Chapter 2 Books of original entry and ledgers (II)

You will learn about the **cash book (現金簿)**. They are used to **record daily transactions made in cash and through banks (記錄每日以現金或銀行進行的交易)**.

2.2 Cash Books (現金簿)

A cash book **records cash and bank transaction (記錄現金或銀行交易)**. The person who manages the cash and bank accounts in the cash book is called **cashier (出納員)**. The cash book is one of **the books of original entry (原始分錄簿)**. All transactions made **in cash or through banks** must first be recorded in the cash book. As the cash or bank column of the cash book has already been debited or credited, it is **no longer necessary** to post the entries to the **cash or bank account** in the **general ledger (總分類帳)**. The **cash book** can **replace (取代)** the cash and bank accounts in the general ledger. This is why the cash book also serves as a ledger. However, in examinations, you may be asked to show entries in a separate cash or bank account in the general ledger.

2.2.1 Format (格式)

Cash book

Date	Details	Discount	Cash	Bank	Date	Details	Discount	Cash	Bank
			$	$				$	$

- **Receipts (收益)** are recorded on the debit side.
- **Payments (付款)** are recorded on the credit side.
- **Discount column (折扣欄)**: recording **the amounts of cash discounts (現金折扣金額)**.
- **Cash column (現金欄)**: recording **the amounts of cash transactions (現金交易金額)**.
- **Bank column (銀行欄)**: recording the amounts of transactions via the firm's bank account. It is usually refer to **the current account (支票戶口)**.

As there are three columns recording amounts on each side, we called that a **three-column cash book (三欄現金簿)**. For a three-column cash book, the discount column on the **debit side** of the cash book **records all (cash) discounts allowed to trade debtors (記錄所有企業給予銷貨債務人的銷貨折扣)**, while that on the credit side **records all (cash) discounts received from trade creditors (記錄所有企業獲購貨債權人給予的購貨折扣)**. A **withdrawal of cash from the bank (從銀行提取現金)**, or conversely, a **deposit of cash into the bank (把現金存入銀行)**, it is known as a **contra item (對銷項目)**. Both the debit and credit entries for the item will be made in the cash book.
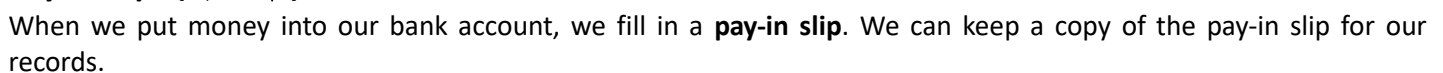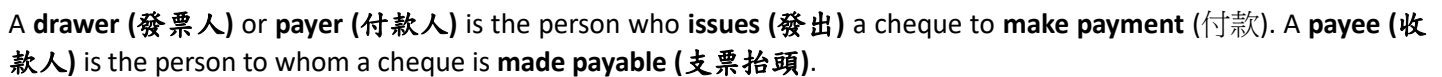
Cash book

Date	Details	Discount	Cash	Bank	Date	Details	Discount	Cash	Bank
2005		$	$	$	2005		$	$	$
May 1	Balance c/d		2,900	6,540	May 8	S Long	40	960	
" 2	H Kut	60	1,140		" 11	Cash			300
" 11	Bank		300		" 25	Wages		920	
" 16	K Chen	140		2,660	" 28	W Au	132		4,268
" 22	Rent revenue		3,000		" 29	Drawings		2,000	
					" 30	Balance c/d		3,460	4,632
		200	7,340	9,200			172	7,340	9,200

trade debtors | contra item deposit | discounts allowed | trade creditors | contra item withdrawal | discounts received

There is another type of cash book: a **two-column cash book (雙欄現金簿)**. For a two-column cash book, two columns are used to record the amounts of cash and bank transactions on the debit or credit side. There is no **discount column (現金折扣金額)**.

2.2.2　Source documents (原始單據)

Source documents for cash and bank transactions include **receipts (收據)**, **cheque counterfoils** (支票存根) and **pay-in slips (存款單)**. The **cheque book** (支票簿) is given to the holder of a **current account** (支票戶口) and the **passbook** (存摺) or **ATM card** (自動櫃員機卡) is given to the holder of a **savings accounts (儲蓄戶口).**

Types of bank accounts
There are two main types of bank accounts: **current accounts (支票戶口)** and **deposit accounts (儲蓄戶口)**.

Cheque counterfoils (支票存根)
A **drawer (發票人)** or **payer (付款人)** is the person who **issues (發出)** a cheque to **make payment** (付款). A **payee (收款人)** is the person to whom a cheque is **made payable (支票抬頭)**.

Fig. 4.3　*A cheque*

Pay-in slips (存款單)
When we put money into our bank account, we fill in a **pay-in slip**. We can keep a copy of the pay-in slip for our records.

2.3 Items recorded in a cash book

2.3.1 Cash discounts (現金折扣)

Cash discounts are offered to customers who settle their accounts within the **cash discount period (指定期限內)** which is shorter than the **credit period (信貸期)** to encourage early payment. **Credit period** is the period that the customers are required to settle their accounts. If they fail to do so, **interest (利息)** may **be charged (收取)** on the **overdue balance (過期結餘)**.

2.3.2 Receipts from trade debtors (從貿易債務人收到金錢)

When money is received from a **trade debtor**, its account in the **account receivable ledger** should be **credited** with the amount of **receipt** and the **discount allowed (銷貨折扣)** (if any).

	Cash book									
Date	Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2005		$	$	$				$	$	$
May 2	H Kut	60	1,140							

Accounts Receivable Ledger

		H Kut						
2005				$	2005			$
May	1	Balance b/d		1,200	May	2	Cash	1,140
					"	2	Discounts allowed	60

General Ledger

		Discounts allowed				
2005			$			
May	2	H Kut	60			

2.3.3 Payment to trade creditors (付錢給貿易債權人)

When money is paid to a **trade creditor**, its account in the **account payable ledger** should be **debited** with the amount of payment and the **discount received (購貨折扣)** (if any).

	Cash book									
Date	Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
		$	$	$	2005			$	$	$
					May	28	W Au	132		4,268

Accounts Payable Ledger

		W Au						
2005				$	2005			$
May	28	Bank		4,268	May	1	Balance b/d	4,400
"	28	Discounts received		132				

General Ledger

				Discounts received			
				2005			$
				May	28	W Au	132

2.3.4 Receipts from revenues (從收入獲得金錢)

Revenue (收入) is the income earned from the **sale of goods or provision of services (銷售商品或提供服務)** to customers, as well as income earned from **other sources (其他來源)**. When money is received from revenue, the **cash book** (**cash/bank**) should be **debited** and the **relevant revenue account (相關的收入帳)** in the **general ledger (總分類帳)** should be **credited**.

	Cash book									
Date	Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2005		$	$	$				$	$	$
May 22	Rent revenue		3,000							

General Ledger

				Rent Revenue			
				2005			$
				May	22	Cash	3,000

2.3.5 Payments of expenses (為支出支付金錢)

When money is paid for an expense, the **cash book** (**cash/bank**) should be **credited** and the **relevant expense account** (相關的支出帳) in the **general ledger** (總分類帳) should be **debited**.

Cash book										
Date	Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
			$	$	$	2005			$	$	$
						May	25	Wages		960	

General Ledger

Wages	
	$
2005	
May 25 Cash	960

2.3.6 Drawings of money (提用金錢)

Sometimes, the **owner (東主)** of a firm may take money out of the firm for his **private use (私人使用)**. This is known as **drawings (提用)**. **Drawings** will reduce the **owner's capital (東主資本)**. However, a **separate account is opened (開設獨立帳戶)** in the general ledger for the **recording of drawings (記錄提用)**.

When money is withdrawn for the owner's private use, the **cash book** (**cash/bank**) should be **credited** and the **drawings account (提用帳戶)** in the general ledger should be **debited**.

Cash book										
Date	Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
			$	$	$	2005			$	$	$
						May	29	Drawings		2,000	

General Ledger

Drawings	
	$
2005	
May 29 Cash	2,000

Class work 1

1. Write up a two-column cash book to record the following transactions.
   2009
   Jul 1 Balances brought down from April: Cash $3,250, Bank $6,800
   " 3 Cash sales $2,500 made and $1,200 cash was banked.
   " 7 James Chong paid us $3,700 by cheque.
   " 11 Bought office equipment $1,880 by cheque.
   " 12 Paid Linda Kee $50 in cash.
   " 19 Withdrew $300 cash from the bank for business use.
   " 21 Paid wages $500 in cash and motor repairs $1,250 by cheque.
   " 25 A customer Karen Choi paid us $350 in cash and the company paid insurance $1,000 by cheque.

Cash Book								
Date	Details	Cash	Bank	Date		Details	Cash	Bank
2009		$	$	2009			$	$
Jul	1 Balances b/d	3,250	6,800	Jul	3	Bank	1,200	
"	3 Sales	2,500		"	11	Office equipment		1,880
"	3 Cash		1,200	"	12	Linda Kee	50	
"	7 James Chong		3,700	"	19	Cash		300
"	19 Bank	300		"	21	Wages	500	
"	25 Karen Choi	350		"	21	Motor repairs		1,250
				"	25	Insurance		1,000

2.3.7 Discounts allowed and discounts received (銷貨折扣及購貨折扣)

Discounts allowed (銷貨折扣) are expenses (支出) of a firm, while discounts received (購貨折扣) are revenues (收入). The monthly total (每月總金額) of discounts allowed and discounts received is posted to the debit side/credit side of the discounts allowed/received account in the general ledger (總分類帳) at the end of the month. The reason of posting the monthly total of discounts, instead of individual discounts, is that the number of double entries made in ledger accounts is reduced

Cash book

Date		Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2005				$	$	2005			$	$	$
May	1	Balance b/d		2,900	6,540	May	8	S Long	40	960	
"	2	H Kut	60	1,140		"	11	Cash			300
"	11	Bank		300		"	25	Wages		920	
"	16	K Chen	140		2,660	"	28	W Au	132		4,268
"	22	Rent revenue		3,000		"	29	Drawings		2,000	
						"	31	Balance c/d		3,460	4,632
			200	7,340	9,200				**172**	7,340	9,200
Jun	1	Balance b/d		3,460	4,632						

Total discounts allowed was posted to the general ledger

Total discounts received was posted to the general ledger

General Ledger

Discounts Allowed

2005			$		
May	31	Total for the month	200		

Discounts Received

				2005			$
				May	31	Total for the month	172

Since the totals of discount allowed and received in the cash book have been posted to discounts allowed and received accounts in the general ledger, they would not be bought down (轉下) in the cash book.

Class work 2

1. Record the following transactions in the three-column cash book:

2005

May	1	Balances brought down from April: Cash $2,900, Bank 6,540
"	2	H Kut paid $1,140 cash in full settlement of his account, after deducting a 5% cash discount.
"	8	Settled S Long's account of $1,000 in cash with 4% cash discount.
"	16	K Chen settled his account of $2,800 by cheque with a 5% cash discount.
"	22	Received rent of $3,000 in cash.
"	25	Paid wages of $920 in cash.
"	28	Paid W Au's account of $4,400 by cheque, with a 3% cash discount.
"	29	The owner of the firm withdrew $2,000 cash for his private use.

Cash book

Date		Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2005				$	$	2005			$	$	$
May	1	Balance b/d		2,900	6,540	May	8	S Long	40	960	
"	2	H Kut	60	1,140		"	25	Wages		920	
"	16	K Chen	140		2,660	"	28	W Au	132		4,268
"	22	Rent revenue		3,000		"	29	Drawings		2,000	

3. Write up a three-column cash book to record the following transactions. Then balance it off at the end of the month and complete the accounts in different ledger.

2008

May	1	Balance brought down: Cash $1,000; Bank $5,000.
	2	Paid W Dai account $300 by cheque with a 5% cash discount.
"	9	Cash sales of $770.
"	13	S Su paid us their accounts $490 by cheque with a cash discount of 10% was to be deducted.
"	15	Paid $290 in cash for motor expenses.
"	18	Received rent of $650 in bank.
"	28	Received a cheque for $500, being a loan from L Yeung.

Cash book

Date		Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2008				$	$	2008				$	$
May	1	Balance b/d		1,000	5,000	May	2	W Dai	15		285
"	9	Sales		770		"	15	Motor expenses		290	
"	13	S Su	49		441	"	31	Balance c/d		1,480	6,306
"	18	Rent revenue			650						
"	28	Loan from L Yeung			500						
			49	1,770	6,591				15	1,770	6,591

Accounts Receivable Ledger

S Su

2008				$	2008				$
May	1	Balance b/d		2,800	May	13	Bank		441
					"	13	Discounts allowed		49

Accounts Payable Ledger

W Dai

2008				$	2008				$
May	2	Bank		285	May	1	Balance b/d		4,400
"	2	Discounts received		15					

General Ledger

Sales

					2008				$
					May	9	Cash		770

Motor expenses

2008				$					
May	15	Cash		290					

Discounts Allowed

2008				$					
May	31	Total for the month		49					

Discounts Received

					2008				$
					May	31	Total for the month		15

2.4 Bank overdraft (銀行透支)

Usually a **debit balance** of cash or bank in the cash book will arise. This means the **total receipts** (收入) on the debit side of the cash book is greater than the **total of payments** (支出) on the credit side. However, sometimes, the bank balance would appear as a **credit balance**. In this case, the firm has a **bank overdraft (銀行透支)**. Normally, the bank would **charge the firm interest (收取公司利息)** for the amount overdrawn. Note that a **bank overdraft** is treated as a **liability (負債)** of the firm.

It is impossible to have a **credit balance** in the **cash column (現金欄)** of a cash book. It is because you cannot pay out more cash than you have.

Cash book

Date		Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2005			$	$	$	2005			$	$	$
May	1	Balance c/d		2,900	6,540	May	8	S Long	40	960	
"	2	H Kut	60	1,140		"	11	Cash			300
"	11	Bank		300		"	25	Wages		920	
"	16	K Chen	140		2,660	"	28	W Au	132		4,268
"	22	Rent revenue		3,000		"	29	Drawings		2,000	
"	31	Balance c/d			368	"	30	Drawings			5,000
						"	31	Balance c/d		3,460	
			200	7,340	9,568				172	7,340	9,568
Jun	1	Balance b/d		3,460		Jun	1	Balance b/d			368

Credit bank balance → 368

Class work 8

1. Write up a three-column cash book to record the following transactions and find the bank overdraft of the company in April.

   2008
   May 1   Balance brought down: Cash $1,925; Bank $1,170.
   "   3   Made cash sales of $550 and the receipts were paid directly into the bank.
   "   5   Paid $780 in cash for rent.
   "   7   Paid the trade creditor, D Sun $960 by cheque with 5% cash discount.
   "   12   D Fan, a trade debtor, paid his account of $300 by cheque, less a 2% cash discount.
   "   20   Bought fixtures for $3,200 by cheque.

Cash book

Date		Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2008				$	$	$	2008			$	$	$
May	1	Balance b/d		1,925	1,170	May	5	Rent		780	
"	3	Sales			550	"	7	D Sun	48		912
"	12	D Fan	6		294	"	20	Fixtures			3,200
"	31	Balance c/d			2,098	"	31	Balances c/d		1,145	
			6	1,925	4,112				48	1,925	4,112

The bank overdraft of the company in May = $2,098

2.5 Dishonoured cheques (拒付支票)

A **dishonoured cheque** is a cheque rejected by a bank. As the result, the **payee (收款人) fails to get payment (未能獲得付款)** from the **payer or drawer** (發票人). The reason for a dishonoured cheque:

● The **drawer (發票人) does not have enough money (存款不足)** in the **current account (往來帳戶)** for the payment.
● There is no **signature (簽署)** on the cheque, or the signature **does not match (不符)** the record at the bank.
● The **amount in words** (文字金額) **differs (不同)** from the **amount in figures** (數字金額).
● The cheque is **not dated (沒有日期)**.
● The cheque is a **stale cheque (過期支票)**. (exceeding 6 months after the date of issue) **(支票已發出超過六個月)**
● The cheque is a **post-dated cheque (期票)**. (the date of the cheque has not yet been reached) **(支票未到可兌現日期)**
● The drawer's account has been closed. **(發票人的銀行帳戶已取消)**
● **Alterations (更改)** to the cheque have not been **countersigned (在旁加簽)** by the **drawer (發票人)**.

The entries for a dishonoured cheque **(拒付支票記帳)** are the **reverse (相反)** of the **payment made (支付金錢)**. The **cash book (現金簿) (bank)** should be **credited** and the **trade debtor (債務人)** in the **account receivable (應收賬)** should be **debited**.

Cash book

Date		Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2006			$	$	$	2006			$	$	$
Jul	1	Balance b/d		3,100	7,820	Jul	6	J Lau: Cheque dishonoured			2,400
"	3	J Lau			2,400						

Accounts Receivable Ledger

J Lau   *Page: 17*

2006			$	2006			$
Jul	1	Balance b/d	2,400	Jul	3	Bank	2,400
"	6	Bank: Cheque dishonoured	2,400				

Class work 9

Give the following information in the cash book and the ledger of M Wong's business :

Cash book

Date		Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2006			$	$	$				$	$	$
Jul	1	Balance b/d		2,800	8,300						
"	5	H Leung			1,800						

Accounts Receivable Ledger

H Leung

2006			$	2006			$
Jul	1	Balance b/d	1,800	Jul	5	Bank	1,800

Suppose that on 12 July 2006, the bank notified M Wong that the cheque drawn by H Leung was dishonoured. Complete all necessary double entries in the cash book and the ledger.

Cash book

Date		Details	Discount	Cash	Bank	Date		Details	Discount	Cash	Bank
2006			$	$	$	2006			$	$	$
Jul	1	Balance b/d		2,800	8,300	Jul	12	H Leung : Cheque dishonoured			1,800
"	5	H Leung			1,800						

Accounts Receivable Ledger

H Leung

2006			$	2006			$
Jul	1	Balance b/d	1,800	Jul	5	Bank	1,800
Jul	12	Bank: Cheque dishonoured	1,800				

2.5 General journal (普通日記簿)

So far, we have learned the following five books of original entries.
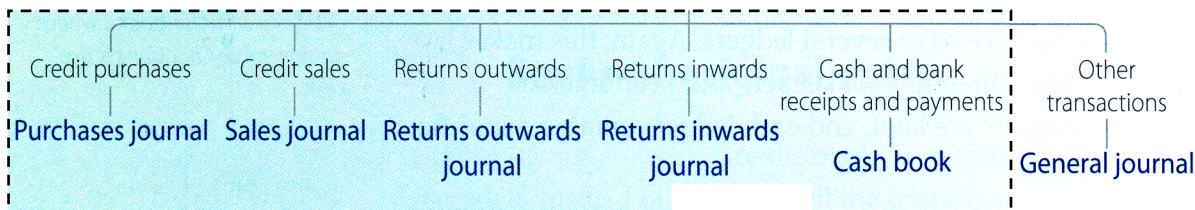
Format (格式)

The journal

Date		Details	Dr	Cr
			$	$
		Account name		
		Account name		

We use a **general journal** (**journal**) (普通日記簿) to record **other types of transactions (其他交易)** that take place less frequently and do not fit into one of the previous books that we have learned. The transactions in general journal are:
- **Opening entries (開帳分錄)**
- **Acquisitions of assets other than goods on credit (賒購貨品以外的資產)**
- **Disposals of assets other than goods on credit (賒銷貨品以外的資產)**
- **Returns of assets other than goods (退還貨品以外的資產)**
- **Contributions of capital other than cash (東主注入現金以外的資本)**
- **Drawings of assets other than cash (東主提取現金以外的資產)**
- **Closing entries (結帳分錄)**

There are still other types of transactions that should be recorded in the journal, such as:
- **Write-off of bad debts (壞帳註銷)**: Bad debts are debts that are **uncollectible (無法收回)**.
- **Period-end adjustments** (期末調整項目) relating to the preparation of financial statement such as entries for **accruals**, **prepayment**, **depreciation** and **allowance for doubtful accounts**.
- **Correction of errors (錯誤更正)**

2.6 Opening entries (開帳分錄)

Opening entries are **the entries needed to open a new set of accounting books (企業首次設立帳簿時所需的複式記帳)**. Opening entries are **required only once (只需一次)** in the **life of a firm (公司的生命週期)**. After opening the accounting books, **from now on (從現在開始)**, daily transactions can be recorded in the ways you have learnt.

2.7 Acquisitions of assets other than goods on credit (賒購貨品以外的資產)

The **acquisitions of assets (賒購資產)** that are **not for resale (不作買賣)** should be recorded in the **general journal (普通日記簿)** rather than **purchases journal (購貨簿)** because the **purchases journal records credit purchases of goods for trading only (購貨簿只記錄用作買賣商品的賒購交易)**. The double entry is:

Dr   Asset account (in the general ledger)
      Cr   Creditor's account (in the general ledger)

Example: A **car** was bought on credit from **Tiger Ltd** for $55,000 on 10 July 2005. As the car was not bought with the intention of resale in the near future, it should be recorded in the general journal. The transaction would be recorded in the journal as follows:

      Dr   Motor vehicles (in the general ledger)
          Cr   Tiger Ltd (in the general ledger)

Class work 1

Bought office equipment from Emma Office Appliance Ltd on credit for $25,000 at 3 Jan 2010.

The journal					
Date		Details		Dr	Cr
2010				$	$
Jan	3	Office equipment		25,000	
		Emma Office Appliance Ltd			25,000

General Ledger

Office equipment								
2010			$					
Jan	3	Emma Office Appliance Ltd	25,000					

Emma Office Appliance Ltd								
				2010				$
				Jan	3	**Office equipment**		25,000

2.8 Disposals of assets other than goods on credit (賒銷貨品以外的資產)

The **disposals of assets (出售資產)** that are **not for resale (不作買賣)** should be recorded in the **general journal (普通日記簿)** rather than **sales journal (銷貨簿)** because the **sales journal records credit sales of goods for trading only (銷貨簿只記錄用作買賣商品的賒銷交易)**. The double entry for the disposal of an asset other than goods on credit is:

Dr   Debtor's account (in the general ledger)

Cr   Asset account (in the general ledger)

Example: A **fax machine** was sold at its **cost price** of $3,000 on credit to **W Tam** on 12 July 2005. As this machine was not bought with the intention of resale, it should be recorded in the general journal. The transaction would be recorded in the journal as follows:

Dr   W Tam (in the general ledger)

Cr   Office equipment (in the general ledger)

Class work 2

A motor vehicle was sold to Liz Hung on credit at its cost price of $20,100 at 12 March 2009.

The journal					
Date		Details		Dr	Cr
2009				$	$
Mar	12	Liz Hung		20,100	
		Motor vehicle			20,100

General Ledger

Liz Hung								
2009			$					
Mar	12	Motor vehicle	20,100					

Motor vehicle								
				2009				$
				Mar	12	Liz Hung		20,100

2.9 Returns of assets other than goods (退還貨品以外的資產給債主)

The returns of assets other than goods should be recorded in the **general journal (普通日記簿)** rather than **returns outwards journal (購貨退出簿)** because **the returns outwards journal records returns of goods only (購貨退出簿只記錄用作買賣商品的退貨交易)**. The double entry for the return of an asset other than goods to the creditor is:

Dr   Creditor's account (in the general ledger)

Cr   Asset account (in the general ledger)

Example: A **laser printer** was bought for $4,100 on creditor and was later found to be faulty. It was not yet paid for. On 6 August 2005, it was returned to the supplier, SK Ltd. An allowance of $4,100 was given, so it would not have to be paid for.

Dr   SK Ltd (in the general ledger)

Cr   Office equipment (in the general ledger)

Class work 3

A machine which was previously bought from Harry Ltd at a cost of $5,700 was found to be unsuitable. On 19 June 2008, it was returned to Harry Ltd and he agreed to provide a full refund next month.

The journal				Dr	Cr
Date		Details			
2008				$	$
Jun	19	Harry Ltd		5,700	
		Machinery			5,700

General Ledger

Harry Ltd

2008			$				
Jun	19	Machinery	5,700				

Machinery

				2008			$
				Jun	19	Harry Ltd	5,700

Class work 4

On 1 January 2007, Frankie's business owned a $40,000 car. The following transactions were made in January 2007:

2007		Transactions
Jan	5	Bought two new cars for $50,000 each on credit from Motors Co.
"	8	Sold the old car at cost to Motors Co as a partial settlement of the outstanding debt.
"	10	Returned one of the new cars to Motors Co as it was found to be faulty.

(a) Record the above transactions in the following journal. No need to record the narrations.

The journal				Dr	Cr
Date		Details			
2007				$	$
Jan	5	Motor vehicles		100,000	
		Motors Co			100,000
"	8	Motors Co		40,000	
		Motor vehicles			40,000
"	10	Motors Co		50,000	
		Motor vehicles			50,000

(b) Post the entries to the general ledger accounts. You are also required to balance off the accounts at the end of the month.

General Ledger

<center>Motor vehicles</center>

2007			$	2007			$
Jan	1	Balance b/d	40,000	Jan	8	Motors Co	40,000
"	5	Motors Co	100,000	"	10	Motors Co	50,000
				"	31	Balance c/d	50,000
			140,000				140,000

<center>Motors Co</center>

2007			$	2007			$
Jan	8	Motor vehicles	40,000	Jan	5	Motor vehicles	100,000
"	10	Motor vehicles	50,000				
"	31	Balance c/d	10,000				
			100,000				100,000

(c) How much value of motor vehicles did Frankie's business own on 31 January 2007?   50,000

(d) How much did Frankie's business owe Motors Co on 31 January 2007?   10,000

2.10 Contributions of capital other than cash (東主注入現金以外的資本)

The double entry for the contributions of capital other than cash is:

Dr   Asset account (in the general ledger)

   Cr   Capital account (in the general ledger)

Example: The owner of a business contributed furniture valued at $3,000 on 10 March 2008.

     Dr   Furniture (in the general ledger)

       Cr   Capital (in the general ledger)

Class work 5

Jacob contributed to the business a car worth $230,000 on 1 January 2010.

The journal					
Date		Details		Dr	Cr
2010				$	$
Jan	1	Motor vehicles		230,000	
		Capital			230,000

General Ledger

<center>Motor vehicles</center>

2010			$				
Jan	1	Capital	230,000				

<center>Capital</center>

				2010			$
				Jan	1	Motor vehicles	230,000

<center>26</center>

2.11 Drawings of assets other than cash (東主提取現金以外的資產)

The owner may withdraw assets other than cash for his private use.

(a) The double entry for drawings of assets (**goods**) other than cash is:

    Dr   Drawings account (in the general ledger)

        Cr   Purchases account (in the general ledger)

Example: The owner of a business took goods of $600 for his private on 5 July 2006.

        Dr   Drawings (in the general ledger)

           Cr   Purchases (in the general ledger)

(b) The double entry for drawings of assets other than cash is:

    Dr   Drawings account (in the general ledger)

        Cr   Asset account (in the general ledger)

Example: The proprietor took furniture costing $500 from the business for his personal use on 3 May 2009

        Dr   Drawings (in the general ledger)

           Cr   Furniture (in the general ledger)

Class work 6

Flora Li owns a toys trading firm. The following balances appeared on 1 March 2007:

Cash $26,560, Bank $47,570, Computers $78,000 and Purchases $89,100

(a) On 2 March 2007, Flora Li took a computer costing $8,000, some toys costing $1,600 and cash $4,000 out of the business for her personal use. Record the transactions in the following books of original entry:

The journal				Dr	Cr
Date		Details			
2007				$	$
Mar	2	Drawings		9,600	
		Computers			8,000
		Purchases			1,600

Cash Book										
Date		Details		Cash	Bank	Date		Details		Cash	Bank
2007				$	$	2007				$	$
Mar	1	Balance b/d		26,560	47,570	Mar	2	Drawings		4,000	
						"	31	Balance c/d		22,560	47,570
				26,560	47,570					26,560	47,570

(b) Post the entries to the general ledger accounts. You are required to balance off the accounts.

General Ledger

Drawings									
2007				$	2007				$
Mar	2	Cash		4,000	Mar	31	Balance c/d		13,600
"	2	Computer		8,000					
"	2	Purchases		1,600					
				13,600					13,600

Computers

2007			$	2007			$
Mar	1	Balance b/d	78,000	Mar	2	Drawings	8,000
				Mar	31	Balance c/d	70,000
			78,000				78,000

Purchases

2007			$	2007			$
Mar	1	Balance b/d	89,100	Mar	2	Drawings	1,600
				Mar	31	Balance c/d	87,500
			89,100				89,100

2.12 Closing entries (結帳分錄)

Closing entries refer to the entries required to close off **nominal account** at the end of an accounting period.

Example

<div align="center">

L Sang
Trial Balance as at 31 March 2013

</div>

	Dr	Cr
	$	$
Sales		40,500
Purchases	29,000	
Rent and rates	5,400	
Salaries	4,500	
General expenses	800	
Interest revenue		600
Fixtures and fittings	12,000	
Trade receivables	6,800	
Trade payables		9,100
Bank	5,100	
Cash	2,600	
Drawings	4,000	
Capital		20,000
	70,200	70,200

The closing entries for the revenue and expense accounts would be recorded in the journal as follows:

The journal				
Date		Details	Dr	Cr
2013			$	$
Mar	31	Sales	40,500	
		Profit and loss		40,500
"	31	Interest revenue	600	
		Profit and loss		600
"	31	Profit and loss	29,000	
		Purchases		29,000
"	31	Profit and loss	5,400	
		Rent and rates		5,400
"	31	Profit and loss	4,500	
		Salaries		4,500
"	31	Profit and loss	800	
		General expenses		800
"	31	Capital	4,000	
		Drawings		4,000