

CHAPTER 1 BASIC BOOKKEEPING AND ACCOUNTING PRINCIPLES

Question 1 Atongo Sole Business

Atongo started a grocery business on 1 January 2005 with capital of GH¢2,000 in cash. He rented premises for GH¢600 per annum, payable quarterly in arrears, the first payment being due on 31 March 2005. Also on 1 January, he borrowed GH¢600 from a friend, Waakye, at the rate of 12% per annum.

The following were the transactions of the business for the three months ended 31 March 2005.

6 January	Purchased a second-hand Ford van for GH¢1,300 cash
9 January	Purchased goods on credit from CFC Ghana Ltd GH¢350
16 January	Paid wages GH¢24
20 January	Purchased goods for cash GH¢180
24 January	Sold goods on credit to Gladys Tawiah GH¢210
30 January	Paid wages GH¢20
4 February	Sold goods on credit to Mrs. Agbenyegah GH¢100
6 February	Paid CFC Ghana Ltd GH¢300 cash on account
9 February	Gladys Tawiah paid GH¢210
13 February	Paid wages GH¢25
18 February	Purchased goods on credit from Chipolopolo GH¢1,120
25 February	Sold goods for cash GH¢60
26 February	Received GH¢70 from Mrs. Agbenyegah
27 February	Paid wages GH¢25
1 March	Returned defective goods to Chipolopolo and was credited GH¢40
4 March	Sold goods on credit to Gladys Tawiah GH¢350
12 March	Paid wages GH¢30
14 March	Received payment on account from Gladys Tawiah GH¢200
15 March	Sold goods for cash GH¢160
18 March	Gladys Tawiah paid GH¢125 on account
	Sold goods on credit to Gladys Tawiah GH¢680
26 March	Paid wages GH¢40
	Paid Chipolopolo in full settlement
29 March	Drew GH¢200 from the business
31 March	Paid rent GH¢150
31 March	Paid quarterly loan interest

At 31 March 2005 closing stock amounted to GH¢750.

Requirements

- Write up the ledger accounts for three months.
- Extract a trial balance at 31 March 2005
- Prepare a trading and profit and loss account for the three months ended 31 March 2005 and a balance sheet at that date.

Ledger

[illegible]

[illegible]

Profit and Loss Statement

Income

Description (example - Sales, Service Income, Inventory Income)	Amount
	Amount
Total Income	

Cost of Goods Sold

Description (example - Materials, Sub-Contractors, Inventory, Freight)	Amount
	Amount
Total Cost of Sales	
	Amount
Gross Profit	
(Total Income less Cost of Sales)	

Expenses

Description (example - Advertising, Stationery, Postage, Fuel)	Amount
	Amount
Total Expenses	
	Amount
Net Profit	
(Gross Profit less Expenses)	

Balance Sheet

Assets

Current Assets

(example - Bank Acct, Cash, Debtors)

Amount

Total Current Assets

Fixed Assets

(example - Furniture, Office Equipment, Vehicle)

Amount

Total Fixed Assets

Inventory

(example - Stock)

Amount

Total Inventory

Total Assets

(Current Assets add Fixed Assets add Inventory)

Liabilities

Current Liabilities

(example - Credit cards, Creditors,)

Amount

Total Current Liabilities

Long Term Liabilities

(example - Loan)

Amount

Total Long Term Liabilities

Total Liabilities

(Current Liabilities add Long Term Liabilities)

Net Assets

(Assets less Liabilities)

Equity

Description

(example - Funds Introduced, Drawings, Current Earnings)

Amount

Equity

Total Equity

(Net Assets should equal Total Equity)

