

## 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 Chipolopo 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 Chipolopo 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 Chipolopo 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

## Trial Balance

Name \_\_\_\_\_

Date \_\_\_\_\_

## Account

## Debit

## Credit

### Difference

## Profit and Loss Statement

## Income

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

**Amount**

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Amount

### Cost of Goods Sold

Description  
(example - Materials, Sub-Contractors, Inventory, Freight)

**Amount**

(example - Materials, Sub-Contractors, Inventory, Freight)

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Amount

### Total Cost of Sales

### Gross Profit

## Expenses

**Description**  
(example: Advertising, Stationery, Postage, Fuel)

ANSWER

### Description

Amount

### Total Expenses

### Net Profit

### Net Profit

## Balance Sheet

### Assets

#### Current Assets

(example - Bank Acnt, Cash, Debtors)

Amount

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Total Current Assets

#### Fixed Assets

(example - Furniture, Office Equipment, Vehicle)

Amount

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Total Fixed Assets

#### Inventory

(example - Stock)

Amount

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Total Inventory

**Total Assets**

(Current Assets add Fixed Assets add Inventory)

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### Liabilities

#### Current Liabilities

(example - Credit cards, Creditors.)

Amount

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Total Current Liabilities

#### Long Term Liabilities

(example - Loan)

Amount

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Total Long Term Liabilities

**Total Liabilities**

(Current Liabilities add Long Term Liabilities)

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**Net Assets**

(Assets less Liabilities)

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### Equity

#### Description

(example - Funds Introduced, Drawings, Current Earnings)

Amount

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Equity

**Total Equity**

(Net Assets should equal Total Equity)

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