

FINANCIAL ACCOUNTING

PART I

SECTION 1

CPA

CIFA

STUDY TEXT

- Buying extra equipment means that the equipment balance will increase by Sh 5,520 and the creditors will also increase by the same amount.
- Buying extra stock by cheque means that the level of stock goes up by Sh 2,280 and the balance at bank reduces by the same.
- Paying creditors by cheque reduces the balance on the creditors account and also reduce the amount at the bank.
- Debtor paying the firm reduces the debtors balance by Sh 3,600 and increases the cash at bank and cash in hand by Sh 3,360 and Sh 240 respectively.
- Additional cash of Sh 1,000 increases the cash in hand balance by Sh 1,000 and the capital balances.

This is also summarized as follows:

Assets/Liabilities	Opening Balance	Adjustment Increase / Decrease	Closing Balance
Equipment	46,000	5,520	51,520
Motor Vehicle	25,160		25,160
Stock	24,600	2,280	26,880
Debtors	23,080	-3,600	19,480
Cash at bank	29,120	(-2,280 - 3,160 + 3,360)	27,040
Cash in hand	160	(+240 + 1000)	1,400
Creditors	15,800	(+5,520 - 3,160)	18,160
Capital	132,320	1,000	133,320

The balance sheet will therefore be prepared as follows:

Mwangi
Balance sheet as at 1st May 2012

	Sh	Sh
Non-Current Assets		
Equipment		51,520
Motor vehicle		25,160
		76,680
Current Assets		
Stock	26,880	
Debtors	19,480	
Cash at bank	27,040	
Cash in hand	1,400	74 800
		151,480
Current Liabilities		
Creditors		18,160
Capital		133,320
		151,480

The purpose of the debit note is to inform the firm that the amount due to the creditor has been reduced or cancelled.

11. BANK STATEMENT

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

Bank statements have historically been and continue to be typically printed on one or several pieces of paper and either mailed directly to the account holder, or kept at the financial institution's local branch for pick-up. In recent years there has been a shift towards paperless, electronic statements, and some financial institutions offer direct download into account holders accounting software.

Some ATMs offer the possibility to print, at any time, a condensed version of a bank statement, commonly called a **transaction history**, or a transaction history may be viewed on the financial institution's website or available via telephone banking.

Paper statements

Historically, bank statements were paper statements produced monthly, quarterly or even annually. Since the introduction of computers in banks in the 1960s, bank statements have generally been produced monthly. Bank statements for accounts with small transaction volumes, such as investments or savings accounts, are usually produced less frequently. Depending on the financial institution, bank statements may also include certain features such as the cancelled cheques (or their images) that cleared through the account during the statement period.

Some financial institutions use the occasion of posting bank statements to include notices such as changes in fees or interest rates or to include promotional material.

Today, the monthly mailing of bank statements is the norm in many countries. It is not customary in some countries, such as Japan, where individual account holders are expected to keep track of deposits, withdrawals, and balances using their own passbooks at ATMs.

Electronic statements

With the wider access to the Internet and online banking, bank statements (also known as electronic statements or e-statements) can be viewed online, and downloaded or printed by the customer. To reduce the cost of postage and the generation of paper bank statements, some financial institutions encourage their customers to receive bank statements electronically, for example by charging a fee for paper statements. This may be as attachments to emails or, as a security measure, as a reminder that a new statement is available on the financial institution's website. Whether such statements are transmitted as attachments or from the website, they are commonly generated in PDF format, to reduce the ability of the recipient to electronically alter the statement.

Due to identity theft concerns, an electronic statement may not be seen as a dangerous alternative against physical theft as it does not contain tangible personal information, and does not require extra

9	Stationery	17,000
11	Cleaning	18,000
14	Postage	5,000
15	Travelling	8,000
18	Stationery	9,000
18	Cleaning	23,000
20	Postage	13,000
24	Delivery van 5,000 mile service	43,000
26	Petrol	18,000
27	Cleaning	21,000
28	Postage	5,000
29	Petrol	14,000

You are required to:

- Rule up suitable petty cash book with analysis columns for expenditure on cleaning, motor expenses. Postage, stationery, travelling.
- Enter the receipt of the amount necessary to restore the imprest and carry down the balance for the commencement of the following month

Solution:

Receipts		Total Ksh'000'	Cleaning Ksh'000'	Motor exp Ksh '000'	Postage Ksh'000'	Stationery Ksh '000'	Travelling Ksh '000'
300	1. Bal b/d						
	2. Postage	18		-	18		-
	3. Travelling	12	-	-	-	-	12
	4. Cleaning	15	15	-	-	-	
	7. Petrol	22	-	22	-	-	
	8. Travelling	25	-	-	-	-	25
	9. Stationery	17	-	-	-	17	-
	11. Cleaning	18	18	-	-	-	
	14. Postage	5	-	-	5	-	
	13. Travelling	8	-	-	-	-	8
	18. Stationery	9	-	-	-	9	
	15. Cleaning	23	23	-	-	-	
	20. Postage	13	-	-	13	-	
	24. Motor serv.	43	-	43	-	-	
	26. Petrol	18	-	18	-	-	
	27. Cleaning	21	21	-	-	-	
	29. Postage	5	-	-	5	-	
	30. Petrol	<u>14</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>
		286	77	97	41	26	45
286	31. Cash						
	31. balance c/d	<u>300</u>					
286		586					