## Books of Prime (Original) Entry

- **Explain the advantage of using various books of prime entry**
  - Reduces the no. of entries in the ledger
  - Acts as an aid for posting into the ledger
  - Helps to gather and summarise accounting info
  - Groups together similar types of transactions
  - Allows work to be divided among several people
  - Helps in auditing

### Books of Prime Entry vs. Source Document

<table>
<thead>
<tr>
<th>Books of Prime Entry</th>
<th>Source Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Book</td>
<td>Cheque / Receipt</td>
</tr>
<tr>
<td>Petty Cash Book</td>
<td>Voucher / Receipt</td>
</tr>
<tr>
<td>Sales Journal</td>
<td>Sales Invoice</td>
</tr>
<tr>
<td>Purchases Journal</td>
<td>Purchase Invoice</td>
</tr>
<tr>
<td>Sales Return Journal</td>
<td>Credit note issued</td>
</tr>
<tr>
<td>Purchases Return Journal</td>
<td>Credit note received</td>
</tr>
<tr>
<td>General ledger</td>
<td></td>
</tr>
</tbody>
</table>

- **Distinguish btw. & account for Trade Discount & Cash Discount**
  - **Trade Discount**
    - Bulk buying
      - Regular customer / to encourage repeat custom
    - In the same trade
  - **Cash Discount**
    - Prompt Payment
      - Payment before the due date
Q 1. Reasons for maintaining a petty cash book in addition to a main cash book:
- To record small cash payments
- Removes small cash payments from the main cash book
- Reduces the no. of entries in the main cash book
- Reduces the no. of entries in the ledger
- Allows the chief cashier to delegate some work
- Provides training for any junior staff members

Q 2. State one advantage of using the imprest system:
- Can help to reduce fraud
- The cash remaining & the vouchers received should equal the imprest
- Chief cashier knows exactly how much is spent in each month / can control expenditure of petty cash

Q 3. Explain what is meant by the imprest system in relation to the petty cash:
- Petty cashier starts each period with the same amount of money
- At the end of the period, the chief cashier will make up the cash remaining, so it is equal to the imprest.
POINTS TO REMEMBER FOR CASH BOOKS-

→ The Left side = Received = Dr side
→ Right side = Payments = Cr side

→ Any item/transaction where no cash is involved, it is not treated in the cash book e.g. credit sales.

→ Personal expenses = Drawings = Recorded in Cr

→ To cancel out a transaction, it is written on the opposite side. E.g. cheque received is Dr but a dishonoured cheque is written on the Cr side.

→ When the owner uses his own money to Fore assets write in Cr. B = Capital

→ When the owner uses/withdraws money from the F. For personal use = Drawings.

→ Trade discounts are not written/included in the Cash Book.

→ Issuing a Credit Note is not written down in the Cash Book, because no cash is involved. It is only a document being received.

→ Closing stock of 1 week becomes the opening stock for the next week.

→ A contra entry is when a transaction affects both Cash & Bank. Also at the same time.
Q. How to encourage customers to pay invoices when sold on C/C?

- Send a statement of A/C
- Offer cash discount
- Limit C/C so there are no more credit sales
- Charge interest on overdue amounts
- Use debt collection method

Q. What is meant by a dishonoured cheque?

The debtor's bank refused payment.

* Accounts which are posted with the totals from a 3 column cash book are: discount allowed, discount received.

Q. What is meant by a Bank overdraft?

Paying more from the Bank A/C than there is in it. This means that the business owes money to the bank.

Contra - entry e.g.

Paid cash into the bank.

\[
\begin{array}{ccc}
\text{DV} & \text{CASH} & \text{BANK} \\
\text{DETAILS} & \text{CASH} (\text{cc}) & \text{xxx} \text{xxx} \text{xxx} \text{xxx} \\
\text{CN} & & \\
\end{array}
\]

write the appropriate details
PETTY CASH BOOK

Q. Why is there a difference in the actual amount of cash in the petty cash book & the amount that should be there?
   
   Fraud / Error
   Stolen or missing money

Q. Explain / Advise about the imp of keeping a record of petty expenditure.

   Always get a petty cash voucher with an invoice or receipt for expenditure. Record all petty cash transactions.