash sale slip
Petty cashbook for small cash payments	Petty cash vouchers
General journal	

THE CASH BOOK

Identify the three types of cash books

► SINGLE COLUMN/ONE COLUMN CASH BOOK

One/single column cash book -contains only cash or bank column.

Activity

1. Enter the following information into E. Hamankolo's cash accounts for the month of January, 2014 and balance off the account.

Started business with	K900 cash in hand.
-----------------------	--------------------

Bought goods for cash	K2 000.
-----------------------	---------

Paid rent by cash	K1 500.
-------------------	---------

Sold good for cash K3 000

Paid sundry Expenses by cash	K550.
------------------------------	-------

Cash purchases	K1 500.
----------------	---------

Bought motor vehicle by cash	K2 000
------------------------------	--------

Solution.

E.HAMANKOLO'S CASH ACCOUNT.



Date		Details	F	Dr (K)	Cr (K)
Jan	1	Capital		9 000	
	3	Purchases			2 000
	8	Rent			1 500
	10	Sales		3000	
	17	Sundry expenses			550
	25	Purchases			1 500
	31	Motor vehicle			2 000
	31	Balance	c/d		4 450
				12 000	12 000
Feb	1	Balance	b/d	4 450	

--	--	--	--	--

2. Malambo started business with cash at bank K4500 and had the following transactions in the month of January.

January 2 bought goods by cheque K2000

8 paid for electricity by cheque K500

10 Received a cheque from Kaoma Traders K600

20 paid for Transport Costs K200

You are required to record the above information in Malambo's Bank Account and balance off the account at the end of the month.

SOLUTION

MALAMBO'S BANK A/C

DATE	DETAILS	F	Dr	Cr
------	---------	---	----	----



2018			K	K
January 1	Capital		4500	
2	Purchases			2000
8	Electricity			500
10	Kaoma Traders		600	
20	Transport costs			200
31	Balance	c/d		<u>2400</u>
			<u>5100</u>	<u>5100</u>
February 1	Balance	b/d	2400	

TWO COLUMN CASH BOOK

Two column cash book - contains both cash and bank column. This is when you combine the cash accounts and bank accounts.

Activity

The following information relates to Kangwa Cecilia a sole trader from which you are required to prepare a two column cash book.

2009

September 1 started business with K6000 cash and K10, 000banks

- 3 .Paid for electricity by cash K500
- 6. Bought goods by cheque K300
- 8. Sold goods by cheque to Nkandu K 1800
- 15. Cash sales K200
- 19. Wages K100 were paid by cash
- 25. Bought equipment by cheque K4000
- 30. Balance off the cash book.

Solution

KANGWA CECILIA

TWO COLUMN CASH BOOK

DATE	DETAILS	F	CASH A/C		BANK A/C	
2009			DR	CR	DR	CR



Sept 1	Capital		6000		10000	
3	electricity		500			
6	purchases					
8	sales				1800	300
15	sales		200			
19	wages					
25	equipment			100		
30	balance	c/d				4000
				5600		7500
Oct 1	Balance	b/d				
			6200	6200	11800	11800

			5600		7500	
--	--	--	------	--	------	--

Note:

Drawings

A drawing is money taken out of the business for personal use. When you make a drawing, you pay yourself from future profits which will reduce your capital.

Contra –entry

A contra entry is a transaction that affects both the cash account and the bank account. The double entry for a contra entry is completed within the cash book. This means that a contra entry is never posted to the ledger when it comes to ledger posting.

Activity

Write up the following transactions in R. Mwebe two column cash book, bring down the balances.

2008

October 1 started business with cash K 50,000 and bank k200, 000

2 paid cash for stamps K3, 000.

3 paid Sunday expenses K 2,000 in cash

5 cherubs for K8, 000 received from luyando

9 cash sales K70, 000

Paid K 60,000 cash into bank

15 settled K. Chibale's account for K15, 000 by cheque.

18 sent G. Mwape a cheque for K 5,000

23 paid advertising account K 4,000 in cash

25 cash sales K 80,000

Paid cash into bank K 50,000

26 paid salaries by cheque K60, 000

28 Drew cheques for self K10, 000

30 withdrew K30, 000 from bank for business use

R. MWEBE TWO COLUMN CASH BOOK.

Date	Details	F	Cash	Account	Bank	Account
2008			DR	CR	DR	CR
			K	K	K	K
Oct 1	Capital		50,000		200,000	
2	Postage			3,000		
3	Sundry expenses			2,000		
5	D Ndhlovu		70,000			
9	Sales				8,000	
	Bank /cash	c		60,000	60,000	
15	K.chibale					15,000
18	G.mwape					5,000
23	Advertising			4,000		
25	Sales		80,000			

	Bank /cash			50,000	50,000	
26	Salaries	c				60,000
28	Drawings					10,000
30	Cash /bank	c	30,000			30,000
						198,000
31	Balance	c/d		111,000		
Nov 1	Balance	b/d				
			230,000	230,000	318,000	381,00
			111,000		198,000	

THREE COLUMN CASH BOOK

This cash book is similar to two column cash book except that it has an extra discount column added on the side. The extra discount columns are the (a) discount allowed that is added on the debit side.(b) discount received that is added on the credit side. The discount columns are used for entering the monetary discount value that a business allows to debtors/creditors that pay promptly.

Activity

Enter the following in the three column cash book of T. Mulilo.



2006

March 1 balance brought down from April: cash K290, bank K 654

7 bought goods by cheque K120

8 Mono paid his account of 120 less 10% cash discount by cheque

9 paid the following by cash in each deducting 5% cash discount by cheque: R. T amulet

K 100 and V Robertson K80

12 rents was paid by cheque K30

15 withdrew cash from bank K 70

21 Received from Mable K100 by cheque in full settlement of his account of K110.

22 Bank interest received K 5

T.MULILO

THREE COLUMN CASH BOOK



Date	Details	F	Cash account		Bank account		Discount	
			Dr	Cr	Dr	Cr	All	Rec
2008			K	K	K	K	K	K
May 1	Balance	b/f	290		654			
7	Purchases					120		
8	Maoma				108		12	
9	R.Tamale							5
	V.Roberson			95				4
12	Rent			76		30		
15	Cash/bank	c	70			70		
21	Mable				100		10	
22	Interest				5			
30	Balance	c/d		189		647		
			360	360	867	867	22	9
June 1	Balance	b/d	189		647			

• **PETTY CASH BOOK**

Petty cash book is a book where we record small amount of **cash** payments in the running of day to day activities of the business. For example sugar, coffee, sundry expenses cleaning material fuel etc.

The petty cash book is maintained through the following systems:

Imprest is a system where a reimbursement is made of the total amount paid in a period or it can also

be called as a system where petty cashier begin each new accounting period with the same amount of petty cash.

Activity

Chama is a sole-trader who keeps her Petty Cash Book on the impress system – the cash float amount being K100. Her transactions for the month of April were: K

April 1 Petty cash in hand 14.74

April 2 Petty cash received to restore the impress

April 4 Purchased envelopes 8.68

April 7 Paid wages 16.20

April 10 Purchased postage stamps 8.50

April 14 Bought printing paper 17.44

April 17 Cost of postages 6.76

April 26 Paid wages 16.66

April 28 Purchased envelopes 10.48

Required:

- a) Draw up the Petty Cash Book for the month of April with analysis columns for stationery, wages and postages.
- b) Balance the petty cash book at the end of the month, carry down the balance and show the cash received to restore the cash float back to K100 on 1st May.
- c) Explain what is meant by the imprest system
- d) What is the use of the analysis columns in a petty cash book?

Solution

RECIPT	DATE	DETAILS	DR	CR	INV NO	STATIONERY	WAGES	POSTAGE
100	APRIL							
	1	Balance b/d	14.78					
	2	Cash	85.26					
	4	Envelopes		8.68		8.68		
	7	Wages		16.20			16.20	
	10	Stamps		8.50				8.50
	14	Printing paper		17.44		17.44		
	17	Postage		6.76				6.76
	26	Wages		16.66			16.66	
15.28	28	Envelopes		15.26				15.26
			100	10.48		10.48		
84.72				84.72		36.6	32.86	

(c) **Imprest system:** It is a system where a reimbursement is made of the total amount paid in a period or it can also be called as a system where petty cashier begin each new accounting period with the same amount of petty cash.

Fill in the blanks with suitable word/words:

- (i) The assistant to the Head Cashier is known as.....
- (ii) A separate cash book to record small transactions is called.....
- (iii) The amount which is paid to the petty cashier at the beginning of a period is known as.....
- (iv) Under Impress system of Petty Cash Book, the Petty Cashier is reimbursed with the amount equivalent to what he spent during the-----

2.1 Sales Day Book/ Sales Journal : is a subsidiary book where credit sales are recorded. The source document of the sales Journal is the **duplicate invoice**.

Activity

From the following information prepare Z. Chanda's Sales Journal.

2016

March 4 sold the following on credit to Kalenga & Sons on invoice No. ZC 117.

- 20 boxes boom @ K25 a box
- 50 tins of cobra @ K20 a tin
- All subject to 2.5% trade discount

March 10 Mwila wholesalers bought the following goods on credit on invoice No. ZC118

- 100 Ebu soap @ K5 each.
- 200 Chick soap @ K3 each.
- 10% was given as a trade discount.

March 20 Kalungulungu bought the following on credit on invoice No. ZC120

- 5 cases of sugar at K120 per case.
- 6 boxes of tea bags @ K20 per box.

Z. CHANDA'S SALES JOURNAL

DATE	DETAILS	INV. No.	SUBTOTAL	TOTAL

2016		ZC117		
March 4	<u>KALENGA & SONS</u>			
	20 boxes boom @ K25 a box		500.00	
	50 tins cobra @ K20 per tin		<u>1000.00</u>	
			1500.00	
	Less 2.5% trade discount		<u>37.00</u>	
				1 462.50
March10	<u>MWILA WHOLESALERS</u>	ZC 118		
	100 Ebu soap @ K5 each		500.00	
	200 Chick soap 2 K3 each		<u>600.00</u>	
			<u>1 100.00</u>	
	Less 10% trade discount		<u>110.00</u>	
				990.00
March 20	<u>KALUNGULUNGU</u>	ZC 120		
	5 Cases of sugar @ K120 per case		600.00	
	6 boxes of tea bags @ K20 per box		<u>120.00</u>	
				<u>720.00</u>
March 31	Total credit sales for the month of march (post to the sales account in the general ledger).			<u><u>3 172.50</u></u>

SALES RETURNS DAY BOOK/ RETURNS OUTWARDS JOURNAL

Is the Journal in which returns from credit customers are recorded? The source document for the sales Returns Journal is the **duplicate credit Note**.

Activity

Z. Chanda had the following sales Returns in the Month of March, 2016

March 7 Kalenga & Sons returned the following

2 boxes of boom @ K25 a box

2 tins of cobra @ K 20 a tin

Less 2.5 Trade discount

March 28 kalungulungu returned the following:

1 case of sugar @ 120 a case

SOLUTION**Z. CHANDA'S SALES RETURNS JOURNAL**

DATE	DETAILS	Cr. . No.	SUBTOTAL	TOTAL
2016				
March 7	<u>KALENGA & SONS</u>			
	2 boxes boom @ K25 a box		50.00	
	2 tins cobra @ K20 per tin		<u>40.00</u>	
			90.00	
	Less 2.5% trade discount		<u>2.25</u>	
				87.75
March 28	<u>KALUNGULUNGU</u>			
	1 Cases of sugar @ K120 per cast			<u>120.00</u>

March 31	Total credit sales returns for the month of march (post to the sales returns account in the general ledger).			<u>207.75</u>
----------	--	--	--	---------------

2.2 PURCHASES DAY BOOK / PURCHASES JOURNAL

Purchases day book / purchases journal is a book of original entry maintained to record **credit purchases** (when goods for sale are bought on credit)

Activity

The following transactions for the month of August 2001 were extracted from the books of Luanda Traders

August 1 bought the following from Kaoma A Farms

4 boxes Tomatoes @ K150.00 each

6 packets of Potatoes K60.00 a bag

All subject to 5% trade discount

August 10 bought from Lubemba T Farms the following:

5 bags of butter nuts @ K100.00 each

10 bags of onion @ K35.00 per bag

August 20 Received an invoice from Chipilingu C Suppliers

20 bags cucumbers @ K 55.00 per bag

20kg ginger @ K30.00 per kg

All subject to 2.5 % trade discount

Solution

LUANDA TRADERS PURCHASES DAY BOOK

DATE	DETAILS	INVOICE No	SUB TOTAL	TOTAL AMOUNT
2001			K	K
August 1	<u>Kaoma A Farms</u>		600.00	
	4 boxes Tomatoes @ K150.00 each		<u>360.00</u>	
	6 packets of Potatoes K60.00 a bag		960.00	
			<u>48.00</u>	912.00
August 10	Less 5% trade Discount		500.00	
			<u>350.00</u>	850.00
August 20	<u>Lubemba T Farms</u>			
	5 bags of butter nuts @ K100.00 each		1,100.00	
	10 bags of onion @ K35.00 per bag		<u>600.00</u>	
			1,700.00	
			<u>42.50</u>	1,657.50
August 31	<u>Chipilingu C Suppliers</u>			
	20 bags cucumbers @ K 55.00 per bag			
	20kg ginger @ K30.00 per			<u>3,419.00</u>
	Less 2.5% Trade Discount			

	Total credit Purchases for the month of August (transfer to the purchases A/c in the general Ledger)			
--	---	--	--	--

Purchases Returns Day book / Returns outwards Journal

Purchases returns Day book / Returns outwards Journal is a book in which the goods returned to credit suppliers are recorded.

Goods may be returned because they:

- Are of the wrong kind or not up to sample or because they are damaged on transit etc.

The source document of the returns outwards Journal is **Original Credit Note**:

Activity

Luanda Traders has the following Returns outward in the month of August 2001.

August 8 1 box of Tomatoes @ K150.00 each to Kaoma A. Farms as they were damaged on Transit

2 pockets of potatoes @ 60.00 each as they were of wrong type

All subject to 5% trade discount

August 23 returned to Chipilinga C. Suppliers

2 bags of cucumbers @ K55.00 per bag they were subjected to 2.5% trade discount.

SOLUTIONS

LUANDA TRADERS RETURNS OUTWARDS JOURNAL

DATE	DETAILS	Credit Note No	SUB TOTAL	TOTAL AMOUNT
2001			K	K



August 8	<u>KAOMA A FARM</u>			
	1 box tomatoes @ K 150.00 each		150.00	
	2 pockets Potatoes @ K60 each		<u>120.00</u>	
			270.00	
			<u>13.50</u>	
	Less 5% trade Discount			265.50
August 23	<u>CHIPILINGA C SUPPLIERS</u>			
	2 bags cucumbers @ K55.00 per bay		110.00	
	Less 2.5% trade discount		<u>2.75</u>	<u>107.25</u>
August 31	Total returns outwards for the month of August			<u>372.75</u>

Journal

The following appeared in the books of G K, Lubinda on 1 April,2017.

Cash		K 9,000
Bank		K 30,000
Plant and machinery		K 100,000
Fixtures and fittings		K 40,000
Stocks of goods		K 41,000
Debtors	- B.Zulu	K 4,000
	- P.Bwembya	K 2,600

Creditors	-	P.Mwape	K 9,800
	-	K.mulonga	K 6,000

General Journals /Journal proper

This is a book of prime entry which records transactions which are not routine (and not recorded in any other book of prime entry), for example:

- Buying and selling of fixed assets on credit.
- Opening and closing balances.

RECORD TRANSACTIONS IN THE JOURNAL PROPER

Purchase and sale of fixed assets on credit

Activity

a) Purchase and sale of fixed assets on credit

- i) On 4th May 20x5, a company bought a machine on credit from Major Ltd for K10 million. Record the transaction in the journal.

Solution

JOURNAL PROPER

Date	Details	F	Dr	Cr
2005			K'000	K'000
May 4	Machinery		10 000	
	Major Ltd			10 000
	Purchase of a machine serial no: 1026 on credit.			

- ii) Sold a motor vehicle on 10th June 20x5 for K15 million on credit to A Mulunda. Show the journal entry and the postings to the ledger.



Solution*JOURNAL PROPER*

Date	Details	F	Dr	Cr
2005			K'000	K'000
June 10	A Mulunda		15 000	
	Motor vehicle			15 000
	Sale of a motor vehicle on credit.			

c) Opening entries

These are the entries required to open up a new set of books e.g. when a trader decides to keep his books on a double entry principle. Opening entries are simply entries showing the financial position of a business as at the time a new set of books is to be opened. The excess of **assets** over **liabilities** at that date is the **capital** of the business.

In practice, opening entries may be made only once in the lifetime of the business. However, many book keeping exercises commence by requiring you to do the opening entries.

When opening a new set of books, all assets should have debit opening balances while liabilities and capital should have credit opening balances.

Activity

R .Chalwe has been in business for some time without keeping proper accounting records. He has now decided to have a full double entry set of books.

His assets and liabilities on 1st May 20x5 are as follows:

Assets: Buildings K7 000 000; Motor van K4 500 000; Stock K1 200 000; Debtors: - C Bwalya K6 000 000, O Mutono K400 000; Cash at bank K850 000 and Cash in hand K300 000.

Liabilities: Creditors:- W Chansa K750 000, E Kasonde K600 000.

The opening entries in his journal would be as follows:

R Chalwe Journal proper

Date	Details	F	Dr	Cr
2005				

May 1	Buildings	7 000	
	Motor van	4 500	
	Stock	1 200	
	Debtors: - C Bwalya	600	
	- O Mutono	400	
	Cash at bank	850	
	Cash in hand	300	
	Creditors: - W Chansa		750
	- E Kasonde		600
	Capital (bal. Fig.)		<u>13 500</u>
Being assets, liabilities and capital			
Entered to open a new set of books		<u>14 850</u>	<u>14 850</u>

8.8

THE LEDGER

- A ledger book is the main book of account where all business transactions undertaken have to be recorded. It is from this fact that all transactions have to be recorded in the ledger, that we call it as the main book of account.
- It is made up of a set of accounts. An account is a record of information relating to a particular item. It has two sides. The left hand side called the 'debit side' and the right hand side called the 'credit side'.
- Each side of an account has the following columns:
 - (i) Date column – for entering the date when a transaction takes place.
 - (ii) Detail column – for entering particulars of a transaction.
 - (iii) Folio column – 'Folio' means page it is for cross referencing of the double effect of a transaction.
 - (iv) Amount column – for entering monetary value of a transaction.

TYPES OF LEDGERS:

In a real business, there are many accounts to keep and each account may need space to record transactions for the whole accounting year. For this reason, a business usually keeps several ledgers. These ledgers are classified into three.

(i) SALES/CUSTOMERS'/DEBTORS' LEDGER

A sales ledger is a ledger that contains accounts of our customers or debtors.

(ii) PURCHASES/SUPPLIERS'/CREDITORS' LEDGER

A purchases ledger is a ledger that contains accounts of our suppliers or creditors

(iii) GENERAL/NOMINAL LEDGER

A general ledger is a ledger in which we find accounts that are to do with gains or losses to the business. It will contain capital account, all forms of losses and gains. Examples of accounts to be found here are electricity account, discount received account, rent account, sales account.

Activity

1. Kaonga Traders is our debtor and had the following transactions in the month of May, 2016.

May 1 bought goods at K250 (invoice 125)

5 sent them credit note C31 for damaged goods returned K50

10 bought goods on credit K500 (invoice 146)



26 paid K60 (receipt 45)

You are required to record in Kaonga Traders' account in the sales ledger.

SOLUTION

THE SALES LEDGER

Kaonga Traders A/C

Date	Details	F	Dr	Cr
2016			K	K
May 1	Invoice 125		250	
5	Sales Returns			50
10	Invoice 146		500	
26	Cash Rec 45			640
31		c/d		60
			750	750
Jun 1		b/d	60	

NOTE:

- Being a debtor, Kaonga Traders' account is debited whenever they purchased goods because they received the goods and whenever they made a payment and returned the goods their account is credited because they gave out money when they paid and gave out goods when they returned the goods.
- They have a debit balance of K60 indicating that they are still owing us K60.



2. The following ledger account appeared in the books of Chaminga Wholesalers in the month of January 2015.

KAMUKOSHI'S ACCOUNT

Date	Details	F	Dr	Cr
2015			K	K
Jan 1	Balance	b/f	3,550	
15	Sales		45,060	
20	Returns inwards			(a)
25	Discount allowed			6,500
30	Cash			31,540
31	Balance	c/d		5,000
			?	(b)
Feb 1	balance	b/d	5,000	

- (i) Is Kamukoshi a Debtor or Creditor?
- (ii) Calculate the missing figures of returns inwards on January 20, in (a).
- (iii) What are the totals in Kamukoshi's ledger account in (b)?
- (iv) In which ledger would Kamukoshi's account be found?

SOLUTION

- i. Debtor because his balance b/f and sales are on the debit side indicating that he bought the goods.
- ii. K5,570
- iii. K48,610
- iv. The Sales/Debtors ledger since he is our debtor.

3. Lumbwe Trader is our creditor. Record the following transactions in Lumbwe's account in the Creditors' Ledger of our books of account.

2014

June 1 Purchased goods on credit K450 (invoice 225)

5 Received a debit note (D20) with damaged goods

26 Sent Lumbwe traders a cheque for K200 to pay our account

(cheque No. 465)

SOLUTION

LUMBWE TRADERS A/C

Date	Details	F	Dr	Cr
2014				
Jun 1	Invoice 225			450
5	Purchases returns		20	
26	Cheque No 465		200	



30	Balance	c/d	230	
July 1	Balance	b/d		
			450	450
				230

NOTE:

- Being creditor Lumbwe Traders' account is credited when he supplied the goods because he gave out the goods and he is debited when we returned the goods and when we paid because he received the goods and money respectively.
- He has a credit balance of K230 indicating that we still owe him K230

4. The following ledger account appeared in the books of Mwilakalande in September 2012.

Date	Details	F	Dr	Cr
2012			K	K
Sept 1	Balance	b/f		2500
5	Sales			1500

14	Purchases returns		200	
20	Bank		350	
30	Balance	c/d	(a)	
			?	(b)
Oct 1	Balance	b/d		(c)

Activity

- i. What was the balance (a) on September 30 2012?
- ii. What was the balance (b)
- iii. The balance b/f (c) is

THE DOUBLE ENTRY PRINCIPLE

Double entry principle states that; *Debit the receiver and credit the giver.*

This is a golden rule in Bookkeeping which allows books to balance because to every transaction, there are two aspects. One aspect is giving while the other aspect is receiving the same amount being given.

To identify the account to be debited or credited,

- Assume that you are the owner of the business.
- If it is a cash or bank transaction, think in terms of money (which account is giving money and which account is receiving money).
- If it is a credit transaction, think in terms of goods (which account is giving the goods and which account is receiving the goods).



1. From the following information, you are required to state the account to be debited and the account to be credited.

- (i) Bought goods by cash
- (ii) Sold goods by cheque
- (iii) Paid for electricity by cash
- (iv) Paid Mulenga by cheque
- (v) Cash sales
- (vi) Bought equipment by cash
- (vii) Rent was paid by cheque
- (viii) Received cash from Chanda
- (ix) Started business with cash at bank

SOLUTION

	TRANSACTION	ACCOUNT DEBITED	ACCOUNT CREDITED
(i)	Bought goods by cash	Purchases	Cash
(ii)	Sold goods by cheque	Bank	Sales
(iii)	Paid for electricity by cash	Electricity	Cash
(iv)	Paid Mulenga by cheque	Mulenga	Cash
(v)	Cash sales	Cash	Sales
(vi)	Bought equipment by cash	Equipment	Cash
(vii)	Rent was paid by cheque	Rent	Bank
(vii)	Received cash from Chanda	cash	Chanda

(ix)	Started business with cash at bank	Bank	Capital
------	------------------------------------	------	---------

The accounts were determined as follows:

- i. The key words here are bought and cash. From bought, we came up with the purchases account and cash is an account on its own. The cash account is credited because it is giving money. The purchases is representing the account receiving therefore, it is debited.
- ii. From the sold, we have sales. The other account is bank from the word cheque. Bank A/C is debited because it is receiving money when goods are sold by cheque and the sales A/C represents the account giving.
- iii. The accounts here are electricity and cash. The cash A/C is credited because it is giving money to pay for electricity. Electricity is representing the account receiving therefore it is debited.
- iv. Mulenga is debited because he is receiving money while cash is credited because it is giving to pay Mulenga.
- v. Cash is receiving money after selling the goods hence debited and sales represents the account giving hence credited.
- vi. We cannot call this one as purchases because the name of an asset (equipment) is given. The two accounts are equipment and cash. Cash is credited because it is giving the money to buy an equipment and equipment is debited because it is representing the account receiving.
- vii. Bank account is credited because money from the bank is used to pay for rent hence it is giving and the rent has received.
- viii. Chanda was giving out money by cash therefore, he is credited while cash was received and the cash account has been debited.

- ix. Money was taken to the bank to start a business therefore, the bank account received hence it is debited and money for starting a business is called capital since capital taken into the bank hence the bank account is credited.

2. From the following transactions write the account to be debited and the account to be credited.

	TRANSACTION	ACCOUNT TO BE DEBITED	ACCOUNT TO BE CREDITED
I	Purchased a motor vehicle by cheque K14,000		
Ii	Sold goods to A. Kaoma on credit K7,000		
Iii	Paid J. Motors by cheque K4,500		
Iv	Withdrew cash from the bank K2,000 for business use		
V	Paid wages and salaries by cheque K8,000		
Vi	Returned goods to B. Traders K500		

SOLUTION

	TRANSACTION	ACCOUNT TO BE DEBITED	ACCOUNT TO BA CREDITED
I	Purchased a motor vehicle by cheque K14,000	Motor vehicle	Bank
Ii	Sold goods to A. Kaoma on credit K7,000	A. Kaoma	Sales
Iii	Paid J. Motors by cheque K4,500	J. Motors	Bank
Iv	Withdrew cash from the bank K2,000 for business use	Cash	Bank
V	Paid wages and salaries by cheque K8,000	Wages and salaries	Bank
Vi	Returned goods to B. Traders K500	B. Traders	Returns inwards

Activity

3. Complete the following table

	Transaction	Account to be debited	Account to be credited
a	Goods bought on credit to J. Reid.	Purchases a/c	J. Reid alc
b	Goods sold on credit B. Perkins.	b. Perkins a/c	Sales a/c
c	Van bought on credit from H. Thomas.	Van a/c	H. Thomas a/c



d	Goods sold, a cheque being received immediately.	Bank a/c	Sales a/c
e	Goods sold for cash.	Cash a/c	Sales a/c
f	Goods purchased by us returned to supplier, H. Hardy.	H. Hardy a/c	Purchases returns a/c
g	Machinery sold for cash.	Cash a/c	Machinery a/c
h	Goods sold returned by customer, J. Nelson.	Sales returns a/c	J. Nelson a/c
i	Goods bought on credit from D. Simpson.	Purchases a/c	D. Simpson a/c
j	Goods we returned to H. Forbes.	H. Forbes a/c	Purchases returns a/c

RECORDING BUSINESS TRANSACTIONS IN THE LEDGER ACCOUNTS

Every business transaction has a double effect on the equation and the business. For this reason, we use the double entry principle to record transactions.

The rules for double entry bookkeeping are:

- a) A debit entry is made when there is:
 - i. an increase in the value of an asset
 - ii. a decrease in the amount of a liability
 - iii. an increase in the amount of an expense
 - iv. a decrease in the amount of income

- b) A credit entry is made when there is:
- i. a decrease in the value of an asset
 - ii. an increase in the amount of a liability
 - iii. a decrease in the amount of an expense
 - iv. an increase in the amount of an income

Activity

The following transactions relates to G. Zulu. You are required to prepare ledger accounts

2009

- Jan 1 Started business with K100,000 at bank
- 4 Withdrew K40,000 cash from bank for business use
- 8 Paid rent by cheque K1,000
- 11 Bought office equipment by cheque K5,000
- 12 Bought goods by cash K3,000
- 15 Sold goods by cheque K4,000
- 28 K7,000 worth of goods were bought on credit from Musonda.

SOLUTION

The steps required to answer the question are:

1. identify the two accounts required for each transaction.
2. Identify the account to debited and the account to be credited.
3. Make a summary of the accounts needed.
4. Record the transactions in the ledger accounts.



Steps 1 & 2

Jan 1 Bank – Dr
 Capital – Cr

Jan 4 Cash - Dr
 Bank – Cr

Jan 8 Rent – Dr
 Bank – Cr

Jan 11 Office equipment – Dr
 Bank - Cr

Jan 12 purchases – Dr
 Cash - Cr

Jan 15 Bank – Dr
 Sales - Cr

Jan 28 Purchases – Dr
 Musonda - Cr

Step 3

The summary of accounts needed to record the above transactions are:

1. Capital account
2. Bank account
3. Cash account
4. Rent account
5. Office equipment account
6. Purchases account



7. Sales account

8. Musonda account

Step 4

Ledger accounts

CAPITAL ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 1	Bank			100,000

BANK ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 1	Capital		100,000	
4	Cash			40,000
8	Rent			1,000
11	Equipment			5,000
15	Sales		4,000	

CASH ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 4	Bank		40,000	
12	Purchases			3,000

RENT ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 8	Bank		1,000	

EQUIPMENT ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 11	Bank		5,000	

PURCHASES ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 12	Cash		3,000	
28	Musonda		7,000	

--	--	--	--	--

SALES ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 15	Bank			4,000

MUSONDA ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 28	Purchases			7,000

NOTE: The account debited or credited is the one which has the heading on top not the detail. For instance, in the bank account above, on Jan 1 it is **not** that capital has been debited. The account debited on this date is the bank account.

BALANCING LEDGER ACCOUNTS: Accounts that has more than one entry need to be balanced. In the case of the above accounts, the bank, the cash, and the purchases accounts need balancing. All those with single entries are not necessary to be balanced.

The balancing procedure is as follows:

1. Add all the debits and credits. Write these totals on a separate paper.
2. Put the greater amount on both sides of the account after skipping a line enclosed in lines.
3. Subtract the smaller amount from the greater amount and put the different where the shortage is.

This figure is called **balance carried down. (c/d)** and shown at the end of that particular month or year.

4. The balance carried is brought down on the opposite side and is called **balance brought down (b/d)**. This is done at the beginning of the following month or year. The c/d and b/d are put in the folio column.

Applying the above steps to the bank account above.

1. The debit side gives K104,000, the credit side gives K46,000. This means deposits in the bank amounted to K104,000 and withdraws amounted to K46,000. The amount of money which remained in the bank account is K58,000 as seen below.
2. The greater amount is K104,000 hence it is put on both sides as below.
3. The date given to the balance c/d is the last day of that accounting period, whereas the date for the balance b/d is the first day of the next accounting period.

BANK ACCOUNT

Date	Details	F	Dr	Cr
2009			K	K
Jan 1	Capital		100,000	
4	Cash			40,000
8	Rent			1,000
11	Equipment			5,000
15	Sales		4,000	
31	Balance	c/d		58, 000
			104,000	104,000
Feb 1	Balance	b/d	58,000	

CLASSIFICATION OF ACCOUNTS

Accounts can be grouped into three classes;

- (a) **Personal Accounts:** these are accounts that contain the name of a person or company. They are accounts of debtors (customers) and creditors (suppliers). Examples include Shoprite a/c, Banda a/c, Tyre king a/c, etc.

- (b) **Real Accounts:** these are accounts that contain names of assets. Examples include: machinery, premises, equipment, etc.

- (c) **Nominal or Fictitious Accounts:** these are accounts used for calculating profits or losses of the business. They contain revenue expenditure (expenses) and revenue receipts (income). They include rent received, salaries, discount received, stationary, sales, and purchases, etc.

Activity

Classify the following accounts into real, nominal and personal accounts:

- i. Premises account
- ii. Major Ltd account
- iii. Insurance account
- iv. A. Muyunda account
- v. Bank account
- vi. Rent received account



vii. Cash account

SOLUTION

- | | | | |
|------------|-------------|------------|-------------|
| 1. Real | 2. Personal | 3. Nominal | 4. Personal |
| 5. Nominal | 6. Nominal | 7. Real | |

Activity

From the following ledger accounts, identify the ledger book into which each account would be recorded.

SOLUTION

- | | |
|---------------------------------|--------------------|
| 1. Capital account | (general ledger) |
| 2. Cash account | (cash book) |
| 3. Bank account | (cash book) |
| 4. Rent account | (general ledger) |
| 5. Motor van account | (general ledger) |
| 6. Purchases account | (general ledger) |
| 7. A. Chola account (customer) | (sales ledger) |
| 8. Motor insurance account | (general ledger) |
| 9. Sales account | (general ledger) |
| 10. B. Phiri account (supplier) | (purchases ledger) |
| 11. Rates account | (general ledger) |
| 12. Drawings account | (general ledger) |
| 13. Salaries account | (general ledger) |

8.9 THE TRIAL BALANCE

- Define a trial balance
- Explain the purpose of a trial balance
- Extract a trial balance from ledger.

DEFINE A TRIAL BALANCE

A trial balance is defined as a list of balances extracted from the ledger accounts arranged under debit and credit columns which when added the totals must be equal.

EXPLAIN THE PURPOSE OF THE TRIAL BALANCE?

The purpose of a trial balance is:

- To check the arithmetic accuracy or errors from the ledger.
- To check whether the double entry has been completed.
- To check fraud.

By virtue of the principle of double entry book-keeping, the totals of debit and credit balances must agree. Should this not be the case, then there must be an error in the books of account.

PREPARE A TRIAL BALANCE

The first task in preparing a trial balance is to balance all the ledger accounts, and then the balances must be extracted and entered in the trial balance. When extracting the trial balance, the following points should be taken note of:

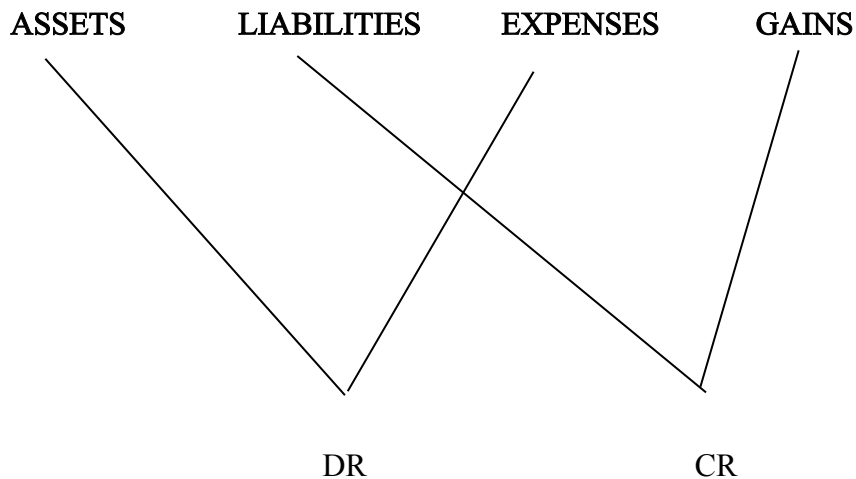
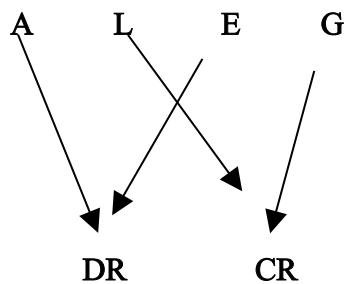
- If a ledger account has a debit balance, the balance is entered on the debit side of the trial balance.
- If a ledger account has a credit balance, the balance is entered on the credit side of the trial balance.



- iii. If a ledger account is closed, then no entry is taken to the trial balance.

RULES OF THE TRIAL BALANCE

The ALEG principle:-



This means:-

DEBIT – ALL ASSETS AND EXPENSES

CREDIT- ALL INCOMES AND LIABILITIES

Activity**PREPARING A TRIAL BALANCE FROM A LIST OF BALANCES EXTRACTED FROM LEDGER ACCOUNTS.**

1. J. JACOBS Traders had the following balances as at 31 January 2017.

	K		K
Banking	4600	Creditors	1400
Drawings	14000	Stock	10000
Sales	55500	Discount allowed	1400
Sales returns	4500	purchases	45000
Cash	2000	Furniture	13500
Rent	1500	Returns outwards	6500
Debtors	30000	Insurance	2500
Discount received	7000	Wages & salaries	7000
Capital	76300	Motor vehicle	15500
Stationery	1500		

You are required to extract a trial balance as at 31 January 2017.

SOLUTIONS**J. JACOBS' TRADERS TRIAL BALANCE AS AT 31 JANUARY 2017**

Details	DR	CR
---------	----	----

	<u>K</u>	<u>K</u>
Banking	4600	
Drawings	14000	
Sales		55500
Sales returns	4500	
Cash	2000	
Rent	1500	
Debtors	30000	
Creditors		14000
Discount received		7000
Stock	10000	
Discount allowed	1400	
Purchases	45000	
Returns outwards		6500
Wages & salaries	7000	
Capital		76300
Motor vehicle	15500	
Stationery	1500	
	153000	153000

NOTE:



To prepare a Trial Balance from a list of balances you need to identify account with debit balances and accounts with credit balances.

In this question you will notice that all Assets, expenses are debited and all gains and liabilities are credited. This can be summarized using acronym ALEG

Asset: Bank, Cash, Banking, Debtors, Stock, Motor vehicle.

Liabilities: Creditors

Expenses: Discount received, Purchases, Rent, Wages & salaries, Stationery, Sales returns

Gains: Discount received, Sales, returns outwards

2. The following trial balance was extracted by Kalombo on 31 December, 2017, failed to balance.

Trial balance as at 31 December, 2017.

DETAILS	F	DR (K)	CR (K)
Sales		150140	
Machinery			74800
Debtors		15200	
creditors		8500	
Rent and rates			2100
Carriages outwards			3500
purchases			90500
Capital			25000
Bank overdraft		2460	

		176300	195900
--	--	--------	--------

You are required to correct the trial balance prepared by Kalombo on 31 December 2017.

SOLUTION:

Trial balance as at 31 December, 2017.

DETAILS	F	DR (K)	CR (K)
Sales			150 140
Machinery		74 800	
Debtors		15200	
Creditors			8 500
Rent and rates		2 100	
Carriages outwards		3 500	
purchases		90 500	
Capital			25 000
Bank overdraft			2 460

		186 100	186 100
--	--	---------	---------

NOTE:

In such a question, you need to identify entries which are wrongly post and post them correctly.

- i. Sales are a gain which should credited but were wrongly debited
- ii. Machinery is an asset should be debited but were wrongly credited
- iii. Creditors are a liability which should be credited but were wrongly debited
- iv. Rent and rates, carriages outwards and purchases are expenses which should be debited but were wrongly credited.
- v. Bank overdraft is also a liability which should be credited but was wrongly debited.

Activity

You are required to prepare a Trial Balance and balance it as at 31/03/09

	K
Purchases	61, 420
Sales	127, 245
Stock (inventory)	7, 940
Capital	25, 200
Bank overdraft	2, 490
Cash	140
Discount received	62
Discount allowed	2, 480

Returns inwards	3, 486
Returns outwards	1, 356
Carriage outwards	3, 210
Rent & insurance	8, 870
Allowance for doubtful debts	630
Fixtures and fittings	1, 900
Van	5, 600
Debtors	12, 418
Creditors	11, 400
Drawings	21, 400
Wages & salaries	39, 200
General office expenses	319

Solution

TRAIL BALANCE (as at 31st march, 2009)

Details	DR	CR
	K	K
Purchases	61, 420	
Sales		127, 245
Stock (inventory)	7,940	

Capital		25,200
Bank overdraft		2,490
Cash	140	
Discount received		62
Discount allowed	2,480	
Returns inwards	3,486	
Returns outwards		1,356
Carriage outwards	3,210	
Rent & insurance	8,870	
Allowance for doubtful debts	1,900	
Fixtures & fittings	5,600	
Van	12,418	
Debtors		630
Creditors	21,400	
Drawings	39,200	
Wages & salaries	319	
General office expenses		11,400
	168,383	168,383

9.1 FINAL ACCOUNTS

1. What are final accounts?

ANS: Final Accounts refers to Trading account, Profit/loss account and the Balance sheet.

The Trading Account

1. What is trading?

ANS: it is buying and selling with an intention of making profits

2. State the use of a Trading Account

- Trading Account is an Account in which the Trading aspect of the business is recorded.
- It is a financial statement used to show Gross Profit or Gross Loss of the business at a particular period.

TERMS USED IN THE TRADING ACCOUNT

Turnover

- It means Net Sales
- It is the difference between sales (goods Sold) and sales returns/returns inwards (goods sold but have been returned)

Given K200 sales and K25 sales returns/Returns inwards for the year. Calculate turnover

SOLUTION : Turnover= Sales - Sales Returns/Returns inwards

K200 -- K25



Therefore Turnover = K175

NOTE: when there are no Sales returns/Returns inwards the sales is then Turnover.

► Opening stock

- it is the value of goods the business has unsold at the beginning of the period

Closing Stock

- This is the value of goods not sold at the end of the trading period. It is arrived at after doing a stock taking.

Kabungo bought goods for resale K700 he sold K500 at the end of her trading period. What was her closing stock?

SOLUTION :

Opening Stock = Stock at the beginning -- Sales

$$K700 - K500$$

Therefore closing stock = K200

Stock

- It is the goods available for sale in business

Purchases

- These are goods bought by the business for resale.

Net Purchases

- This is the difference between purchases and Purchases Returns/Returns outwards



Given that a firm had K100 purchases and K5 Purchases returns what is the Net Purchases?

SOLUTION:

Net Purchases = Purchases – Purchases Returns/Returns outwards

$$K100 - K5$$

Therefore Net Sales = K95

Cost of sales

- it is the actual cost of goods sold
- it is the cost of putting goods into saleable condition
- it is made up of purchases and other direct expenses such as carriage inwards

A business had opening Stock of k100, net purchases of K400 and its closing stock was k210.

Calculate the business' cost of sales.

Cost of sales= opening stock + Net Purchases – closing stock

$$(K100 + K400) - K210$$

Therefore, Cost of Sales = K290

Carriages

- These are costs of transporting goods from one place to another which are divided into carriage inwards and carriage outwards.



Carriage inwards it is the direct cost of bringing goods into the business premises from the supplier. This cost increases the cost of buying goods.

Carriage outwards: is the cost of transporting goods to customers which is not a direct cost on the cost of sales

Gross Profit

It is the excess of sales over cost of sales.

- It is the Profit before indirect expenses are deducted.

Mwatemwa traders had sales of K50 and the cost of sales were K30

Calculate Mwatemwa's Gross Profit

$$\begin{aligned} \text{Gross Profit-} &= \text{Sales - cost of sales} \\ &= \text{K50 - K30} \end{aligned}$$

Therefore, Gross Profit = K20

NOTE:

If there are no other direct costs and no opening stock

Gross Profit = sales – purchases

Gross loss

In the business a Gross Loss is made when cost of sales are more than the actual sales.

Mwatemwa traders had sales of K30 and the cost of sales were K50

Has mwatemwa Traders made a profit or a loss?

Gross Profit= Sales - cost of sales

K30 - K50

Therefore, this was not a Gross profit but a Gross Loss of =K20

PREPARING A TRADING ACCOUNT

Activity

The following balances relate to the books of G. Gibson as at 31 December, 2015

	K
Stock as at 1 January, 2015	4,000
Purchases	15,000
Sales	27,000
Carriage inwards	3,000
Returns inwards	2,000
Returns outwards	1,000
Stock 31 December, 2015	2,500

You are required to prepare G. Gibson's trading Account for the year ending 31 December, 2015.

SOLUTION

G. GIBSON'S

TRADING ACCOUNT FOR THE YEAR ENDING 31 DECEMBER, 2015



		K	K	K
	Sales		27,000	
	Less Returns inwards		<u>2,000</u>	
the	Turnover			25,000
Cost	<u>Less Cost of Sales</u>			
	Opening Stock		4,000	
	Add Purchases	15,000		
	Add carriage inwards	<u>3,000</u>		
31		18,000		
	Less returns outwards	<u>1,000</u>		
	Net Purchases		<u>17,000</u>	
	Total stock available		21,000	
	Less closing stock		<u>2,500</u>	
	COST OF SALES			<u>18,500</u>
	Gross Profit			6,500
3,500				

NOTE: we had a Gross profit because Turnover exceeds the of Sales.

Activity

The following balances relate to Kabuba Traders as at March, 2017

K

Sales
12,000

Purchases
11,000

Stock 1 April 2016
4,200

Returns outwards
1,300

Carriage inwards

Stock 31 March, 2017

1,750

You are required to prepare Kabuba Traders' Trading Account for the year ending 31 March, 2017

SOLUTION

KABUBA TRADERS'



TRADING ACCOUNT FOR THE YEAR ENDING 31 MARCH, 2017

	K	K	K
Sales			12,000
<u>Less Cost of Sales</u>			
Opening Stock		4,200	
Add Purchases	11,000		
Add carriage inwards	<u>3,500</u>		
	14,500		
Less returns outwards	<u>1,300</u>		
Net Purchases		<u>13,200</u>	
Total stock available		17,400	
Less closing stock		<u>1,750</u>	
COST OF SALES			<u>19,150</u>
Gross Loss			(7,100)

NOTE: We had a Gross loss because the Cost of sales exceeds the Turnover (Sales

THE PROFIT/LOSS
ACCOUNT

This is a financial statement where the final Profit or Loss of the business is calculated which is called the Net Profit or Net Loss.

To calculate the Net Profit/Loss gains of the business is added to the Gross profit/loss the indirect Expenses of the business is deducted from the Total Income of the business.

QUESTION 1



From the following balances for the year ended 30 June, 2010. Prepare Profit/loss account for the year ended 30 June, 2010.

Gross profit	3000
Salaries & wages	800
Discount received	50
Insurance	200
Carriage outwards	50
Rent received	100
Electricity	90
Rates	10

PROFIT/LOSS ACCOUNT FOR THE YEAR ENDING 30 JUNE 2010

	K	K	K
Gross profit			3,000
<u>Add gains</u>			
Discount received		50	
Rent received		<u>100</u>	
			<u>150</u>
TOTAL INCOME			3,150
<u>LESS EXPENSES</u>			
Salaries & wages		800	
Insurances		200	
Carriages outwards		50	
Electricity		90	
Rates		10	

Activity

	K
Insurance	1,200
Discount Received	180
Discount Allowed	360
Rent received	3,600
Rates	1,150
Salaries	3,750
Repairs to building	895
Motor expenses	635
Carriage outwards	275

	124
Postage expenses	190
Stationery costs	457
Lighting and heating	849
Wages	2,069
Bad debts	155
Advertising	390
Gross profit	5,528

SOLUTION

CHIBANDA'S

PROFIT/LOSS ACCOUNT FOR THE YEAR ENDING 31 DECEMBER, 2016

	K	K	K
Gross profit			5,528
<u>Add Gains</u>			
Discount received		180	
Rent received		<u>3,600</u>	
TOTAL INCOME			3,780
<u>Less expenses</u>			
Insurance		1,200	
Discount allowed		360	
Rates		1,150	
Salaries		3,750	



Repairs to building		895	
Motor expenses		635	
Carriage outwards		275	
Postage expenses		190	
Stationery costs		457	
Lighting and heating		849	
Wages		2,069	
Bad debts		155	
Advertising		<u>390</u>	
TOTAL EXPENSES			<u>12,375</u>
NET LOSS			(3,067)

NOTE: We had a Net Loss because expenses exceeds the Total Income

The Trading Account and the Profit and Loss Account

The Trading and Profit and Loss Account being income statements are one account the profit and loss account comes at the end of the trading account.

The Gross Profit/Loss is calculated in the Trading Account first then the Net Profit/Loss in the Profit/loss Account.

PREPARING THE TRADING AND PROFIT AND LOSS ACCOUNT

Activity



The following balances were taken from the books of Lubemba Traders on 31 December 2012.

	K
Carriages outwards	124
Insurance	144
Carriages inwards	113
Returns inwards	68
Sales	12,060
Trading stock (1 January 2012)	285
Trading stock as at (31 December 2012)	321
Purchases	8140
Discount received	25
Discount allowed	32
Returns outwards	123
Motors vehicle expenses	254
Advertising expenses	124
Rates	240
Wages & salaries	968
Customs duty	218
Commission received	342
Lighting and heating	216
General expenses	345

Required:

Prepare Lubemba Traders' Trading, Profit and Loss account for the year ended 31 December 2012.

SOLUTION:

KANSHAMBA TRADERS'

TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012.



	K	K	K
Sales		12,060	
Less sales returns		<u>68</u>	
TURN OVER			11,992
<u>LESS COST OF SALES</u>			
Opening stock		285	
Add purchases	8,140		
Add carriages inwards	113		
Add customs duty	<u>218</u>		
	8,471		
Less returns outwards	<u>123</u>		
NET PURCHASES		<u>8,348</u>	
TOTAL STOCK AVAILABLE		8,633	
LESS CLOSING STOCK		<u>321</u>	
COST OF SALES			<u>8,312</u>
GROSS PROFIT			3,680
<u>Add gains:</u>			
Discount received		25	
Commission received		<u>342</u>	
			<u>367</u>
TOTAL INCOME			4,047
<u>LESS EXPENSES:</u>			
Carriages outwards		124	
Insurance		144	
Discount allowed		32	

Motor vehicle expenses	254	
Advertising expenses	124	
Rates	240	
Wages & salaries	968	
Light & heating	218	
General expenses	<u>345</u>	
TOTAL EXPENSES		<u>2,447</u>
NET PROFIT		1,600

The Balance Sheet

This is a financial statement which shows the financial position of the business at a given date.

It is a list of Assets, liabilities and capital.

Assets are total resources that are in the business

Assets can be divided into two:

- i. Fixed Assets- also known as Noncurrent Assets e.g. motor vehicle, buildings, premises, machinery, fixtures and Fittings, Land etc.
- ii. Current assets: these are assets which are not permanent in nature. They easily change form, hence they are revolving in nature e.g. cash at bank, cash in hand, Debtors, stock

Liabilities are resources that are supplied to the business by people and institutions outside the business, they are borrowed resources.

Liabilities are divided into two:

- i. Current liabilities also known as short term liabilities: these are liabilities which are paid back within one financial year which is a period of twelve months e.g. Creditors and bank overdraft.
- ii. Long- term liabilities: these are liabilities that are paid back over a period more than one financial year e.g. long term loans, mortgages act.

PREPARATION OF THE BALANCE SHEET

QUESTION 1

Mr. Wachinga was in business as a sole trader and the following were extracted from his book on 30 June, 2014..

	K
Premises.....	400
Creditors	200
Loan.....	250
Capital	2000
Cash.....	500
Debtors.....	200
Motor van	500

Fixtures and fittings.....	300
Stock	300
Net profit	600
Land & building.....	600
Drawings	2850
Bank overdraft.....	50

You are required to prepare Mr. Wachinga's Balance sheet as at 30 June, 2014.

SOLUTION

MR WACHINGA'S BALANCE SHEET AS AT 30 JUNE, 2014

	K	K	K
<u>FIXED ASSETS</u>	COST	DEP	NBV
land& building	600	-	600
Premises	400	-	400
Fixtures & fittings	300	-	300
Motor van	<u>500</u>	-	<u>500</u>
	<u>1,800</u>	=	1,800
<u>CURRENT ASSETS</u>			
Stock		300	
Debtors		200	
Cash		<u>500</u>	
		1,000	

LESS CURRENT LIABILITIES			
Creditors	200		
Bank overdraft	<u>50</u>		
		<u>250</u>	
WORKING CAPITAL			<u>750</u>
NET ASSETS			<u>2,550</u>
FINANCED BY:			
Capital	2400		
Add Net Profit	<u>600</u>		
CAPITAL OWNED		3,000	
LESS DRAWINGS		<u>2,850</u>	
CAPITAL EMPLOYED			150
<u>Add long Term Liabilities</u>			
Loan			<u>2,400</u>
OWNERS EQUITY			<u>2,550</u>

NOTE:

Cost - represents the price at which the Fixed Asset was bought

DEP- represents the word depreciation which means the loss in value of a Fixed Asset.

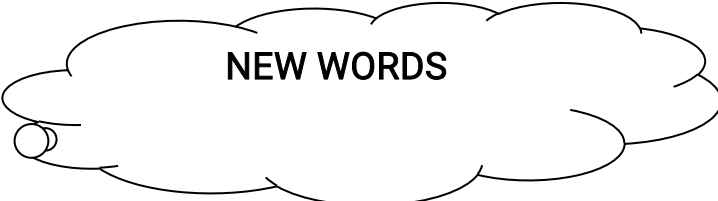
NBV- stands for Net Book Value which is the value of an Asset after depreciation.

Working Capital or Circulating Capital is the resources a business has at a given time to meet the running expenses of the business.

9.2 WAGES AND SALARIES

After studying this chapter, you should be able to:

- ✓ Explain salaries and wages
- ✓ Prepare time cards
- ✓ Prepare wage sheets
- ✓ Prepare pay slips
- ✓ Calculate Gross and net pays

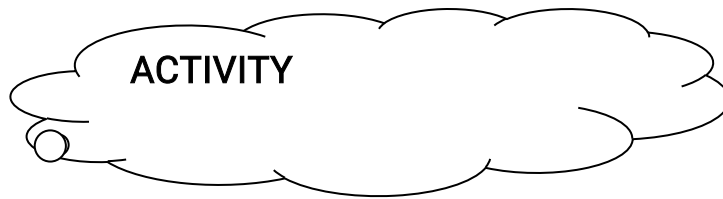


NEW WORDS

Wages: a regular, fixed payment usually paid per hour, per day or per week. It is earned by people who do unskilled labour

- ✓ **Salary:** Payments earned monthly by people who do skilled labour.
- ✓ **Gross Salary:** salary before any costs such as taxes and loans are taken away
- ✓ **Net Salary:** salary from which nothing more needs to or can be taken away. “take home pay”

- ✓ **Piece work:** when a worker is paid per action performed.
- ✓ **Piece rate:** Payments per action or item performed.
- ✓ **Normal time:** the number of hours a worker is contracted to work per day.
- ✓ **Overtime:** hours worked in addition to normal time
- ✓ **Employee:** a person who works for somebody or an organization
- ✓ **Contract of employment:** a legal agreement between an employee and an employer.
- ✓ **Salary scale:** The rate of pay for employees depending on the level at which they work in an organization.
- ✓ **Emoluments:** financial benefits an employee receives.
- ✓ **Statutory deduction:** amounts subtracted from gross salary that are compulsory by law.
- ✓ **Voluntary deductions:** amounts subtracted from gross salary based on agreements between the employer and employee.



- (1) Mr Wakumelo works for Longwe limited. He is entitled to an income of: salary K450, Housing allowance K45, Education allowance K25, Deductions: Union fees K30, PAYE K20 , Calculate:
- a. The gross pay
 - b. The net pay
- (2) The following are rates of pay which are used in calculating pay. Select the correct answer from the word list

- (i) The allowance given for an agent who does work for someone
- (ii) The pay given to an employee per week, per month or per year.
- (iii) When extra output is shared between the employer and the employee
- (iv) An employee is paid a fixed sum of money per each hour that is worked

Word list:

Time card, flat rate, wage sheet, time rate, pay slip, bonus rate, statutory deductions, commission rate, salary.

- (3) Goliaths housing allowance is 10% and his monthly salary is K7 500. He also gets medical allowance of 5% of his monthly salary. Calculate

- (i) His housing allowance
- (ii) His medical allowance
- (iii) His annual gross salary

- (4) Classify the following into voluntary or statutory deductions

- (i) Loan repayments
- (ii) Pension contributions
- (iii) PAYE
- (iv) Club subscriptions

- (5) James is an employee who works at Kings traders and receives a weekly wage. All employees have to work 40 hours per week.

From the information supplied, prepare a time card for the week ending 20th June 2016.

Day	Time in	Time out
Monday	08:00	17:00

Tuesday	07:00	17:00
Wednesday	08:00	18:00
Thursday	08:00	16:00
Friday	07:00	16:00

9.3 BANKING

Banking is the safe keeping of valuables which includes money , Jewry, important documents etc.

A **bank** is a financial institution that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets.

(1) Identify different types of financial institutions

► Commercial Banks

These are financial institutions providing services for business organizations and individuals. Services include current deposits and saving accounts as well as giving out loans to businesses. Examples of commercial banks are:

- Barclays bank
- City bank
- Eco bank Zambia
- Finance bank Zambia limited
- Zambia national commercial bank
- Cavmont capital bank

► Building society

Building societies are financial institutions that receive money deposits from the public in order to carry out their main activity of extending loans to people who want to invest in real estate.

Building societies in Zambia include:

- finance building society
- Pan African building society
- Mean wood building society
- Zambia national building society

➤ **Credit union and savings association**

Credit union and savings associations are financial institutions which are owned and controlled by people who use their services and have a common goal. They encourage their members to save and invest in profitable ventures. They are aimed at improving the standards of living for their members.

➤ **National savings and credit bank (NATSAVE)**

National savings and credit bank is a government owned financial institution that was established in 1972 by an act of parliament. Its purpose is to:

- promote national savings
- offer loans
- offer micro loans and salary loans
- offer money transfers
- accept deposits
- issue savings certificates which are paid with interest

➤ **Micro finance companies**

Micro finance companies specialize in providing banking services to low income groups and individuals. They mainly provide banking services and loans to poor people who lack access to banking and related services in commercial banks. Examples of micro finances are:

- Micro Bankers Trust
- Unity Finance Ltd
- Izwe Loans Zambia Ltd

- Micro Credit Foundation Ltd
- Blue cash express ltd
- Zampost Micro Finance Ltd

► **Burea De Change**

A bureau de change is a financial institution that deals in exchange of one currency for another. For example us dollar for Zambian kwacha up pound etc.

Examples of bureau de change are:

- Billion bureau de change
- Becky bureau de change
- CFB Bureau change
- Barclays bank bureau de change etc

(2) Identify services offered by financial institutions and explain their services

► **Banking services**

Financial institutions accept people's deposits and keep them safe.

► **Loan facilities**

A loan is the amount of money an institution lends to the public especially account holders development purpose.

► **Issuance of foreign exchange**

Financial institutions buy and sell foreign currencies to the public egg Bureau de change institutions avail foreign currencies travelers, businessmen and foreigners in Zambia.

► **Bank transfers**

Financial institutions help the public to transfer money from the bank to another through issuing of bank drafts.

➤ **Credit transfers**

Financial institutions help their customers who wish to settle a numbers of creditors only one cheque. A customer in need of this facility is required to prepare a credit slip showing names of people he/she wishes to pay and the amount to be paid to each.

➤ **Standing orders**

A standing order is a written instruction by the account holder to the bank instructing it to pay a specified amount of money to the specified person for a stated period of time.

➤ **Automated Teller Machine facility(ATM)**

Financial institutions like commercial banks install ATMs in different parts of the country and issue out ATM cards to their customers to ease their withdrawing depositing of money.



➤ **Direct Debit or Direct withdrawal**

A direct debit is a financial transaction in which one person withdraws funds from another person's bank account. Formely the person who directly draws the funds (payee) instructs his/her bank to collect (i.e. debit) an amount directly from another's (payer) bank account designated by the payer and pay those funds into a bank account designated by the payee.

- **Point of sale (POS) Check out**

This is a place where a retail transaction is completed. It is a point at which a customer makes a payment to the merchant in exchange for goods



- **Cheque facility** .A cheque is a document that orders payment of money from a bank account. The person writing the cheque, the drawer has a transaction banking account where his/her money is held.

-

(3) Identify types of accounts offered by financial institutions.

A bank account is a financial account between a bank customer and a financial institution.

- **Savings account**

This is a type of an account normally offered to low income earners or small savers who do not withdraw frequently .This account allow an individual to accumulate interest on the amount saved.

- **Current account**

This is an account with a bank or building society from which money may be drawn on demand. The current account is normally offered to business people and institutions.

- **Deposit account**

It is an account opened where by money stays in the bank for a given specific period of time

(usually six months).Before the period elapses one cannot withdraw money from bank. It earns a very high rate of interest.

- **Save as you earn account**

This is the type of an account where an individual or a group of people remit a specified amount of money monthly for a specified period of time(say 3 to 5 years) in form of saving through a cherub off agreement or by cash to other respective financial institutions.

- **Investment account** An investment account refers to a type of financial account that contains a deposit of funds and /or securities that is held at a financial institution.

(4) Identify types of documents used in banking and draw them

- **Bank statement**

A bank statement is a summary of financial transactions which have occurred over a given period of time on a given bank account held by an individual or business with a financial institution.

YOUR LOGO HERE	[Company Slogan]	Bank Account Statement
[Company Name] [Street Address, City, ST ZIP Code] [phone] [fax] [email]		DATE: [CLICK TO SELECT DATE]

OPENING BALANCE	CLOSING BALANCE
9999	9999

DESCRIPTION	DEBIT	CREDIT	TOTAL
Finance charge on overdue balance at 1.5%			
TOTAL			

Pay-in-slip is a form available in banks and is used to deposit money into a bank account. Each pay-in-slip has a counterfoil which is returned to the depositor duly sealed and signed by the bank official. This source document relates to bank transactions. It gives details regarding date, account number, amount deposited (in cash or cheque) and name of the account holder

A deposit slip is a pre-printed document made available to the account holder by the financial institution to enable him put money on to his/her account. Deposit slip can be used for both cash and cherub deposit.

05-09 31476551 N13062-CH (Rev. 3-08)	CHASE	DEPOSIT/DEPÓSITO	CHECKING/CHEQUES ☐ SAVINGS/AHORROS ☐ R/T 500001020																					
Today's Date/Fecha 																								
Customer Name (Please Print)/Nombre del cliente (en letra de molde) 																								
Sign Here (If cash is received from this deposit)/ Firme aquí (si recibe efectivo de este depósito) Start your account number here/ ▼ Escribe su número de cuenta aquí		<table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">CASH/ EFFECTIVO</td> <td style="width: 5%;">▶</td> <td style="width: 65%;"></td> </tr> <tr> <td>CHECK/ CHEQUE</td> <td>▶</td> <td></td> </tr> <tr> <td>TOTAL FROM OTHER SIDE/</td> <td></td> <td></td> </tr> <tr> <td>TOTAL DEL REVERSO</td> <td>▶</td> <td></td> </tr> <tr> <td>SUBTOTAL</td> <td>▶</td> <td></td> </tr> <tr> <td>LESS CASH/ MENOS EFECTIVO RECIBIDO</td> <td>▶</td> <td></td> </tr> <tr> <td colspan="2"></td> <td>TOTAL \$</td> </tr> </table>		CASH/ EFFECTIVO	▶		CHECK/ CHEQUE	▶		TOTAL FROM OTHER SIDE/			TOTAL DEL REVERSO	▶		SUBTOTAL	▶		LESS CASH/ MENOS EFECTIVO RECIBIDO	▶				TOTAL \$
CASH/ EFFECTIVO	▶																							
CHECK/ CHEQUE	▶																							
TOTAL FROM OTHER SIDE/																								
TOTAL DEL REVERSO	▶																							
SUBTOTAL	▶																							
LESS CASH/ MENOS EFECTIVO RECIBIDO	▶																							
		TOTAL \$																						

Withdraw slip

A withdraw slip is used when you need to take money out of your savings account without using a cherub or your debit card.

WITHDRAWAL/CHEQUE 010114

Transaction date: 26 Nov 2015

Amount: \$0.01

Deposit/Withdrawal/Cheque details

Search In: Everything

Serial number	Account number	Amount
XXXXXXX	XXXX-XXXX-XXXX	\$3,000

ACTIVITY

Draw a withdrawal slip and fill in the information given below.

Name of Account holder - Mr Gondwe Sydney

Amount to be withdrawn - K 500

Use the current date

Account number - 02004102.

Solution

WITHDRAWAL SLIP	
BRANCH: Lusaka Branch	Date: Current date [1/4]
Debit Account Name: Gondwe Sydney [1/4]	
Account number : 02004102 [1/4]	
Amount of withdrawal (in words) Five hundred	
Kwacha only [1]	
K 500 =[1/4]	
<u>GS</u>	
Authorized signature	

► Cheque

A cheque is a document that orders a payment of money from a bank account. The person writing the cheque, the drawer, has a transaction banking account where he/her money are held.

PAYABLE IN US\$ THROUGH FIRST BANK OF WIKI, LOS ANGELES BRANCH, LOS ANGELES, CA, 90036 1-000-000

MR. JOHN JONES
1645 DUNDAS ST. W, APT. 27
TORONTO, ON M6K 1V2
123-456-7

DATE **20061201**
Y Y Y Y M M D D

PAY TO THE ORDER OF Wikimedia Foundation \$ **100.55**

One Hundred Dollars and 55/100 U.S. 100 DOLLARS

 FIRST BANK OF WIKI 00005-123
Victoria Main Branch
1425 James St., P.O. Box 4001
Victoria (B.C.) V8X 3X4

MEMO Donation

John Jones **MP**

⑆011234567⑆ 001234567⑆ 243

Security features included - Details on back

A cheque has three parties, that is

- Drawer

A person who writes out a cheque. He is the owner of the account.

- Payee

It is a person who receives a cheque. A payee is the one to whom payment is made.

- Drawee

This is the bank which pays out the cheque for example Zanaco

Date: <u>1st March 2015</u> To: <u>Office Decorators</u> For: <u>Purchase of 1 Desk</u> Balance b/f _____ Deposit _____ Balance _____ This Cheque <u>R 570.00 (only)</u> Balance c/f _____ 105	600 001 Date: <u>1st March 2015</u> <u>Not for cash</u> or Bearer Pay <u>Office Decorators</u> ---570.00 The sum of <u>Five Hundred and Seventy Rands Only</u>  <u>Handyman Hardware Store</u> 105: 600001:1003030031 "01
---	---

ATM cards are a plastic card issued by the bank to the client who has a deposit account and which the client can use to withdraw and deposit cash at an ATM.



9.4 PERSONAL FINANCIAL MANAGEMENT

Explain personal financial management

- Personal financial management is the financial management that a family or an individual is required to do in order to obtain a budget, save money, and spend monetary resources overtime considering various financial risks and future life events.

State methods of investment

There are different methods of investment, and these are as follows;

- i. **Entrepreneurship**
 - Entrepreneurship is the capacity and willingness to develop, organize and manage a business venture.
- ii. **Running a small business**
 - This is the running up of the business by one man or with the help of the family members.
- iii. **Farming**
 - This is a business of being in charge of a farm or working in a farm.
 - It involves rearing animals and planting crops.
- iv. **Bonds**
 - This is where the investor buys a bond which is a debt from the company or general public.
 - This usually happen when the government or company wishes to finance a capital project and they don't have enough resources.
 - A certificate is issued when stock bonds are issued with the amount that has been invested.
- v. **Buying Shares**
 - This involves purchasing a share (a stock) in a company.
 - This is contributing towards the capital of the company and becoming a shareholder of that company so that one takes part in the sharing of dividends.

Budgeting

- A budget is a finance plan that allocates future income towards expenses, savings and debt repayment.
- It is a plan on how to raise and spend money.



Describe types of budgeting

i. Individual (personal) Budget

- It is drawn by an individual to meet certain goals.
- It helps to save money for specific goal like saving money for training.

ii. Home Budget

- It is allocating a certain amount of money in the month for buying item needed to be used in a month like food, clothing etc.
- The budget will help to control expenditure.

iii. National Budget

- This is the government document present governments proposed income and spending for fiscal year.

Explain the reasons for budgeting

Budget is prepared for various reasons and these are as follows:

i. Control measuring

- A budget is used as a means of controlling revenue and expenditure.

ii. Guide

- It acts as a guide in the implementation of activities.

iii. Transparency

- It promotes transparency in the use of resource.

Activity

1. Mention one example of a budget?

Answer: Individual

2. From the list below identify three ways of financing businesses

Word list

Savings, bank loans, sole traders, partnership, limited company, leasing.

Answer: Savings, bank loan, leasing

3. From the list below identify, one way not required for ensuring good personal financial management?

Word list

Answer: Excessive borrowing

4. Buying of shares in a company is good example of



Answer: investment

5. From the following information, prepare the budget for Bwale, for the month of June 2015.

Income		Expenses	
Salary	K3,500.00	Groceries and food	K4,000.00
Rent received	K2,200.00	Transport	K300.00

Answer: Mwewa Personal budget for the month of June 2015

Income		Expenditure	
Salary	K3,500.00	Groceries and food	K4,000.00
Rent received	K2,200.00	Transport	K300.00
Total income	K5,700.00		
Balance b/f			
(surplus)	K1,400.00		

6. Use the word list below to fill in the missing phrase in the following statements:

Word list

Share, guide, bonds, control measure, transparency

- (i) A budget acts as a on what and when to spend in an organization.
- (ii) The budget acts as ain limiting on unnecessary expenditure in an organization.
- (iii) A budget promotes To enhance openness and honesty in the manner finances in an finances in an organization are being spent

Answer: (i) guide (ii) control measure (iii) transparency

7. **Study** the following table and answer the question below.

Item	ZMW
Construction	1,200.00

Salaries to workers	9,000.00
Agricultural equipment	5,200.00
Pension payment	10,900.00
Government scholarships	7,500.00
Education materials	6,750.00

- (i) What type of budget is this?
- (ii) Calculate the total amount allocated towards infrastructure development and education.

Answer: (i) National Budget

(ii) $12\,000 + 6,750.00 = \text{K}18,750.00$

9.5 FILING

Filing is the process of safekeeping records in an orderly manner and able to retrieve them when required.

Explain the importance of filing/reasons for filing

- For future reference
- For security reasons
- Easy accessibility of information contained in papers available
- Neatness and tidiness
- Confidentiality
- For easy accessibility
- Filing makes it easy to dispose off useless documents

- To have a written document

Essentials of a good filing system

A good filing system must be:

- Simple to understand and operate
- Economical to install and maintain
- Expandable to meet future needs
- Compact to save space
- Quick to operate
- Adaptable to meet changing needs
- Secure from fire, theft, dampness, heat, etc.
- Accessible to the people who use the records
- Have a document retention period; this is usually influenced by the company policy, storage space available and legal requirements. Some business documents are required by law to be kept for a specified number of years.

1. Identify filing systems

There are two filing systems:

1. Centralized filing

A centralized filing system is one in which the records for several people are stored in one central place.

Advantages of a centralized filing system

- Uniformity of filing is ensured
- A trained personnel can be employed



- Supervision is easier and effective
- Access to files can be limited to filing staff so that greater control of file movement is possible from different departments.
- There is greater saving of staff and equipment

Disadvantages

- Delays in making files available
- Lack of adequate knowledge about other files
- Other office workers depend on the efficiency of the filing staff to locate and retrieve documents.

2. Departmental (decentralized)

Filing is when each department or section keeps their files. in this case filing is done within each department and it is not exposed to people outside the department.

Advantages

- Files are readily available
- Codes for files can be used for easy identification of files e.g.-for purchases, S-for sales, A-for Auditing.
- The filing system is not large thereby making it easy to handle.
- There is greater confidentiality
- Departmental staff will have a better knowledge of the work of the department.

Disadvantages

- Supervision of the files in the department is difficult as files are scattered in all departments
- It is expensive to accommodate space and equipment is not economically used as each

department requires its own equipment and filing space.

- Usually files are handled by non-qualified staff.

(2)Identify the methods of filing and state their advantages and disadvantages

➤ Alphabetical filing

Files are arranged in strict alphabetical order just like words are arranged in the dictionary or names in the telephone directory. The idea is to locate files easily within the filing system.

Advantages

- The method is simple to understand since everyone knows the alphabet
- It is a direct filing method hence no need for separate index
- Easy and quick access to documents

Disadvantages

- The large the filing system the longer it takes to locate a particular file
- Difficulty may be experienced on locating files with common names
- Difficulty to access and locate space requirement for future expansion

Rules for alphabetical filing

Indexing units

- With impersonal names, the first indexing unit is the first word that distinguishes that body (organization) from other bodies .E.g. Municiple Council of Chipata.

Municipal-there are many municipals

Council of-there are many types of council



Chipata-at least in relation to Municipals, Chipata is a distinguishing feature

Therefore file index will be as follow:

Chipata, Municipal council of

Indexing personal names

- With personal names, the surname comes first. Natasha Chibuye becomes Chibuye Natasha and William Banda becomes Banda William since B comes before Therefore the arrangement would be as follows:

Banda William

Chibuye Natasha

Hyphenated Names

Where a name is hyphenated it is usual to treat the two words which are joined as one unit Eg

Edward John-Lang, Christine Bon-Voyage

Bon-Voyage, Christine

John –lang Edward

• **Numerical filing**

In this method files are given numbers and then placed in numerical order. it is particularly useful in storing copies of numbered documents such as invoices and orders a and in hospitals for filing patients cards and in schools and colleges where students are given examination/student numbers.

Example: card index



301-Lundazi Service station

302-Mfuwe lodge

303-Petauke Social Welfare

304-St Francis Hospital

➤ **Geographical filing**

This is a filing method according to places e.g. Town, Province, Country. It is commonly used by businesses that employ agents.

➤ **Chronological filing**

This is filing documents in date order. This system is used within another filing system. Documents filed in this order assist staff that may roughly know when a letter was written or when a contract was signed and can use that date to easily locate the document.

➤ **Subject filing**

Documents are filed according to their subject matter, and then the subjects are filed in alphabetical order.

(3)Identify types of filing equipment and state their advantages and disadvantages

➤ **Spike file**

A spike looks like a very large drawing pin. Documents are pushed over the sharp spike to secure them.

Advantages

- It is very simple and can be used by anyone
- It is the cheapest method since it does not require any special material and equipment
- It does not consume a lot of space since documents are filed on top of the other.
- It saves time therefore easy to access.



Disadvantages

- Documents are not protected from fire, dust, water and hazards
- Can only be used in small and medium scale organisations
- Only a limited number of documents are filed using a spike.
- There is no security as documents on top can be read by anyone
- For one to use the documents down ,all the documents on top must be removed

- **Flat file**

A flat file is used to store documents and items such as drawings, paintings and maps, that need to flat.

➤ A box file

It is used to keep all related documents together, is shaped and has a lid or cover.

➤ A vertical filing cabinet

Files are stored in drawers in order from front to back, is tall and narrow.

➤ A lateral filing

A lateral filing cabinet is wider and narrower and files are stored side by side.

9.6 POST AND TELECOMMUNICATION SERVICES

Tele means distant Communication which is a process of transmitting information from one person or firm to another. Communication in Zambia is provided by the Zambia Telecommunications and the Zambia Postal Services. Others are Airtel, MTN, and Zamtel.



The post office

A post office is a national organization responsible for collecting and delivering letters as well as offering other postal services



(1) Identify the postal services and describe their uses

- **Mail**

Mail refers to the letters or packages conveyed or delivered by a post office.



- **Courier service**

This is a service provided by the post office which involves fast door to door local and international pickup and delivery for high value and urgently required goods.



(b) Give examples of companies that provide courier services;

- DHL
- Excess baggage
- Post express couriers

- **Poste Restante**

The phrase *poste restante* means “to be called for”. This is a service that allows people without fixed addresses to receive mail. It is usually used by travelers who have no fixed address. Such people advise their friends or customers to send letters to the nearest post office.



- **Railex**

Railex is when letters and parcels are sent through the railway system. The addressee (receiver) must go to the railway station to collect their parcels.



- **Express mail**

Express mail service (EMS) is a courier service supplied by Zampost. It offers the quickest method

by which to deliver items door-door, both locally and internationally .Express mail is used to send urgent letters, documents and parcels.



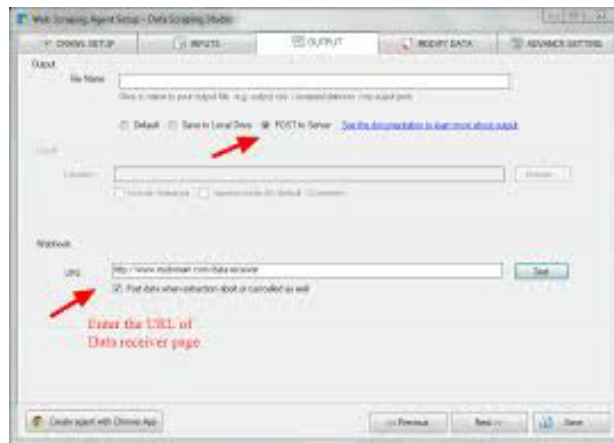
- **Registered mail**

Registered mail is when the post office issues the sender a receipt for a mail item and then records the destination address in a register. It is used for mail that is valuable or important.



- **Data post**

An express service offered by the postal services that ensure a parcel reaches its destination either on the day of postage or the following morning. It is an overnight door to door service for packages of any kind on a daily, weekly or monthly basis.



- **Parcels**

A parcel is a box or large envelope sent or delivered to a person. They can be sent anywhere in Zambia or to other countries using postal services.



- **Business reply service**

Businesses prepay the postage on replies so that the customer does not have to pay for the postage.



- **Cards**

Standard size cards that have names and address of receipt as well as a short message

- **Circulars**

Bulk posting of identical letters or documents that are sent to a large number of people. Circulars seldom have the name and the address of receipt.

- **Printed matter**

Printed matter can be any printed item, for example advertisement, mail order forms and catalogues. These are not addressed to specific people or businesses. The business pays the post office to include these items with all the other mail being delivered or placed in post boxes.

- **Postal order**

These are printed in fixed denominations and are suitable for sending small amounts of money. The sender usually pays for the face value of the postal order with a fee known as poundage for the service rendered or offered to him or her.

- **Cash on delivery**

The recipient pays for the mail before he or she can receive it. COD is usually for goods

purchased online or by telephone.

➤ **Post boxes and private bags**

A post box is a metal box where mails and parcels are put for collection by the post office. A private bag is a locked bag where mails and parcels are delivered by the post office belonging to the corresponding addressee or receiver. A fee is charged for using post boxes and private bags.

➤ **Freepost**

This is a postal service where a person sends mail without paying for postage and the recipient pays the postage when collecting the mail.

➤ **Franking**

This is a special machine which prints postal impressions on the envelopes in readiness for posting. The postage is prepaid.



Identify telecommunication services and their uses

➤ **Tele means distant communication**

Telecommunication is the transmission of information as words, sounds or images usually over long distances in form of signals.

➤ **Telephone**

This is an electrical system of talking to somebody in another place by speaking through special devices called telephones. Telephones can be mobile or fixed (land phones)



► Telex

Typed messages that are sent using a teleprinter, which is a combination of a type writer and telephone.



► Telegram

Very short message sent from the post office. The cost is calculated per word used. The recipient receives the printed message from the nearest post office.

► Phonograms

This is a telegram sent by telephone.

► Radio Messagers

A small device that connects to a central server. it is used by emergency services, such as doctors and members of the police and army.

► **Facsimile**

Typed or handwritten document, message or photo sent by one fax machine to another. Both must be switched on to send and receive. The machine is connected to a telephone line or service.

► **Internet**

Worldwide network of computer system to exchange information. A computer, laptop, ipad, mobile phone is needed to access the internet.

9.7 COMMONLY USED ABBREVIATIONS

There are various business abbreviations and some of them are as follows;

A/C or a/c	Account
Bal	Balance
B/d	Brought down
B/f	Brought forward
C.I.A	Cash against invoice
C.W.O	Cash with order
c/d	Carried down
c/f or c.f	carried forward
Chq	Cheque
Co.	Company
B/R	Bills Receivable

C/B	Credit balance
.cc	Carbon copy
Cr	Creditor or Credit
Dr	Debtor or debit
.c/o	Care of
COD	Cash on delivery
Dept.	Department
Dis	Discount
D/N	Debit Note
E &O.E	Errors and exemptions
e.g.	For example(latin, Exempli gratia)
E Post	Electronic Post
E-mail	Electronic mail
FYI	For your information
FYA	For your action
GDP	Gross domestic product
GNI	Gross national income
HQ	Headquarters
ie	that is
IOU	I owe you
LAN	Local area network
Ltd	Limited



MEMO	Memorandum
O/D	overdraft
PABX	Private Automatic Branch Exchange
PAYE	Pay as you earn
P.B.	Private Bag
UFS	Under Flying Seal
PBX	Private Branch Exchange
PIN	Personal identification number
POS	Point of sale
Ref	reference
REG	Registration
Encls	Enclosure
SMS	Short Message
Std	Standard
VAT	Value added tax
Viz	namely

9.8 ENTREPRENEURSHIP

Entrepreneurship is the willingness to take risks and develop, organize and manage a business venture in a competitive global marketplace that is constantly evolving. Entrepreneurs are pioneers,



innovators, leaders and inventors. Entrepreneurship is commonly viewed as a significant stimulus of positive outcomes at both the firm level and the society level.

Describe a business management sheet

A business management is the plan, coordination and controlling of various business aspects. The main reason why organisations fail especially small organizations is poor or bad management. Therefore a management sheet is a plan or guideline of how management will run the business and achieve its set goals as the business grows.

Filling in the business management sheet

Business Management Sheet

SN	Activity	Description of work	Person responsible	Department
1	Financial control	Managing business incomes and expenditure	Finance manager	Accounts dept.
2	Production of goods	Ensuring that goods and services produced are of good quality	Production manager	Production dept.
3	Quality control	Ensuring production of high quality through monitoring and supervising the production process	Quality controller	Quality control dept.
4	Stock control	Ensuring that the right quality and quantity of stock required is maintained in the business at low cost	Stores manager	Inventory and stores dept.
5	Marketing	Identify customers, setting prices, making products available.	Marketing manager	Marketing dept.
6	banking	Ensuring that all business cash is banked	Financial manager	Accounts dept.

Explain ways of Managing Business Finances

Financial management is the process of energising the book keeping and accounting system of the business to work more successfully. A good financial system makes you to know how your business is doing financially.

- Financial control
- Banking
- Avoid too much investment in Fixed assets

Explain the basic financial Records

Financial records are an important aspect to maintain as they help you in the verification of financial statements and reports. it is important that you hire an independent auditor to come and check your records.

State reasons for dissolving companies.

- Dissolution of a company means the cancellation of its operations and the termination of its corporation for business purpose and consequently the termination of any obligation to pay taxes as a corporate entity.
- A company may be dissolved either voluntary or involuntary
- Voluntary –this is where a company is dissolved because the owners so wish.
- Involuntary –where a company has become inoperative for a period of at least 5 years.
- When a company is declared bankrupt
- The failure by the company to file the required reports in appropriate forms as prescribed is the SEC within prescribed periods.
- Apart from voluntary dissolution, a corporation may also be dissolved by the Securities and Exchange Commission (SEC) upon filing a verified complaint and offer proper notice and hearing on grounds provided by the existing laws, rules and regulations.

