Study Unit 3: The Accounting System

Accounting is an economic information system and the system involves the transformation of the economic data of an entity into economic information. In chapter 1, you have learnt that “The methods used by a business to keep records of its financial activities and to summarize these activities in periodic accounting reports comprise the accounting system”.

In any type of business entity, the first accounting work, performed by an accountant is to develop an accounting system He has to study the nature of the business, determine the types of transactions that probably will occur and the kinds of assets and equities that will result from the extended transactions. The accountant has to find out the needs of those who will make use of accounting data, plan for necessary forms and records in which the transactions of the business may be recorded. An obvious objective of any accounting system is to provide for each type of assets and equities a record for changes caused by transactions.

You have seen the effects of each transaction on the accounting equation in the last chapter Assets = Liabilities + Capital was used as a framework for recording and collecting the transaction information in table form. This table technique is most useful in communicating basic ideas about financial accounting but it is impracticable and inefficient device for processing the hundreds and thousands of transactions a business might have in a period of time. So, other techniques were devised to deal with the huge mass of data arising out of innumerable transactions in business entities. One widely used form is the ledger account, which utilizes the debit - credit system for recording transactions.

Account and its classification

An account is a record of a particular class of information extracted from a series of transactions. Paid rent shs.100,000 for January is a transaction which has two effects:

- Incurring of rent expense and
- Payment of cash.

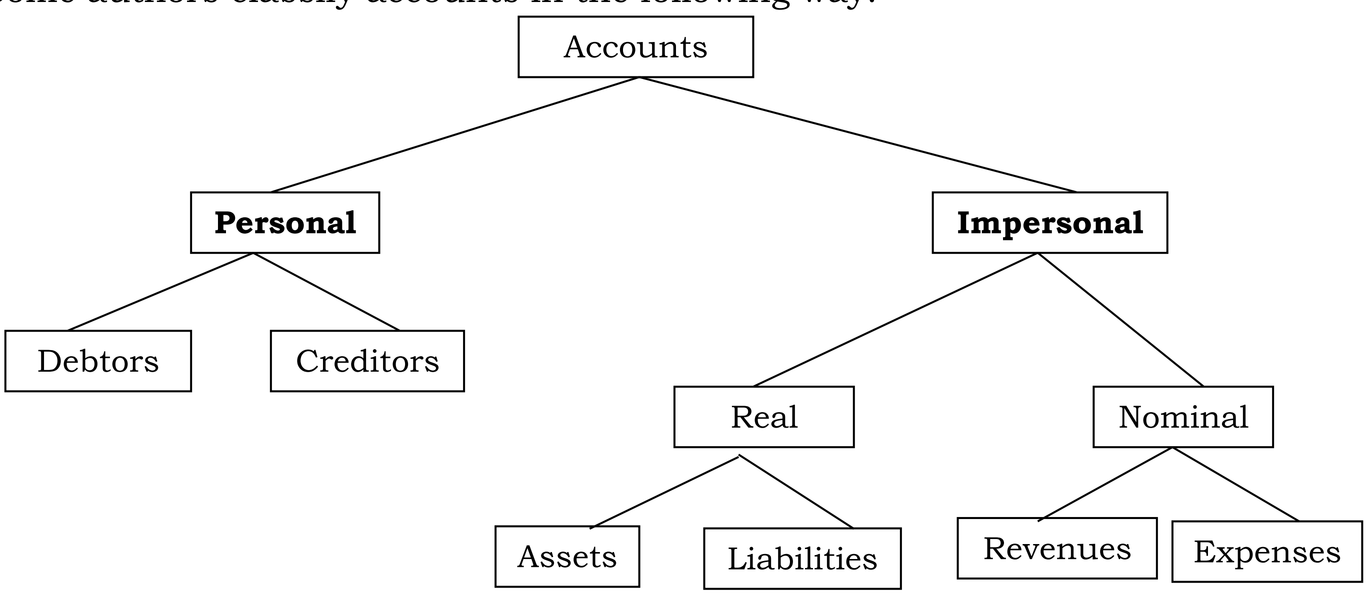
You may have six similar transactions from January to June. These transactions are recorded in both 'Rent Expense Account' and 'Cash Account' on six different dates. Every transaction provided at least two different classes of information which are recorded in the respective accounts.

All accounts in the business-world ale divided into the following six classes:

- Assets e.g. cash, stock, equipment building
- Liabilities e.g. creditors, bills payable, bank loan
- Revenue e.g. sales, commission, investment income
- Expense e.g. purchases, salaries, rent, travelling electricity
- Capital e.g. Kamau Capital, Musoke Capital
- Drawings e.g. Kamau Drawing, Musoke Drawing

Alternative Classification of Accounts

Some authors classify accounts in the following way:



Accounts of assets, liabilities, capital and drawings may be grouped as Real Accounts. These accounts are balanced at the end of the accounting period and except drawings accounts the balances are carried forward to the succeeding period. Real accounts are often defined as balance sheet accounts because these accounts appear in the balance sheet Drawings account arises in case of sole-proprietorship and partnership businesses and this account is closed by transferring its balance to the relevant capital account.

Accounts of revenues and expenses may be grouped as Normal Accounts. These accounts are opened at the beginning of the accounting year and closed at the end of the year. They are said to exist in name only and that is why they are called normal accounts. They are closed to Income Statement at the year-end. They are also called temporary accounts.

The form of an account may be of two types.
T-Type which is a conventional old type and the statement type which is modern.

T-Type Account

Dr | Cr

Date	Particulars	R/F	Amount	Date	Particulars	R/F	Amount

Statement A/C

Date	Particulars	R/F	Debit	Credit	Particulars

The T type Account is firstly vertically divided into two pans: debit side and credit side and each side is divided into four columns having;

- Date
- Particulars
- Folio (posting references) and
- Amount

The statement type Account is divided into six columns having

- Date
- Particulars

- Folio (posting references)
- Debit amount
- Credit amount and
- Balance

The advantages of Statement form account over T form are:-

a) Labour is minimised because columns are fewer
b) There is no need of adding two sides of an account to compute the balance
c) The balance of an account is readily available whenever a posting is made
d) Possibility of clerical error is minimum.

DEBIT AND CREDIT PHILOSOPHY

An account is maintained to record increases and decreases resulting from business transactions. When cash is received, the transaction is reflected in the Cash Account as an increase. When cash is paid, the Cash Account is decreased. Thus, a record is available on a day-to-day basis that will provide management with information concerning a particular item. "What is the amount owing by credit customers? "Is the cash enough to pay week-end wages?" Is the stock level sufficient for Christmas sale?" All these questions can be answered by information contained in the accounts.

The increases and decreases of different aspects of transactions are signified by debit and credit a; the time of recording.

A **Debit** is that aspect of a transaction which involves:-

a) An increase in assets,
b) A decrease in liabilities,
c) A decrease in owner's equity, which may result from:
    - The withdrawal of capital,
    - An increase in expense,
    - A decrease in revenue.

A **Credit** is that aspect of a transaction which involves:

a) Decrease in assets,

b) An increase in liability,
c) An increase in owner's equity which may result from:
   - The introduction of capital,
   - A decrease in expense,
   - An increase in revenue.'

RULES FOR DEBIT AND CREDIT

The following table shows the rules for debit and credit for the six classes of accounts:

Accounts	**Changes**	**Rules**
Assets	*Increase*	**Debit**
	Decrease	**Credit**
Liabilities	*Increase*	**Credit**
	Decrease	**Debit**
Revenue	*Increase*	**Credit**
	Decrease	**Debit**
Expense	*Increase*	**Debit**
	Decrease	**Credit**
Capital	*Increase*	**Credit**
	Decrease	**Debit**
Drawings	*Increase*	**Debit**
	Decrease	**Credit**

DOUBLE ENTRY FRAMEWORK

The meaning of the elements of accounting: assets, liabilities (creditor's equity) and capital (owner's equity) were explained in Chapter 2 Section 2. Examples re given to show bow each business transaction causes a change in one or more of the three basic elements. Transaction 1, in Section 6 of the last chapter involved in an increase of an asset (cash) with a corresponding increase in equity (capital of Kamau). Transaction 2, involved an increase of an asset which caused an equal increase of liability. Transaction 3 increased an asset (equity) by 60,000 which in turn decreased another set (cash) by 30,000 and increased a liability (bill payable) to the balance of 30,000. Each of the transactions exemplified a dua1 effect. This is always true. A change increase or decrease, in any asset, liability, or in owner's equity is always followed by an off-setting change within the basic accounting elements.

THE LAW OF ACCOUNTING - that for every transaction, the sum of the debits must always equal to the sum of the credits - is as basic to accounting as Newton's Laws of Motion (for every action there is an equal and opposite reaction) is to Physics.

The fact that each transaction produces two aspects - a dual effect upon the accounting elements - provides the basis for what is called Double Entry Method of Book-keeping. This term describes a processing system that involves recording the two aspects that are involved in each transaction. Double entry does not mean that a transaction is recorded twice instead; it means that both of the two aspects of each transactions are recorded simultaneously for completion.

Double entry method of recording was invented by the father of accounting, a Franciscan Monk, Luca Pacioli in his treatise. Summa Arithmetica, Geometrica, Algebrica, Proportioni, et Proportionalita", published in Italy in 1494. The method has survived over 500 years largely because it has several virtues; it is orderly, fairly simple, and very flexible. There is no transaction that cannot be recorded in a double-entry method. Double Entry promotes accuracy. Its use makes it impossible for certain types of errors to remain undetected for a long time. For example, if one aspect of a transaction is properly recorded aid the other aspect is overlooked, it will soon be found that the records as a whole are "out of balance". The accountant soon realises that there is something wrong. He checks the recording of transactions, discovers the problem and then makes necessary correction.

RECORDING OF ALL CLASSES OF ACCOUNTS

To illustrate application of the double-entry method, the transactions of Quick Washing Bay in Chapter 2 Section 6 will be recorded by w the proper entries in T accounts The transactions are simplified by numbers dates are omitted intentionally. Transactions will be analysed into debit and credit and rules will be followed for recording.

BUSINESS QUICK WASHING BAY

Transactions	Analysis	Record	Debit	Credit
1. Kamau invests shs.100,000 in his Quick Washing Bay	Cash in the business increases and Kamau acquires claim on business for providing capital	Debit cash Credit: Kamau Capital	100,000	100,000
2. Kamau purchases supplies from Musa shs. 50,000 on credit	Supplies materials in the business increases and Musa acquires claims on the business for delivery on credit.	Debit: Supplies Credit Musa	50,000	50,000
3. Kamau purchases equipment for shs.60,000; paying shs.30,000 in cash and signing a bill for the balance	Equipment, an asset increases in the business by 60,000 and in return, cash is reduced by 30,000 and a liability, bills payable is created for the balance	Debit: Equipment Credit: Cash Credit: Bills Payable	60,000	30,000 30,000
4. Kamau pays Musa shs.40,000 on account	Cash decreases for the payment and also Musa account decreases for the same.	Debit: Musa Credit: Cash	40,000	40,000
5. Received shs.70,000 for services rendered to customers.	Cash increases with the amount and service revenue also increases for the same	Debit: Cash Credit: Service Revenue	70,000	70,000
6. Kamau pays cash shs.30,000 (wages	Cash decreases for a total of shs. 30,000 for expenses incurred and	Debit: Wages	15,000	

shs15,000, rent for the charges shs.10,000 and water charges shs.5,000). He also finds that supplies costing shs.20,000 has been used for washing services.	another asset, supplies used up costing shs.20,000 in earning the revenue	Debit: Rent Debit: Water: Credit: Cash Debit: supplies Exp. Credit: Supplies	10,000 5,000	30,000 20,000 20,000
7. Kamau withdraws shs.10,000 cash from the business for personal use	Cash decreases and drawings account increases with the amount withdrawn	Debit: Kamau Drawings Credit: Cash	10,000	10,000

Let us show you how the transactions appear in the appropriate T-Accounts

Cash Account

Dr | | | Cr

	Shs.		Shs.
1. Kamau Capital Account	100,000	3. Equipment account	30,000
5. Service Revenue Account		4. Musa account	40,000
		6. Rent expense account	10,000
		6. Water charges account	5,000
		6. Wages account	15,000

		7. Drawings account	10,000
		Bal c/d	60,000
	170,000		**170,000**

Kamau Capital Account

Dr			Cr
	Shs.		Shs.
Balance c/d	100,000	1. Cash Account	100,000
	100,000		**100,000**

Supplies Account

Dr			Cr
	Shs.		Shs.
2. Musa Account	50,000	6. Supplies Account	20,000
		Balance c/d	30,000
	50,000		**50,000**

Musa Account

Dr			Cr
	Shs.		Shs.
4. Account	40,000	2. Supplies Account	50,000
Balance c/d	10,000		
	50,000		**5,000**

Equipment Account

Dr		Cr	
	Shs.		Shs.
3. Cash Account	30,000	Balance c/d	60,000
3. Bills Payable Account	30,000		
	60,000		**60,000**

Bills Payable Account

Dr		Cr	
	Shs.		Shs.
Balance c/d	30,000	Equipment Account	30,000
	30,000		**30,000**

Service Revenue Account

Dr		Cr	
	Shs.		Shs.
Income Statement	70,000	5. Cash Account	70,000
	70,000		**70,000**

Rent Expense Account

Dr		Cr	
	Shs.		Shs.
6.Cash Account	10,000	Income Statement	10,000
	10,000		**10,000**

Water Charges Account

Dr			Cr
	Shs.		Shs.
6. Cash Account	5,000	Income Statement	5,000
	5,000		**5,000**

Wages Expense Account

Dr			Cr
	Shs.		Shs.
6. Cash Account	15,000	Balance c/d	15,000
	15,000		**15,000**

Supplies Expense Account

Dr			Cr
	Shs.		Shs.
6. Supplies Account	20,000	Income statement	20,000
	20,000		**20,000**

Kamau Drawings Account

Dr			Cr
	Shs.		Shs.
7. Cash Account	10,000	Balance c/d	10,000
	10,000		**10,000**

BALANCING OFF T-ACCOUNTS

The end products of an account process are financial statements which are prepared from the information generated by recording business transactions in T-Accounts. At the end of an accounting period, the T-Accounts are balanced and the balances of each account are extracted in a trial balance. The difference between the total debits and total credits of an account is called a balance. To determine the balance of an Account, the debit and credit amount columns are totaled. This procedure is called casting or footing. After footing the two sides of an account, the balance is put on the shorter side and then the amount columns of both sides show same total. The total figures on both sides are closed with double lines which means the account has been balanced.

NORMAL BALANCES OF ACCOUNTS

Based on the rules for debit and credit for any account, the normal situation for the sum of the increase to the account to exceed the decreases to the account. The resulting balance is a positive balance rather than a negative balance. The positive balance of an account is referred to as its normal balance. For example take the case of Cash in Hand Account When cash is received, the Cash Account is debit representing the normal balance.

When cash is paid, the balance must be decreased and this is done by crediting the Cash Account which cannot pay more cash than what we have. We can only pay cash and credit the Account up to the extent previous debits resulting in a zero balance. The Cash Account cannot show a credit balance. It must debit balance which is its normal balance or a zero balance.

THE NORMAL BALANCE FOR SIX CLASSES OF ACCOUNTS ARE:-

Classes of Accounts	Normal Balances
Assets	Debit
Liabilities	Credit
Revenues	credit

Expenses	Debit
Capital	Credit
Drawings	Debit

At this point in your study of accounting you will find it extrne1y useful if you can memorise the rules for debit and credit of an Account and its normal balance.

THE CHART OF ACCOUNTS AND CODE NUMBERS

The Chart of Accounts in one business entity may be different from another business entity. The accounts for any business entity will depend on several things like, the nature of business, tie size of entity, the details needed by management to make its decisions, and the amount of details needed by regulatory agencies such as government and accounting professions.

The code numbers are used for accounts to facilitate the record-keeping process. The use of code numbers to rectify account in business documents is much easier than the use of account titles. Each business will normally devise its own coding system. In coding accounts, consecutive numbers are not used because it creates problems in cases where new accounts may have to be added. So, in coding system, the numbers are not consecutive but are successive and allow new accounts to be inserted within the succession. For example, a typical coding system will use a series of multi-digit numbers, the first digit in each code indicating the major classification of accounts. Assets may be 100, liabilities may be 200, owner's equity accounts 300, revenue accounts 40) and expenses 500.

The second digit will be used to represent sub-classifications bf each major account. For example, within the assets, 110 may be used to indicate current assets and 120 to indicate fixed assets, and so on.

Presented below is a typical chart of accounts and code numbers:

Current Assets		**Current Liabilities**	
111	Cash in hand	211	Bills payable
112	Cash at bank	212	Salaries payable
113	Bills receivable	213	Sundry creditors
114	Sundry debtors		
115	Pre payments	**Long term liabilities**	
116	Stock	221	Mortgage loan
		222	Debenture
Fixed Assets			
121	Motor vehicles	**Owner's Equity**	
122	Accumulated depreciation – motor vehicles	310	Musa capital
123	Plant	320	Musa drawings
124	Accumulated depreciation – plant		
125	Building	**Revenues**	
126	Accumulated depreciation-buildings	410	Sales
127	Land	420	Commission earned
		430	Rent receivable
		440	Interest receivable
Expenses			
510	Cost of sales		
520	Salaries expense		
530	Rent expense		
540	Depreciation expense		

THE TRIAL BALANCE

It is a fundamental principle of the double entry system of book-keeping that the sum of the assets is always equal to the sum of the liabilities and capital. In order to maintain this equality in recording transactions, the sum of the debit entries in all the accounts must be equal to the sum of the credit entries in these accounts. To determine whether this equality has been maintained, it is customary to prepare a trial balance periodically. A trial balance is a list of balances of all the accounts in the ledger both debit and credit, the - total f which must be equal. The agreement of trial balance is a prima fade proof of accuracy of the bookkeeping process. The trial balance is the basis for the preparation of financial statements because it contains information needed to prepare income statement and balance sheet.

The T-Accounts which are prepared for Quick Washing Bay have now been balanced. The trial balance is extracted as follows:

QUICK WASHING BAY

TRIAL BALANCE AS AT

Account code	Title of accounts	Ref	Debit	Credit
			Shs.	Shs.
111	Cash	CB	60,000	
310	Kamau Capital	GL		100,00
117	Supplies	GL	30,000	
314	Musa	GL		10,000
410	Service Revenue	GL		70,000
530	Rent Expense	GL	10,000	
531	Water Expense	GL	5,000	
520	Wages Expense	GL	15,000	
532	Supplies Expense	GL	20,000	

320	Kamau Drawings	GL	10,000	
123	Equipment	GL	60,000	
211	Bills Payable	GL		30,000
			210,000	**210,000**

Tutor marked questions- study unit 3

1. What is an account and how does it differ from a ledger?
2. Explain the difference between T form account and a Statement form account
3. State briefly the rules for debit and credit as applied to asset accounts, as applied to liability and owner's equity accounts.
4. The term debit always indicates the left side of an account and reflects an increase in the balance of the account. Do you agree? Why?
5. Listed below are several accounts. Assuming that the business entity has experienced substantial activity during the year, indicate for each account whether or not it will have debit entries and/or credit entries, and the normal balance.
   (a) Cash (b) interest expense (c) Fees Earned (d) Kamau Capital (e) Bills receivable (f) Depreciation expense (g) Office equipment (h) Sundry debtors.
6. What requirement is imposed by the double entry method in recording of any business transaction?
7. Test your knowledge of debit and credit by fifing in the blanks in the following transactions:

- Increase in drawings are recorded by____________
- Increase in assets are recorded by____________
- Decrease in liabilities are recorded by____________
- Increase in expenses are recorded by____________
- Decrease in revenues are recorded by____________
- Decrease in assets are recorded by____________
- Increase in capital are recorded by____________
- Decrease in expenses are recorded by____________

- Increase in liabilities are recorded by___________
- Increase in revenues are recorded by___________
- Decrease in capital are recorded by___________

From the transactions given in column 1 of the following table, identify the accounts involved and list them in column 2, indicate each account by a Y in column 3 and 4 which account is debit and which account is credit and also indicate by a Y whether the effect will increase or decrease the balance of the account.

Transaction	**Account**	**Entity**		**Effect of entity**	
		Debit	Credit	Increase	Decrease
1. Hassan starts business with cash	Cash Hassan Capital	Y	 Y	Y	 Y
2. Purchased machine partly by cash and partly by signing a bill					
3. Goods purchased on credit					
4. Goods sold for cash					
5. Paid cash for goods bought on credit					
6. Paid for rent in advance					
7. Collected cash from credit sales					
8. Paid cash on bills payable					
9. Purchased supplies for office use					
10. Hassan withdraws cash for his own use					
11. Part of the supplies used for office					

Indicate the normal balance of the following accounts

a) Umar Capital Account_________ b) Cash Account ___________

c) Bank Loan Account_________ d) Salary Expense Account _________

e) Bills Receivable Account_______ f) Trade Creditors Account _________

g) Umar Drawings Account_______ h) Sales Account ___________

i) Office Equipment Account________ j) Commission Revenue Account ___

From the following balances which are extracted from the accounts in the ledger, prepare a trial balance as at 31st March, 2000.

	Shs		**Shs**
Musa capital	30,000	Plant and machinery at cost	385,000
Prepaid insurance	3,000	Carriage outward	27,000
Land at cost	200,000	Returns outward	20,000
Sales	750,000	Advertising expenses	17,300
Commission earned	45,000	Rates and taxes	41,000
Salaries payable	24,500	Discounts allowed	18,100
Cash in hand	31,000	Returns inward	19,200
Bank overdraft	124,100	Accumulated depreciation-plant and machinery	29,200
Repairs and renewals	7,300	Opening stock of goods	75,000
Purchases	540,000	Musa drawings	17,000
Carriage inwards	21,500	Trade debtors	68,000
Rent receivable	61,500	Trade creditors	91,000

Discount received	25,100		

8. a) Write short notes on errors that affect a trial balance and those that do not affect the trial balance.

   b) Write short notes on the suspense account and correction of errors.

Self Review question one-study unit 3

Dr. Mukasa is a dentist. The following accounts and balance appeared in his books on 1st October 2015.

	Shs
Cash	431,200
Debtors	597,500
Office supplies	39,000
Equipment	300,000
Surgery supplies	150,000
Creditors	96,000
Capital	?

The following transactions took place during the month of October 2015.

Oct 1 Paid office rent shs.80,000
2 Purchased equipment on credit for shs.290,000
3 Purchased X ray films and other surgery supplies credit for shs.25.000
4 Received cash shs.400,000 for services rendered
10 Paid cash to creditor shs.120,000
17 Services rendered on credit for shs.70,000
20 Paid electricity bill shs.40,000
21 Collected cash from debtors shs.450,000.
24 Withdrew cash for personal use shs.100,000.
26 Paid creditors shs.59,000
30 Received shs.150,000 in cash for services rendered
31 Mukasa reckoned that office supplies costing Shs.20,000 and surgery supplies costing shs.160,000 had been used during the month.

Required:

a) Open necessary T accounts with the ba1ances brought down at 1st October
b) Record the above transactions in the appropriate accounts.
c) Balance of all the accounts.
d) Extract a Trial Balance at 31st October.

Self Review Answer question one -Study Unit 3

MUKASA'S LEDGER ACCOUNTS AND THEIR BALANCES AS AT 31 OCT

Dr **Cash A/C** Cr

1st Oct	Bal bf	431,200	1st Oct	Rent	80,000
4th Oct	Revenue	400,000	Oct 10	Creditor	120,000
Oct 21	Debtors	450,000	Oct 20	Electricity	40,000
Oct 30	Revenue	150,000	Oct 24	Drawing	100,000
			Oct 26	Creditor	59,000
				Bal c/d	1,032,200
		1,431,200			1,431,200

Dr **Debtors A/C** Cr

Bal bf		597,500	Oct 21	Cash	450,000
17 Oct	Revenue	70,000		Bal c/d	217,500
		667,500	Oct 20		667,500

Dr **Office Supplies A/C** Cr

Bal bf		39,000	Oct 31	Office Supp. Exp	20,000
17 Oct	Revenue	70,000		Bal c/d	19,000
		39,000			39,000

Dr **Equipment A/C** Cr

Bal bf		300,000	Oct 31	Bal c/d	590,000
2nd Oct	Creditor	290,000			
		590,000			590,000

Dr **Surgery Supplies A/C** Cr

Bal bf		150,000	Oct 31	Surgery Supplies exp.	160,000
2nd Oct	Creditor	25,000		Bal c/d	15,000
		175,000			175,000

Dr **Creditors A/C** Cr

Oct 10	Cash	120,000		Bal b/f	96,000
Oct 26	Cash	59,000	2nd Oct	Equipment	29,000
	Bal c/d	232,000	3rd Oct	Supplies	25,000
		411,000			411,000

Dr Cr

Capital A/C

Bal b/d	1,421,700	Bal b/f	1,421,700
	1,421,700		1,421,700

Dr **Rent A/C** Cr

1st Oct	Cash	80,000	Bal c/d	80,000

		80,000			80,000

Revenue A/C

Dr					Cr
	Bal c/d	620,000	4th Oct	Cash	400,000
			17th Oct	Debtor	70,000
			Oct 30	Cash	150,000
		620,000			620,000

Electricity A/C

Dr					Cr
Oct 17	Cash	40,000		Bal c/d	40,000
		40,000			40,000

Drawing A/C

Dr					Cr
Oct 24	Cash	100,000		Bal c/d	100,000
		100,000			100,000

Office Supplies Exp. A/C

Dr					Cr
Oct 31	Office Supplies	20,000		Bal c/d	20,000
		20,000			20,000

Surgery Supplies Exp A/C

Dr					Cr
Oct 31	Surgery supplies	160,000		Bal c/d	160,000
		160,000			160,000

MUKASA'S
TRIAL BALANCE
AS AT 31ST OCT 2015

ACCOUNT TITLE	DEBIT	CREDIT
Cash A/C	1,032,200	
Debtors A/C	217,500	
Office supplies A/C	19,000	
Equipment A/C	590,000	
Surgery supplies A/C	15,000	
Creditors A/C		232,000
Capital A/C		1,421,700
Rent A/C	80,000	
Electricity A/C	40,000	
Drawings A/C	100,000	
Office supplies exp. A/C	20,000	
Surgery supplies exp. A/C	160,000	
Revenue A/C		620,000
Total	**2,273,700**	**2,273,700**

Self review question two- study unit 3

a) Is the agreement of the trial balance conclusive evidence that proper accounting records have been maintained? Illustrate your answer.
b) The bookkeeper of All pass extracted a list of account balance on 31st December, 2018 that failed to agree by shs.33,000 a shortage on the credit side of the list of account balances. A suspense account was opened for the difference.

In January, 2019 the following errors made in 2018 were found;

i. Sales journal had been under cast by shs.10,000/=

ii. Sales of shs.25,000 to Naturinda angel had been debited in error to Naturinda Bridget's account.
iii. Rent account had been under cast by shs. 7,000/=.
iv. Discounts received account has been under cast by shs. 30,000/=.
v. The sale of a motor vehicle at book value had been credited in error to sales account shs. 36,000/=.

Required:

1. Show the journal entries necessary to correct the errors.
2. Draw up the suspense account after the errors described have been corrected.

Self review answer question two- study unit 3

a) No there are errors which cannot be detected by a trial balance.
   - Errors of omission
   - Errors of commission
   - Errors of original entry
   - Errors of principle
   - Errors of complete reversal of entries
   - Compensating errors **(06marks)**

b)

GENERAL JOURNAL

ACCOUNT TITLE	DR	CR
	SHS	SHS
Suspense A/C	10,000	
Sales A/C		10,000
Angel A/C	25,000	
Bridget A/C		25,000
Rent A/C	7,000	
Suspense A/C		7,000
Suspense A/C	30,000	
Discount A/C		30,000

Cash A/C	36,000	
Sales A/C		36,000

(05marks)

Suspense A/C

		Bal b/f	
Sales	10,000	Difference in trial Balance	33,000