

ICT IN ACCOUNTING

ACCOUNTING OPTION

Senior

6

Student

Experimental Version

Kigali, 2023

© 2023 Rwanda Basic Education Board

All rights reserved

This book is the property of the Government of Rwanda. Credit must be provided to REB when the content is quoted

FOREWORD

Dear Student,

Rwanda Basic Education Board (REB) is honoured to present Senior 6 ICT in Accounting book for the students of Accounting Profession Option which serves as a guide to competence-based teaching and learning to ensure consistency and coherence in the learning of the ICT in Accounting. The Rwandan educational philosophy is to ensure that you achieve full potential at every level of education which will prepare you to be well integrated in society and exploit employment opportunities.

The government of Rwanda emphasizes the importance of aligning teaching and learning materials with the syllabus to facilitate your learning process. Many factors influence what you learn, how well you learn and the competences you acquire. Those factors include the relevance of the specific content, the quality of teachers' pedagogical approaches, the assessment strategies and the instructional materials available. In this book, we paid special attention to the activities that facilitate the learning process in which you can develop your ideas and make new discoveries during concrete activities carried out individually or in groups.

In competence-based curriculum, learning is considered as a process of active building and developing knowledge and meanings by the learner where concepts are mainly introduced by an activity, situation or scenario that helps the learner to construct knowledge, develop skills and acquire positive attitudes and values.

For efficient use of this textbook, your role is to:

- Work on given activities which lead to the development of skills;
- Share relevant information with other learners through presentations, discussions, group work and other active learning techniques such as role play, case studies, investigation and research in the library, on internet or outside;
- Participate and take responsibility for your own learning;
- Draw conclusions based on the findings from the learning activities.

To facilitate you in doing activities, the content of this book is self-explanatory so that you can easily use it yourself, acquire and assess your competences. The book is made of units as presented in the syllabus. Each unit has the following structure: the unit title and key unit competence are given and they are followed

by the introductory activity before the development of ICT in Accounting concepts that are connected to real world problems more especially to finance and economics.

The development of each concept has the following points:

- Learning activity which is a well set and simple activity to be done by students in order to generate the concept to be learnt;
- Main elements of the content to be emphasized;
- Worked examples; and
- Application activities to be done by the user to consolidate competences or to assess the achievement of objectives.

Even though the book has some worked examples, you will succeed on the application activities depending on your ways of reading, questioning, thinking and handling calculations problems not by searching for similar-looking worked out examples.

Furthermore, to succeed ICT in Accounting, you are asked to keep trying; sometimes you will find concepts that need to be worked at before you completely understand. The only way to really grasp such a concept is to think about it and work related problems found in other reference books.

I wish to sincerely express my appreciation to the people who contributed towards the development of this book, particularly, REB staff, development partners, Universities Lecturers and secondary school teachers for their technical support. A word of gratitude goes to Secondary Schools Head Teachers, Administration of different Universities and development partners who availed their staff for various activities.

Any comment or contribution for the improvement of this textbook for the next edition is welcome.

Dr. MBARUSHIMANA Nelson

Director General, REB.

ACKNOWLEDGEMENT

I wish to express my appreciation to the people who played a major role in the development of this ICT in Accounting book for Senior 5 students in Accounting Profession Option. It would not have been successful without active participation of different education stakeholders.

I owe gratitude to different universities and schools in Rwanda that allowed their staff to work with REB in the in-house textbooks production initiative.

I wish to extend my sincere gratitude to Universities Lecturers, Secondary schools teachers and staff from different education partners whose efforts during writing exercise of this book were very much valuable.

Finally, my word of gratitude goes to the Rwanda Basic Education Board staff who were involved in the whole process of in-house textbook elaboration.

Joan MURUNGI

Head of Curriculum, Teaching and Learning Resources Department/REB

Table of Content

FOREWORD	iii
ACKNOWLEDGEMENT	v
UNIT 1: INTRODUCTION TO QUICKBOOKS	1
1.1 General overview on QuickBooks	1
1.1.1. Key concepts	2
1.1.2. Use of QuickBooks software in accounting records.....	3
1.2. Installation of QUICKBOOKS software	4
1.3. Creating company profile in QuickBooks	8
1.4. Customization of company preference.....	14
End of Unit Assessment	17
UNIT 2: CREATION OF ACCOUNTS	18
2.1. Creating charts of account names	19
2.2. Changing the account names.....	24
2.3. Deleting and making inactive unnecessary accounts	27
2.4. Adjustment of account	29
2.4.1. Assets.....	30
2.4.2. Expenses.....	30
2.4.3. Income.....	31
2.5. Owner withdrawals and investments	33
2.5.1 Owners investments	34
2.5.2. Owners' withdrawals.....	34
2.6. Transfer of net income to the owner's capital account.....	35
2.6.1. Net income	36
2.6.2. Owners' capital account	36
End of Unit Assessment	39
UNIT 3: RECEIVING ITEMS AND ENTERING THE BILL	40
3.1. Receiving items.....	40
3.1.1. Enter the vendor's name	41
3.1.2. Enter the item list	42

3.2. Enter bill	46
3.2.1. The steps of entering the bills.....	46
3.2.2. Choose the Vendor and the Items relating to the vendor to be paid.....	47
3.2.3. Pay the bill for received items	48
3.2.4. Recording the bills payment.....	50
End of Unit Assessment	50
UNIT 4: SALES AND RECEIVABLES	51
4.1 Credit sales transactions	51
4.1.1. Record a credit sale	52
4.1.2. Creating a sales (customer) invoice.....	55
4.2. Cash/ cheque sales transactions	58
4.2.1. Record a cash sale	59
4.2.2. Receiving the payment	61
End of Unit Assessment	66
UNIT 5: PURCHASES AND PAYABLES	67
5.1. Credit purchase transactions	67
5.1.1. Record a credit purchase	68
5.1.2. Purchase invoice	70
5.2. Cash/ Cheque purchase transactions.....	72
5.2.1. Record a cash purchase	72
5.2.2. Paying the bill.....	75
5.3.1. Recording the payment	76
5.3.2. Payment receipt	77
End of Unit Assessment	78
UNIT 6: FINDING AND CORRECTING OMISSION AND MISSTATEMENTS	79
6.1. The errors that do not affect the trial balance	80
6.1.1. Error of omission	80
6.1.2. Error of Commission	81
6.1.3. Error of principle	82
6.2. The errors that do not affect the trial balance.....	84
6.2.1. Complete reversal	84

6.2.2. Error of Original entry	85
6.3. Errors that affect the trial balance.....	89
6.3.1. Understanding the errors that do not affect the trial balance.....	90
6.3.2 Correction of errors that affect trial balance.....	90
End of Unit Assessment	92
UNIT 7: ACCOUNTING METHODS	93
7.1. Accrual basis accounting	93
7.1.1. Benefits of accrual accounting method.....	94
7.1.2. Downsides of accrual accounting.....	94
7.2. Use accrual methods to Display statements.....	94
7.3. Cash method.....	97
7.3.1. Benefits of cash accounting.....	97
7.3.2. Downsides of cash accounting	97
End of Unit Assessment	100
UNIT 8: BANK RECONCILIATION	102
8.1. Meaning of Bank reconciliation	102
8.2. The Purposes and causes of a bank reconciliation statement.	103
8.2.1. Purposes.....	104
8.2.2. Causes of the differences.....	104
8.3. Steps of reconciliation in QuickBooks	105
8.3.1. Import transactions.....	106
8.3.2. Reconcile accounts.....	106
End of Unit Assessment	111
UNIT 9: FINAL REPORTS	112
9.1. Statement of Cash Flows	113
9.1.1. Cash inflows	114
9.1.3. Surplus and deficit.....	118
9.2. Statement of profit & loss	120
9.2.1. Purpose of profit and loss account statement.....	120
9.2.2. Trading account.....	121
9.2.3. Profit and Loss account	126

9.3. Statement of financial position	132
9.3.1. Assets	133
9.3.2. Equity	135
9.3.3. Liabilities	135
End of Unit Assessment	138
UNIT 10: IMPORT AND EXPORT DATA TO/FROM OTHER SYSTEMS AND SOFTWARE	139
10.1. Data import.....	139
10.1.1. Meaning	140
10.1.2. Transactions to be imported	140
10.2. Process to import and export.....	140
10.2.1. To import the list of vendors	141
10.2.2. Data Export	146
End of Unit Assessment	149
BIOGRAPHY	151

UNIT 1

INTRODUCTION TO QUICKBOOKS



Key unit competence: Create company profile in QUICKBOOKS software



Introductory Activity

In today's business environment, most financial accounting systems have been computerized and automated in such a way that papers are not needed or needed less and less. Mr NGOGA Frank is an accountant in ABC Ltd. His day to day activities is to identify and record, classify, summarize, analyze and interpret financial transactions of the company in a significant manner and in terms of money, transactions and events which are in part of financial character, and interpret the related results. Mr NGOGA Frank uses a manual book keeping accounting system. This causes him a low performance in terms of providing timely financial information to the different users for rational decisions. To overcome this, the owner is suggesting to shift from manual book keeping system to computerized accounting system.

- Advise him on accounting software that can be used by the company.
- Do you think the software will help them to handle the challenges? Explain.

1.1 General overview on QuickBooks



Activity 1.1

Holly city Technology Ltd has a paper-based database and wants to have a computerized one to use to keep all its customers, suppliers and third parties' data. Every day Director of Holly city technology Ltd faces different challenges of properly keeping customer's data because of the system they use which is a paper based database and Microsoft Excel program

By analyzing this scenario answer the following questions:

- a. Advise him on the software the company can use for solving the above challenges
- b. Differentiate a paper-based database from a computerized database

QuickBooks is one of the most popular accounting software for small businesses. Moving from manual bookkeeping or spreadsheets have grown into many problems, difficulties, obstacles and businesses need a better option compared to other current software.

QuickBooks can be a good choice for small and medium businesses. It is best known for its bookkeeping software; it offers a range of accounting and finance solutions for small businesses.

1.1.1. Key concepts

- a. **Accounting:** Accounting is a process of identifying and recording, classifying, summarizing, analyzing and interpreting financial transactions of an entity for a certain financial period.
- b. **Accounting cycle:** Accounting cycle refers to a series of steps followed by companies to systematically process financial information from source documents to the preparation of financial statements on a monthly, quarterly, and/or annual basis. The collective process of recording, processing, classifying and summarizing the business transactions in financial statements is known as accounting cycle.
- c. **Manual Bookkeeping:** This is a way of recording business activity transactions without using a computer system with specialized accounting software. In this way, transactions are registered by hand in accounting books, using a written ledger of transactions, physical records, pads of paper and books.
- d. **Computerized accounting:** Computerized accounting system is an accounting information system that processes the financial transactions and events as per Generally Accepted Accounting Principles (GAAP) to produce reports as per user requirements

1.1.2. Use of QuickBooks software in accounting records

QuickBooks provides a number of ready to use templates that business owners can use to create invoices, spreadsheets, charts and business plan. QuickBooks makes it easy to customize the look and feel of those documents. QuickBooks allows the user to look at and manage purchases, sales, and expenses in one spot.

Additionally, QuickBooks helps businesses in the following ways:

- QuickBooks like other accounting is important in digitalization of accounting data
- Simplifies and automates data entry. For example, a point-of-sale terminal may actually become a data entry device so that sales are automatically “booked” into the accounting system as they occur
- Frequently divide the accounting process into modules related to functional areas such as sales/collection, purchasing/payment, and others.
- Is “user-friendly” by providing data entry blanks that are easily understood in relation to the underlying transactions.
- Minimize key-strokes by using “pick lists,” automatic call-up functions, and auto-complete type technology.
- Is built on data-base logic, allowing transaction data to be sorted and processed based on any query structure. For example, producing an income statement for July; providing a listing of sales to Customer
- Provide up-to-date data that may be accessed by key business decision makers.
- Are capable of producing numerous specialized reports in addition to the key financial statements



Application Activity 1.1

1. **Define the following Terms:**
 - a) Manual Bookkeeping
 - b) Computerized accounting
 - c) Accounting cycle
2. **Discuss the importance of QuickBooks**

1.2. Installation of QUICKBOOKS software



Learning Activity 1.2

Holly city Technology Ltd accountant Uwimbabazi bought a laptop which doesn't have any accounting software

1. Demonstrate and outline the procedure will be used by Uwimbabazi for having QuickBooks in her computer.

Installation (or setup) of software is the act of making the program ready for execution. Installation refers to the particular configuration of a software or hardware with a view to making it usable with the computer. A soft or digital copy of the piece of software (program) is needed to install it. There are different processes of installing a piece of software (program).

Because the process varies for each program and each computer, programs (including operating systems) often come with an installer, a specialized program responsible for doing whatever is needed for the installation. Installation may be part of a larger software deployment process.

Installation typically involves code (program) being copied/generated from the installation files to new files on the local computer for easier access by the operating system, creating necessary directories, registering environment variables, providing separate program for un-installation etc. Because code is generally copied/generated in multiple locations, uninstallation usually involves more than just erasing the program folder.

Common operations performed during QuickBooks software installation include:

- Making sure that necessary system requirements are met
- Checking for existing versions of the software
- Creating or updating program files and folders
- Adding configuration data such as configuration files, Windows registry entries or environment variables
- Making the software accessible to the user, for instance by creating links, shortcuts or bookmarks
- Configuring components that run automatically, such as Windows services
- Performing product activation
- Updating the software versions

Steps of installing QuickBooks Software

The following are the steps to install a QuickBooks software in a computer:

Step 1. Open **QuickBooks** set up icon, then the following window appear:

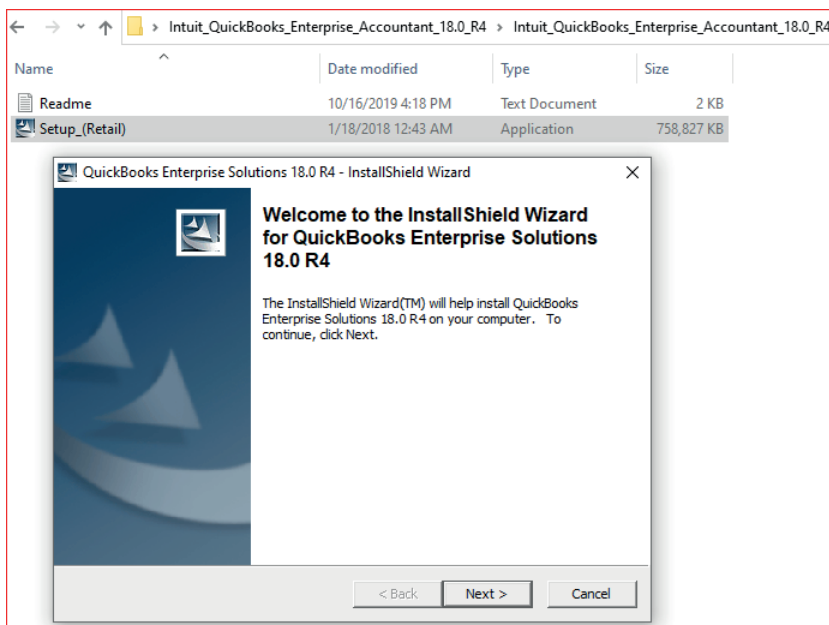


Figure 1.1. QuickBooks Install Shield wizard

Step 2: In the Welcome Window that appeared click on **NEXT** and get the following:

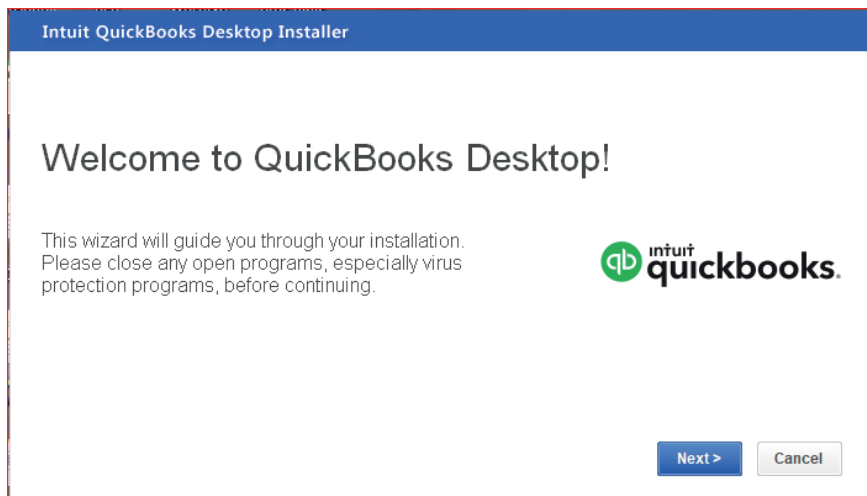


Figure 1.2. Welcome to QuickBooks Interface

Step 3: Tick on “I accept the terms of the license agreement” and click on **Next**

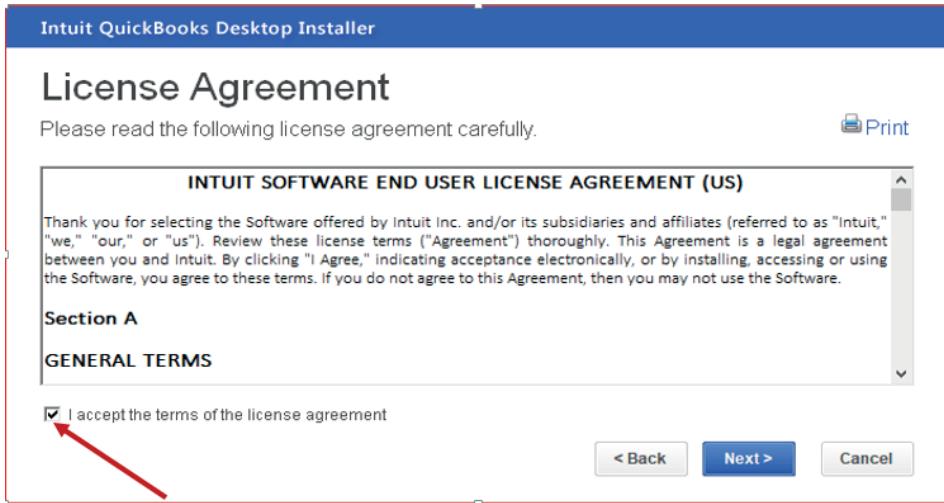


Figure 1.3 QuickBooks License Agreement Interface

Step4: After accepting the terms and conditions of QuickBooks license, activate the QuickBooks Desktop by filling the **license and product number** in their field.

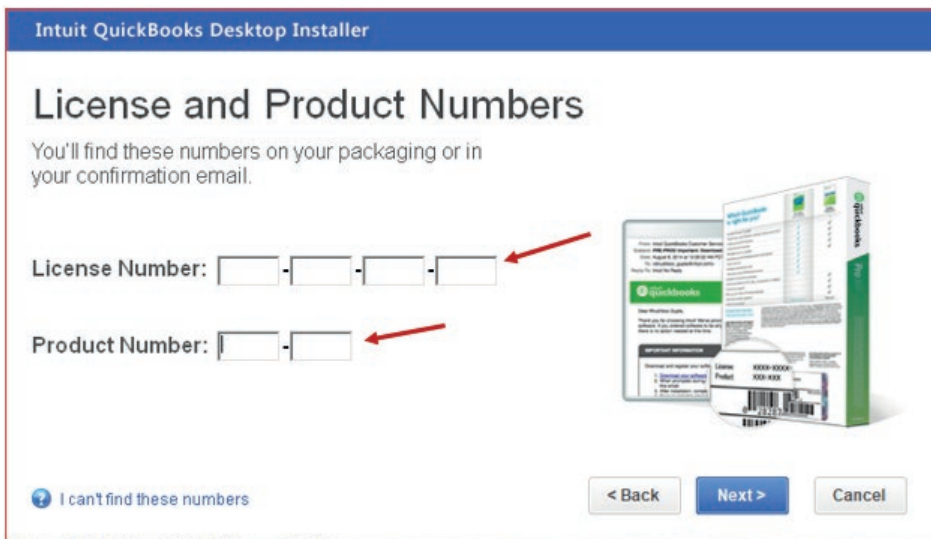


Figure 1.4 Field reserved for License Number and Product Number

After click on Next then the following window of custom and network options will appear.



Figure 1.5 Interface used for selecting where QuickBooks Desktop will be used

Step 5: Select whether you will use **QuickBooks Desktop on this computer** (which is the recommended option). Then click on **Next**. One of the three options is chosen depending on how QuickBooks will be used.

Step 6: Choose **installation Location**

Click on browse to select the installation location. By default, QuickBooks files are saved in local disk C:\Program Files (x86) \Intuit\QuickBooks Enterprise solutions. But the user can locate it in other locations like on desktop or local disk D.

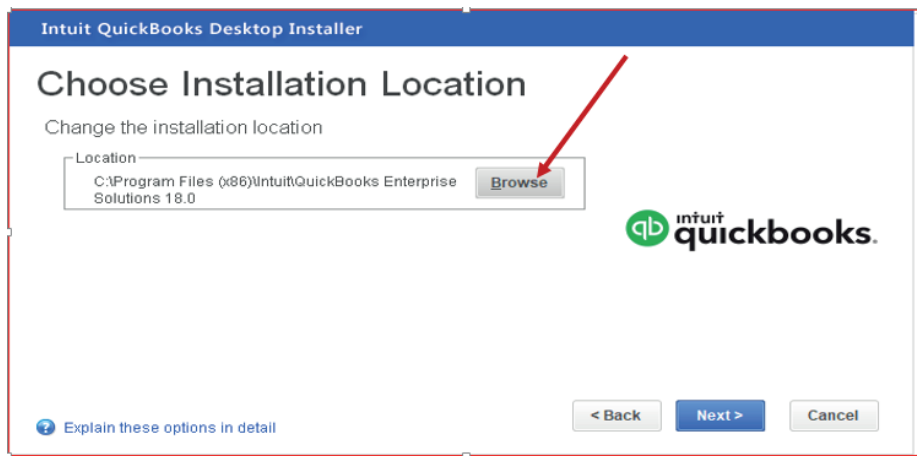


Figure 1.6 Location of QuickBooks Software

Click on install and wait for installation process

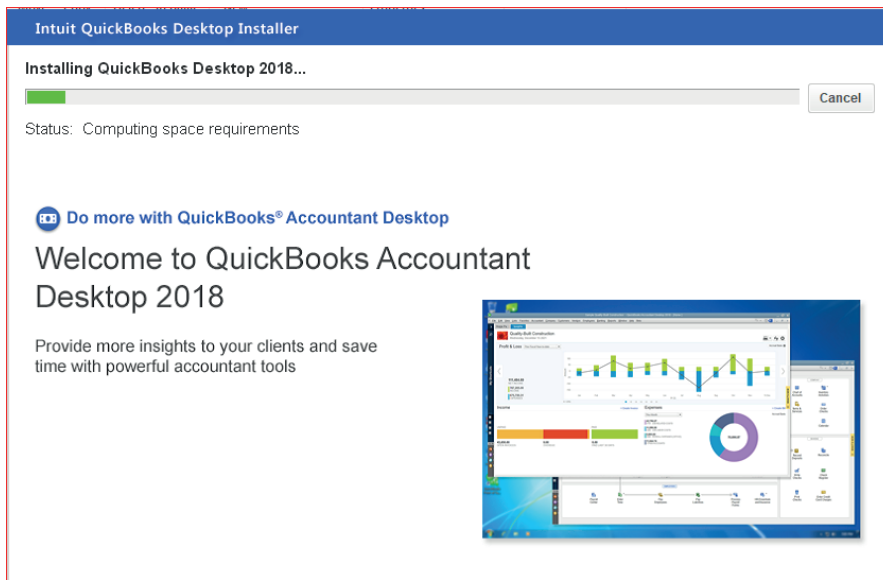


Figure 1.7 Interface with QuickBooks installation Progress



Application Activity 1.2

Assume you have got a job of being an accountant of five-star hotel and the hotel wants to start using QuickBooks accounting software in their accounting records. Even if the hotel manager has already bought QuickBooks software, it is not yet installed in their computers. **You are therefore asked to help them to install it.**

1. What are the steps will you follow to install QuickBooks in computer?
2. Install the QuickBooks software in one computer in the school computer lab

1.3. Creating company profile in QuickBooks



Learning Activity 1.3

ABADAHIGWA COOPERATIVE needs to use QuickBooks in its day to day accounting records. It is necessary to ha a full complete profile of the company to ensure an easy and clear records of transactions.

- Suggest to the cooperative the main component of the company profile
- Use your own example to show to the cooperative an example of a full complete company profile

A company profile or company file is where the user stores company financial records in QuickBooks. Therefore, it is the first thing to do in QuickBooks. You can create a company file from scratch or convert records previously kept in a small-business accounting program. It is a tool to use for analyzing the financial situation of companies.

To create a company profile, follow this procedure:

- Click on the QuickBooks **Home** page
- Click on **create new company**:

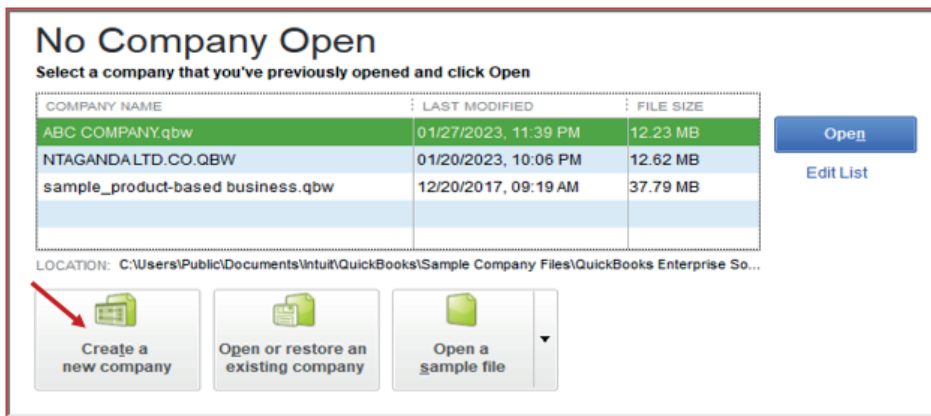


Figure 1.8 Creation of new company

- Clicking on Expressing Start

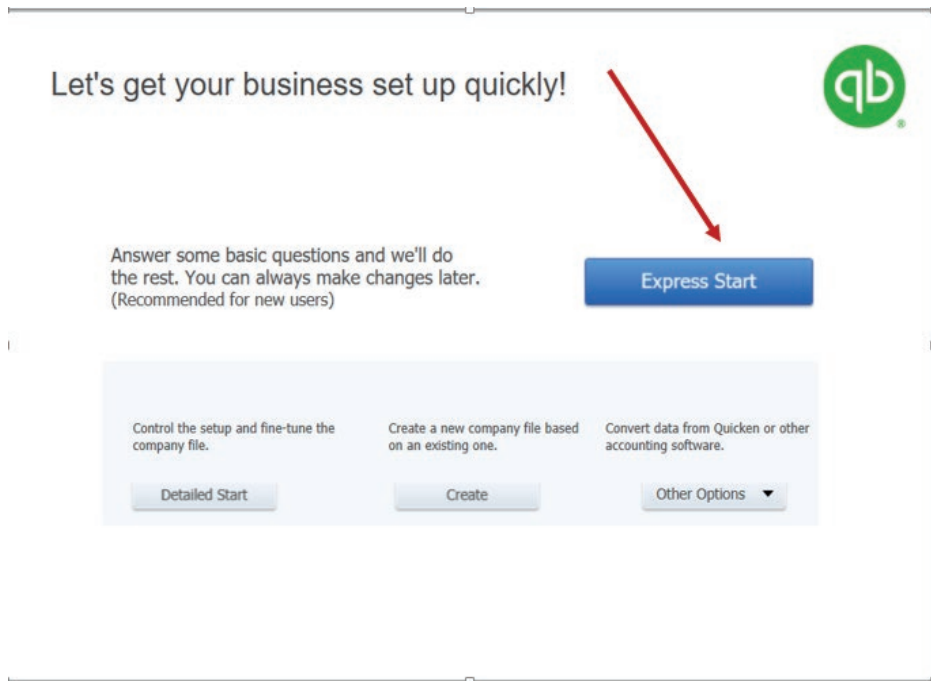


Figure 1.9 The beginning of Easy setup of company identification

After clicking on **Expressing Start**, an easy setup of company profile interview starts.

- Complete the easy setup of company profile interview:

Figure 1.10 Business information interface

- Fill the business name
- For the industry, click on **help me to choose** so that the default chart of accounts should not appear in the company charts of company.
- Select other/none

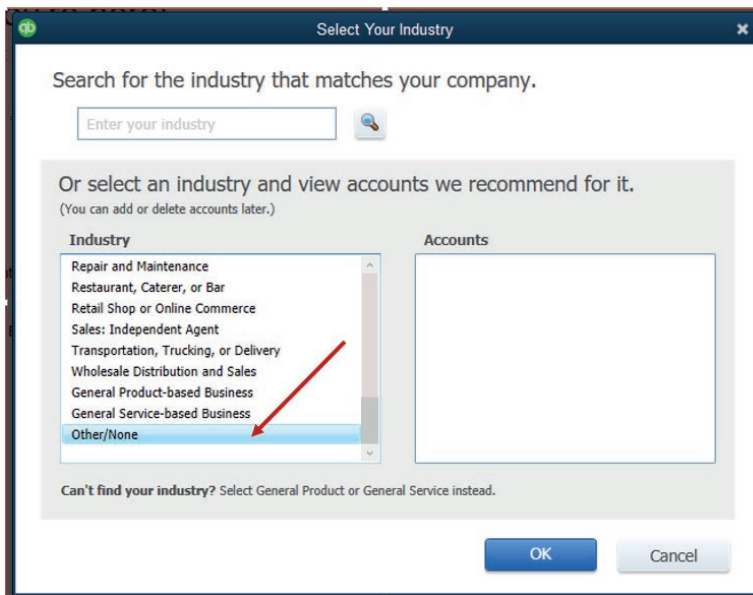
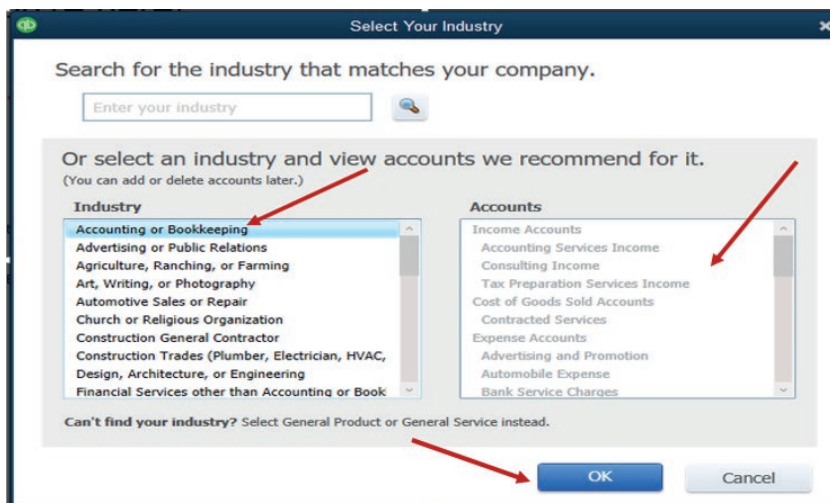


Figure 1.11 interface with a list of industry types

The selection of Other/None allows the user to have a free field of charts of account so that he can set the appropriate charts of account according to the transactions he will be recording.

If the user selects the **Accounting or bookkeeping** on the field of Industry, the default account relating to the selected industry will appear in the chart of accounts including the ones the user does not want.



The field of **Business Type** should be filled according to the user's choice. If the user needs to continue by setting his own charts of account, he can select **Other / None**. Then **OK**

Glad you're here!
Tell us about your business so we can give you the right tools for what you do.

Business Name: Holly City Technology Ltd
Industry: Other/None [Help me choose](#)
Business Type: Other / None [Help me choose](#)

Employer Identification Number (EIN): 12-3456789 ⓘ

Business Address: _____
City: _____
State: Select state ZIP: _____
Country: U.S.
Phone: _____

[Back](#) [Preview Your Settings](#) [Create Company](#)

Required
Intuit's Privacy Statement

Figure 1.12 Details of company information

Note: For Employer Identification Number use the format xxx-xx-xxxx (Three digits- Two digits-four digits).

- After filling all fields click on **Create the Company**

Then wait for the company creation process until the following window appear

Get all the details into QuickBooks Desktop

Add the people you do business with
Why do this? Import or enter your contacts so you can bill your customers, pay your vendors, and track your employees. [See how it works](#) [Add](#)

Add the products and services you sell
Why do this? So your customers know what they're getting billed for when you send invoices or receipts. [See how it works](#) [Add](#)

Add your bank accounts
Why do this? So you can track deposits, payments and how much money you have. Don't worry we won't connect to your bank. [See how it works](#) [Add](#)

[Start Working](#)

No data to enter right now? No problem. You can always add it later.

Figure 1.13 Interface for adding Business People, Product or Services

In the above window the user adds people to do business with, product or services sold by the company and bank accounts. Otherwise, the user may skip to **start Working** tab.

Then the QuickBooks Home Page interface appears as follows:

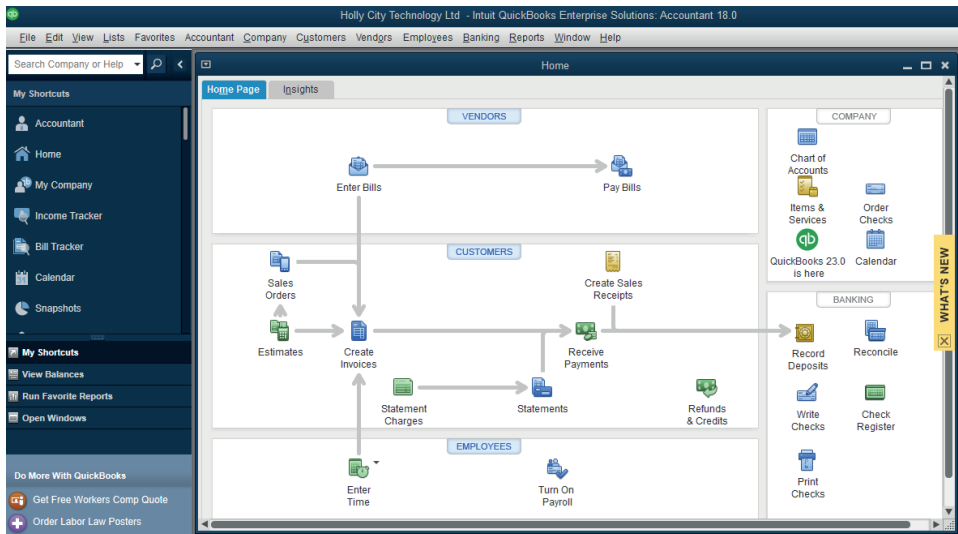


Figure 1.14 QuickBooks Home Page interface

The menu bar has fourteen menus namely: File, Edit, View, Lists, Favorites, Accountant, Company, Customers, Vendors, Employees, Banking, Reports, Window and Help.



Application Activity 1.3

BWIZA Ltd is a small sole trade business of purchasing and selling of Eggplants. It is located in NDUBA Sector, GASABO District KIGALI CITY (Tel +250788567012-722567012; P.O Box 1123 Kigali).

BWIZA Ltd is facing serious problems related to the use of manual accounting, it decided to use QuickBooks. Create accompany profile for BWIZA Ltd.

1.4. Customization of company preference



Learning Activity 1.4

If the QuickBooks user wants to customize company preferences in QuickBooks to fit his personal style and business needs he can do it with the help of QuickBooks preferences as long as references permit the users to choose how they want QuickBooks to manage things or to set own preferences.

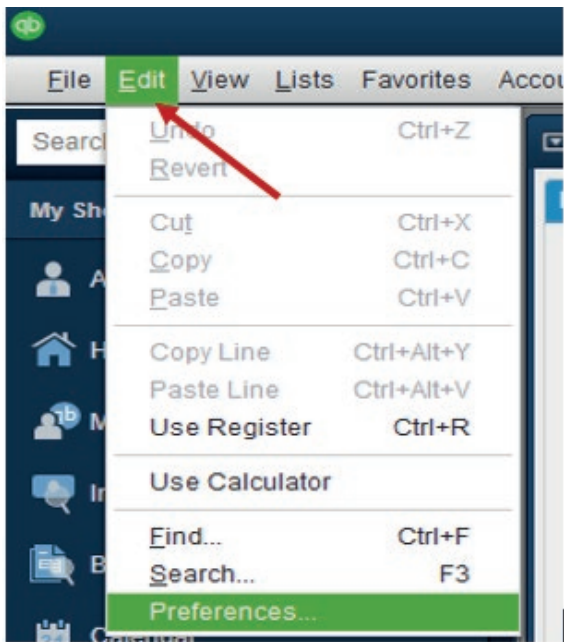
- What should be the examples preferences that the user can customize?
- In which process it could be done?

Preferences allow you as the user to decide how you want QuickBooks to handle things or set personal or company preferences.

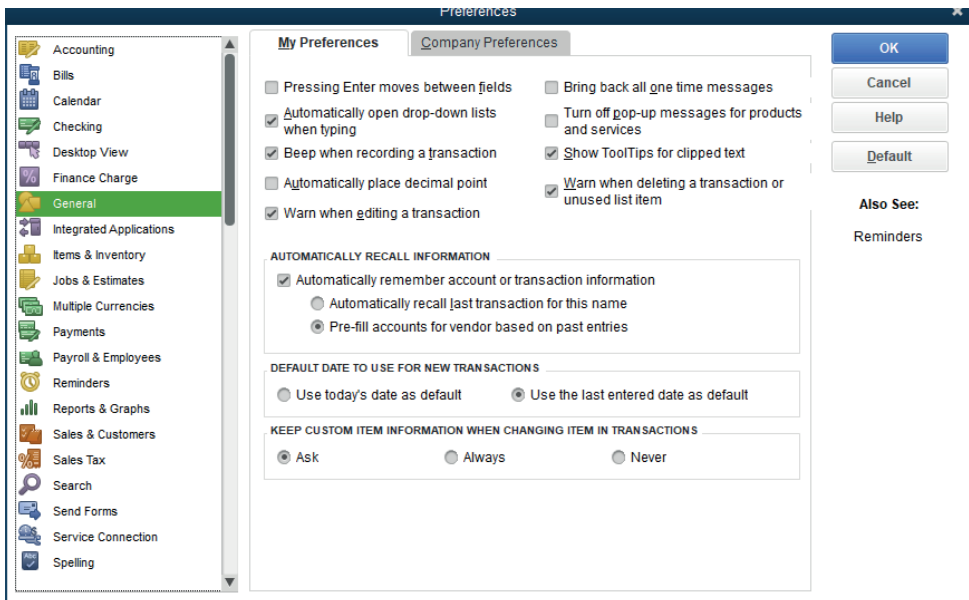
Examples of preferences that the user can customize:

- **Age from due date:** The overdue days appears on the invoice, statement or bill, that start from the due date that
- **Age from transaction date:** The overdue days start on the creation date of the invoice, statement or the date of when bill receiving.
- **Format:** If you click this button, then this button will open the Report Format Preferences window which authorizes you to customize Header or Footer & Fonts and Numbers on QuickBooks reports. You can modify the appearance of the report.
- **Reports:** Show items by defining how reports display the name of the items.
- **Reports:** If you need to display account numbers in your reports, click Name and Description or Name only.
- **The Classify button:** With the help of this button, you can reclassify accounts for the Statement of Cash Flows report

Preferences can be found by going to the top of the main QuickBooks Home page and click on **Edit** and then preferences. Click on **Edit Menu**, on the QuickBooks Home page and find the following window:



A click on Preferences gives to the user the wide option to customize either his preferences or Company Preferences.

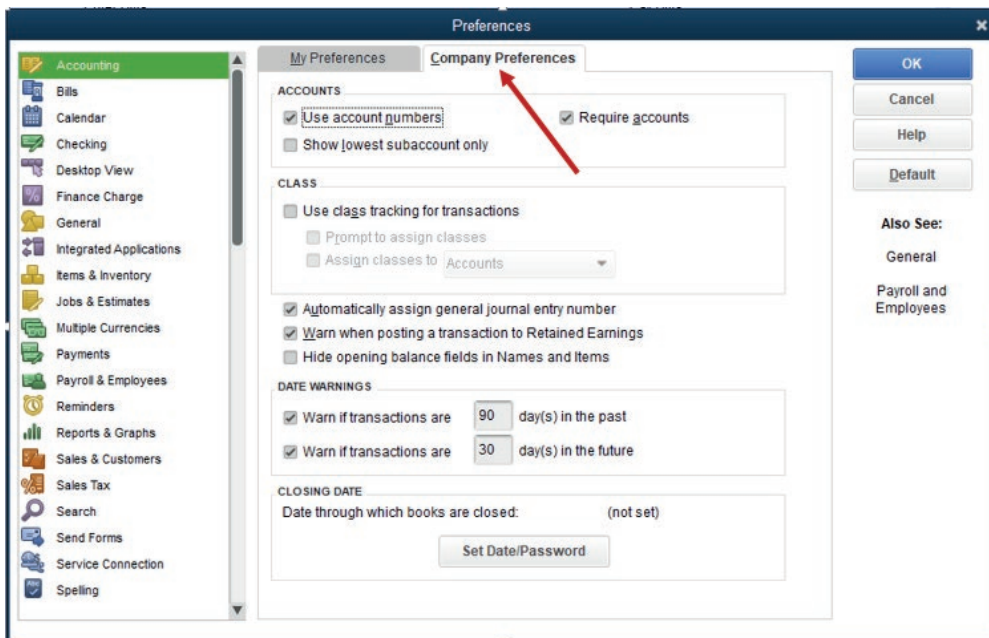


For example: If the user needs to customize the use of numbers on the accounts, he/she must follow these steps:

1. Click on Accounting



- Click on **Company preference** and tick on **Use Account Numbers** and **OK**



- After clicking **OK**, check the accounts and see the numbers on the accounts

NAME	TYPE	CURRENCY	BALANCE TOTAL	ATT...
41000 Accounting S...	Income	RWF		
42700 Consulting I...	Income	RWF		
49400 Tax Preparati...	Income	RWF		
50000 Cost of Goo...	Cost of Goods Sold	RWF		
50500 Contracted S...	Cost of Goods Sold	RWF		
60000 Advertising a...	Expense	RWF		
60200 Automobile ...	Expense	RWF		
60400 Bank Service...	Expense	RWF		
61000 Business Li...	Expense	RWF		
61700 Computer a...	Expense	RWF		
62000 Continuing E...	Expense	RWF		
62400 Depreciation...	Expense	RWF		
62500 Dues and S...	Expense	RWF		



Application Activity 1.3

1. What is the meaning of customization of company preferences?
2. Give the examples of preferences that the QuickBooks user can customize to suit its work.
3. Present a preferences window where on My Preferences, Payroll & Employees, Only Online Payroll and Last Name are selected.



End of Unit Assessment

1. Define the Installation of software
2. List the common operations performed during QuickBooks software installation
3. MUTARA ENTERPRISE is a small sole trade business of manufacturing of furniture items. It is located in KAGEYO Sector, Gatsibo District in Eastern Province (Tel +250788567012-722567012; P.O Box 1123 Gatsibo). MUTARA ENTERPRISE Shop is well known for its services performed in Society that attracts customers.
 - Use the information above to create a company profile.
 - Customize the charts of accounts so that they appear with relevant codes numbers

UNIT 2

CREATION OF ACCOUNTS



Key unit competence: Create charts of accounts in QUICKBOOKS



Introductory Activity

MAREBE Ltd, a sole trading company uses QUICKBOOKS accounting software in recording its daily financial transactions. The following are items that the company is engaged in supplying: Computers, printers, projectors, photocopying machines and TVs. During the month of January 2023, the transactions below took place:

1. Starting the business with capital. A part of it at bank and the remaining amount in Cash
2. Purchase of goods by cash
3. Bought goods on credit from Yvan.
4. Sales of goods on credit to MUSOZO
5. Cash sales.
6. Sales by cheque.
7. Returning goods to Yvan
8. Payment of accountant salary by cheque
9. MUSOZO returned goods to
10. Cash payment from Yvan for the total amount due from him. A discount of 2% is received.

Required:

- a) What are the type of accounts in which the transactions above appear?
- b) List the whole accounts involved in the case study.

2.1. Creating charts of account names



Learning Activity 2.1

1. What is the meaning of charts of account?
2. List the 2 uses of chart of account in accounting process

A Chart of Accounts is a list of financial accounts set up, usually use by an accountant, an organization, and available for use by the bookkeeper for recording transactions in the organization's general ledger.

In QuickBooks, **Chart of Accounts** is a list of all the accounts that QuickBooks uses to track financial information. These accounts are used to categorize your transactions on everything from sales forms to reports to tax forms.

The Chart of Account allows to break down all the transactions that a business made during a specific period into different subcategories.

By separating out the revenue, liabilities, assets, and business expenditures, a chart of accounts enables to gain insight into the effectiveness of different areas of a business.

The following are the steps for creating Charts of Account in QuickBooks:

- In the QuickBooks **Home** page, click on **Charts of accounts**

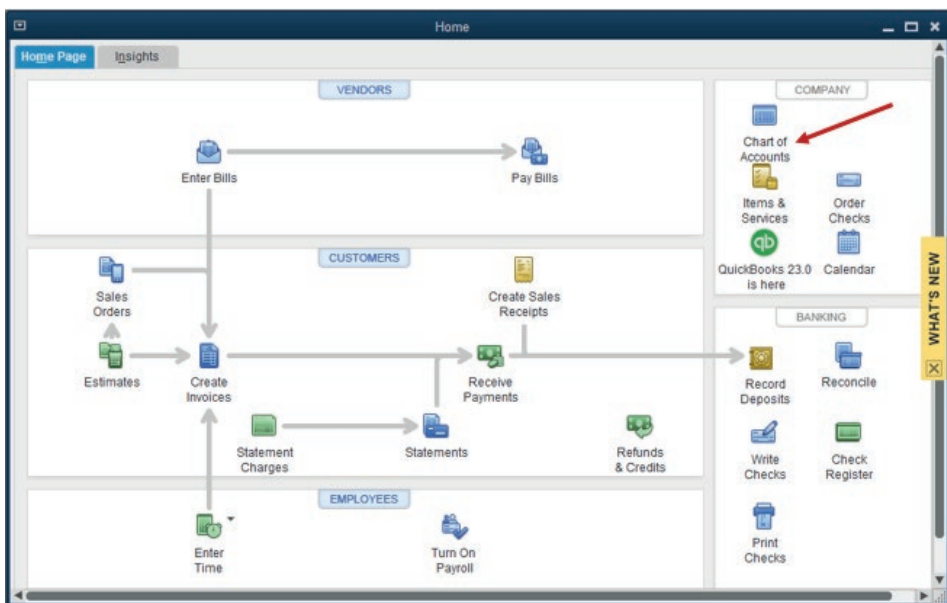


Figure 2.1 First step of Chart of Accounts Creation

If the option **Other /None** was chosen in setting company profile, on business type select industry, the charts of account windows appear empty and this gives a free space to the company account as you want.

It also gives the option to create a New Account by Clicking on Account as illustrated in the windows below:

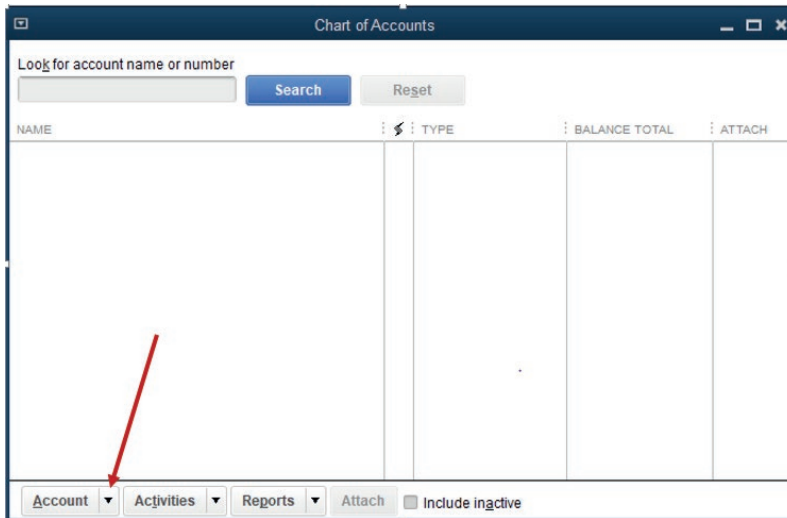


Figure 2.2 Option of Creating New Chart of Account

- Click on **Account** and **New**
- Choose the type of account from the window below and click on **Continue**.

The types of account can be **Income, Expenses, Equity, Liabilities, Assets, Bank, Loan, Credit cards, Other types of account.**

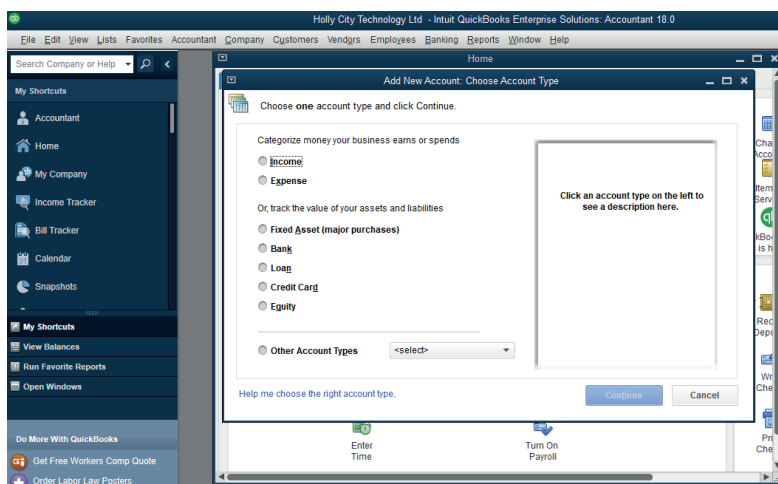


Figure 2.3 Selection of Account Type

Depending on the nature of transaction, the user can select the type of account that can be affected by the double entry recording.

Example 1:

1. **Starting the business with capital. A part of it at bank and the remaining amount in cash.**

This transaction affects Capital, bank and cash accounts. To create capital account, classify it in equity type by ticking the **Equity** radio button, write the name of account which is CAPITAL and click **Continue**. Follow the same process for bank and cash account.

Some accounts have Sub Accounts. The user has to make sure that each account created falls under the account type and Sub Account in which it belongs to.

Create Sub-accounts QuickBooks lets the user create sub-accounts of other accounts. This lets you track the details on about the account in more details than a regular account offers. **To add sub-accounts, do the following:**

1. Go to the **Chart of Accounts**
2. Choose the account you want to make a sub-account and click the down arrow next to **Choose Edit account**.
3. Edit the account and select the checkbox labeled **Is sub-account**.
4. Choose the main account that it will be a sub-account of.

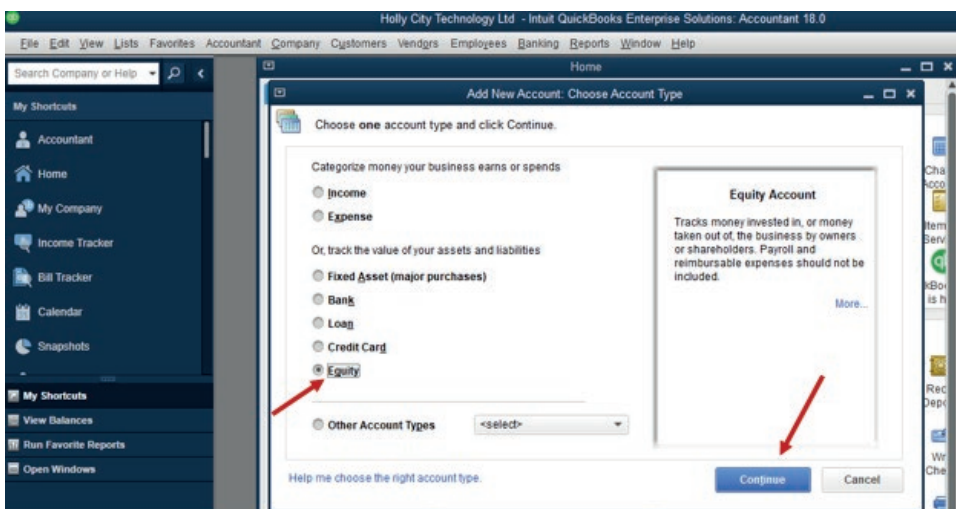


Figure 2.4 Equity Account is selected.

If there are other account found that do not fall into these types, there is an option to search from **Other Account Types** which gives the types of account below:

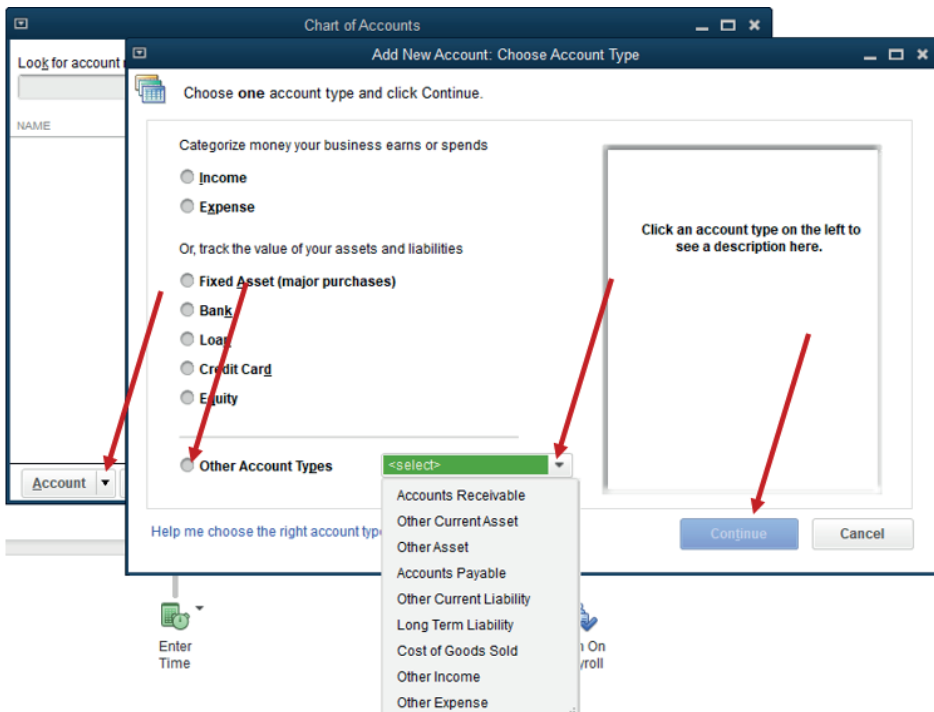


Figure 2.5 Selection of Account Type.

Example 2:

1. Discount received.

This transaction affects Discount received and creditor (account payable) account.

These two accounts do not fall in the first account types. To create Chart of Account, follow this procedure:

- From **Other Account Type**, select **Other Income** as account type of discount received and **Other Current Liability Account** type for creditor (account payable) then click **Continue**.

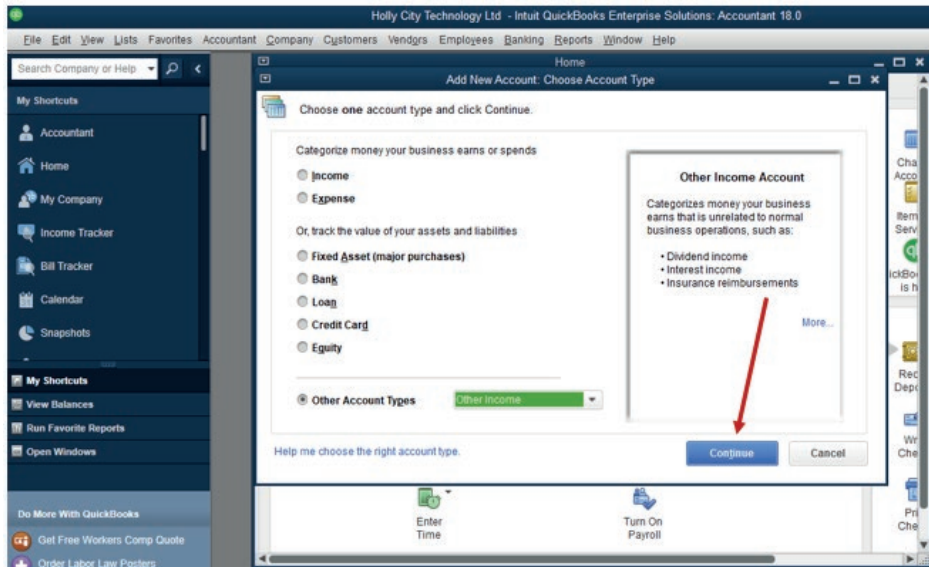


Figure 2.6 Interface of additional Income Account

Discount received is an Income type of account, Sub Account of Other income.

Creditor is an account payable type of account (Creditors), Sub Account of Other current liabilities

- The other income account type appears then Account name field is filled.

If it is the last account created, click **Save & Close**. But if there are more account to add, click **Save & New**.

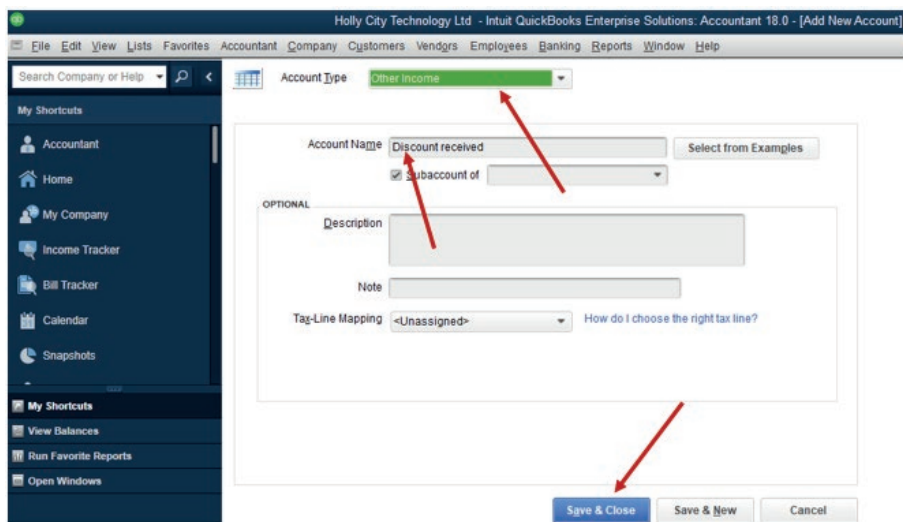


Figure 2.7 Saving New account type and New Account Name.

- Click **Save & New**.



Application Activity 1.3

1. Match the accounts with their corresponding account types

Account	Account type
Vehicle	Equity
4 years loan	Expense
Stationary	Liability
Drawings	Assets

2. The transactions below have been extracted from the books of **BWAIZA CO.**
 - a) Starting the business with cash in hand
 - b) Bought office equipment by cash
 - c) Purchase of goods by cash
 - d) Sales of goods by cheque
 - e) Credit sales to AKALIZA Queen

Prepare the charts of account

2.2. Changing the account names



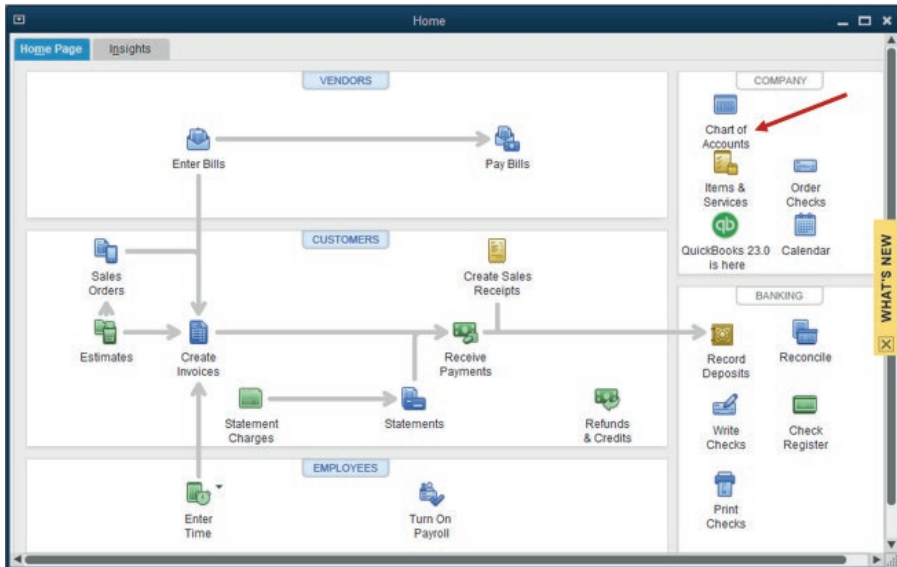
Learning Activity 2.2

The QuickBooks user creates the Charts of Accounts for the business. It may happen that some of the accounts created seem to be not necessary or are duplicated.

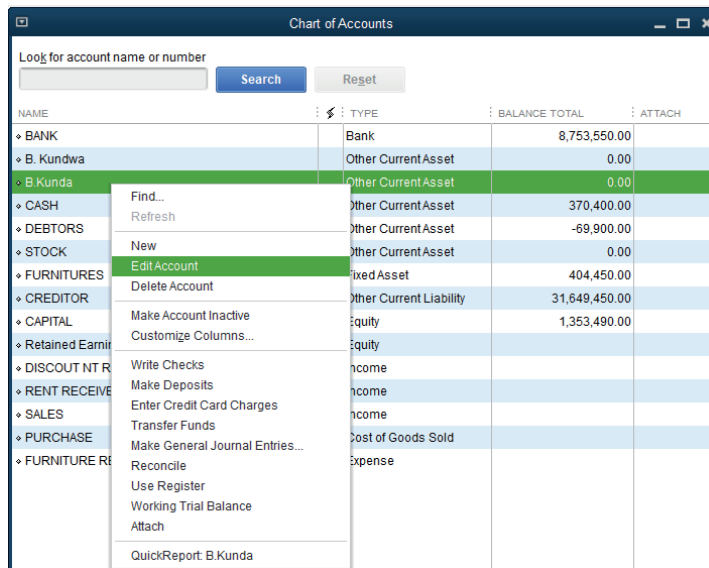
- What can you do if you are a QuickBooks user and you find a situation like that?
- What do you think will be the dangers of keeping the unnecessary accounts in the business file?

If the user finds that some charts of account name have to be changed, he can do the following:

- Click on Charts of Account on QuickBooks Home page



The list of account appears, and the user make a right click on the account whose name is to be changed



The user will find the following windows and the account name to be changed appears as here below with an option to fill the other names, account type, sub account if any and opening balance.

Account Type: Other Current Asset

Account Name: B.Kunda

Subaccount of

OPTIONAL

Description:

Account No.:

[Should I enter an opening balance?](#)

Account is inactive

In the window above B.Kunda is changed and it is replaced by Rukundo, the sub account and opening balance is added. It finally appears as in the following window:

Account Type: Other Current Asset

Account Name: RUKUNDO

Subaccount of: DEBTORS

OPTIONAL

Description:

Account No.:

56,800.00 as of 02/14/2023

Account is inactive

- Click on **Save & Close**.



Application activity 2.2.

MUKAMURIGO, the accountant of MARANATHA CHURCH uses QuickBooks in her daily activities. In the beginning, she created the following charts of accounts: Cash, Bank, Sales< Capital, Purchase<, CUSTOMERS, Rent, Purchase2, Stock and William. She finally finds that some of the accounts are duplicated and William account is not necessary.

Replace the duplicated accounts by salary account and change William account in to Willy Account.

2.3. Deleting and making inactive unnecessary accounts



Learning activity 2.3.

The following transactions have been extracted from the file of MUGEMANA TRADING Ltd

- a) Capital: cash and bank
- b) Purchase of goods on credit from supplier
- c) Sales of goods by cash
- d) Returning defective goods to Martin
- e) Payment to martin the remaining amount by cheque. 2.5 % Cash discount received

Below are the charts of accounts prepared by the former accountant:

- Cash
- Bank
- Purchase salary expenses
- Bank overdraft
- Drawings account
- Payables

You are hired as a new accountant. Do you agree that all of these accounts are necessary? If not, remove the unnecessary accounts.

To delete an account, the following steps have to be done:

1. Click on **Accountant** on menu bar
2. Click on **Charts of Account**

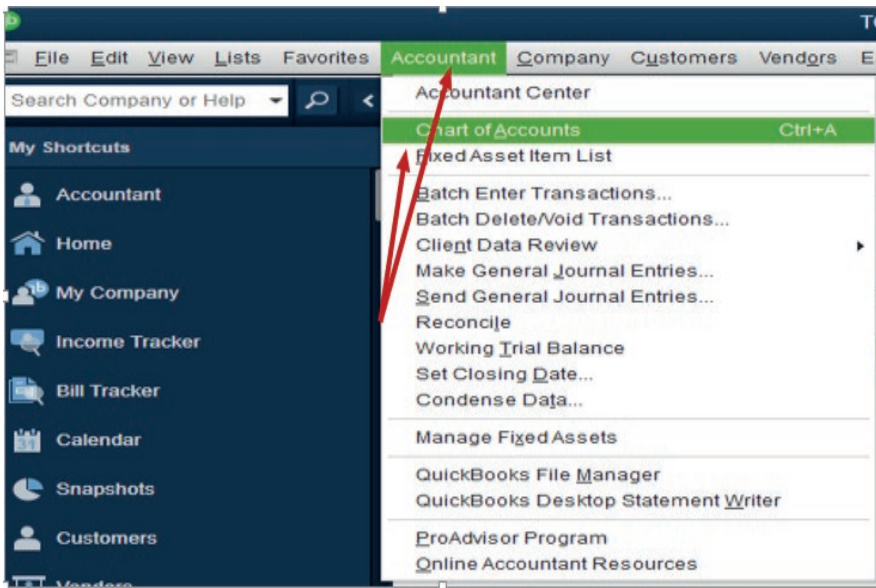


Figure 2.9. Search for an account

3. Find the account to be deleted
4. Here, opening balance Equity account is not necessary. Right click on the account to delete or to make it inactive

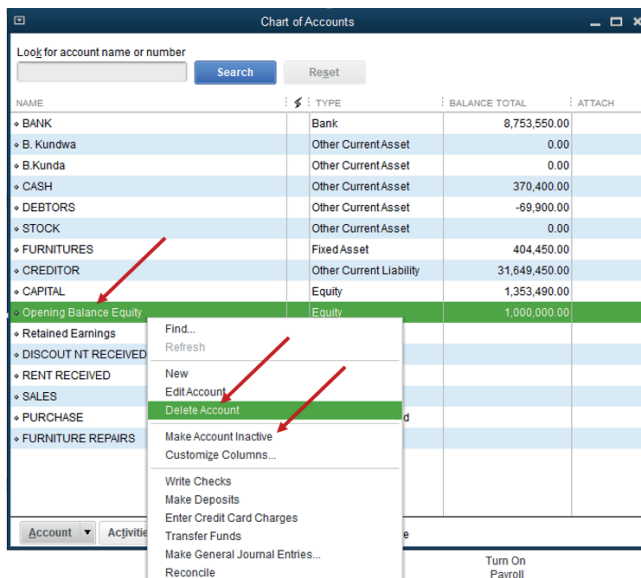


Figure 2.9 Deleting or making Account Inactive unnecessary account.

Delete an account or **Click on Make Account Inactive**

Once an account is made inactive. It will no longer appear in list of charts of account.

- Click OK when asked if the user wants to delete or to make an account inactive.

Once you delete an account, it will be removed in the Chart of Accounts. The good thing is, you can filter the COA page to include inactive or deleted accounts.



Application Activity 2.3.

1. What are two reasons for deleting or making an account inactive?
2. Illustrate the process through which an account is deleted.
3. The following transactions have been extracted from the books of Ganza Ltd:
 - a. 1/6/2020: Starting the business cash in hand
 - b. 4/6/2020: purchase of goods on credit from Kundwa
 - c. 6/6/2020: Sales of goods by cheque

The list of accounts below has been found in charts of account:

- Discount received
- Sales
- Account receivable
- Capital
- Bank
- Cash
- Purchase

Required: Delete the unnecessary accounts if any.

2.4. Adjustment of account



Learning Activity 2.4.

The accountant of FRESH JUICE Ltd prepared the end of the year final accounts before adjusting company accounts. During the next period, the auditors advised her to deal with some accruals and prepayments for reporting true and fair information.

What are the business account to be adjusted before preparing end of period reports?

At the end of the accounting period, business account has to be adjusted before preparing the financial statements. Account adjustments, also known as adjusting entries, are entries that are made in the general journal at the end of an accounting period to bring account balances up-to-date. Unlike entries made to the general journal that are a result of business transactions, account adjustments are a result of internal events.

2.4.1. Assets

Due to various reasons, the business fixed assets lose value through the years. It is called depreciation. Before preparing the statement of financial position of any business entity, the accumulated depreciation of any fixed asset must be subtracted from its original cost so that the net value to report in balance sheet will be true and fair.

The debtors are also business current asset that are adjusted in case of bad and doubtful debts. Therefore, the business/firm should write the debtors account off from the accounts and thus it becomes an expense that should be charged in the profit & loss account. In practice a firm may also be unable to collect all the amounts due from debtors. This is because a section of the debtors will not honor their obligations.

2.4.2. Expenses

A. Accrued Expenses

An accrued expense is an expense that is payable or due for payment but has not yet been paid during that period. An accrued expense should be charged in the P&L account and shown in the balance sheet as a current liability. In quick books, it is a liability account and it is recorded as follow:

Debit: expense account or P&L account

Credit: accrued expense

Example: Accrued salary: 10000Rwf

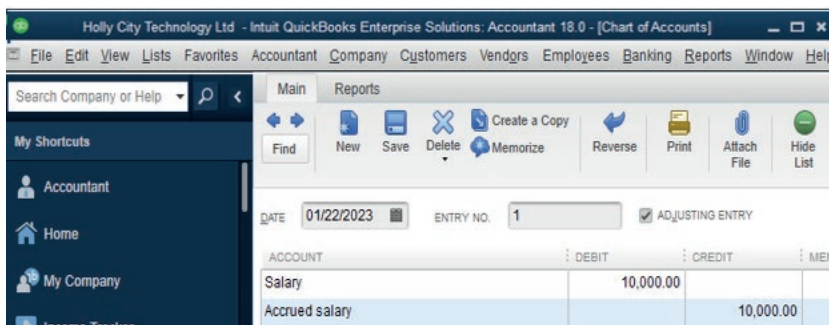


Figure 2.10 Record of accrued expense

It means that the accrued salary is added on the current salary of the period. Therefore, it is charged on P&L account and it will appear in balance sheet under a current liability

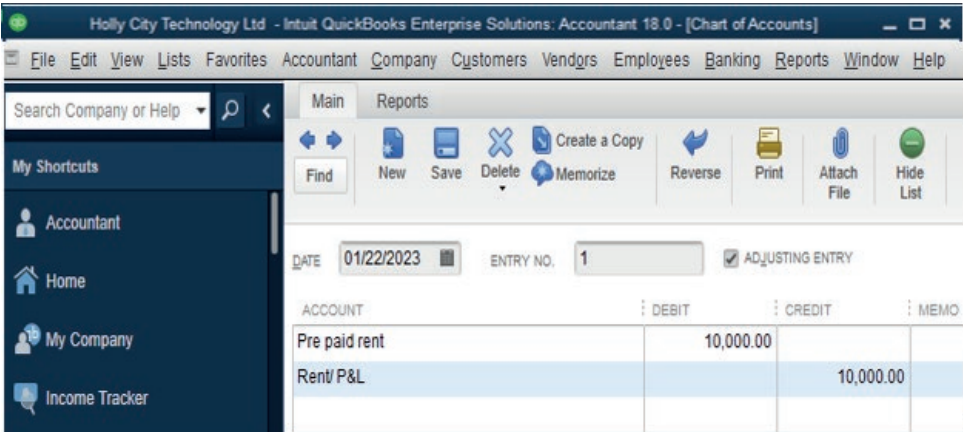
B. Prepaid Expenses

A prepaid expense is an expense that is not payable but cash has already been paid. A prepaid expense should not be charged in the P&L a/c but should be carried forward to the next financial period and should be shown in the balance sheet as a current asset. In QuickBooks, prepaid expense is another current asset account and recorded as follow:

Debit a prepaid expense account

Credit the expense for decreasing its value

Example: Prepaid rent: FRW 10,000



The screenshot shows the QuickBooks interface for recording a journal entry. The window title is "Holly City Technology Ltd - Intuit QuickBooks Enterprise Solutions: Accountant 18.0 - [Chart of Accounts]". The menu bar includes File, Edit, View, Lists, Favorites, Accountant, Company, Customers, Vendors, Employees, Banking, Reports, Window, and Help. The left sidebar shows "My Shortcuts" with links to Accountant, Home, My Company, and Income Tracker. The main area displays a journal entry for the date 01/22/2023, entry number 1, marked as an adjusting entry. The entry table is as follows:

ACCOUNT	DEBIT	CREDIT	MEMO
Pre paid rent	10,000.00		
Rent/ P&L		10,000.00	

Figure 2.11. Record of prepaid expenses

2.4.3. Income

A. Prepaid Income

This is income that is not yet due but cash has been received for it. This happens when an income is payable in advance it can be called also the Unearned revenue. e.g. Rent payable 3 months in advance. A prepaid income should not be reported in the current financial period but should be carried forward and reported in the period it relates to as a current liability. In quick books, prepaid income is another current liability account and it is recorded as follow:

Debit the other income in P&L account

Credit the prepaid income account

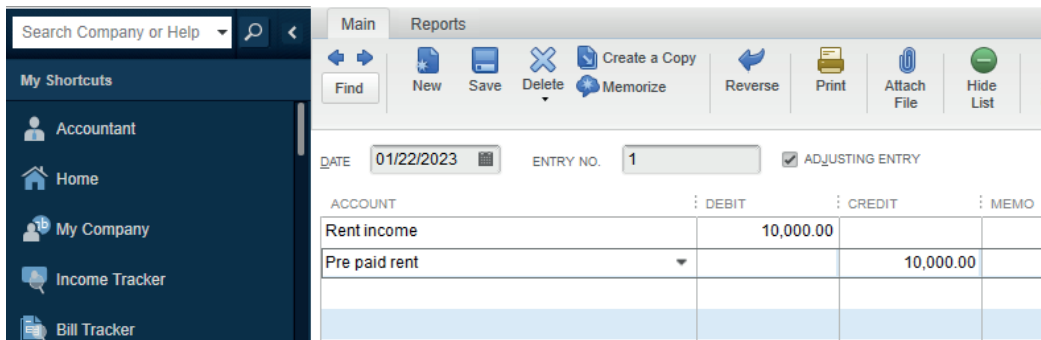


Figure 2.13. Record of prepaid Income

B. Accrued Income

This is income that relates to the current year but cash has not yet been received. An accrued income should be reported in the profit & loss account and the same income will be shown in the balance sheet as a current asset. In quick books, it is another current asset account and it is recorded as follows:

Debit accrued income

Credit the P&L account on that income account

Example: Accrued rent income of FRW 10,000

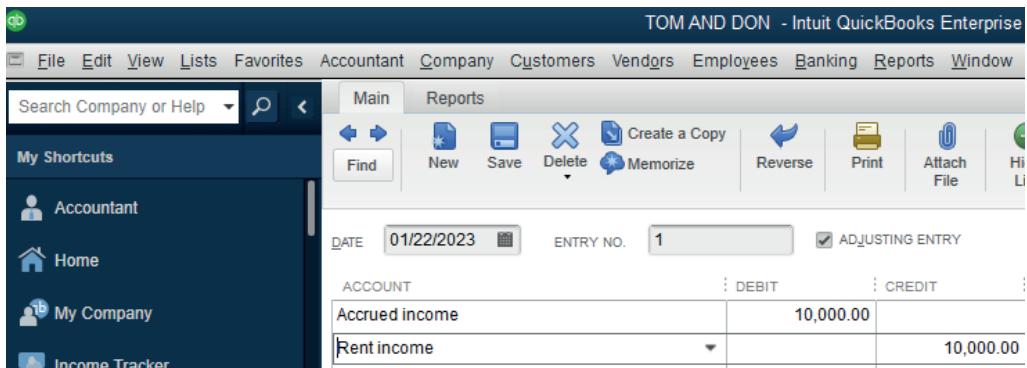


Figure 2.14 Record of accrued income

The assets (fixed and current) and liabilities are the quick books accounts that have to be adjusted depending on business transactions that are taking place during the period.



Application Activity 2.4.

1. True or false
 - a) Prepaid expense is a current liability account
 - b) Accrued income should be shown in the balance sheet as a current liability.
 - c) A prepaid income should reported in the period it relates to as a current liability.
2. The adjusting entry that reduces the balance in prepaid insurance will also include which of the following:
 - a) A credit to cash
 - b) A credit to insurance expense
 - c) A debit to insurance expense
3. KALISA owns and operates a dry cleaner. The following occurred during the period of January:
 - a) Prepaid rent for January and February
 - b) Purchase of insurance in January that will six months
 - c) Paid salary of his assistant for the last two months

Required: Prepare the chart accounts for the above information.

2.5. Owner withdrawals and investments



Activity 2.5

Mrs. Agatha is a sole trader in GAKENKE District. She invested her money in auditing and consultancy activities. For getting the capital she used to save for 5 years and finally she got FRW 6,000,000 which she deposited at bank. During the first month of activities, she withdrawn FRW 120,000 from business bank account for private use.

- You are to advise her on the chart of account she can create for recording the transactions in quick books
- Show her the process she will pass through to keep the transaction in the system.

2.5.1 Owners investments

Owner investment, also called contributed capital, is the amount of assets that the owner puts into the company. In other words, this is the amount of money or other assets that the owner contributes to the business either to start it or to keep it running.

In quick books, an owner's capital account is the equity account listed in the balance sheet of a business. It represents the net ownership interests of investors in a business

How to Record an owner's investment in Quick books?

For recording owner's initial investments (capital),

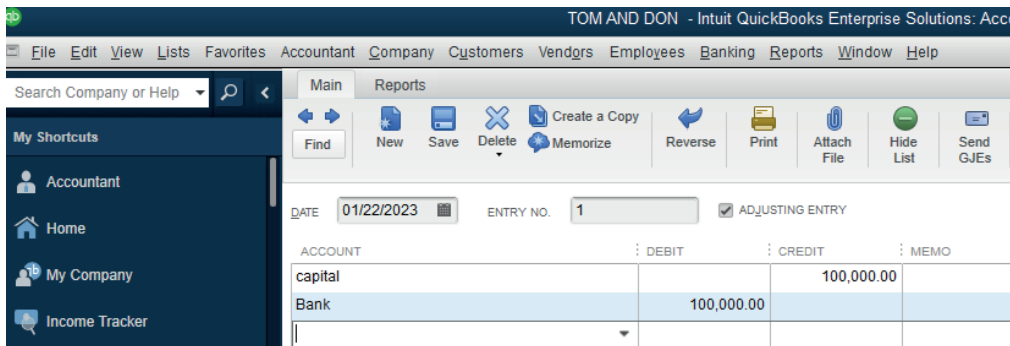
Capital account is debited

Cash /Bank account is credited

In case of re-investment for keeping the business running, the same entry will be done or

Debit the Capital account

Credit any source of re-investment



The screenshot displays the QuickBooks Enterprise Solutions interface for 'TOM AND DON'. The main window shows an 'ADJUSTING ENTRY' for the date '01/22/2023' and 'ENTRY NO. 1'. The entry is recorded as follows:

ACCOUNT	DEBIT	CREDIT	MEMO
capital		100,000.00	
Bank	100,000.00		

Figure 2. 15 owner's investment record

2.5.2. Owners' withdrawals

“Owner Withdrawals,” or “Owner Draws,” in quick books is a contra-equity account. This means that it is reported in the equity section of the balance sheet, but its normal balance is the opposite of a regular equity account. Because a normal equity account has a credit balance, the withdrawal account has a debit balance.

Withdrawal of any amount in cash or kind from the enterprise for personal use by the proprietor is termed as Drawings. The Drawings account will be debited and the cash or goods withdrawn will be credited.

Example: Cash withdrawn from bank for personal use: 10,000Rwf

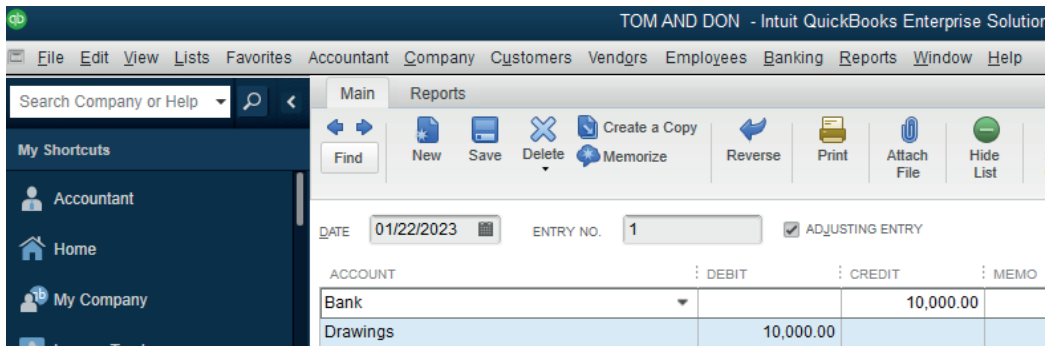


Figure 2.16 Drawings record



Application Activity 2.5.

- Define the following concepts:
 - Investment
 - Owners' equity
 - Drawings
- How can this transaction be recorded using quick books:

Drawings of goods valued at 10,000RWF

2.6. Transfer of net income to the owner's capital account.



Learning Activity 2.6.

BIGIRIMANA is the owner of BEST ELECTRONIC TRADING Ltd. He started this company with the capital acquired from his saving with the loan got from BANK OF KIGALI. During the year of business operations, he concluded some transactions including drawings. At the end of the year, he prepared the statement of profit or loss which shown that the business has a net income of 7,500,000Rwf.

Required:

- What do you think is the drawings?
- Assume that you are BIGIRIMANA, what can you do with this net income for the year?

2.6.1. Net income

Net income refers to the amount an individual or business makes after deducting costs, allowances and taxes. In commerce, net income is what the business has left over after all expenses, including salary and wages, cost of goods or raw material and taxes. Net income shows how much money a company is making after subtracting all expenses. It can also be referred to as “net profit” or “the bottom line.”

As part of the closing entry process, the net income is moved into retained earnings on the balance sheet. The assumption is that all income from the company in one year is held onto for future use. Any funds that are not held onto incur an expense that reduces net income.

2.6.2. Owners' capital account

A capital account is used in accounting to record individual ownership rights of the owners of a company. The capital account is recorded on the balance sheet and is composed of the following items: Owner's capital contributions made when creating the company or following the creation, as required by the business.

Basically, the owner's capital account represents the net assets of the company. It's the amount of money left over after the company sells all of its assets and pays off all of its creditors. This remaining amount of money is what the owner actually owns or networth.

Owner's capital account is one of the accounts of equity type of account which consists of:

Capital

Less: Drawings

Add: Profit in case of positive net income of business or

Less Loss in case of negative net income of the business

Quick books software will transfer the net income (profit or loss) of the business for the period from the trading, profit or loss account to the statement of financial position (balance sheet) automatically in its equity section.

Example:

Here under, TOM AND DON business Net Income of the period is FRW 30,781,500.

Customize Report		Comment on Report	Share Template	Memorize	Print	E-mail	Excel	Hide Header	Collaps	Refresh
Dates	This Month-to-date	From	01/01/2023	To	01/22/2023	Show Columns	Total only	Sort By	Default	
Report Basis:	<input checked="" type="radio"/> Accrual	<input type="radio"/> Cash	Show Filters							
5:30 PM	01/22/23	TOM AND DON								
Accrual Basis	Profit & Loss									
	January 1 - 22, 2023									
										Jan 1 - 22, 23
Income										
	Rent income									31,200,000,000.00
	sales									-400,000,000.00
	Total Income									30,800,000,000.00
Cost of Goods Sold										
	purchase									1,000,000.00
	Total COGS									1,000,000.00
	Gross Profit									30,799,000,000.00
Expense										
	Uncategorized Expenses									17,500,000.00
	Total Expense									17,500,000.00
	Net Income									30,781,500,000.00

Figure 2.17 Net income to be transferred in balance sheet

This Net Income is transferred to the equity section of TOM AND DON Balance sheet as shown here under:

TOM AND DON		Balance Sheet		As of January 22, 2023		
						Jan 22, 23
ASSETS						
Current Assets						
Other Current Assets						
	Bank					31,204,000,000.00
	cash					-700,120,000.00
	Total Other Current Assets					30,503,880,000.00
	Total Current Assets					30,503,880,000.00
Fixed Assets						
	Land					300,000,000.00
	Total Fixed Assets					300,000,000.00
	TOTAL ASSETS					30,803,880,000.00
LIABILITIES & EQUITY						
Liabilities						
Current Liabilities						
Accounts Payable						
	Accounts Payable					17,500,000.00
	Total Accounts Payable					17,500,000.00
	Total Current Liabilities					17,500,000.00
	Total Liabilities					17,500,000.00
Equity						
	capital					5,000,000.00
	Drawings					-120,000.00
	Net Income					30,781,500,000.00
	Total Equity					30,786,380,000.00
	TOTAL LIABILITIES & EQUITY					30,803,880,000.00

Figure 2.18 use Net Income in Balance sheet



Application Activity 2.6.

1. Define the following concepts:
 - a) Net income
 - b) Owners' capital
2. BLESSED WORK LTD is a small sole trade business of purchasing and selling of electronics items. It is located in MUHIMA sector, NYARUGENGE District in KIGALI CITY (Tel +2507884324 -234712; P.O Box 1213 Kigali. The owner decides to hire you knowing that you are skilled in computerized accounting for preparing financial statements on time.

The following past information is provided:

- a. On 1st February, 2020: Starting business with RWF 10,000,000 cash and RWF 50,000,000 at bank.
- b. 2nd February, 2020: Receiving a loan from Bk of RWF 70,000,000
8th February, 2020: Bought furniture for RWF 12,000,000 and paying by cheque
- c. 10th February, 2020: Purchasing goods on credit from TU` for RWF 4,000,000, cash purchase of FRW 2,500,000 and FRW 1,500,000 by cheque.
- d. 11th February, 2020: credit sales to KANYENGOGA for RWF 3,600,000, cash sales of FRW 4,350,000 and sales by cheque of FRW 8,500,000.
- e. Returns to TUBYIHERERANE FRW 500,000
- f. Cash drawings: FRW100,000
- g. 12th February, 2020: Paid rent of FRW 450,000 by cheque
12th February, 2020: FRW 1,750,000 Paid to TUBYIHERERANE by cash. A discount of 7.5% is received.
- h. 12th February, KANYENGOGA paid FRW 723,500 by cheque. A discount of FWR 27,500 is allowed to him.
- i. KANYENGOGA returned goods valued at FRW245,000
- j. 15th February, **the following transactions took place:**
 - a) Paid wages by cash of 250,500 FRW
 - b) The insurance is paid by cheque 740,000 FRW
 - c) Rent received by cheque is 90,450FRW

Show the income statement transferred in the balance sheet.



End of Unit Assessment

1. MUGENI has the following items in her balance sheet as on 30 June 2021. Capital FRW 41,800, Creditors FRW 3,200, Fixtures FRW 7,000, Motor Vehicles FRW 8,400, Stock of goods FRW 9,900, Debtors FRW 6,560, Cash at bank FRW 12,900 and Cash in hand FRW 240

During the first week of July 2021 the below transactions took place:

- b) He bought extra stock of goods FRW 1,540 on credit.
- c) One of the debtors paid him FRW 560 in cash.
- d) He bought extra fixture by cheque FRW 2,000.

Prepare the charts of account

UNIT 3

RECEIVING ITEMS AND ENTERING THE BILL



Key unit competence: Prepare the bill by entering all goods/ services received on the appropriate date using QUICKBOOKS



Introductory Activity

Any business activity is intended to make a profit; this requires the sales of goods or services. Some businesses purchase goods and resale them without any transformation. Other businesses transform raw material into finished goods. For any business, goods or items received from different vendors have to be recorded with reference to the vendor bills for payment process.

On the other side, other goods or services are sold to customers. For correcting payment, the invoices are issued and sent to the customers. Payment in all means are allowed and always recorded in appropriate books of account.

Required:

- 1) Discuss the purchase and sales of business goods and services
- 2) Enter the business items, vendors and customers in the QuickBooks

3.1. Receiving items



Learning Activity 3.1.

NEW LIFE restaurant started its activities in January 2022. It provides services to a number of customers in the village. Its owner explained to the new accountant that the business record includes both services and products especially in case of recording items received and entering the bills.

Assume that you are the new accountant of NEW LIFE restaurant,

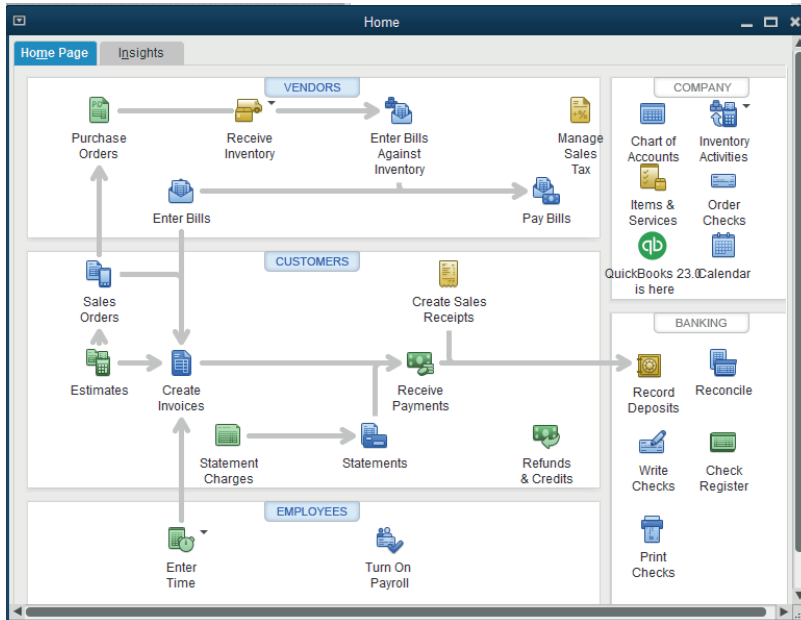
- How will differentiate services from products
- Suggest the characteristics of list of items that will be recorded in your system

3.1.1. Enter the vendor's name

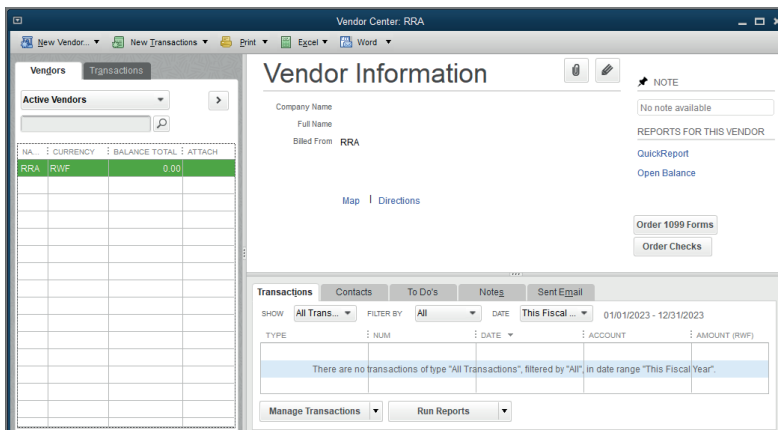
In the context of accounts payable, a vendor is a person or business that supplies goods or services to the company. Another term for vendor is supplier. The term vendor can also be used to mean any seller of goods.

To create a vendor name in QuickBooks, Follow these steps:

Click on vendor icon on QuickBooks Home page for finding and clicking on VENDOR



A click on VENDOR will give the following window and the user click automatically on New Vendor



A click on **New vendor** will allow to the user to get a field to fill the new vendor names address and all other identification and OK

NAME	CURRENCY	BALANCE TOTAL	ATTACH
MUKESHIMANA	RWF	0.00	
RRA	RWF	0.00	

3.1.2. Enter the item list

In QuickBooks, items are the products and services a business buys and sells. Users enter and track items in QuickBooks so they can quickly add them to invoices and other sales forms. Items appear as lines on sales forms.

Each unique item gets a line with its name, description, quantity, and cost per item. Items allow you to use Quantity, to track cost and/or price and even for that same one thing as both.

When the user chooses to use Items in QuickBooks, the items entered will be linked to specific accounts. These accounts are visible by looking at the “Chart of Accounts” in QuickBooks interface. If you have multiple items that need to be attached to a single job, it is possible to do so with QuickBooks. Simply link the item to the appropriate account when you enter it in. Then all of the items for that job will be visible when you run a report.

Example

Cooperative DUTERIMBERE is operating in NYAMIRAMA market. It uses to buy and sell agricultural products including rice, beans, maize, and sorghum. To make the list of these items in QuickBooks will be done through the process below:

Click on item **list & services** at the right side of home page of QuickBooks

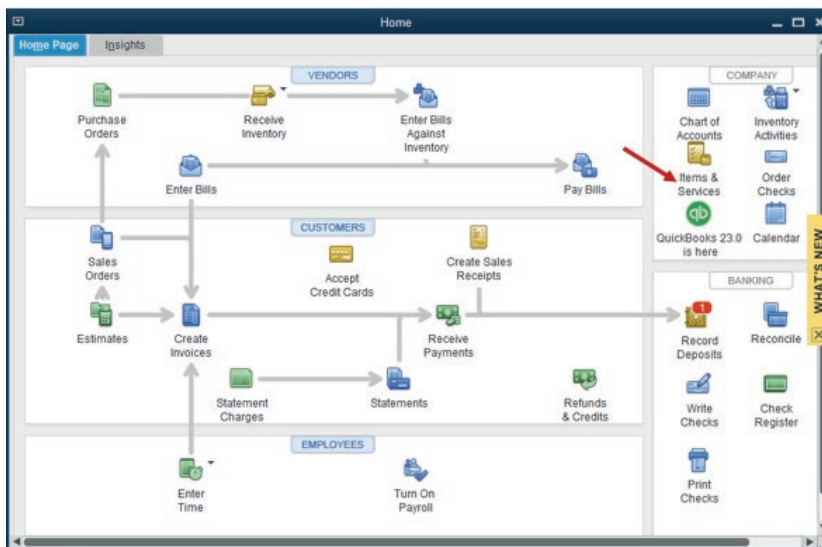


Figure 3.1 Items and Services icon usage

The items list appears as follow with an option to add new item by clicking on item menu at the left bottom command of items list window and New.

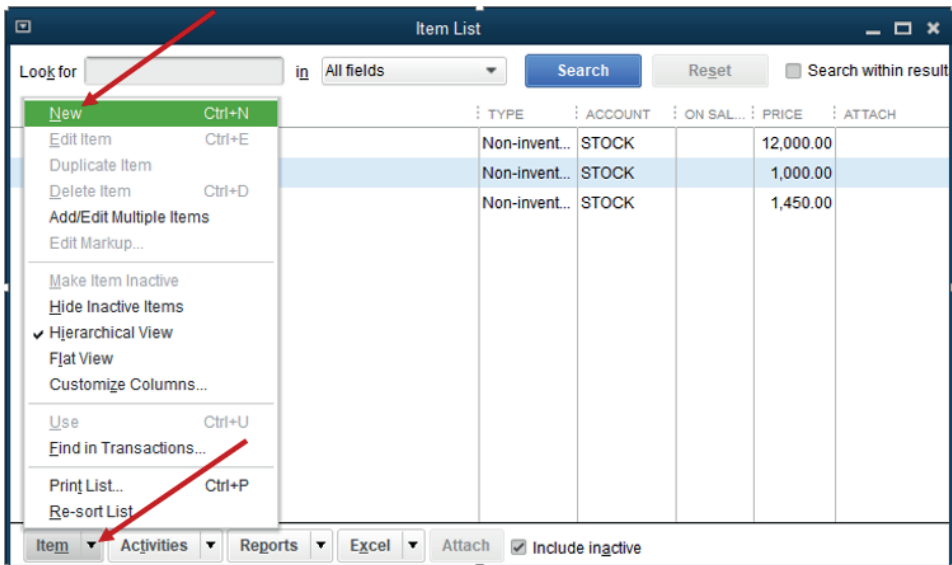


Figure 3.2 Creation of new Item on the list

Choose whether it is an item list of products or services. Here under, it is a list of products (Non inventory part), item number, there is also an option to add the item name in description field and the price per unit, then the account related to the item. Before clicking Ok, make sure the item is active.

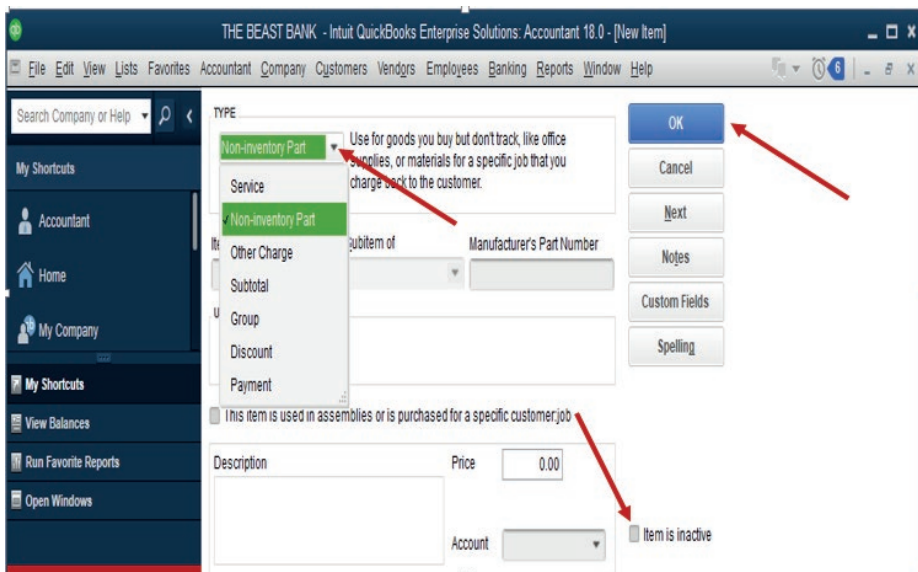


Figure 3.3 Type of products or Services activation

The item list is created and the QuickBooks displays it as here under:

NAME	DESCRIPTION	TYPE	ACCOUNT	ON SALE...	PRICE	ATTACH
01	RICE	Non-invent...	STOCK		1,200.00	
02	MAIZE	Non-invent...	STOCK		800.00	
03	SORGHUM	Non-invent...	STOCK		800.00	
04	BEANS	Non-invent...	STOCK		0.00	

Figure 3.4 List of created items

These items should be either linked to the vendors or the customers as the cooperative buy and sell them. If some items are linked to the customers, it means that the cooperative sells the by cash or cheques and on credit basis. The credit sales are always associated with the debtors (Account receivable), and it is necessary to enter the bill for payment.



Application Activity 3.1.

The following transactions have been extracted from the books of DUKUNDANE Ltd:

1/6/2015: Starting the business with 5,000,000 FRW cash and 10,000,000 FRW at bank

4/6/2015: purchase of tables and Chairs on credit valued at 12,000,000 FRW, from TUYISENGE

6/6/2015: Sales of goods by cash valued at 7,000,000 FRW

8/6/2016: Remaining goods returned to TUYISENGE

10/6/2016: Payment to TUYISENGE by cheque

- Enter the vendor name
- Record the received items

3.2. Enter bill



Learning Activity 3.2.

If purchase transaction is concluded on credit basis, both the seller and the buyer keep the invoice that details goods or services purchased and sold so that the transaction should be recorded in business system. How do you think QuickBooks is used to enter the bill?

The word “bill” designates an accounting document that outlines the amount a customer has to pay for a product or service that is purchased. It is also considered as a payment reminder. A bill is issued before the payment is sent, and it is used one-time and immediately.

A bill is an invoice that one of business suppliers will give to the business, and which, sooner or later, business will have to pay. It might also be heard as a ‘purchase invoice’ or a ‘supplier invoice’.

3.2.1. The steps of entering the bills

For entering the bill, follow the process below:

Start by clicking on **Enter Bills** tool on the QuickBooks home page.

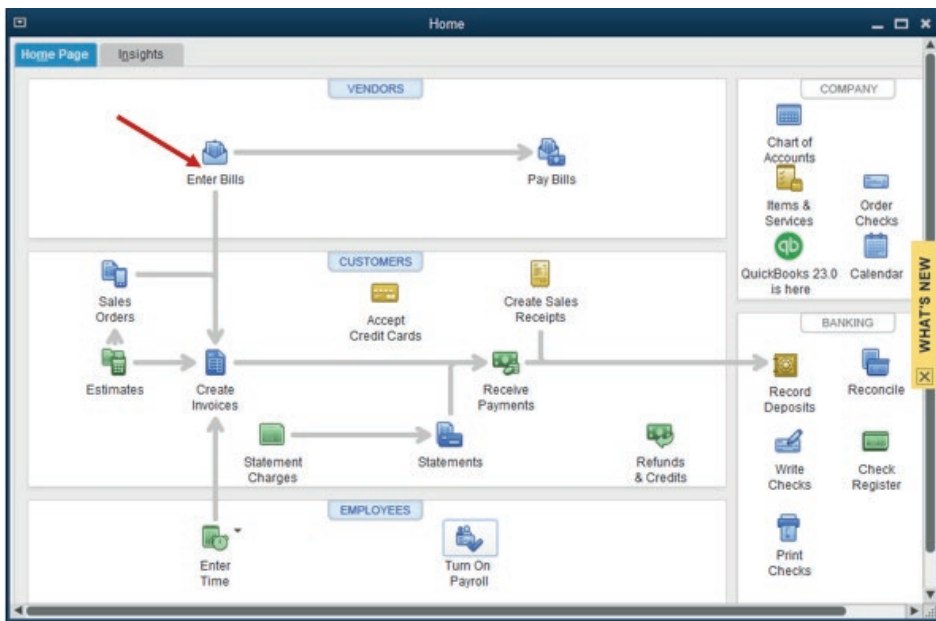


Figure 3.5 Start entering the bill

The bill menu that will give the option to select the vendor to whom the bill is from. In case there is no vendor list or a there is a need to record a bill from a new vendor, the user can add new.

3.2.2. Choose the Vendor and the Items relating to the vendor to be paid

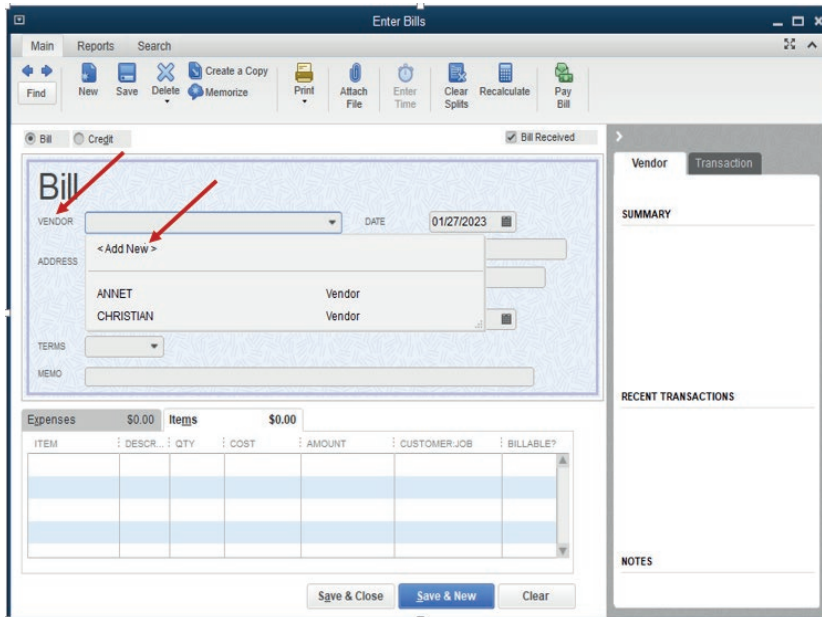


Figure 3.6 Add the vendor name

Assume that the bill is from vendor Annet. Annet is selected. It is time to add items supplied by Annet.

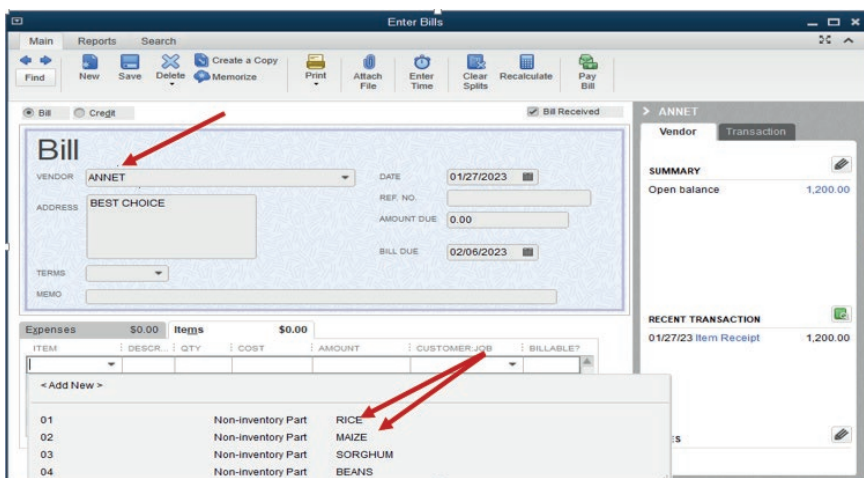


Figure 3.7 selection of items relating to the vendor

Select the item. If there is a missing item on the list, add it through

Add new then Save&Close or Save &New in case Annet's bill consists of more than one item. For our case, Annet's bill consists of rice and maize.

3.2.3. Pay the bill for received items

The business uses to purchase goods or services from different vendors. Being either credit purchase or cash, the transaction is concluded when the payment is over. For the above-mentioned case, the bill as paid as follow:



Figure 3.8. Starting Bill Payment process

Annet's bill will automatically appear, but any total amount will be available on the bill until all bills are selected. Here under, bills are no selected and **Pay selected** bill is inactive.

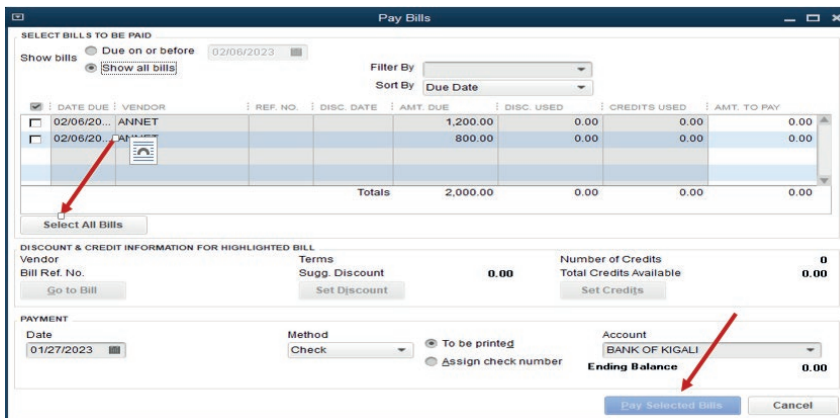


Figure 3.9. Selection of items to be paid

This is Annet's bill after selecting all bills:

Show bills Due on or before 02/06/2023 Show all bills

Filter By Sort By Due Date

<input checked="" type="checkbox"/>	DATE DUE	VENDOR	REF. NO.	DISC. DATE	AMT. DUE	DISC. USED	CREDITS USED	AMT. TO PAY
<input checked="" type="checkbox"/>	02/06/20...	ANNET			1,200.00	0.00	0.00	1,200.00
<input checked="" type="checkbox"/>	02/06/20...	ANNET			800.00	0.00	0.00	800.00
Totals					2,000.00	0.00	0.00	2,000.00

Clear Selections

DISCOUNT & CREDIT INFORMATION FOR HIGHLIGHTED BILL

Vendor Terms Number of Credits 0
 Bill Ref. No. Sugg. Discount 0.00 Total Credits Available 0.00

Go to Bill Set Discount Set Credits

PAYMENT

Date 01/27/2023 Method Check To be printed Assign check number Account BANK OF KIGALI

Ending Balance -2,000.00

Figure 3.10 Selection of all Bill to be paid

The total amount to pay is 2,000 FRW. There is no discount and the payment mode is by cheque. It is time to click on Pay selected Bills. A proof of payment appears as follow:

Payment Summary

PAYMENT DETAILS

Payment Date 01/27/2023
 Payment Account BANK OF KIGALI
 Payment Method Check

Payments have been successfully recorded for the following 2 of 2 bills:

DATE DUE	VENDOR	AMOUNT PAID
02/06/2023	ANNET	1,200.00
02/06/2023	ANNET	800.00
Total		2,000.00

How do I find and change a bill payment?

You can print checks now or print them later from Print Forms on the File menu.

Pay More Bills Print Checks Done

Figure 3.11. Proof of Payment

Click on Print checks if it is necessary to give a hard copy cheque to payee or Click on done for ending the process.

3.2.4. Recording the bills payment

If the payment to the vendor should be done either by cash, bank or cards. To record the payment, the general journal is used by debiting the vendor's account and crediting the source of payment. (Cash, card or bank account.)

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BILLABL...
BANK		2,000.00			
VENDORANNET	2,000.00				
Totals	2,000.00	2,000.00			

Figure 3.1.2. Recording bill payment in General Journal



End of Unit Assessment

1. Differentiate:
 - a) Vendor from a customer
 - b) Order from invoice
2. Mrs. Alex, the owner of BEST ELECTRONIC Ltd stated the business in January 2020. He purchases the items bellow:

Items	Price per unit(FRW)	Quantity
Computer	250,000	10
Mobile Telephones	450,000	50
Radios	500,000	100
TVs	650,000	120

SAMSUNG 250 is Alexis' supplier of computer and telephones while RWIZA Ltd supplies Computers and TVs. Vision 2050 is a customer of both Radios and TVs. You are hired as an accountant of BEST ALECTRONCS and the company uses QuickBooks in preparation of its reports.

Required:

- 1) Create the list of items
- 2) Enter the vendors
- 3) Prepare the bills for received items
- 4) Record the payments to the vendors

UNIT 4

SALES AND RECEIVABLES



Key unit competence: Apply the rules of cash, cheques, credit sales and account receivable transactions in QUICKBOOKS



Introductory Activity

The management committee of MUTARA ENTERPRISE is experiencing a low level of return on its investment. It decided to use QuickBooks software especially while dealing with sales of its products. MUTARA ENTERPRISE customers are allowed to pay by all means (Cash, cheque and cards). Some other customers use to pay after a certain period as they buy on credit.

NTAGANDA is the accountant and wants you to assist him in recording both (credit and cash/bank), sale transactions.

Show him the way appropriate record of credit and cash/bank transaction in QuickBooks to improve the company current situation and start to get a high level of return on investment.

4.1 Credit sales transactions



Learning Activity 3.2.

DUFATANYE SOTRE is engaged in sales of fruit and vegetables in KIMISAGARA market. The customers in the morning purchase on credit for paying in the evening after selling.

- Advise the DUFATANYE SOTRE on the ways of recording its daily sales
- If they DUFATANYE SOTRE needs to use QuickBooks in recording, explain to its accountant the steps of creating a sales invoice

The term “credit sales” refers to a transfer of ownership of goods and services to a customer in which the amount owed will be paid at a later date. In other words, credit sales are those purchases made by the customers who do not render payment in full at the time of purchase.

Credit sales are a type of sales in which companies sell goods to the customer on credit based on the credibility of customers. It gives the customer time to make the payment after selling the purchased goods and does not require them to invest their own money into a business. It helps small businesses, especially those that do not have enough capital. At the same, it helps big companies also because it attracts customers.

A credit sales transaction affects two accounts: Debtor (account receivables) which is debited as it is a current asset and the sales account which is credited as it is an income.

4.1.1. Record a credit sale

In QuickBooks, a credit sales transaction is recorded as here under:

Step 1. Click on company menu on QuickBooks home page, then select **Make General Journal Entries**

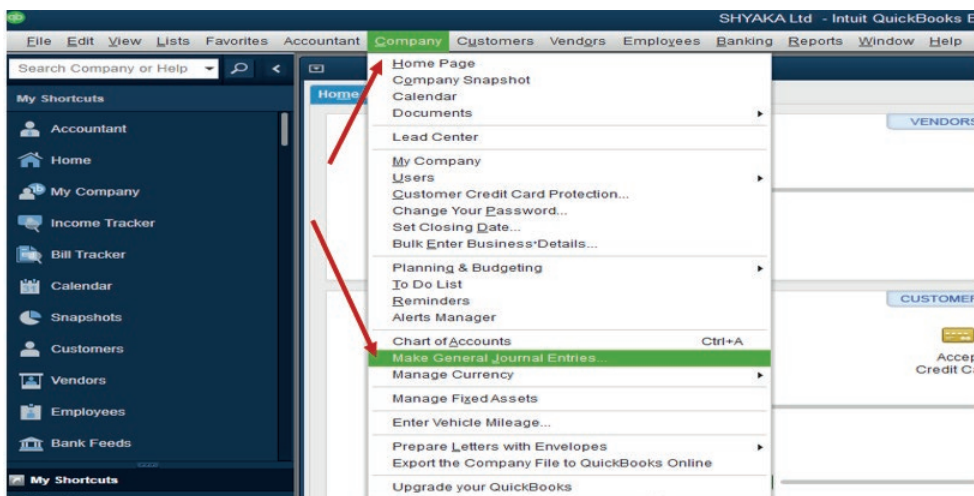


Figure 4.1 General Journal Entries selection

Step2. Complete the general journal

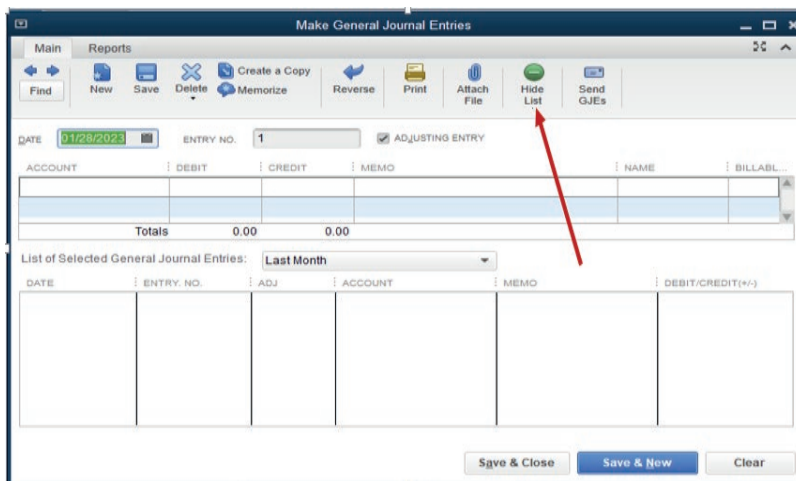


Figure 4.2 Option of hiding list of selected General Journal Entries

The first part of the window is for double entry and the bottom part shows the number of transactions concluded. For having a clear space for recording, the bottom part should be hidden by clicking Hide List

Example: SHYAKA Ltd started its business activities in January 2022. During January the sales transactions concluded with all of its debtors is valued at FRW 125,000. To record this transaction in the general journal, of course the debtors and sales account are already created in the chart of account. If not QuickBooks gives an option to add new account while recording.

Debit debtors: 125,000

Credit sales: 125,000

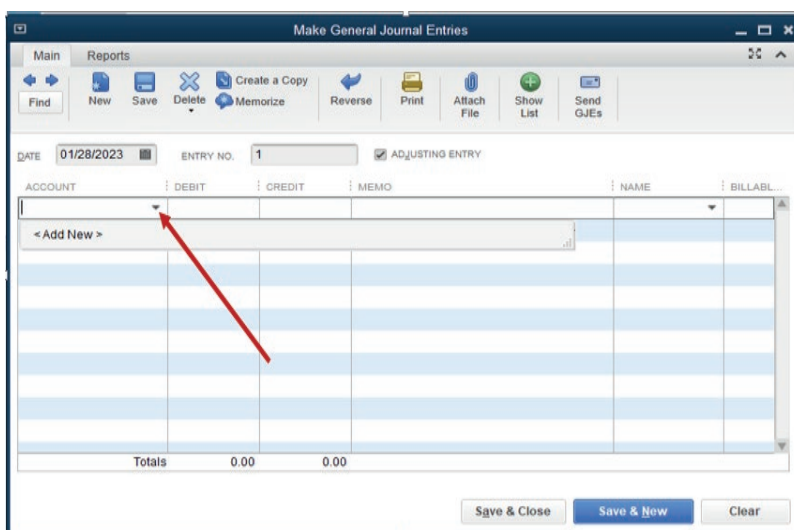


Figure 4.3 Empty General Journal Entries

As there is no debtors and sales accounts created in chart of account, we can add them by the normal way of account creation, account type, continue, account name then **Save&Close** or **Save&New**. Through this, a debtor account is created and debited with FRW 125,000. Sales account is created and credited with the equivalent amount.

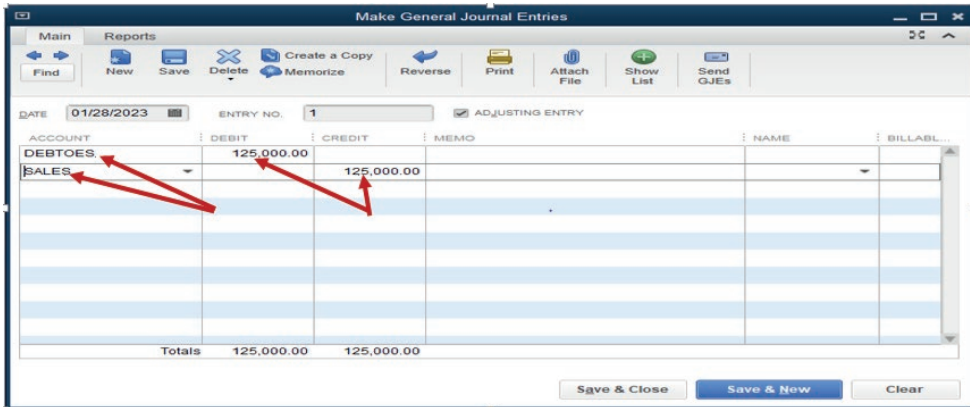


Figure 4.4 .Records of credit sales

In case there is specific customer name, it can be added on the name column for clarifying who is the debtor.

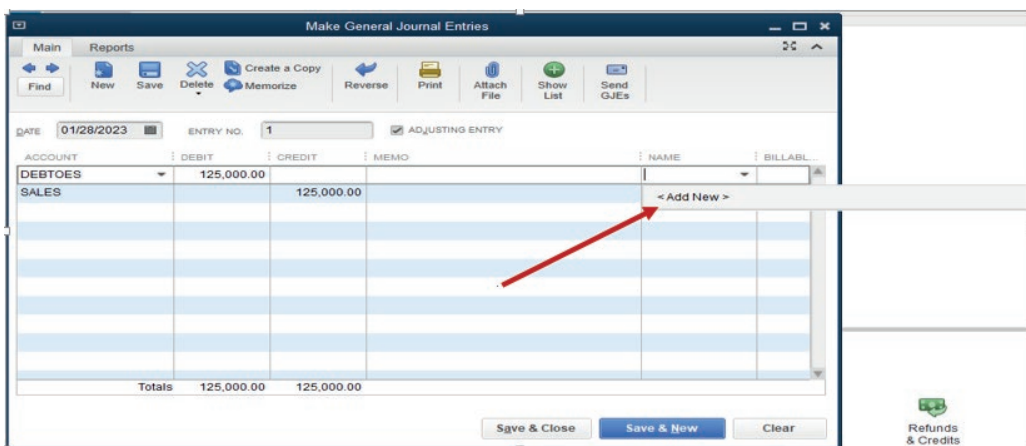


Figure 4.5 created Field for adding customer name

If we click on **Add New** QuickBooks provides field to add customer name.

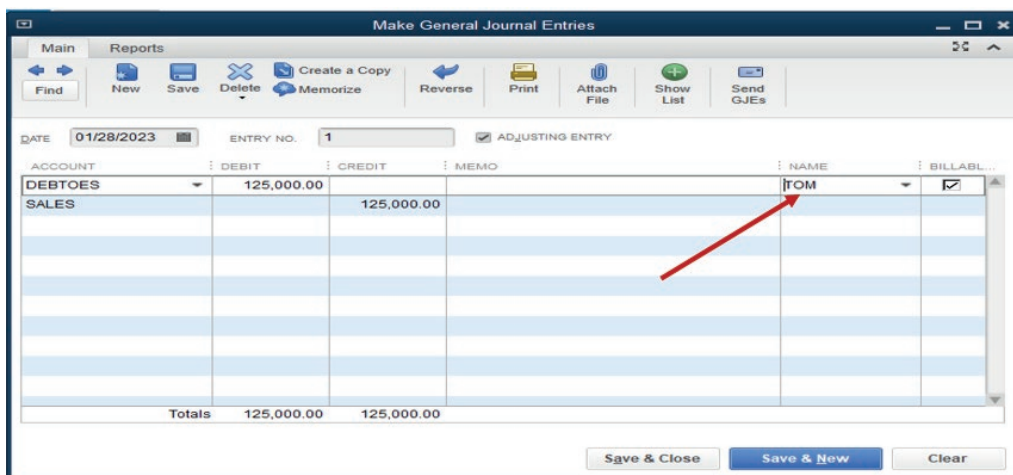


Figure 4.6 recording a sale transaction

A sale transaction is recorded, then Save & Close

4.1.2. Creating a sales (customer) invoice

A Customer invoice is an accounting document sent by seller of goods/services to a buyer. It records services rendered, items provided, the amount owed by the customer, and how they can make payment.

Invoices create legally binding agreements between business and buyers, especially for larger purchases. This type of customer invoice is created based on a sales order, which includes order lines and item numbers.

Sales order

This is a document hold by the business from its customer ordering the business to supply determined goods or services.

For our case, the cooperative has on order from a customer KAMBALE who ordered two items: Beans and sorghum.

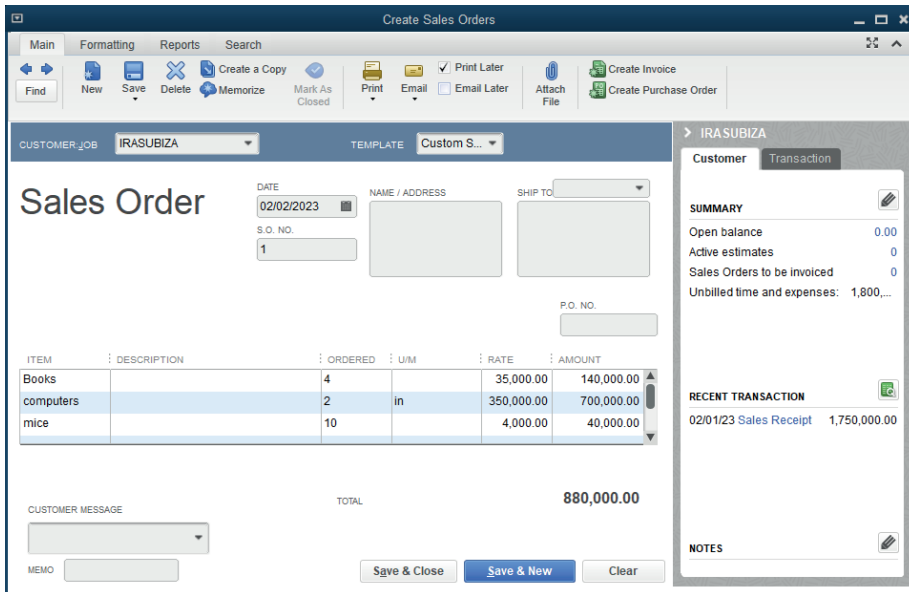


Figure 3.13 Sales order Document

It is a responsibility of the business to create an invoice to its customer for detailing goods or services that the customer ordered, the business is to deliver (or delivered) for getting customer know exactly how much she/he owes the business. The invoice is created through this process by starting on QuickBooks home page,

Click on Create Invoice

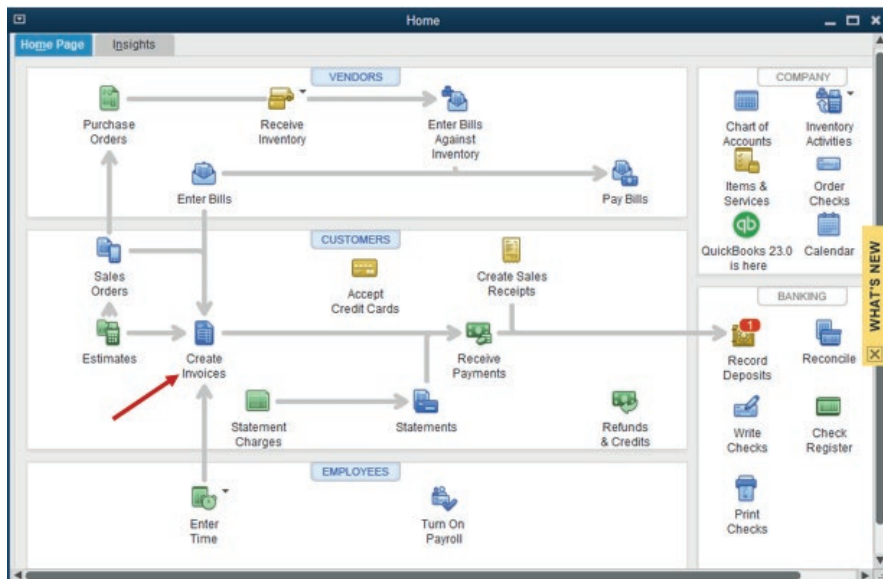


Figure 3.14 icon used in invoice creation

Then a customer invoice window appears as below:

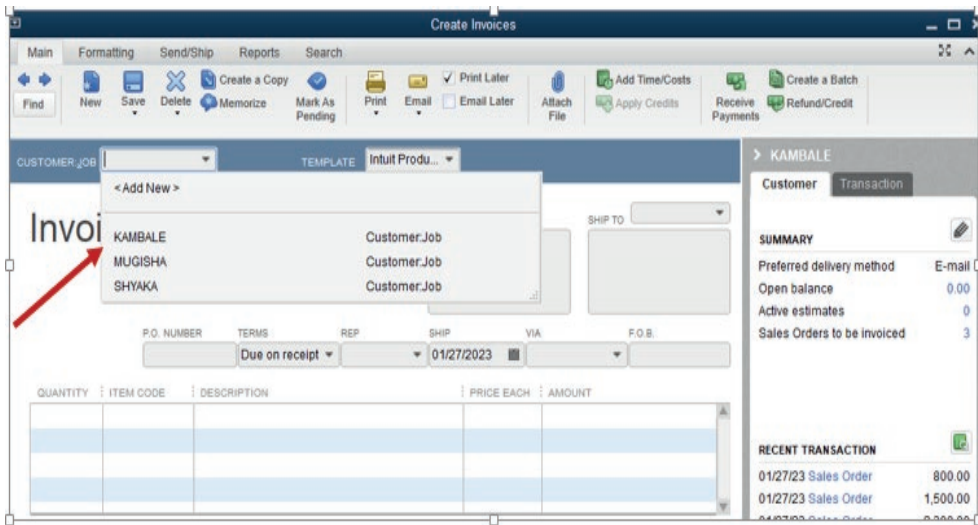


Figure 3.15 list of invoices created

The invoice goes to customer KAMBALE. So, the user selects KAMBALE from the list of customers. The invoice consists the following:

The invoice number

Terms of payment

Date and details of goods supplied.

Click Save &Close.

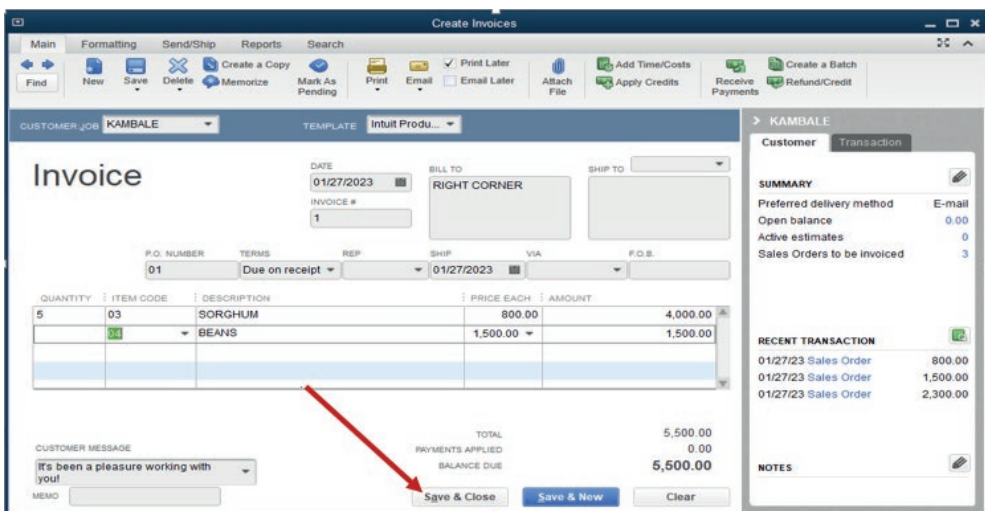


Figure 3.16 Saving an invoice created



Application Activity 4.1.

1. Define a transaction
2. What is a credit sales?
3. Record the transaction below and display the sales invoice to the customer KAREMERA

CUSTOMER	ITEMS	QUNTITY/Kgs	PRICE PER UNIT/
KAREMERA	CABEGES	40	1,000
RUGABA	TOMATOS	23	2,500
AMINA	ONIONS	82	1,250



Learning Activity 4.2.

The financial success of a business depends on selling goods or services to customers, or clients. The more goods or services sold, the more income the business makes. There are a number of different ways that customers pay for goods and services sold to them. Sometimes payment is received immediately and sometimes payment is received later. In the trading Industry, customers or clients pay for goods and services and the like. These transactions require the use of cash. Cash means the form of payment the customer uses such as notes and coins, checks, debit or credit cards and cheques.

1. Discuss the cash transaction effects on business account
2. How this transaction is recorded in QuickBooks?

4.2. Cash/ cheque sales transactions

A cash sale is a business transaction in which the buyer pays for goods or services at the time of the purchase. In a cash sale, payment is immediate. How the buyer pays doesn't matter, as long as there is a transfer of monies. It can be: Cash: The buyer counts the bills and coins and hands it over to the seller. It can be the cheque or payment cards for transferring money from the customer

account to the seller's account.

A cash sales transaction affects two accounts: Cash /bank which is debited as it is a current asset and the sales account which is credited as it is an income.

4.2.1. Record a cash sale

In QuickBooks, a cash sales transaction is recorded as here under:

Step 1. Click on company menu on QuickBooks home page, then select **Make General Journal Entries**

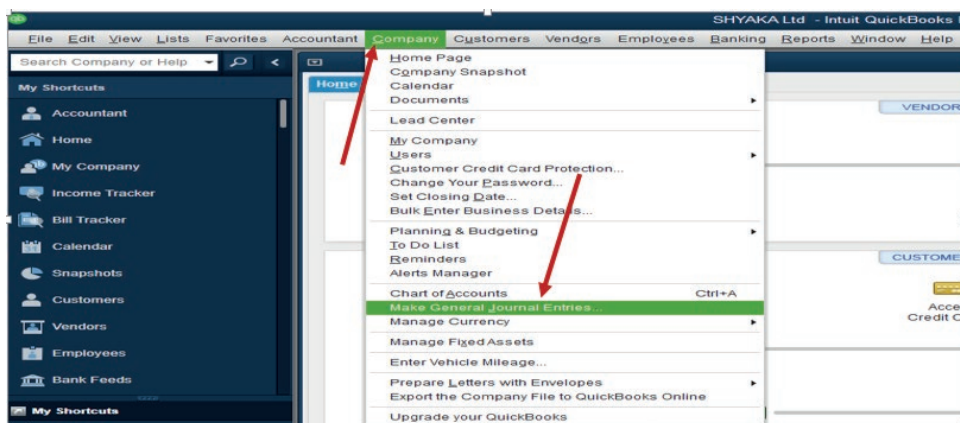


Figure 4.10 Make General Journal Entries

Step2. Complete the general journal

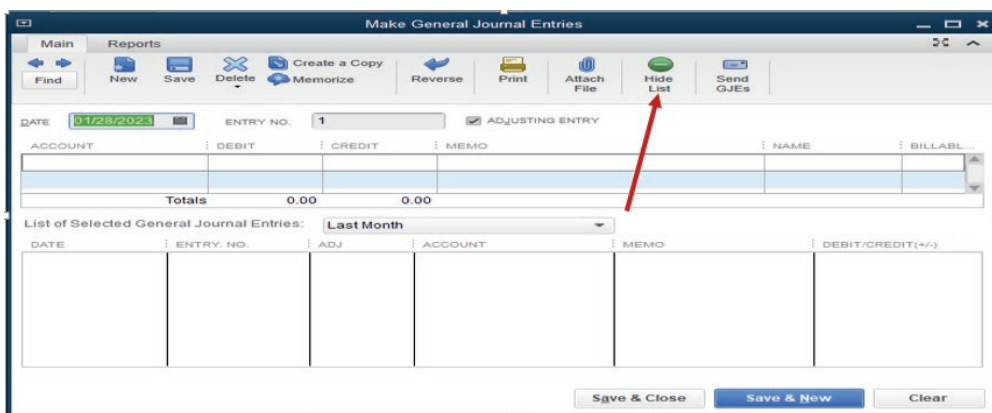


Figure 4.11. General journal to use for recording

The first part of the window is for double entry and the bottom part shows the number of transactions concluded. For having a clear field for recording, the

bottom part should be hidden by clicking Hide List

Example:

SHYAKA Ltd started its business activities in January 2022. During January the cash and cheques sales transactions concluded with all of its clients are valued at FRW 521,000 and FRW 755,000 respectively.

To record this transaction in the general journal, of course the cash, bank and sales account are already created in the chart of account. If not QuickBooks gives an option to add new account while recording. Here all the accounts are created in chart of account.

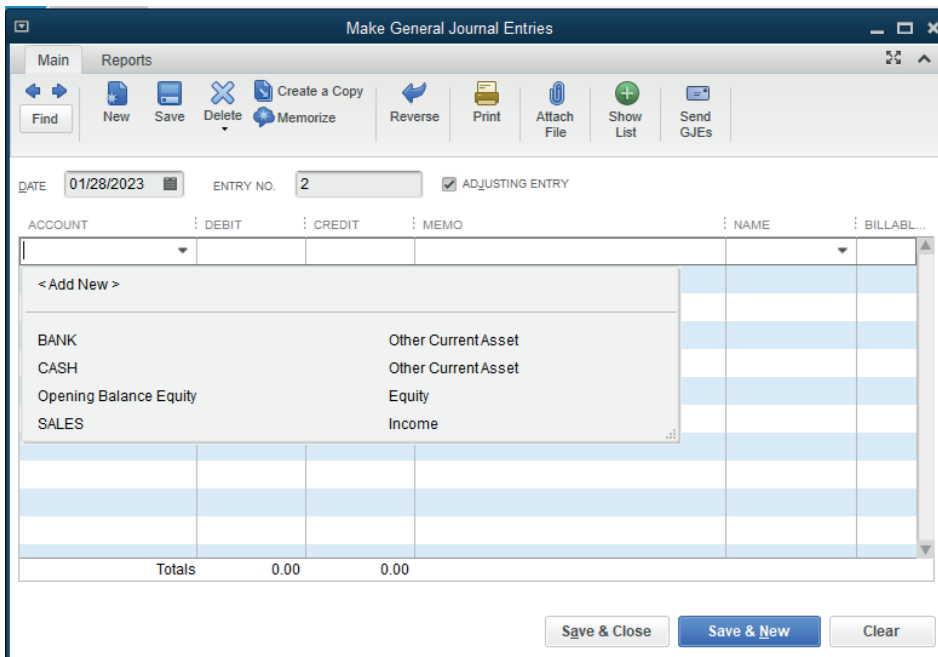


Figure 4.12. Option to record a sales by cheque and by cash

The next step is to debit the account to be debited and credit the account to be credited respecting the rule of double entry. **It means:**

Debit Cash account	521,000
Credit Sales account	521,000
Debit Bank account	775,000
Credit Sales account	755,000

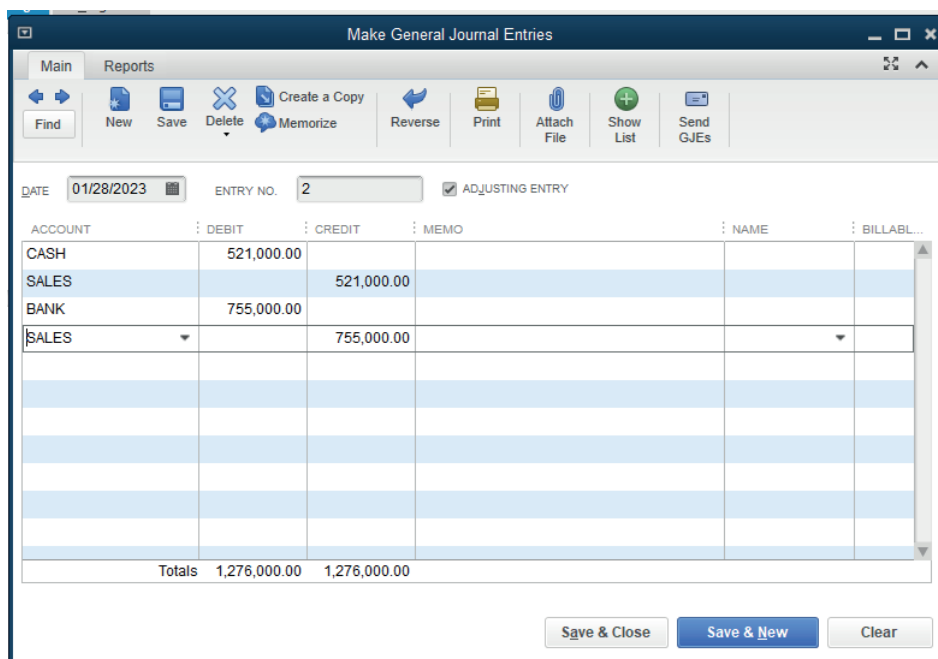


Figure 4.13. Sales by cash and by cheque record

A sale transaction is recorded, then Save & Close

4.2.2. Receiving the payment

This occurs when a payment is received from a customer for goods or services supplied. The customer who received the invoice has the option to sign a cheque and send it to the business. He can also deposit cash on business account and submit the bank deposit slip to the business or pay cash in hand to the business premises.

For our case, KAMBALE paid by cheque. To process this in QuickBooks, click on Receiving Payment on QuickBooks home page for getting the following window.

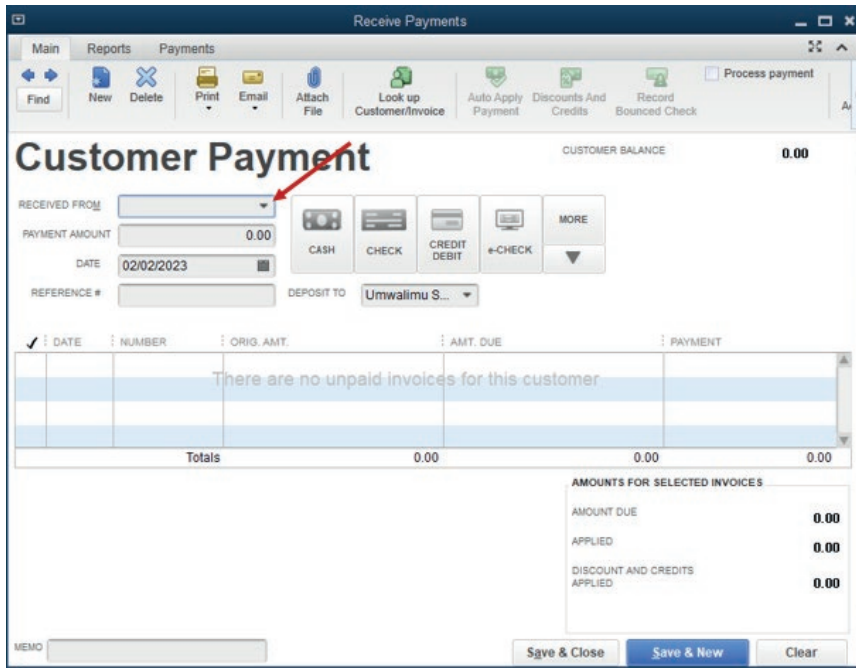


Figure 3.17 Selecting customer paid

This gives the option to enter the customer's name where the payment is from, the amount to receive, and after this, check whether the amount is equivalent with the invoice. If yes, Click on Save & close

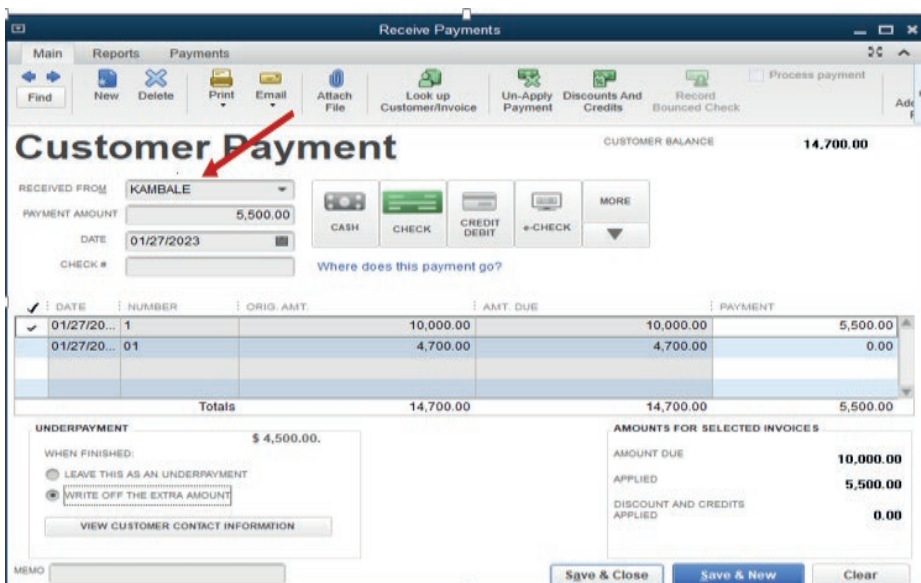


Figure 3.18. save a payment of customers

Save & close leads to the step of confirming the account to which the payment goes.

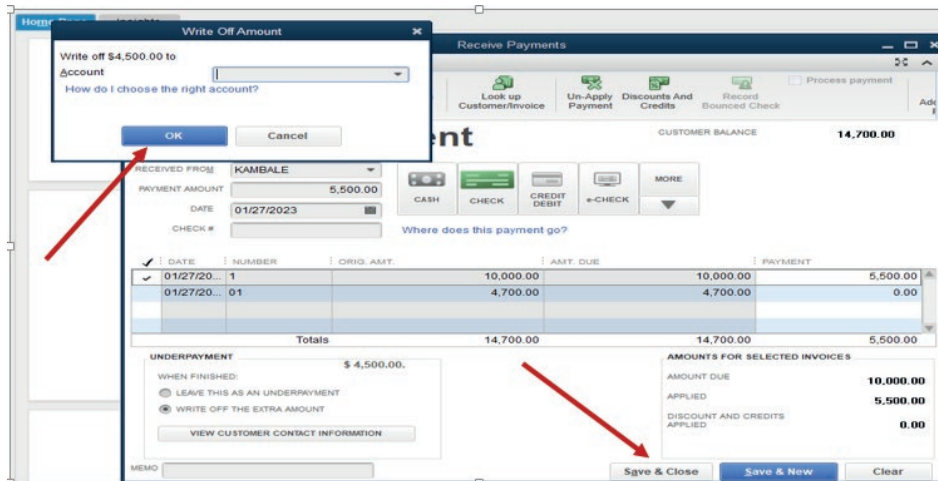


Figure 3.19. Selection of receiving account

Select the account from the list

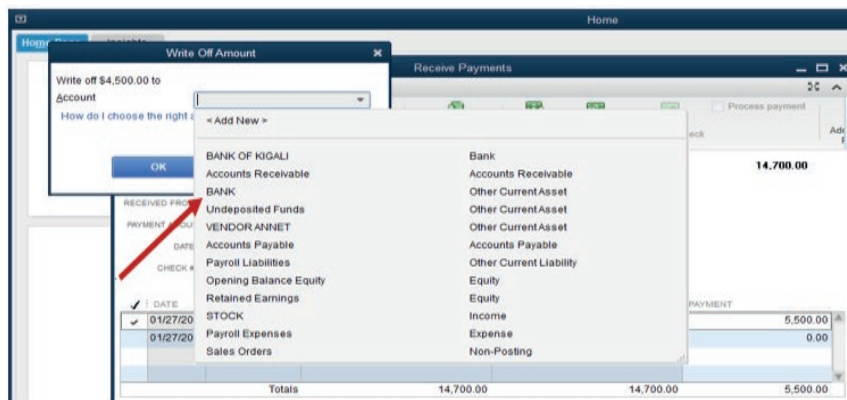


Figure 3.20 Confirmation of receiving Account

Because the payment is done by cheque, the account is Bank. Then OK.



Figure 3.21. The receiving account is Bank

4.2.3. Recording the payment

Cash or cheque payment from customers must be recorded in business books accounts. QuickBooks recognizes any unrecorded payment and the notification is shown on its home page as below:

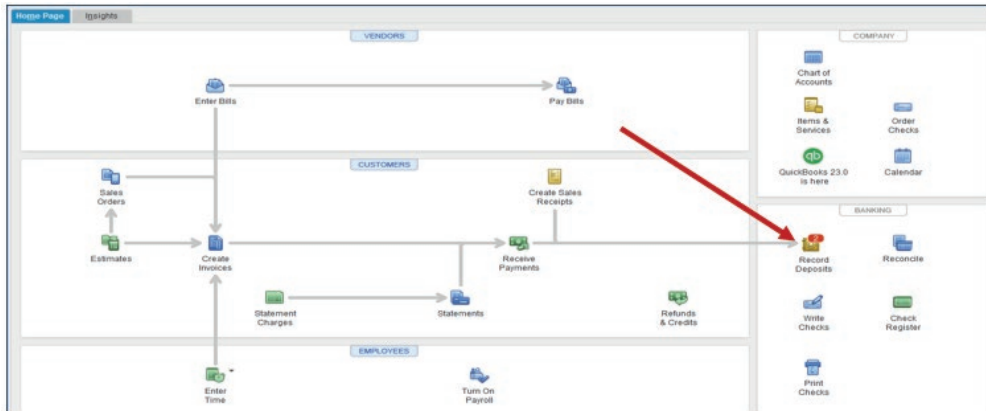


Figure 3.22. QuickBooks Home Page deposit notification

Once we click on notification, the below window showing the date, type of transaction, payment method, the names of customer who is paying and total amount paid appears. Click Save & Close

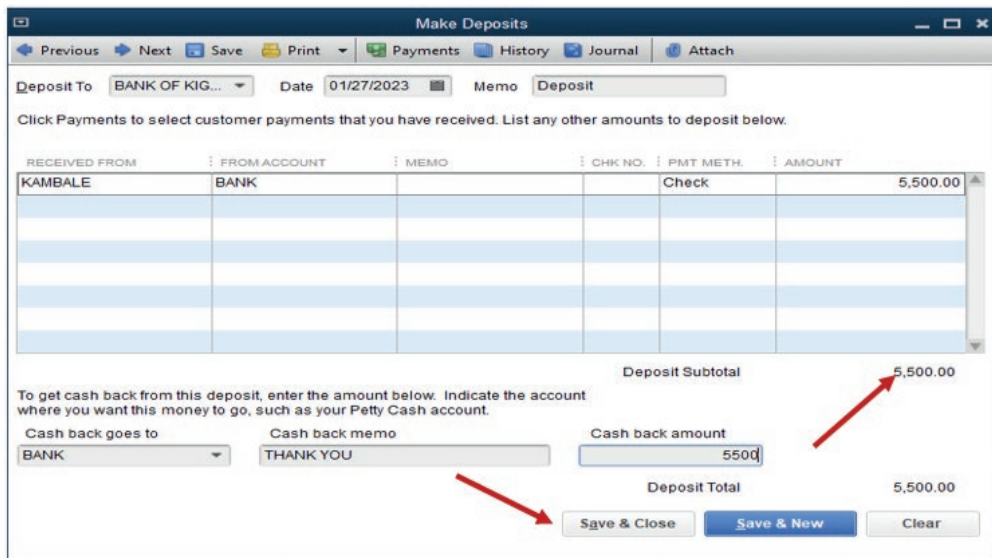


Figure 3.23. Cash Deposit slip

4.2.4. Sales receipt

A sales receipt is a transaction record that the seller issues at the time of sale to verify the provided product or service and the amount the buyer paid. It is a proof of payment. It is written by the selling business to its customer when the payment against goods or services provided is over.

In QuickBooks, a sales receipt is created as following:

Clicking on Create Sales Receipt tool on QuickBooks home page and getting the below window:

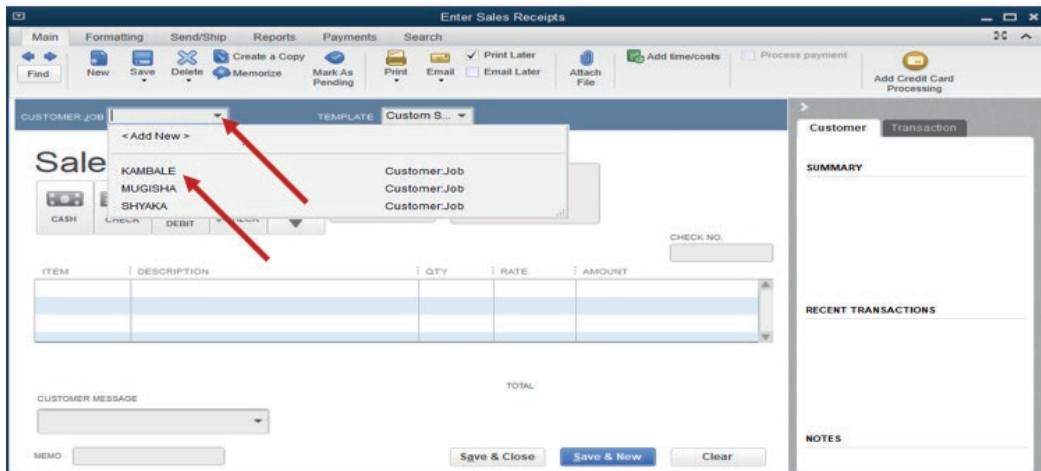


Figure 3.24. creation of sales receipt

From this, KAMBALE is a customer to whom a receipt belongs. So the user has to add the items and quantity that the customer is paying for, customer message if necessary, cheque number... Once the below window appears and there is an exact amount as is per invoice, click save & close

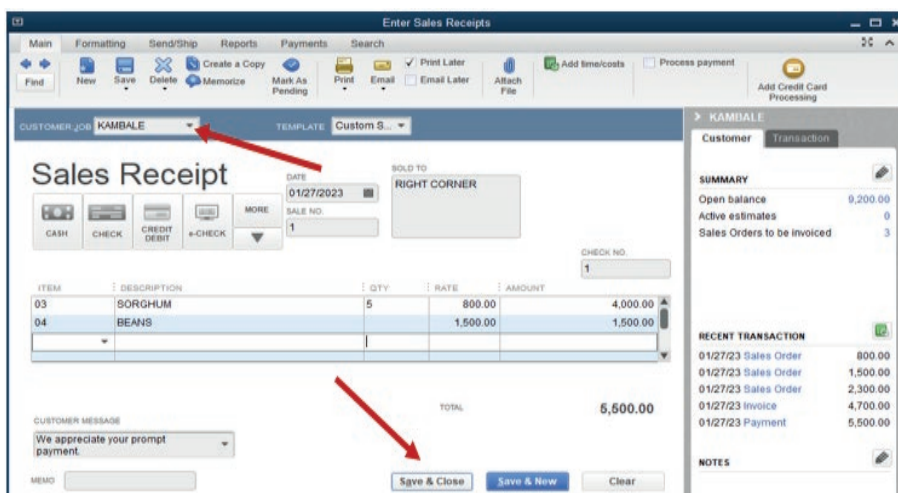


Figure 3.25. selection of the concerned customer



Application Activity 4.2.

1. Make a clear difference between sales and cash transactions
2. During the month of December 2022, B2C Co. Ltd concluded the following sales transactions:

Sales on credit to; Teddy: FRW45, 740, Moise: FRW 347,600, Allen: FRW 245,000

Required:

- Record the above transactions in the journal of B2C Co. Ltd
- Prepare the sales receipt.



End of Unit Assessment

1. Differentiate:
 - a) Vendor from a customer
 - b) Order from invoice
2. Mrs. Alex, the owner of BEST ELECTRONIC Ltd stated the business in January 2020. He purchases the items below:

Items	Price per unit(FRW)	Quantity
Computer	250,000	10
Mobile Telephones	450,000	50
Radios	500,000	100
TVs	650,000	120

SAMSUNG 250 is Alexis' supplier of computer and telephones while RWIZA Ltd supplies Computers and TVs. Vision 2050 is a customer of both Radios and TVs. You are hired as an accountant of BEST ELECTRONCS and the company uses QuickBooks in preparation of its reports.

Required:

3. Create the list of items
4. Enter the vendors and customers
5. Prepare the bills for received items
6. Record the payments to the vendors
7. Prepare the order on behalf of customer, invoice and receive payment
8. Record the payment from the customer

UNIT 5

PURCHASES AND PAYABLES



Key unit competence: Apply the rules of cash, cheques, credit sales and account receivable transactions in QUICKBOOKS



Introductory Activity

Mr. MUGISHA has a shoes shop. He uses to purchase from different suppliers on credit basis and then pay after selling.

1. Explain the credit purchase
2. Advise him on process of recording transaction be recorded in QuickBooks?

5.1. Credit purchase transactions



Learning Activity 5.1.

DUFATANYE SOTRE is engaged in sales of fruit and vegetables in KIMISAGARA market. The customers in the morning purchase on credit for paying in the evening after selling.

- Advise the DUFATANYE SOTRE on the ways of recording its daily sales
- If DUFATANYE SOTRE needs to use QuickBooks in recording, explain to its accountant the steps of creating a sales invoice

The term “credit purchase” refers to a situation where a buyer or a customer conclude a purchase of goods or service from the supplier and promises to pay on future date. It is a purchase transaction on the side of the buying entity but a sales transaction on the side of the seller.

When goods or services are bought by a business on account or on credit for reselling later, we can then say that Credit Purchases have taken place in accounting. As with purchases, credit purchases can be used to buy goods and services however these are on credit or on the account.

Due to the credit purchase, an account receivable and an account payable are then created. The account payable is the current liability for the buyer, and they will pay the supplier at an agreed later date. The buyer should record it as a Credit Purchase.

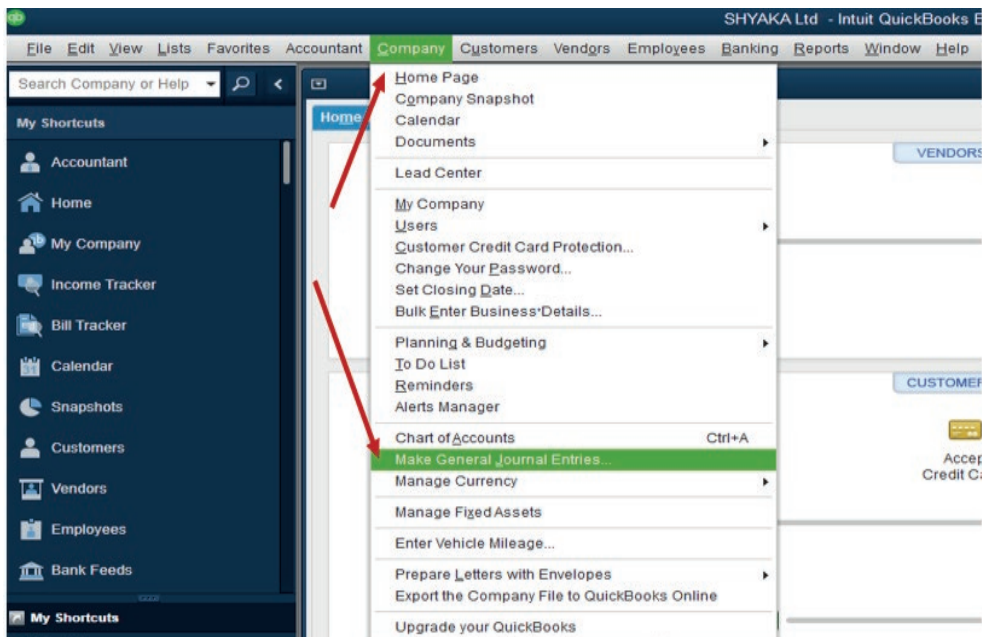
From the viewpoint of the supplier, they should record it as an account receivable, it will be considered a current asset and it should be recorded in Accounts Receivable Subsidiary Ledger.

5.1.1. Record a credit purchase

A credit purchase transaction starts with the purchase order. A purchase order is a document written by the buyer to the seller just ordering him/her to supply ordered good or services. A supplier who receives an order from the buyer tries to deliver goods or services which can be paid either directly or in future date.

In QuickBooks, a credit purchase transaction is recorded as here under:

Step 1. Click on company menu on QuickBooks home page, then select **Make General Journal Entries**.



Step2. Complete the general journal

The screenshot shows the 'Make General Journal Entries' window. The top menu bar includes 'Main' and 'Reports'. Below it is a toolbar with icons for Find, New, Save, Delete, Create a Copy, Memorize, Reverse, Print, Attach File, Hide List, and Send GJEs. The 'DATE' is set to 01/28/2023, 'ENTRY NO.' is 1, and 'ADJUSTING ENTRY' is checked. The main table has columns for ACCOUNT, DEBIT, CREDIT, MEMO, NAME, and BILLABL... The 'Totals' row shows 0.00 for both DEBIT and CREDIT. Below the table is a dropdown menu for 'List of Selected General Journal Entries:' set to 'Last Month'. At the bottom are buttons for 'Save & Close', 'Save & New', and 'Clear'. A red arrow points to the 'Hide List' button.

The first part of the window is for double entry and the bottom part shows the number of transactions concluded. For having a clear space for recording, the bottom part should be hidden by clicking Hide List

Example: SHYAKA Ltd started its business activities in January 2022. During January the purchase transactions concluded with all of its creditors is valued at FRW 456,500. To record this transaction in the general journal, of course the creditors and purchase account are already created in the chart of account. If not QuickBooks gives an option to add new account while recording.

Debit purchase account: 456,500

Credit creditors account: 456,500

The screenshot shows the 'Make General Journal Entries' window with the 'Show List' button highlighted in the toolbar. The main table has a dropdown menu in the 'ACCOUNT' column with the text '< Add New >'. A red arrow points to this dropdown menu. The rest of the window is identical to the previous screenshot.

As there is no debtors and sales accounts created in chart of account, we can add them by the normal way of account creation, account type, continue, account name then **Save&Close** or **Save&New**. Through this, a debtor account is created and debited with FRW 125,000. Sales account is created and credited with the equivalent amount.

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BILLABLE?
PURCHASE	456,500.00				
CREDITOR:IBRAHIM		456,500.00		IBRAHIM	
Totals	456,500.00	456,500.00			

- A. A debited account (purchase)
- B. A credited account (Creditor)
- C. Name of supplier

In case there is specific customer name, it can be added on the name column for clarifying who is the debtor.

A purchase transaction is recorded, then **Save &Close**

5.1.2. Purchase invoice

A purchase invoice is an invoice used to record the purchase of goods or services by a company. The purchase invoice will include the same information as a regular invoice, but it will also list the terms of the purchase agreement and any discounts that were negotiated.

An invoice is issued by the seller (or vendor) upon completion of the terms as outlined in the purchase order. An invoice includes the previously agreed upon price that the buyer should pay now that the order has been completed.

In QuickBooks, if goods or services are received by the company from the vendor, an invoice is checked for ensuring the conformity with order and paid later. The following is the purchase invoice from vendor that details the items received for being paid.

Bill

VENDOR: BUNANI DATE: 03/07/2023

ADDRESS: GOOD LUCK REF. NO.: AMOUNT DUE: 3,500.00

TERMS: BILL DUE: 03/17/2023

MEMO:

Expenses \$0.00 Items \$3,500.00

ITEM	DESCR...	QTY	COST	AMOUNT	CUSTOMER-JOB	BILLABLE?
01	SOAP		1,000.00	1,000.00		
02	BODY LOTION		2,500.00	2,500.00		

Buttons: Save & Close, Save & New, Clear

BUNANI

Vendor Transaction

SUMMARY

Phone 43656
Open balance -25,000.00

RECENT TRANSACTION

03/07/23 Credit 5,000.00
03/07/23 Credit 20,000.00

NOTES

This is a purchase invoice entered in the QuickBooks for being paid.

ANTONY Ltd
Vendor Balance Detail
All Transactions

Type	Date	Num	Account	Amount	Balance
BUNANI					
▶ Credit	03/07/2023		Accounts Payable	-5,000.00	-5,000.00
Credit	03/07/2023		Accounts Payable	-20,000.00	-25,000.00
Total BUNANI				-25,000.00	-25,000.00
TOTAL				-25,000.00	-25,000.00

The company keeps the purchase invoice valued at 25,000FRW to be paid to ANTONY Ltd for soaps and body lotion purchased on credit.



Application Activity 5.1.

1. Define a credit purchase transaction
2. What are the account affected by any business credit purchase transaction?
3. MUGEMANA, a sole trader in Bushenge market purchased goods valued at 743,980FRW on credit from supplier GATO.

Record this transaction in his general journal.

5.2. Cash/ Cheque purchase transactions



Learning Activity 5.2.

JACKY SHOP uses to purchase goods and services and pays directly for keeping its current assets free from liabilities.

- Is there advantages of purchasing by cash? Explain to Jacky.
- Advise her to the recording of cash purchase.

A cash purchase transaction is a transaction where there is an immediate payment of cash for the purchase of goods or services.

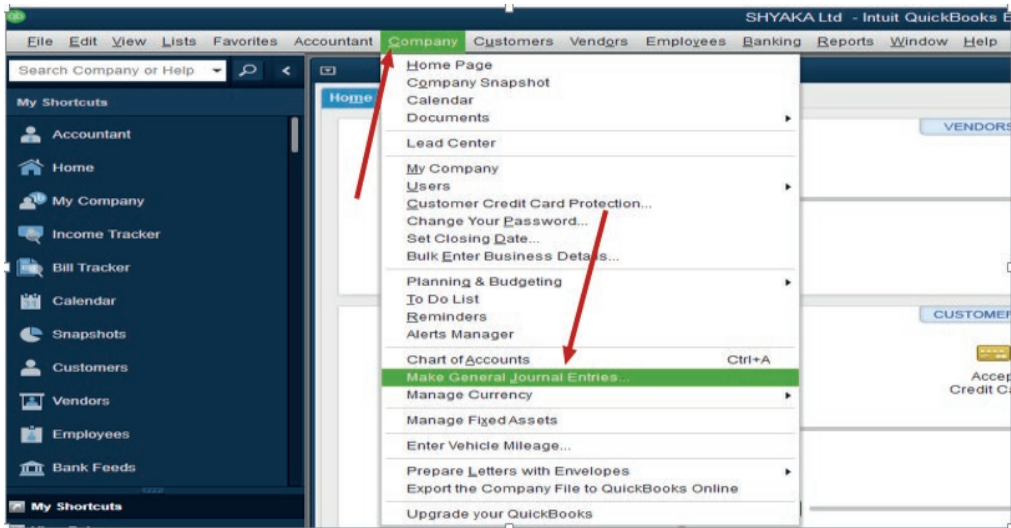
The common definition of a cash transaction is an immediate payment for the goods or services bought. However, the term can have diverse meanings because some time cheques or payment cards are used to pay goods or services and it is always considered as a cash transaction.

5.2.1. Record a cash purchase

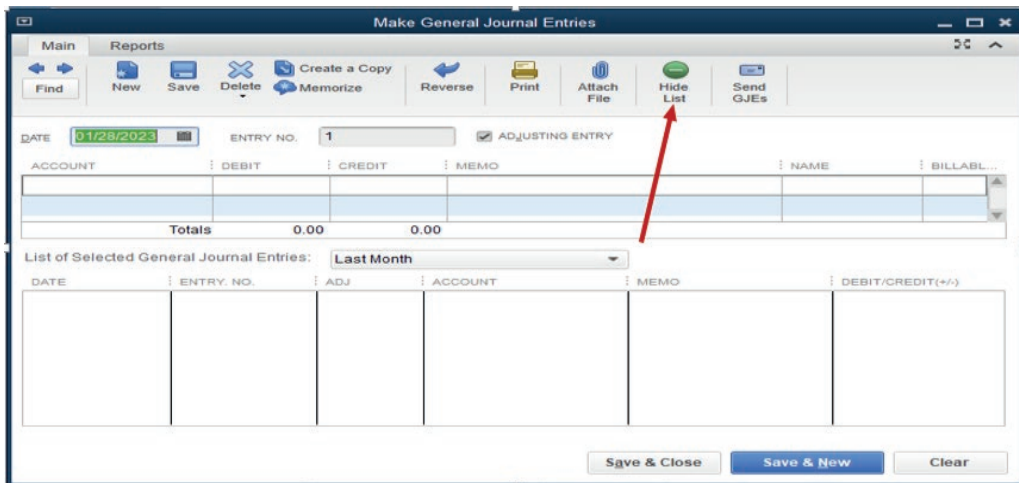
A cash purchase transaction affects two accounts: Cash /bank which is debited as it is an increase in current asset and the sales account which is credited as it is an income.

In QuickBooks, a cash purchase transaction is recorded as here under:

Step 1. Click on company menu on QuickBooks home page, then select **Make General Journal Entries**



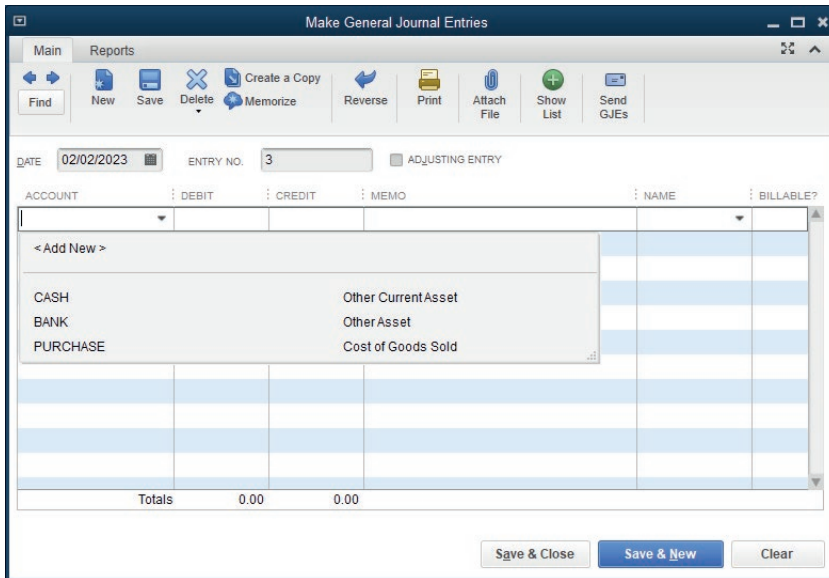
Step2. Complete the general journal



The first part of the window is for double entry and the bottom part shows the number of transactions concluded. For having a clear field for recording, the bottom part should be hidden by clicking. Hide List

Example: SHYAKA Ltd started its business activities in January 2022. During January the cash and cheques purchase transactions concluded with all of its suppliers are valued at FRW 815,800 and FRW 345,860 respectively.

To record this transaction in the general journal, of course the cash, bank and purchase account are already created in the chart of account. If not QuickBooks gives an option to add new account while recording. Here all the accounts are created in chart of account.



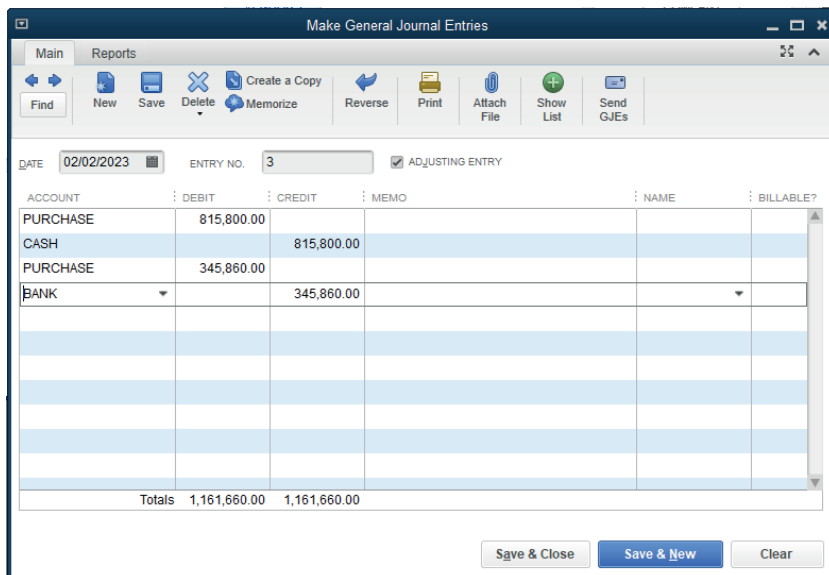
The next step is to debit the account to be debited and credit the account to be credited respecting the rule of double entry. It means:

Debit Purchase account: 815,800

Credit Cash account: 815,800

Debit Purchase account: 345,860

Credit Sales account: 345,860



A purchase transaction is recorded, then Save & Close

5.2.2. Paying the bill

The following steps will be followed for paying vendor bill:

1. Go to the **Vendors** menu, then select Pay Bills.
2. Select the correct accounts payable account from the dropdown.
3. Select the checkboxes of the bills you want to pay from the table.
Note: To unmark or mark all the bills in the list, select **Clear Selections** or **Select All Bills**.
4. Set any discount or credit that you want to apply to the bills.
 - **Discount** - Select this if your vendor gave you a discount for this transaction.
 - **Credit** - Select this if you received a credit from your vendor, and you used it to reduce your total bill amount.
5. Enter the date you paid the bill.
6. Select the payment method:
 - **Check** Select **Assign check number** if you plan to manually write the check. Select **To be Printed** to print the check or add it to the list of checks to print.
 - **Credit Card** - You can use credit cards to pay bills, then print a payment stub.
 - **Online Bill Payment** - You can directly pay your vendor bills in QuickBooks. It also records your payment automatically so your reports are accurate.
 - **Online Bank Payment** - The payment processor will print and mail a check to the employee. You can select **Include reference number** if you want the bill or credit reference number to be sent along with your name and account number.
 - **Cash, Debit or ATM card, Pay pal, or EFT** - You can select **Check**, then **Assign check number** even when you're not paying with an actual check. Enter the type of payment in the check number field or leave it blank.
7. Select **Pay Selected Bills**.
8. Select **Done**, or select **Pay More Bills** if you have other bills you need to pay.



Application Activity 5.2.

1. Define a cash purchase
2. List the steps followed in recording a cash purchase
3. Mr. Gashugi purchased goods valued at 2,00,500 FRW by cash. He also paid 134,550 FRW by cheque for services rendered to him. Record the transaction in QuickBooks and display it.

5.3. Cash/ Cheque purchase transactions and payment processes



Learning Activity 5.3.

Rurangwa is a sole trader who uses to purchase goods and services from different suppliers. It is his policy to pay directly when goods are delivered to his company. Discuss the importance of his policy.

A cash transaction refers to a transaction which involves an immediate outflow of cash towards the purchase of any goods, services, or assets. Cash transaction can be consumer-oriented or business-oriented. A cash transaction stands in contrast to other modes of payment, such as credit transactions in a business involving bills receivable. Similarly, a cash transaction is also different from credit card transactions.

5.3.1. Recording the payment

In QuickBooks, the payment is done either by cheque or credit card. **The accounting entry for this transaction is as follow:**

Debit: the vendor (Creditor)

Credit: the bank or credit card

Make General Journal Entries

Main Reports

Find New Save Delete Create a Copy Memorize Reverse Print Attach File Show List Send GJEs

DATE: 03/07/2023 ENTRY NO.: 1 ADJUSTING ENTRY

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BILLABL...
BUNANI	3,500.00				
BANK OF KIGALI		3,500.00			
Totals	3,500.00	3,500.00			

Save & Close Save & New Clear

Cash or cheque purchase has the advantages below:

- Convenience for small purchases and tipping
- Lower transaction costs
- Negotiating power
- Buyer anonymity
- Budgeting and debt avoidance
- Preparing for emergencies

5.3.2. Payment receipt

This is a document kept by the company from the vendor as a proof of payment. A copy of it is kept by the vendor. A payment receipt, also known as a receipt of payment, is a document issued from a business to its customer when they have received payment for provided goods or services.

This can apply either to partial or full payments, showing a clear record of how much money has been received and what is still owed. Cash payment receipts are useful documents both for the buyer and seller. Buyers can see where they stand with payment, viewing a clear record of what they have paid for. Sellers can verify the date and other details of a purchase, using this information to create more detailed financial statements later. In the case of partial payments, receipts are also helpful as they serve as reminders for outstanding balances.



Application Activity 5.3.

1. What is a cash transaction?
2. List the importance of cash or cheque purchase transaction



End of Unit Assessment

1. Make a clear difference between credit purchase and cash purchase transactions
2. During the month of December 2022, B2C Co. Ltd concluded the following Purchase transactions:

Purchase on credit to; Meddy: FRW 74,450, Modeste: FRW 645,000, Arsine: FRW 245,000, Cash purchase: 357,450

Required:

- Record these transactions in the journal of B2C Co. Ltd
- Prepare the sales receipt.

UNIT 6

FINDING AND CORRECTING OMISSION AND MISSTATEMENTS



Key unit competence: Correct errors in the account balances using QUICKBOOKS



Introductory Activity

Mr NGOGA Frank is an accountant in ABC Ltd. During the month of November 2022, he recorded and posted the following transactions:

- Purchase of goods valued at 34,000 Frw by cash and he debited both purchase and cash account.
- Taking goods worth 12,500 Frw for his own use and no entry has been made
- The company sold the unused part of its land, the accountant debited land and credited sales account.
- Cash banked FRw. 390 had been credited to the bank column and debited to the cash column in the cashbook.
- Cash drawings of FRw. 400 had been credited to the bank column of the cashbook.

In preparation of final report, some imbalances occurred.

- a) For each case, show whether the transaction is posted correctly
- b) What do you think is the causes of the imbalance?
- c) How can this be solved?

Recording transactions, posting to the various accounts and extraction of list of account balances, it is possible for errors to be committed. Such errors may or may not affect the totals of the list of account balances. Recall that if the totals of the list of account balances equal, then this shows arithmetical accuracy in recording and posting of transactions.

Now it should be said, this does not mean non-existence of errors. It is possible for some errors not to affect the totals being equal for the list of account balances. Some errors can affect too the total of list of account balances. For those errors that affect the trial balance, quick books detect them before ending the recording process.

6.1. The errors that do not affect the trial balance: Error of omission, Error of Commission, Error of principle



Learning Activity 6.1.

After all transactions have been posted from the journal to the ledger, it is a good practice to prepare a trial balance. A trial balance is simply a listing of the ledger accounts along with their respective debit or credit balances for self-check to determine that debits equal credits.

Do you agree with the statement that if the debit side of trial balance is equal to the credit side of trial balance, there is no error committed in posting transactions? Discuss your answer.

In Accounting, errors refer to the common mistakes made while recording or posting accounting entries. These discrepancies are not fraudulent and generally unintentional. Errors that do not affect the List of account balances (trial balance) are the ones that totals of the list of account balances equal each other.

However, on taking a close check on the balances and transactions posted, errors may have been made and therefore the balances shown on the list of account balances may be incorrect. Quick books cannot detect such errors.

The following errors will not affect the totals of list of account balances

6.1.1. Error of omission

Here, a transaction is completely omitted from the accounts and therefore the double entry is not made.

For example, a sales invoice of Frw 400 is not posted in the sales journal therefore no entry is made in the debtor's account and the sales account. That is both debit of Frw 400 in debtor's account and credit of Frw 400 in the sales account.

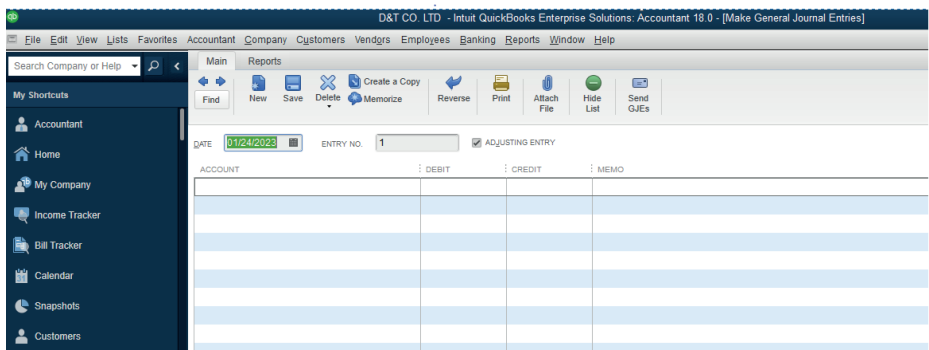


Figure 6.1. Error of omission. No entry is made.

FRW FRW

Debit: Account to be debited XX

Credit: Account to be credited XX

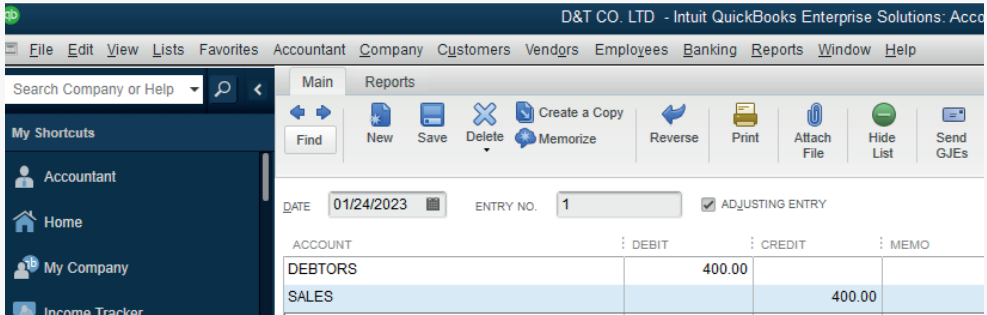


Figure 6.2 To correct error of omission

The effect of the omission of the sales invoice is that it understates both the debtors and the sales.

To correct this error, the transaction is posted in the books by:

FRW FRW

Debit Debtors account 400

Credit Sales account 400

To correct error of omission

6.1.2. Error of Commission

This error occurs when a transaction is posted to a wrong account but the account is of the correct class of account. Example: A credit sale to B. Kundwa is posted to B. Kunda's account for an amount of Frw 5200. Instead of a debit to B. Kundwa account it is made to B. Kunda's account and the corresponding credit in the sales account is correct.

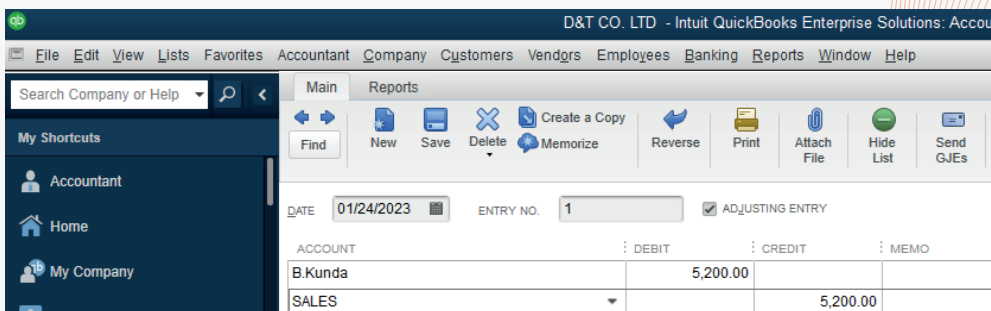


Figure 6.3 Error of Omission

To correct the error,

	FRW	FRW	
Debit Account to be debited	XX		
Credit Account to be credited		XX	

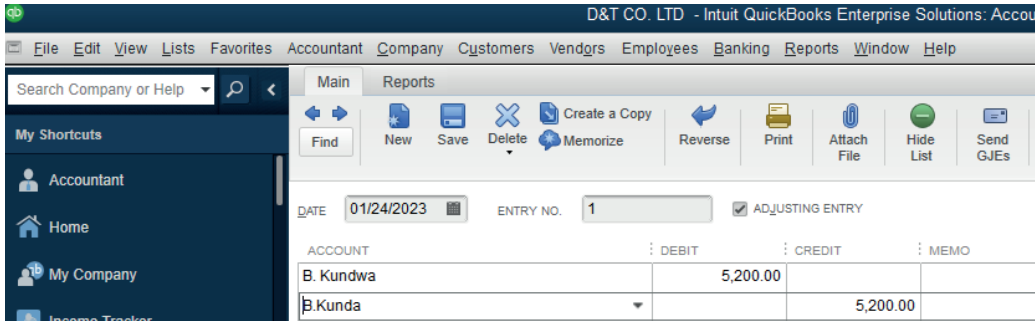


Figure 6.4 To correct error of commission

Although the debit entry is made into the wrong account, the two accounts are of the same class of Debtors. To correct this error a transfer is made from B. Kunda account to B. Kundwa by:

	FRW	FRW	
Debit B. Kundwa account	5200		
Credit B.Kunda account		5200	
To correct error of omission			

6.1.3. Error of principle

This type of error occurs when a transaction is posted to the wrong class of account. For example, Furniture purchased for FRw 423,000 cash is debited to the Furniture repairs account instead of debiting Furniture account, and the credit entry in the cashbook is correct.

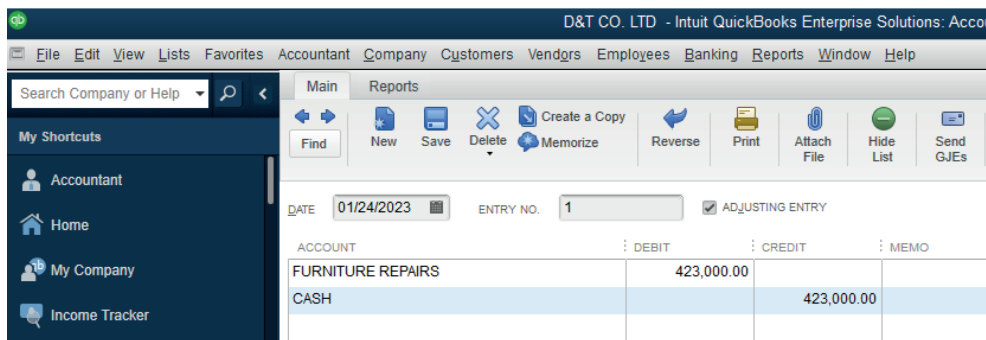


Figure 6.5: Error of principle

The furniture is a non-current asset, and a furniture repair is an expense. Therefore a capital expenditure has been posted as revenue expenditure.

To correct such an error, the amount in the wrong class of account has to be removed and transferred to the right class of account.

For this example

	FRW	FRW
Debit Furniture account	423,000	
Credit Furniture repairs account		423,000

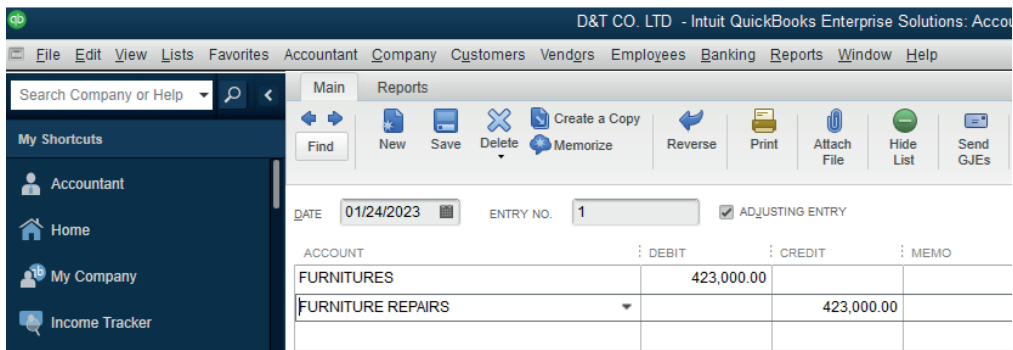


Figure 6.6 To correct the error of principle



Application Activity 6.1.

- Explain;
 - Error of omission
 - Error of commission
 - Error of principle
- The information bellow is from the books of Nelly. You are required to record them in the journal of Nelly by correcting the errors committed.
 - Cash sales worth 29,000 FRW has never been recorded
 - Cash Payment of stationary has been recorded correcting in cash and debited in salary account: 10,000 Frw
 - Furniture purchased for FRw 423,000 cash is debited to the Furniture repairs account instead of debiting Furniture account, and the credit entry in the cashbook is correct.

6.2. The errors that do not affect the trial balance: Complete reversal, Error of Original entry, Compensating Errors



Learning Activity 6.2.

It is human nature to commit some errors especially in recording financial transactions. This causes the imbalance in some list of account and requires adjustment. Suggest some of such errors

6.2.1. Complete reversal

A transaction is posted to the correct accounts but to the wrong sides of the accounts. That is a debit posted as a credit and a credit is posted as a debit in the right accounts. For example, discount received of FRw 7,120 is debited in the Discount received account and credited in the Creditor's account.

ACCOUNT	DEBIT	CREDIT	MEMO
DISCOUNT RECEIVED	7,120.00		
CREDITOR		7,120.00	

Figure 6.7: Error of complete reversal

To correct such an error, the entries have to be reversed first to cancel or correct the initial mistake then record the transaction rightly. As such the amounts will double.

For this example:

	FRW	FRW
Debit Creditor's account	14,140	
Credit Discount received account		14,140

ACCOUNT	DEBIT	CREDIT	MEMO
CREDITOR	14,140.00		
DISCOUNT RECEIVED		14,140.00	

Figure 6.8 To correct error of complete reversal.

Notice: The account to be debited is debited twice and account to be credited is credited twice too.

6.2.2. Error of Original entry

Here a transaction is posted to the correct accounts but the amount posted is not correct. That is, it is either under/over stated. It is possible that the figure in the amount might be interchanged. Such is a transposition error.

For example, cash received from a debtor of Frw 10,980 is posted to both debtor and cash account as Frw 10,890. The amounts were understated by Frw 90

ACCOUNT	DEBIT	CREDIT	MEMO
DEBTORS	10,890.00		
CASH		10,890.00	

Figure 6.9 error of original entry

To correct this error, the amount understated or overstated is posted to these accounts so as to increase or reduce the amounts in the accounts to get the right amount.

For this example:

	FRw	FRw
Debit Cash account	90	
Credit Debtors' account		90

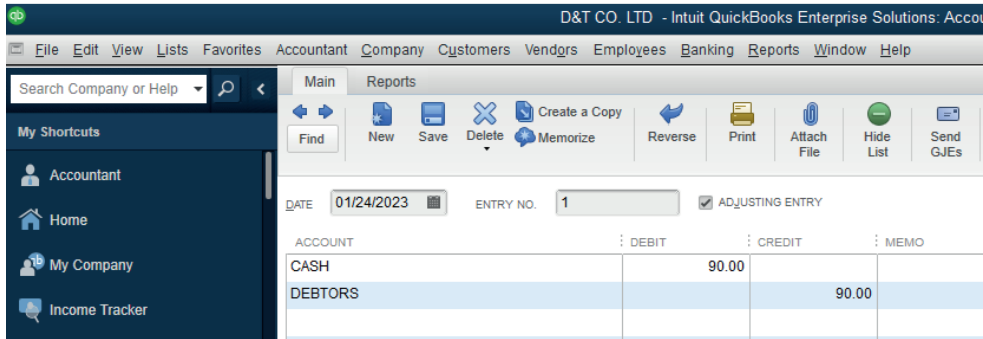


Figure 6.10 To correct the error of original entry.

6.2.3. Compensating Errors

These are errors that have the effect that tend to cancel out each other in amounts. That is, if the effect of one error is to understate the debits or credits then another error may take place to overstate the debits or credits by the same amount, hence canceling out each other.

For example, if the balance of bank account is Frw 435,000 but shown in the trial balance as FRw 345,500.

Capital:	Frw
Right amount	435,000
Wrong amount	<u>345,500</u>
Understatement	89,500

Accountant Company Customers Vendors Employees Banking Reports Window Help			
Customize Report		Comment on Report	
Share Template		Memorize	
Print		E-mail	
Excel		Hide Header	
Collapse		Refresh	
Dates	All	From	To
Report Basis: <input checked="" type="radio"/> Accrual <input type="radio"/> Cash		Show Filters	
2:00 PM		D&T CO. LTD	
01/24/23		Trial Balance	
Accrual Basis		All Transactions	
Jan 24, 23			
	Debit	Credit	
CASH	300,590.00		
DEBTORS		90.00	
CREDITOR	31,245,000.00		
CAPITAL		345,500.00	
SALES		31,245,000.00	
PURCHASE	45,000.00		
TOTAL	31,590,590.00	31,590,590.00	

Figure 6.11 Company trial balance capital account overstated.

The balance C/D of capital is Frw 435,000 but it is recorded in the general journal as Frw 345,000. It has been under casted by Frw 89,500. This undercast affected both the capital account on its credit side and the debit side of cash account with the same amount.

Another error carried to the trial balance of furniture account amounting to FRw 493,950 instead of Frw 404,450

Furniture:	Frw
Right amount	493,950
Wrong amount	<u>404,450</u>
Overstatement	89,500

D&T CO. LTD - Intuit QuickBooks Enterprise Solutions: Accountant 18.0 - [Trial Balance]

Accountant Company Customers Vendors Employees Banking Reports Window Help

Customize Report Comment on Report Share Template Memorize Print E-mail Excel Hide Header Collapse Refresh

Dates All From To Sort By Default

Report Basis: Accrual Cash Show Filters

2:49 PM
01/24/23
Accrual Basis

D&T CO. LTD
Trial Balance
All Transactions

Jan 24, 23

	Debit	Credit
CASH	300,590.00	
DEBTORS		90.00
FURNITURES	493,950.00	
CREDITOR	30,751,050.00	
CAPITAL		345,500.00
SALES		31,245,000.00
PURCHASE	45,000.00	
TOTAL	31,590,590.00	31,590,590.00

Company trial balance. Furniture account overstated.

The balance of furniture account is Frw 404,450 but it is recorded in the general journal as Frw 493,950. It has been overstated by Frw 89,500. This overstatement affected both the furniture account on its debit side and the credit side of creditors account with the same amount.

The overall effect is nil on the debit side. Notice that the two accounts involved have debit balances. It is possible to have canceling effect even accounts with credit balances or even a mixture. The main thing is that, the effect on totals is nil.

To correct such errors, the accounts involved have to be corrected to take care of the amounts overstated.

For this example

	FRW	FRW	
Debit Creditors account	89500		
Credit Furniture account		89500	

To correct compensating error

The corrected trial balance will look like the following:

D&T CO. LTD Trial Balance All Transactions		
Jan 24, 23		
	Debit	Credit
CASH	300,590.00	
DEBTORS		90.00
FURNITURES	404,450.00	
CREDITOR	30,840,550.00	
CAPITAL		345,500.00
SALES		31,245,000.00
PURCHASE	45,000.00	
TOTAL	31,590,590.00	31,590,590.00

Figure 6.12 Corrected trial balance



Application Activity 6.2.

Give the journal entries needed to record the corrections of the following.

- i) Extra capital of FRw. 10,000 paid into the bank had been credited to Sales account.
- ii) Goods taken for own use FRw. 700 had been debited to General Expenses.
- iii) Private insurance FRw. 89 had been debited to Insurance account.
- iv) A purchase of goods from C Kelly FRw. 857 had been entered in the books as FRw. 587.
- v) Returns inwards FRw. 168 from M McCarthy had been entered in error in J Charlton's account.
- vi) A sale of a motor van FRw. 1,000 had been credited to Motor Expenses.

6.3. Errors that affect the trial balance



Learning Activity 6.3.

After all transactions have been posted from the journal to the ledger, it is a good practice to prepare a trial balance. A trial balance is simply a listing of the ledger accounts along with their respective debit or credit balances for self-check to determine that debits equal credits.

What can you do in case the credit side of trial balance totals does not match with the debit side total of credit balance?

6.3.1. Understanding the errors that do not affect the trial balance

These errors will affect the totals of the list of account balances. That means that the arithmetical accuracy of accounts will be in doubt. The totals of debit balances will not equal the totals of credit balances

The likely causes may be as follows:

Transaction amount is posted only on one side of the accounts.

A transaction is posted only on one side of both accounts.

A transaction is posted correctly following double entry but different amounts

Error on balances of accounts.

Balance on an account is shown on the wrong side of the account when opening the ledger accounts or when taken up to the trial balance.

A balance is omitted from the trial balance.

6.3.2 Correction of errors that affect trial balance

To correct such errors, only one account will be needed. The other account to fulfill double entry will be the **suspense** account.

Suspense account is a temporary account that is opened to take care of differences between the total in the list of account balances. This account can also be used in case a bookkeeper does not know the other account to debit or credit. Once the other account is known then it is debited or credited and the corresponding entry to be in the suspense account.

While correcting the error, the difference in the totals of the list of account balances is placed in the suspense account pending correction. During correction, one account to be corrected is debited or credited then the suspense account is credited or debited respectively.

The balance to be shown on the suspense accounts depends on which side of the list of account balances has the lower total.

If the debits totals exceed total credits, then an amount is included on the credit side of the list of account balances so that the debits equal credits and is called Suspense account. This is a credit balance and will be taken to the suspense account on the credit side.

If the credits totals exceed total debits, then an amount is included on the debit side of the list of account balances so that the debits equal credits. This is a

debit balance and will be taken to the suspense account on the debit side.

The errors that affect trial balance are automatically detected in quick book software and it cannot allow the next step.

Example of recording the transaction with error

Purchase of furniture valued at Frw 12,500 by cash.

A transaction is posted correctly following double entry but different amounts. It means:

Debit Furniture account by 12,500

Credit cash account by 15200

Click on save & close or Save & new,

There is a difference of Frw 2,700 which the software requires to handle before next step.

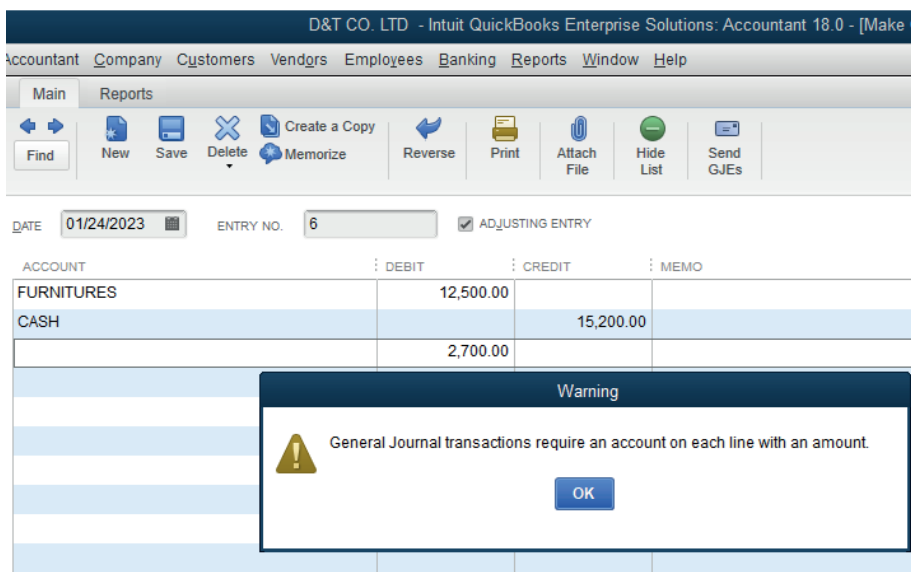


Figure 6.13 Error affecting Trial Balance



Application Activity 6.3.

1. What is an error?
2. Give two examples of errors that do not affect trial balance.
3. How do we handle the error that do not affect trial balance?



End of Unit Assessment

1. When posting an invoice for car repairs, FRW 870,000 was entered on the correct side of the motor expenses account. The invoice was for FRW 780,000. What correction should be made to the motor expenses account?
 - i) Debit FRW 90,000
 - ii) Credit FRW 90,000
 - iii) Debit FRW 1,650,000
 - iv) Credit FRW 1,650,000
2. The following transactions have been extracted from the books of TBB Ltd on 31 December 2020 that failed to agree.

In January 2021 the following errors made in 2020 were found:

- a) Cash banked FRw. 390 had been credited to the bank column and debited to the cash column in the cashbook.
- b) Sales of Frw 2,500 to J Church had been debited in error to J Chane account.
- c) Returns inwards FRw. 168 from M McCarthy had been entered in error in J Charlton's account.
- d) Discounts received account had been under cast by Frw 3,000.
- e) The sale of a motor vehicle at book value had been credited in error to Sales account Frw 3,600.

You are required to show the journal entries necessary to correct the errors.

UNIT 7

ACCOUNTING METHODS



Key unit competence: Operate using either cash or accrual methods of accounting in QUICKBOOKS



Introductory Activity

MAHORU, a young entrepreneur in MUSANZE district is willing to prepare the financial reports through QuickBooks and the issue is that he does not know exactly which accounting method to use and why to use such method.

He always deal with a number of suppliers and customers, paid and unpaid expense, income paid, unpaid and accrued.

Help him to understand the accounting methods so that he can choose one of them to use in his business.

Cash-basis or accrual-basis accounting are the most common methods for keeping track of revenue and expenses. Yet, depending on your business model, one approach may be preferable. You will need to determine the best bookkeeping methods and ensure your business model meets requirements.

7.1. Accrual basis accounting



Learning Activity 7.1.

MUGWANEZA, a sole trader in GATSIBO uses to record the financial transactions using accrual accounting method. He records every transaction even the ones which do not flow cash out and in. This affects its final statements in one way or another. What do you think is the importance and disadvantages of this system of recording?

Businesses that use accrual accounting recognize income as soon as they raise an invoice for a customer. And when a bill comes in, it's recognized as an expense even if payment won't be made for another 30 days.

7.1.1. Benefits of accrual accounting method

The accrual accounting method helps the users in the following ways:

- You have a much more accurate picture of business performance and finances
- You can make financial decisions with far more confidence
- It can sometimes be easier to pitch for long-term finance

7.1.2. Downsides of accrual accounting

In the other ways, the accrual method should have the disadvantages to the users:

- It's more work because you have to watch invoices, not just your bank account
- You may have to pay tax on income before the customer has actually paid you
- If the customer reneges on the invoice, you can claim the tax back on your next return



Application Activity 7.1.

1. Explain the accounting accrual method.
2. List down the advantages and disadvantages of accrual accounting method.

7.2. Use accrual methods to Display statements



Learning Activity 7.2.

It is necessary that the accountant prepares the final statements and present them to the different users. The company should choose the accounting method to use while presenting such report. Advise to the company manager on the accrual method of accounting.

In quick books software, the reports are prepared and when are to be presented, the user will select which accounting method to use depending on the business policy.

Example: TOM AND DON Ltd, RWAMAGANA DISTRICT, PO BOX 1245 RWAMAGANA, and Tel; 0788393737, had the transactions below:

The company started the business with 5,000,000 Frw on bank of Kigali

Purchase of 200 kgs of rice by cheque of 1,000,000 Frw

Credit purchase from creditor Tom 4,000,000Frw

Sales: cash: 1,200,000 Frw, Cheque: 345,000 and credit sales to BUNANI: 2,387,500

Bought land by cash 1,800,000 Frw

Returning goods of 1,000,000 Frw to Tom

Paid 10, 000 Frw of salaries by cheque

Cash drawings Frw120,000

Received rent income by cheque: Frw 31,200,000

Required: Present the income statement and balance sheet using Accrual method.

For Income statement presentation, Click on Reports, Company & Financials then Profit & Loss Standard. From these transactions, quick books reports are presented as here under: (Accrual method).

Accrual method, TOM AND DON Trading, profit and loss account.

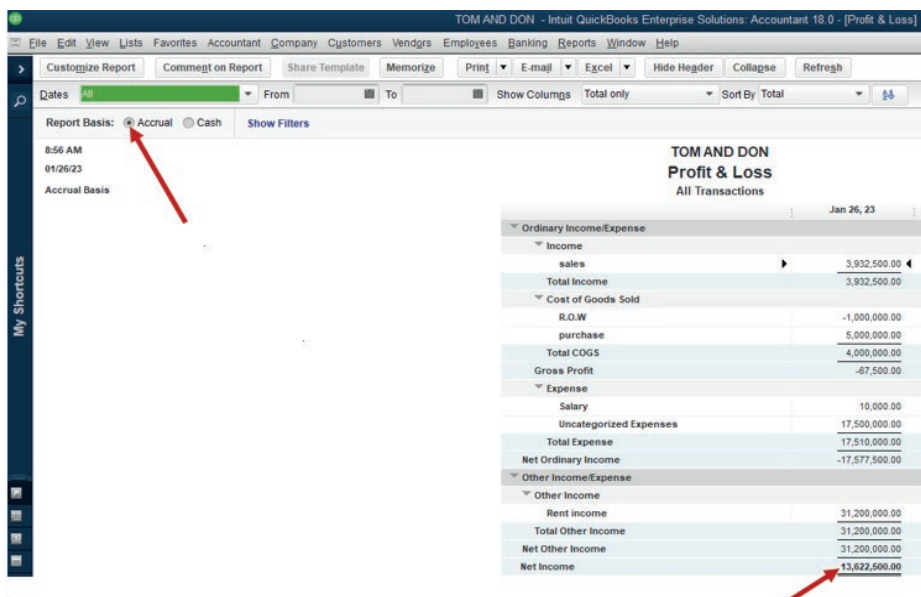


Figure 7.1 Income statement

The statement of profit and loss account shows the net income of 13,622,500 as revenues and expenses are recognized once they occur.

This income statement is prepared with consideration of paid and unpaid expenses, received and not yet received income.

Under the same method, the net income is transferred to the balance sheet in equity section. It may appear as here under:

TOM AND DON, Accrual method balance sheet

TOM AND DON	
Balance Sheet	
As of January 26, 2023	
	Jan 26, 23
ASSETS	
Current Assets	
Other Current Assets	
Bank	35,535,000.00
cash	75,000.00
DEBTORS	2,387,500.00
Total Other Current Assets	37,997,500.00
Total Current Assets	37,997,500.00
Fixed Assets	
Land	1,005,000.00
Total Fixed Assets	1,005,000.00
TOTAL ASSETS	39,002,500.00
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	17,500,000.00
Total Accounts Payable	17,500,000.00
Other Current Liabilities	
CREDITORS	3,000,000.00
Total Other Current Liabilities	3,000,000.00
Total Current Liabilities	20,500,000.00
Total Liabilities	20,500,000.00
Equity	
capital	5,000,000.00
Drawings	-120,000.00
Net Income	13,622,500.00
Total Equity	18,502,500.00
TOTAL LIABILITIES & EQUITY	39,002,500.00

Figure 7.2 Accrual method balance sheet



Application Activity 7.2.

The following transactions are for BERWA LTD for the month of October 2021.

- Oct. 1:** Started business with FRW 20,000,000 cash
- Oct. 2:** Purchase land for the business at FRW 3,000,000 by cash
- Oct.4:** Purchased office equipment on credit from Equipment Suppliers Ltd at FRW 2,000,000
- Oct. 5:** Obtained bank loan of FRW 8,000,000 it was deposited to a bank A/C

Oct.15: Made part payment of FRW 1,500,000 to Equipment Suppliers Ltd by cheque.

Oct. 17: Bought motor vehicle from TOYOTA RWANDA at a cost of FRW 15,000,000

Present BERWA LTD Balance sheet and income statement displayed using accrual method.

7.3. Cash method



Learning Activity 7.3.

In accounting, sometimes business owner decides to use cash method in recording business financial transactions.

- Discuss the reason behind this decision.

Businesses that use cash basis accounting recognize income and expenses only when money changes hands. They don't count sent invoices (debtors) as income, or bills not yet paid as expenses until they've been settled.

Despite the name, cash basis accounting has nothing to do with the form of payment you receive. You can be paid electronically (cheques or debit and credit cards) and still do cash accounting. The cash method is most-commonly used by sole proprietors and businesses with no inventory.

7.3.1. Benefits of cash accounting

The cash accounting method helps the users in the following ways:

It's simple and shows how much money you have on hand

You only have to pay tax on money you've received, rather than on invoices you've issued, which can help cash flow

7.3.2. Downsides of cash accounting

In the other ways, the accrual method should have the disadvantages to the users

It's not accurate: it could show you as profitable just because you haven't paid your bills

It doesn't help when you're making management decisions, as you only have a day-to-day view of finances

The accounting reports are always prepared through one of these methods. The results of the reports prepared from the same transactions but the different

methods are different due to the income and expenses considered once accrual accounting method is used, which may not appear in the reports prepared using cash accounting method. Let's use the same transactions, but cash accounting method to prepare income statement and balance sheet of TOM AND DON Ltd.

Example: TOM AND DON Ltd, RWAMAGANA DISTRICT, PO BOX 1245 RWAMAGANA, Tel; 078304050, had the transactions below:

The company started the business with 5,000,000 Frw on bank of Kigali

Purchase of 200 kgs of rice by cheque of 1,000,000 Frw

Credit purchase from creditor Tom 4,000,000Frw

Sales: cash: 1,200,000 Frw, Cheque: 345,000 and credit sales to BUNANI: 2,387,500

Bought land by cash 1,800,000 Frw

Returning goods of 1,000,000 Frw to Tom

Paid 10, 000 Frw of salaries by cheque

Cash drawings Frw120,000

Received rent income: Frw 31,200,000

Required: Present the income statement and balance sheet using Cash method

TOM AND DON, Trading, profit and loss account cash method

TOM AND DON Profit & Loss January 1 - 26, 2023		Jan 1 - 26, 23
Ordinary Income/Expense		
Income		
sales		3,932,500.00
Total Income		3,932,500.00
Cost of Goods Sold		
purchase		5,000,000.00
R.O.W		-1,000,000.00
Total COGS		4,000,000.00
Gross Profit		-67,500.00
Expense		
Salary		10,000.00
Total Expense		10,000.00
Net Ordinary Income		-77,500.00
Other Income/Expense		
Other Income		
Rent income		31,200,000.00
Total Other Income		31,200,000.00
Net Other Income		31,200,000.00
Net Income		31,122,500.00

Figure 7.3 Income statement with Cash method

The statement of profit and loss account shows the net income of 31,200,000 as revenues and expenses are recorded once received or paid.

This income statement is prepared with consideration of paid expenses, and received income. There is an increase in net income, from FRW 13, 6322,500 to FRW 31,122,500 due to the fact that there is an unpaid cash as long as the method considers to record cash out once it is transferred to the payee.

Under the same method, the net income is transferred to the balance sheet in equity section. It may appear as here under:

Cash method, TOM AND DON Trading, Balance sheet

TOM AND DON	
Balance Sheet	
As of January 26, 2023	
Jan 26, 23	
ASSETS	
Current Assets	
Other Current Assets	
Bank	35,535,000.00
cash	75,000.00
DEBTORS	2,387,500.00
Total Other Current Assets	37,997,500.00
Total Current Assets	37,997,500.00
Fixed Assets	
Land	1,005,000.00
Total Fixed Assets	1,005,000.00
TOTAL ASSETS	39,002,500.00
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
CREDITORS	3,000,000.00
Total Other Current Liabilities	3,000,000.00
Total Current Liabilities	3,000,000.00
Total Liabilities	3,000,000.00
Equity	
capital	5,000,000.00
Drawings	-120,000.00
Net Income	31,122,500.00
Total Equity	36,002,500.00
TOTAL LIABILITIES & EQUITY	39,002,500.00

Figure 7.4 Balance sheet with cash method

Completing reconciliations is a critical monthly task that ensures that QuickBooks company records match the banking records. This gives the confidence that business books are accurate so that the user can trust the reports created for the business and others.



Application Activity 7.3.

HOPE SHOP started with its operations with 100,000 Frw on bank of Kigali. During the month, the following transactions took place.

- Purchase of goods by cheque of 70,000 Frw and purchase on credit of 60,000 FRW from MUNYABARAME
- Credit sales to Peter of 50,000 FRW
- Cash sales of 55,000 FRW
- Sales by cheque of 65,000 FRW
- Returning goods of 25,000 FRW to MUNYABARAME and at the same date, Peter returned goods of 15,000 FRW to us.
- Paid 1, 000 FRW of salaries by cheque

Required:

Present HOPE SHOP Balance sheet and income statement prepared using cash method.

Present the general journal, trial balance, income statement and balance sheet.



End of Unit Assessment

1. Differentiate between cash and accrual method of accounting
2. Complete the table below:

Accounting method	Advantages	Disadvantages
Accrual	-	
	-	
Cash	-	
	-	

3. The following transactions have been extracted from the book of MANEMATALE Ltd
 - a) Starting the business with
 - i. Cash: 12,000,000
 - ii. Bank: 8,000,000

- b) Getting a loan from BK 4,000,000
- c) Bought goods on credit from Anna valued at 8,000,000
- d) Sales of goods on credit to worth 2,000,000 to Ruth
- e) Returning goods of 2,000,000 to Anna
- f) Payment of the total amount due to Anna by cheque
- g) Ruth returned goods to us valued at 1,000,000
- h) Cash payment from Ruth for the total amount due from her.
 - Present the income statement and balance sheet using cash method of accounting
 - Present the income statement and balance sheet using accrual method of accounting

UNIT 8

BANK RECONCILIATION



Key unit competence: Prepare the bank reconciliation using QUICKBOOKS



Introductory Activity

KANYANA is hired as an account clerk at IGIHOZO super market. At the end of the month she finds that there is disagreement between the bank account balance in cash book and the bank account balance on the bank statement.

- What do you think are the reasons behind those discrepancies?
- What do you suggest as an answer for those discrepancies to ensure that the balance to be reported in financial statement is true and fair?

8.1. Meaning of Bank reconciliation

Reconciling a bank statement is an important step to ensuring the accuracy of financial data. To reconcile bank statements, carefully match transactions on the bank statement to the transactions in accounting records. With QuickBooks, the user can easily reconcile bank accounts to ensure that the amount record is consistent with the amount reported by the bank.



Learning Activity 8.1.

The businesses prepare the cash book to record all receipts and payments concluded either by cheque or by cash. At the end of and financial period, this record is compared to the statement of the account by checking the bank column.

What is the document that the business uses to match the two documents?

The cashbook for cash at bank records all the transactions taking place at the bank i.e. the movements of the account held with the bank. The bank will send information relating to this account using a bank statement for the firm to compare.

Ideally, the records as per the bank and the cashbook should be the same and therefore the balance carried down in the cashbook should be the same as the balance carried down by the bank in the bank statement.

In practice however, this is not the case and the two (balance as per the bank and firm) are different. A bank reconciliation statement explains the difference between the balance at the bank as per the cashbook and balance at bank as per the bank statement.

8.2. The Purposes and causes of a bank reconciliation statement.

8.2.1. Purposes



Application Activity 8.1.

1. What is the meaning of bank statement?
2. List the two document involved in preparation of bank reconciliation statement.

The bank reconciliation statement is prepared for the reasons below:

To update the cashbook with some of the items appearing in the bank statement



Learning Activity 8.2.

The accountant of any business has to ensure that the additions and deductions on the bank statement are compared (or reconciled) with the items that are entered in company's general ledger, if there are differences, such as outstanding payments or deposits in transit, they can be noted as timing differences.

1. How do you think the accountants can deal with this situation?
2. Who do you think is committing the errors that cause the differences?

e.g. bank charges, interest charges and dishonored cheques and make adjustments for any errors reflected in the cashbook.

To detect and prevent errors or frauds relating to the cashbook.

To detect and prevent errors or frauds relating to the bank.

8.2.2. Causes of the differences

The causes of differences are the following:

Items appearing in the cashbook and not reflected in the bank statement.

The following are the causes of imbalance between cash books and bank statement

Unpresented Cheques: Cheques issued by the firm for payment to the creditors or to other supplies but have not been presented to the firm's bank for payment.

Uncredited deposits/cheques: These are cheques received from customers and other sources for which the firm has banked but the bank has not yet availed the funds by crediting the firm's account. Errors made in the cashbook. These include:

Payments over/understated

Deposits over/understated

Deposits and payments miss posted

Overcasting and under casting the Bal c/d in the cashbook.

Items appearing in the bank statement and not reflected in the cashbook

The items that appear in bank statement but not reflected in cash book are:

Bank charges: These charges include service, commission or cheques.

Interest charges on overdrafts.

Direct Debits (standing orders)

Dishonored cheques

Direct credits

Interest Income/Dividend incomes

Errors of the Bank Statement (Made By the Bank).

Such errors include:

- Overstating/understating.
- Deposits
- Withdrawals

8.3. Steps of reconciliation in QuickBooks

8.3.1. Import transactions

QuickBooks has to be connected to the bank, for importing transactions relating



Application Activity 8.2.

1. What is Bank reconciliation?
2. Complete the following sentences:
 - a) are cheques issued by the firm for payment to the creditors or to other supplies but have not been presented to the firm's bank for payment.
 - b) The cheques received from customers and other sources for which the firm has banked but the bank has not yet availed the funds by crediting the firm's account are called
3. In which cases the bank can dishonor a cheque? Mention at least 4 cases.
4. It is normal that the bank makes some mistakes that leads to the difference between cash book and bank statement. List three of these mistakes.

to the bank. When the user receives the bank statement or account statement at the end of the month, he can start reconciling the accounts. QuickBooks organizes all data for making bank reconciliation easily.



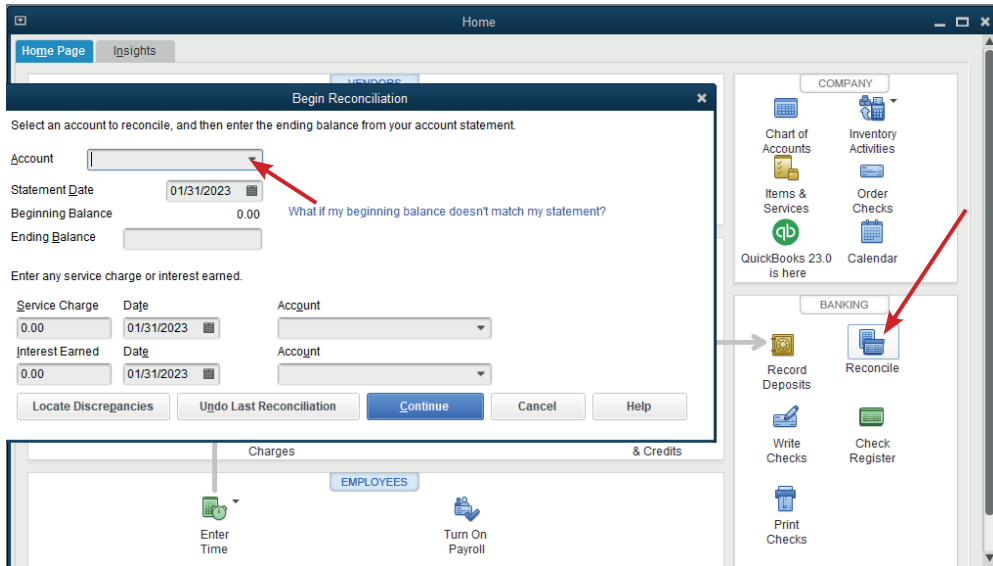
Learning Activity 8.3.

To reconcile the bank balance as shown in the bank statement (pass book) with the balance shown by the cash book, Bank Reconciliation Statement is prepared. After identifying the reasons of difference, the Bank Reconciliation statement is prepared without making change in the cash book balance.

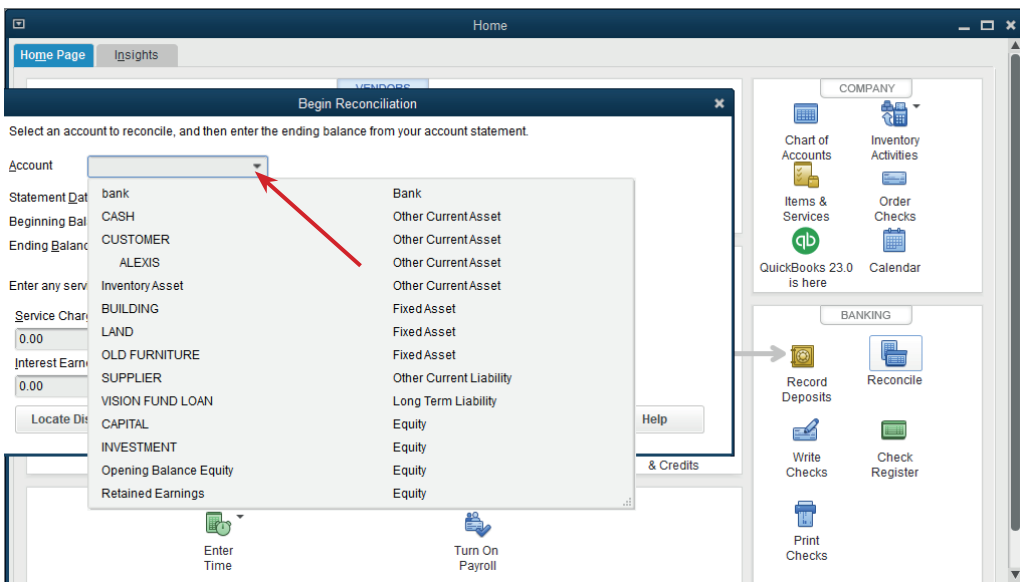
You are required to discuss the process in which the bank reconciliation statement should be prepared.

8.3.2. Reconcile accounts

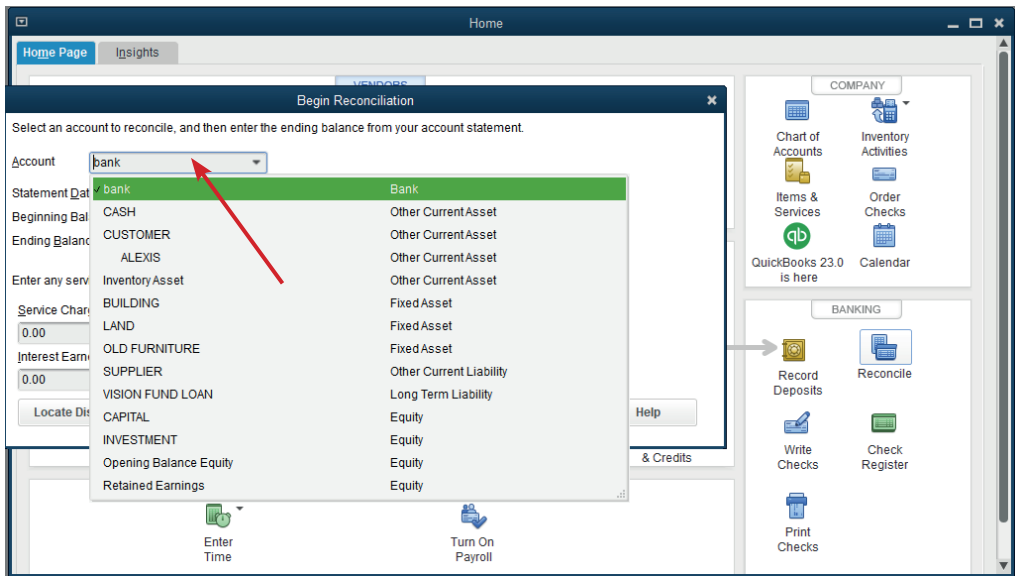
To reconcile the accounts, the user clicks on **Reconcile** icon on QuickBooks Home Page. It gives the following window.



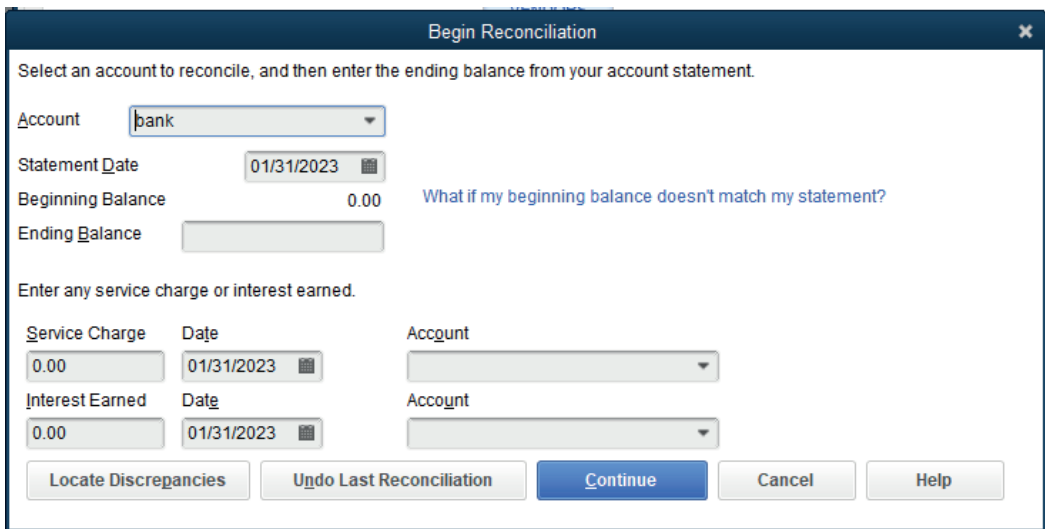
Through this window, the user selects the account to be reconciled by clicking on the account field. A list of account appears.



In QuickBooks, choose the account to reconcile.



The bank account is selected to be reconciled, the window below appears:



From this window, the user fills the required field including selection of date at which the reconciliation is taking place, **Beginning** and **Ending balance**, **Service charge** and the **Account** which is charged, **Interest earned** if any and the **Account** that receives the interest.

Begin Reconciliation

Select an account to reconcile, and then enter the ending balance from your account statement.

Account:

Statement Date:

Beginning Balance: 1,000,000.00 What if my beginning balance doesn't match my statement?

Ending Balance:

Enter any service charge or interest earned.

Service Charge: Date: Account:

Interest Earned: Date: Account:

After filling these fields, the user can click on **Continue**

QuickBooks will let the user check data on his bank account and asks to reconcile.

Reconcile - BANK

For period: 01/31/2023 Hide transactions after the statement's end date

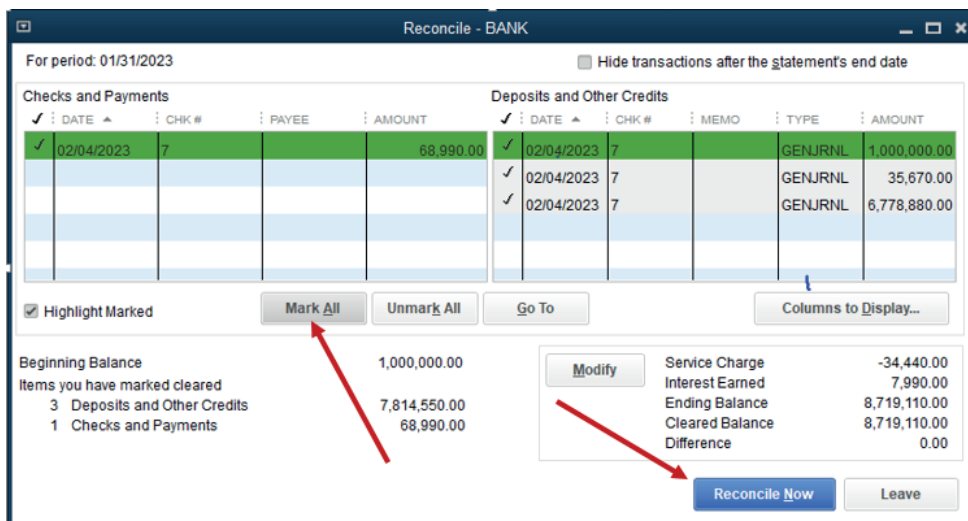
Checks and Payments				Deposits and Other Credits				
DATE	CHK #	PAYEE	AMOUNT	DATE	CHK #	MEMO	TYPE	AMOUNT
02/04/2023	7		68,990.00	02/04/2023	7		GENJRNL	1,000.00
				02/04/2023	7		GENJRNL	35,670.00
				02/04/2023	7		GENJRNL	6,778.88

Highlight Marked

Beginning Balance	1,000,000.00		
Items you have marked cleared			
3 Deposits and Other Credits	7,814,550.00		
1 Checks and Payments	68,990.00		

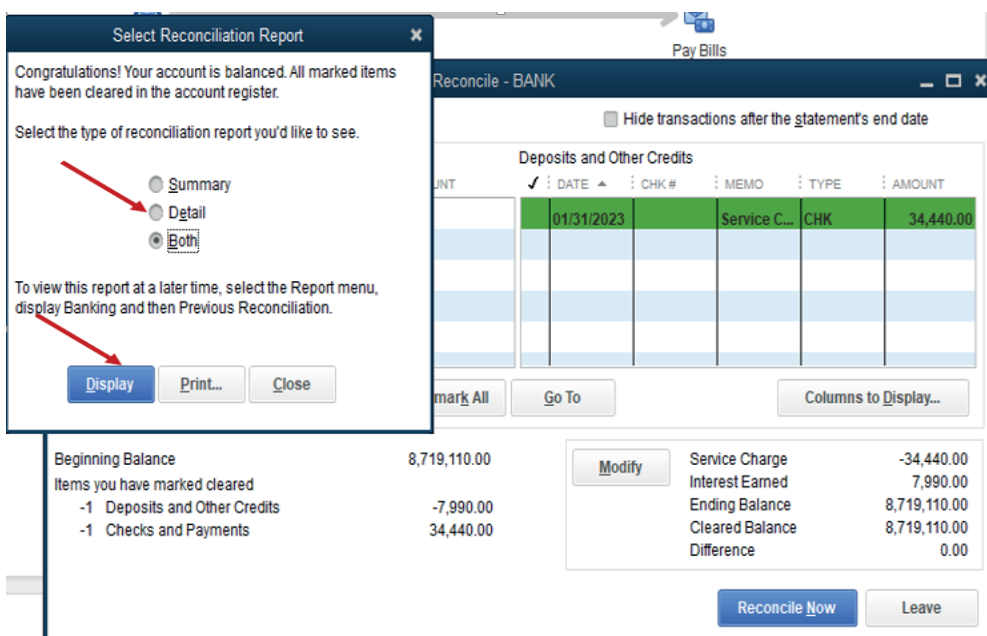
Modify	Service Charge	-34,440.00
	Interest Earned	7,990.00
	Ending Balance	8,719,110.00
	Cleared Balance	8,719,110.00
	Difference	0.00

Before reconciliation, the user will make sure that all transactions are selected by clicking on **Mark All**.



With bank statement in-hand, the user can systematically check off matching transactions one-by-one by clicking their boxes.

The bottom of the screen contains a running total of items checked off, and thus have been reconciled. This is useful for comparing the totals in books to the totals on bank statement. To complete the reconciliation, make sure the difference shown is zero.



Here, a click on reconcile Now, QuickBooks gives to the user an option to **Display** the reconciliation report. The user can also choose the type of report to display being either Summary, Details or Both.

Let's display a Details report here under:

Reconciliation Detail

Customize Report Comment on Report Share Template Memorize Print E-mail Excel

Show Filters

1:51 PM
02/04/23

D&T CO. LTD
Reconciliation Detail
BANK, Period Ending 01/31/2023

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						1,000,000.00
Cleared Transactions						
Checks and Payments - 2 items						
▶ Check	01/31/2023			✓	-34,440.00	-34,440.00 ◀
General Journal	02/04/2023	7		✓	-68,990.00	-103,430.00
Total Checks and Payments					-103,430.00	-103,430.00
Deposits and Credits - 4 items						
Deposit	01/31/2023			✓	7,990.00	7,990.00
General Journal	02/04/2023	7		✓	35,670.00	43,660.00
General Journal	02/04/2023	7		✓	1,000,000.00	1,043,660.00
General Journal	02/04/2023	7		✓	6,778,880.00	7,822,540.00
Total Deposits and Credits					7,822,540.00	7,822,540.00
Total Cleared Transactions					7,719,110.00	7,719,110.00
Cleared Balance						7,719,110.00
Uncleared Transactions						
Deposits and Credits - 1 item						
Check	01/31/2023				34,440.00	34,440.00
Total Deposits and Credits					34,440.00	34,440.00
Total Uncleared Transactions					34,440.00	34,440.00
Register Balance as of 01/31/2023					7,753,550.00	8,753,550.00
Ending Balance					7,753,550.00	8,753,550.00

If the user selects to display the summary reconciliation, it appears as follow:

Reconciliation Summary

Customize Report Comment on Report Share Template Memorize Print E-mail Excel Hide Header Collapse Refresh

Show Filters

3:01 PM
02/04/23

D&T CO. LTD
Reconciliation Summary
BANK, Period Ending 01/31/2023

		Jan 31, 23
Beginning Balance		1,000,000.00
▼ Cleared Transactions		
Checks and Payments - 2 items		-103,430.00
Deposits and Credits - 4 items		7,822,540.00
Total Cleared Transactions		7,719,110.00
Cleared Balance		8,719,110.00
▼ Uncleared Transactions		
Deposits and Credits - 1 item		34,440.00
Total Uncleared Transactions		34,440.00
Register Balance as of 01/31/2023		8,753,550.00
Ending Balance		8,753,550.00

Sometime the user can reconcile and there is a remaining difference which is not zero.



Application Activity 8.3.

Form the information below, prepare and display the bank reconciliation Details period ending at 31/01/2023

Transaction	Amount (FRW)
Ending balance	3,570
Bank charges	267
Rent paid by cheque	1,170
Opening balance	9000



End of Unit Assessment

1. What is meant by a Bank Reconciliation statement?
2. What is the need of preparing Bank Reconciliation statement?
3. Enumerate the causes of difference in the balance of cash book and bank statement.
4. From the following particulars, prepare Bank Reconciliation statement as on December 31, 2022.

Opening bank balance: FRW 42,000

Ending balance:

The ending balance is a result of the transactions below:

- i) Starting business with FRW 1,000,000 at bank
- ii) Purchase of goods by cheque: FRW 550,000 FRW
- iii) Sales by cheque: FRW 765,000
- iv) Interest earned: FRW 90,150
- v) Commission paid: FRW 12,490
- vi) Interest charges: FRW 4,215

UNIT 9

FINAL REPORTS



Key unit competence: Prepare the final reports after making the required adjustments using QUICKBOOK



Introductory Activity

Mrs. INEZA, The new accountant of MUSANZE INVESTMENT GROUP (MIG) is wondering what is expected from her exactly, especially at the end of financial period. She is used to record company transactions in different journals and prepare the ledger accounts through QuickBooks accounting software. Finally, the reports are to be submitted to the different users for coming up with rational decisions. These decision are based on final financial reports prepared by INEZA. It means that the bright future of MIG depends on these report.

1. Assist to Mrs. INEZA to understand the process of documenting and communicating financial report of MIG performance over a time period.
2. Suggest the important reports that should be prepared and communicated to the users
3. List the further importance of final reports to the company.

Final reports are a set of documents that show the financial situation of a company at the end of a particular period of time. They are compilations of financial information that are derived from the accounting records of a business. There are different types of final reports:

9.1. Statement of Cash Flows



Learning Activity 9.1.

The business day to day activities are concerned with purchasing and selling, receiving and paying, investing and financing the operations of the business. It means that there is a kind of flow of business cash in and out.

1. Suggest the financial report in which business cash in and out can be shown.
2. Enumerate the purpose of this report
3. Explain the different parts of this report

The cash flow statement is a financial statement that show the business cash inflow and cash outflow for a certain period.

Purpose of a statement of cash flows:

To provide information about the cash inflows and outflows of an entity during a period.

To summarize the operating, investing, and financing activities of the business.

The cash flow statement helps users to assess a company's liquidity, financial flexibility, operating capabilities, and risk.

The statement of cash flows is useful because it provides answers to the following important questions:

- Where did cash come from?
- What was cash used for?
- What was the change in the cash balance?

Specifically, the information in a statement of cash flows, if used with information in the other financial statements, helps external users to assess:

- A company's ability to generate positive future net cash flows,
- A company's ability to meet its obligations and pay dividends,
- A company's need for external financing,

The reasons for differences between a company's net income and associated cash receipts and payments.

Both the cash and noncash aspects of a company's financing and investing transactions.

In cash flow, Cash inflows, cash outflows and finally the deficit or surplus are discussed as follow:

9.1.1. Cash inflows

Cash inflow refers to the revenue generated or income received by the business. In simple terms, it is the cash that comes into the organisation due to its operating, financial or investing activities. Cash Inflow includes the following:

Cash Inflows from operating activities

Operating activities are all the things a company does to bring its products and services to market on an ongoing basis. Cash inflow from operating activities indicates the amount of money a company brings in from its ongoing, regular business activities, **such as:**

- Cash receipts from sale of goods,
- Cash receipts from the rendering of services,
- Cash receipts from royalties,
- Cash receipts from fees,
- Cash receipts from commissions,
- Cash receipts customers;
- Cash receipts from recovery of trade debts;
- Covered insurance claims;
- Cash receipts from sales of non-current assets;

Cash Inflows from Investing Activities

Cash inflows from investing activities is a section of the cash flow statement that shows the cash generated relating to investment activities. Investing activities include:

- Cash receipt from disposal of fixed assets including intangibles.
- Cash receipt from the repayment of advances or loans made to third parties (except in case of financial enterprise).
- Cash receipt from disposal of shares.
- Interest received in cash from loans and advances. Dividend received from investments in other enterprises.
- Cash receipts from sales of non-current assets (except for held-for-resale);

Cash Inflows from financing activities

It is the net amount of funding a company generates in a given time period. It includes the followings:

- Cash proceeds from issuing shares (equity or/and preference).
- Cash proceeds from loans, bonds and other short/long-term borrowings.
- Cash receipts from borrowing (irrespective of maturity) from third parties (including credit institutions).

QuickBooks itself identifies the activities following the recording command and produces the statement.

9.1.2. Cash outflows

Cash Outflow refers to the amount that a business disburses or the expenditure incurred by a company during the financial year, which means that it is the amount which goes out of the business.

Cash Outflows from operating activities:

Cash payments to acquire materials for providing services and manufacturing goods for resale. **It includes:**

- Cash payments to suppliers for goods and services.
- Cash payments to and on behalf of the employees.
- Cash payments to an insurance enterprise for premiums
- Taxes paid;
- Cash payments to purchase current investments;

Cash Outflows from investing activities

Cash out flows from investing activities is a section of the cash flow statement that shows the cash.

It includes:

- Cash payments to acquire fixed assets including intangibles and capitalized research and development.
- Cash payments to acquire shares, warrants or debt instruments of other enterprises other than the instruments those held for trading purposes.
- Cash advances and loans made to third party
- Cash payments to build, reconstruct or repair non-current tangible assets
- Cash payments to acquire securities.

Cash Outflows from financing activities

Cash outflow from financing activity measures the movement of cash between a firm and its owners, investors, and creditors. It includes:

- Cash repayments of amounts borrowed (long term loan)
- Interest paid on debentures
- Dividends paid on equity and preference capital.
- Cash payments to acquire own shares;

Example

Mrs. APENDEKI, started her shop with a balance carried down of FRw 12,500,000.

She also got a bank loan from VISION FUND worth FRW 2,000,000 for increasing the business capital.

She bought a building of FRW 12,000,000

One of her old customer paid the amount due of FRW 345,650.

Payment of loan in full with an interest of FRW 350,000

She sold some of her old furniture on FRW 500,000 and received commission or FRW 45,000.

She paid FRW 940,650 to acquire her own shares in I&M Bank Rwanda

FRW 150,000 paid to suppliers

The Mrs. APENDEKI TRIAL BALANCE will be displayed as below:

		Jan 30, 23	
		Debit	Credit
CASH	▶	◀	50,000.00
CUSTOMER			345,650.00
BUILDING		12,000,000.00	
OLD FURNITURE			500,000.00
SUPPLIER		150,000.00	
VISION FUND LOAN		350,000.00	
CAPITAL			12,500,000.00
INVESTMENT		940,650.00	
COMMISSION RECEIVED			45,000.00
TOTAL		<u>13,440,650.00</u>	<u>13,440,650.00</u>

Figure 9.1 Trial Balance

Steps to present the cash flow statement

Company file is created

Charts of accounts are created

Transactions are recorded in the journal

Click on **Report** on QuickBooks Home page, **Company& Financial**, then **Statement of Cash Flow**.

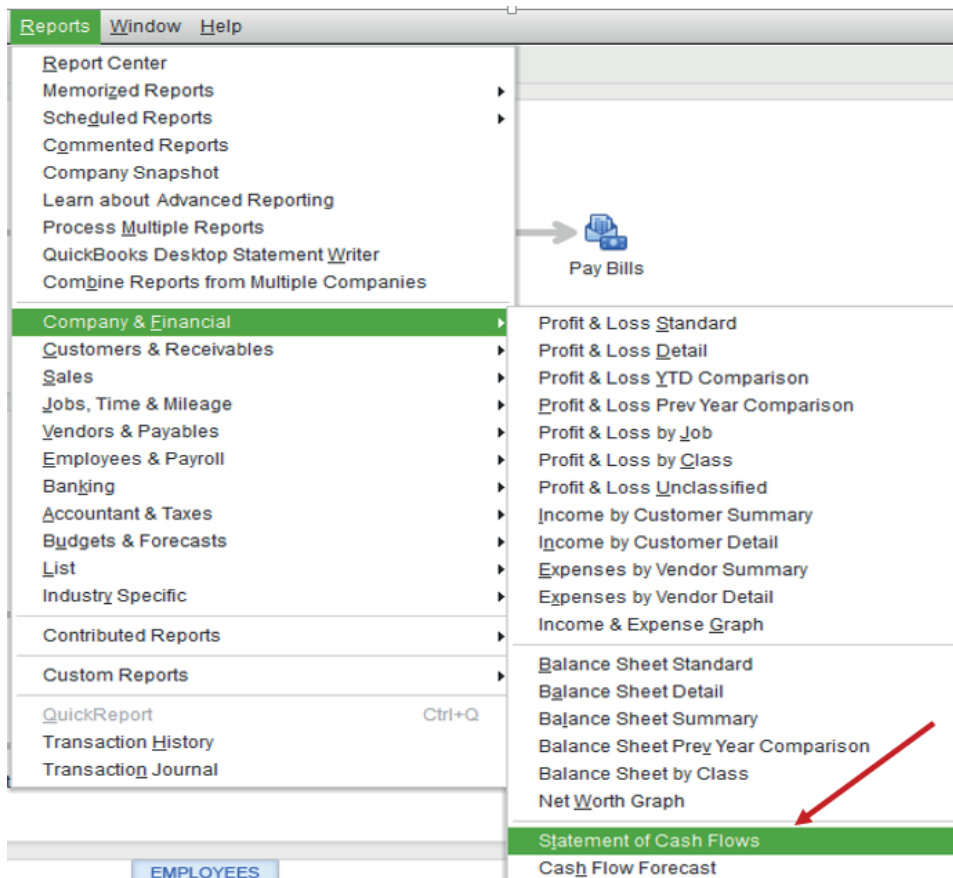


Figure 9.2 Selection of Cash Flows Statement

In preparation of cash flow statement, QuickBooks considers the credit side of trial balance as income (Cash Receipts or cash in). While the debit side of the trial balance is considered as expenses (Payment or cash out). In cash flow statement, receipt or income amount are positive figures while payments or expenses amount have negative figures. The difference between the total receipt and total payment is **NET INCOME**. So, the net income for the period is FRW 45,000.

The Mrs. APENDEKI cash flow statement on 30th January 2023 will be displayed as below:

APENDEKI SHOP	
Statement of Cash Flows	
All Transactions	
Jan 30, 23	
OPERATING ACTIVITIES	
Net Income	45,000.00
Adjustments to reconcile Net Income	
to net cash provided by operations:	
CASH	50,000.00
CUSTOMER	345,650.00
SUPPLIER	-150,000.00
Net cash provided by Operating Activities	290,650.00
INVESTING ACTIVITIES	
BUILDING	-12,000,000.00
OLD FURNITURE	500,000.00
Net cash provided by Investing Activities	-11,500,000.00
FINANCING ACTIVITIES	
VISION FUND LOAN	-350,000.00
CAPITAL	12,500,000.00
INVESTMENT	-940,650.00
Net cash provided by Financing Activities	11,209,350.00

Figure 9.3 Cash flow statement on 30th January

9.1.3. Surplus and deficit

Surplus: A surplus in cash flow statement is the cash that exceeds the cash required for day-to-day operations. If cash received by the business during a certain period is greater than cash paid for the same period, the difference is positive (positive balance), it is called “**surplus**”

Deficit: This is a negative cash flow. It is when the business has more outgoing than incoming money. It indicates that a company has more money moving out of it than into it.

a) How to deal with surplus

Positive cash flow indicates that a company has more money flowing into the business than out of it over a specified period. This is an ideal situation to be in because having an excess of cash allows the company to:

- Expand business activities
- Settle debt payments
- Reinvest in itself and its shareholders
- Acquire new fixed assets
- Increase credit sales and decrease cash sales
- Increase cash purchases and decrease credit purchases

Positive cash flow does not necessarily translate to profit, however the business can be profitable without being cash flow-positive, and you can have positive cash flow without actually making a profit.

b) How to deal with deficit?

- Increase cash sales and decrease credit sales.
- Increase credit purchases and decrease cash purchase



Application Activity 9.1.

1. Define a cash flow statement
2. Differentiate:
 - a) Surplus from deficit
 - b) Operating activities from Investing activities
3. Nadine had the following transactions during the year 2020
 - a) Cash received from customers 32,900
 - b) Cash paid to suppliers 17,950,000
 - c) Cash paid to employees 11,250
 - d) Interest paid 2,100

Required: Prepare Nadine's cash flow statement for the year ended 31 December 2020.

9.2. Statement of profit & loss



Learning Activity 9.2.

To start any business activity, the owner has to invest his money and he expects the returns from this investment within a certain period. To achieve this, a number of expenses to run day to day business activities is incurred. The owner can sometime get additional income from other activities out of the main business. All of these should be well managed for achieving targets.

1. What do you think will be the components of the statement in which the owner prepares the results of his investment?
2. Discuss the effects of this results on the owner investment

It is a financial statement that shows the net profit or net loss that the business that has been made from all the activities during a financial period. The net profit (or loss) is determined by deducting all the expenses from all the incomes of the same financial period. In practice, the trading account is combined together with the net profit and loss account into one report the income statement

9.2.1. Purpose of profit and loss account statement

The main reason why people set up businesses is to make profits. Of course, if the business is not successful, it may well incur losses instead. The calculation of such profits and losses is probably the most important objective of the accounting function. The owners will want to know how the actual profits compare with the profits they had hoped to make.

Knowing what profits are being made helps businesses to do many things, including:

- Planning ahead
- Obtaining loans from banks, other businesses, or from private individuals
- Telling prospective business partners how successful the business is
- Telling someone who may be interested in buying the business how successful the business is
- Calculating the tax due on the profits so that the correct amount of tax can be paid to the tax authorities.

9.2.2. Trading account

One of the most important uses of trading and profit and loss accounts is that of comparing the results obtained with the results expected. In a trading organization, a lot of attention is paid to how much profit is made, before deducting expenses, for every sales revenue.

This part consists of Net Sales (The difference between total sales and returns inwards.) and Cost of goods sold.

Net sales

To find a Net sale in Quick Books, follow these steps:

Company file is created

Charts of accounts are created

Transactions are recorded in the journal

Click on **Company** and **Make General Journal Entries**

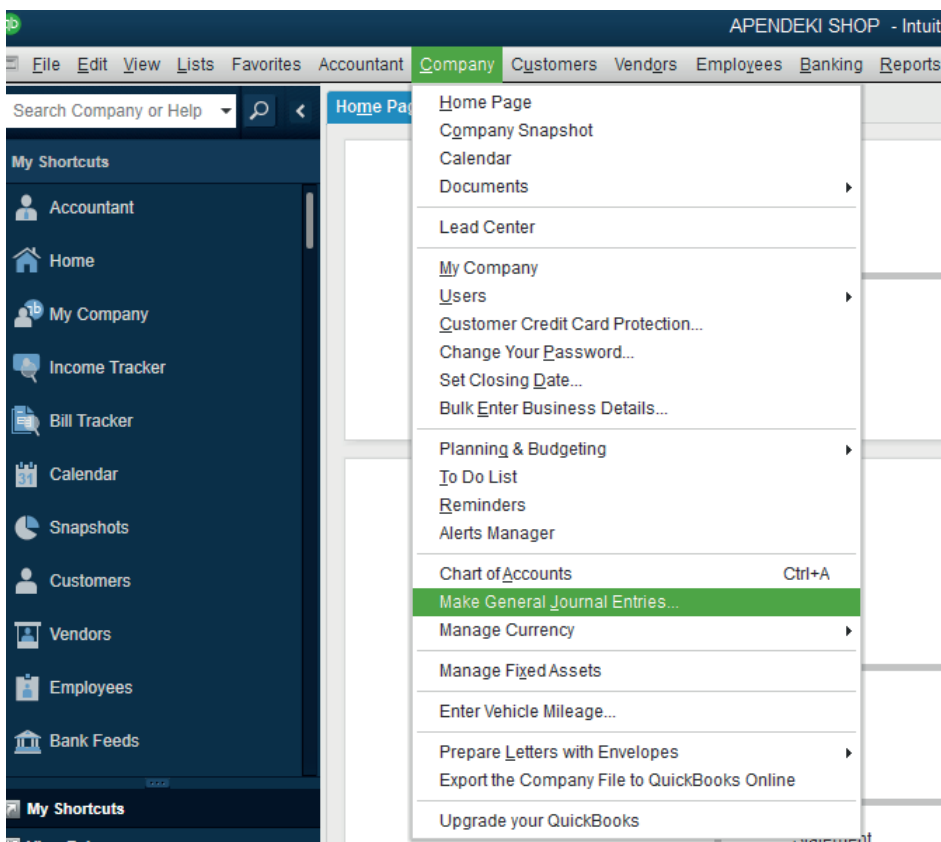


Figure 9.4 Selection of General Journal Entries

The QuickBooks general journal recording window appears and the user records transactions by respecting the rule of double entry.

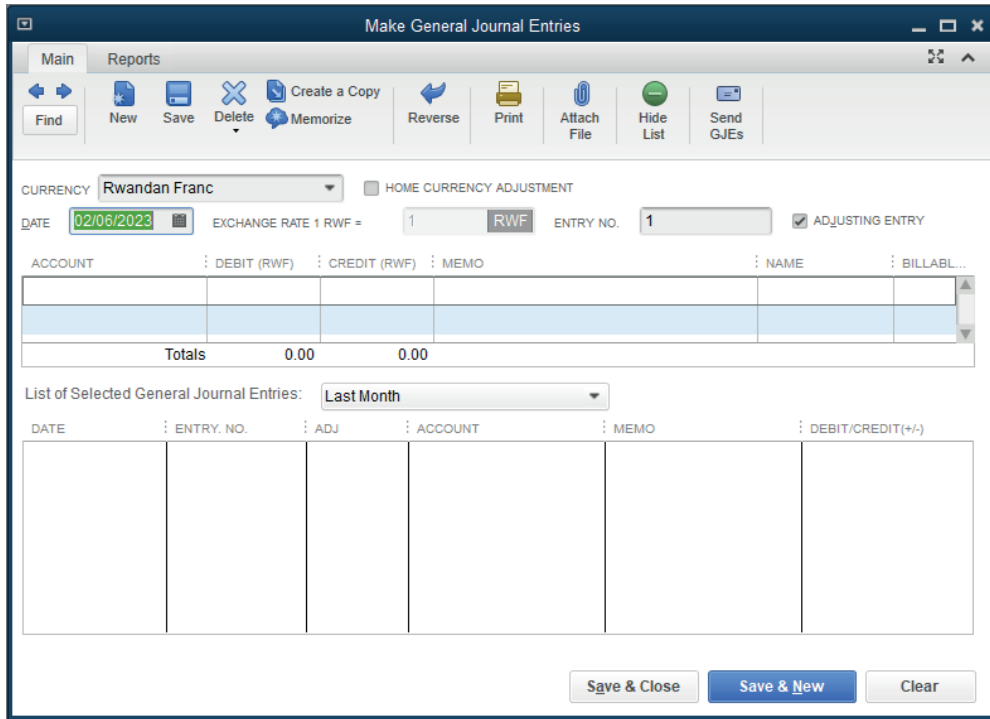


Figure 9.5 Empty General Journal

Example:

Mrs. APENDEKI, started her shop with a balance carried down of FRw 12,500,000 cash.

She sold goods as follow:

- Cash: FRW 341,000
- Bank: FRW 457,000
- Credit to Alexis: FRW187,000
- Alexis returned goods valued at FRW 37,000.

Required: Record the transactions above and present the net sales.

The records of transactions in the General journal

ACCOUNT	DEBIT	CREDIT	MEMO
CASH	341,000.00		
sales		341,000.00	
bank	457,000.00		
sales		457,000.00	
CUSTOMER	187,000.00		
sales		187,000.00	
sales:RETOURNS INWARDS	37,000.00		
CUSTOMER:ALEXIS		37,000.00	

Figure 9.6 Filled general Journal

Note: To insure that returns in wards from customer is deducted from Total sales of APENDEKI, it requires that the account is created in type of Income, Account Name is Returns inwards of course and Sub account of Sales.

The screenshot shows the 'Add New Account' dialog box with the following details:

- Account Type:** Income
- Account Name:** RETOURNS INWARDS
- Subaccount of:** sales
- Subaccount List:**
 - sales (selected)
 - RIW
- Optional Fields:** Description and Note (both empty)
- Buttons:** Save & Close, Cancel

Figure 9.7 Returns inwards and Sub account of sales.

APENDEKI SHOP
Profit & Loss
 January 2023

		Jan 23
▼ Ordinary Income/Expense		
▼ Income		
▼ sales		
RETURNS INWARDS	▶	-37,000.00 ◀
sales - Other		985,000.00
Total sales		948,000.00
Total Income		948,000.00
Net Ordinary Income		948,000.00
Net Income		948,000.00

Net sales = sales – Returns inwards (Sales returns)

Figure 9.8 Result of Net Sales

Cost of goods sold

Cost of goods sold is the total amount the business paid as a cost directly related to the sale of products. Depending on your business, that may include products purchased for resale, raw materials, packaging, and direct labor related to producing or selling the good.

It includes the opening stock, purchase associated with wages and carriage inwards, minus returns outwards and closing stock. QuickBooks has a type of account called Cost of Goods sold. The above mentioned are the sub accounts of Cost of goods sold account.

Example: Let's add some transactions on the PAENDKI business:

Purchase: By cheque: FRW 25,000, by credit FRW440,000

Purchase return FRW 100,000

Required: Prepare the cost of goods sold and Gross profit

To find the cost of goods sold in Quick Books, follow these steps:

Company file is created

Charts of accounts are created

Transactions are recorded in the journal

Click on **Company** and **Make General Journal Entries**

Record the transactions by respecting the rules of double entry

Click on Reports, Company and Financials then Profit and Loss Standards

APENDEKI SHOP
Profit & Loss
All Transactions

	Feb 1, 23
Income	
Other income	
COMMISSION RECEIVED	23,800.00
DISCOUNT RECEIVED	7,030.00
RENT RECEIVED	34,000.00
Total Other income	64,830.00
sales	
RETURNS INWARDS	-37,000.00
sales - Other	985,000.00
Total sales	948,000.00
Total Income	1,012,830.00
Cost of Goods Sold	
PURCHASE	
RETURN OUTWARDS	-100,000.00
PURCHASE - Other	465,000.00
Total PURCHASE	365,000.00
Total COGS	365,000.00

Figure 9.9 Cost of Goods Sold

Gross profit:

The gross profit of a company is the total sales of the firm minus the total cost of the goods sold. The total sales are all the goods sold by the company. The total cost of the goods sold is the sum of all the variable costs involved in sales.

Gross profit is the excess of sales revenue over the cost of goods sold. Where the cost of goods sold is greater than the sales revenue, the result is a gross loss. By taking the figure of sales revenue less the cost of goods sold to generate that sales revenue, it can be seen that the accounting custom is to calculate a trader's profits only on goods that have been sold.

APENDEKI SHOP
Profit & Loss
 All Transactions

		Feb 1, 23
Income		
Other income		
COMMISSION RECEIVED	▶	23,800.00 ◀
DISCOUNT RECEIVED		7,030.00
RENT RECEIVED		34,000.00
Total Other income		64,830.00
sales		
RETURNS INWARDS		-37,000.00
sales - Other		985,000.00
Total sales		948,000.00
Total Income		1,012,830.00
Cost of Goods Sold		
PURCHASE		
RETURN OUTWARDS		-100,000.00
PURCHASE - Other		465,000.00
Total PURCHASE		365,000.00
Total COGS		365,000.00
Gross Profit		647,830.00

Figure 9.10 Gross Profit

9.2.3. Profit and Loss account

A profit and loss statement (P&L), also known as an income statement, is a financial report that shows a company's revenues and expenses over a given period of time, usually a fiscal quarter or year. It is one of four major statements in the financial reporting process, and it shows the organization's net profit or loss during that time

QuickBooks will provide this financial statement by adding business other income on the gross profit and subtracting the business total operating expenses.

Business other income

The business can get more additional income which is not from its main activities. This will be added to the gross profit before subtracting all expenses incurred during a period. This include:

- Rent received
- Commission received
- Discount received...

Let's add other income on APENDEKI business as follow;

Rent received FRW 34000

Commission received FRW 23800

Discount received FRW 7030

All of other income has been received by cash.

To record the other income in Quick Books, follow these steps:

- Company file is created
- Charts of accounts are created
- Transactions are recorded in the journal
- Click on Company and Make General Journal Entries
- Record the transactions by respecting the rules of double entry
- Click on Reports, Company and Financials then Profit and Loss Standards

APENDEKI SHOP
Profit & Loss
All Transactions

		Feb 1, 23
Income		
Other income		
COMMISSION RECEIVED	▶	23,800.00 ◀
DISCOUNT RECEIVED		7,030.00
RENT RECEIVED		34,000.00
Total Other income		<u>64,830.00</u>
sales		
RETURNS INWARDS		-37,000.00
sales - Other		985,000.00
Total sales		<u>948,000.00</u>
Total Income		<u>1,012,830.00</u>
Cost of Goods Sold		
PURCHASE		
RETURN OUTWARDS		-100,000.00
PURCHASE - Other		465,000.00
Total PURCHASE		<u>365,000.00</u>
Total COGS		<u>365,000.00</u>
Gross Profit		<u>647,830.00</u>

Business operating expenses

Operating expenses, operating expenditures, or refers to the costs incurred by a business for its operational activities. In other words, operating expenses are the costs that a company must make to perform its operational activities. It includes: Salaries, wages, stationeries, bad debts, carriage outwards, rent expenses, insurance ...

Let's add some expenses on APPENDEKI business

Example: Paid rent of FRW 200,000 by cash and salary of her assistant Of FRW 50,000 by cheque.

To insert the expenses in Quick Books, follow these steps:

- Company file is created
- Charts of accounts are created
- Transactions are recorded in the journal

Click on **Company** and **Make General Journal Entries**

Record the transactions by respecting the rules of double entry (Debiting expenses and crediting the corresponding account)

Click on **Reports, Company and Financials** then **Profit and Loss Standards**

The expenses will appear in the income statement as follows:

APENDEKI SHOP	
Profit & Loss	
All Transactions	
Feb 1, 23	
Income	
Other income	
COMMISSION RECEIVED	23,800.00
DISCOUNT RECEIVED	7,030.00
RENT RECEIVED	34,000.00
Total Other income	<u>64,830.00</u>
sales	
RETURNS INWARDS	-37,000.00
sales - Other	985,000.00
Total sales	<u>948,000.00</u>
Total Income	<u>1,012,830.00</u>
Cost of Goods Sold	
PURCHASE	
RETURN OUTWARDS	-100,000.00
PURCHASE - Other	465,000.00
Total PURCHASE	<u>365,000.00</u>
Total COGS	<u>365,000.00</u>
Gross Profit	<u>647,830.00</u>
Expense	
RENT	20,000.00
SALARY	50,000.00
Total Expense	<u>70,000.00</u>

Figure 9.11. Expense in Income Statement

Business Net Income (Profit/Loss)

Net income is gross profit minus all other expenses and costs as well as any other income and revenue sources that are not included in gross income. Profit and loss is calculated by taking the total revenue derived from an activity and taking away the total expenses.

It looks like this: Profit and loss = total revenue – total expenses.

If the resulting figure is negative, the business has made a loss. If it is a positive, the business has made a profit. Net loss is the excess of expenses over revenues while Net income is the excess of revenues over expenses.

APENDEKI SHOP
Profit & Loss
All Transactions

		Feb 1, 23
Income		
Other income		
COMMISSION RECEIVED	▶	23,800.00 ◀
DISCOUNT RECEIVED		7,030.00
RENT RECEIVED		34,000.00
Total Other income		<u>64,830.00</u>
sales		
RETURNS INWARDS		-37,000.00
sales - Other		985,000.00
Total sales		<u>948,000.00</u>
Total Income		<u>1,012,830.00</u>
Cost of Goods Sold		
PURCHASE		
RETURN OUTWARDS		-100,000.00
PURCHASE - Other		465,000.00
Total PURCHASE		<u>365,000.00</u>
Total COGS		<u>365,000.00</u>
Gross Profit		<u>647,830.00</u>
Expense		
RENT		20,000.00
SALARY		50,000.00
Total Expense		<u>70,000.00</u>
Net Income		<u><u>577,830.00</u></u>

Figure 9.12 Net Income with the excess of revenues over expenses

The business Net Income is transferred to the statement of financial position. In case of profit, it increases the owner's equity while the loss decreases the owner's equity.

The APENDEKI SHOP made a profit and it will be transferred to the balance sheet in the next lesson.



Application Activity 9.2.

The transactions below have been extracted from the books of MULINDI Ltd during the month of February 2020

- a. Starting the business with 200,000,000 FRW. A half of it at bank, the remaining amount cash in hand.
- b. Receiving 10,000,000 FRW from BK deposited at the account.
- c. Purchasing goods valued at 4,500,000frw by cash.
- d. Credit purchase worth 7,800,000frw from supplier JEF.
- e. Cash sale worth 12,800,000frw
- f. Bought furniture of 364,000 FRW and paid by cash. Carriage inward was 5,000rwf
- g. Returning goods valued at 1,398,000FRWto JEF
- h. Payment to JEF worth 3,120,000frw. A discount of 2.5 per cent is received.
- i. Sale on credit to KANYAMANZA WORTH 2,387,500 FRW
- j. KANYAMANZA returned goods worth 1,000,000 FRW, he also paid 1,000, 000FRWon the remaining amount and he is allowed a discount of 5 per cent.
- k. Paid wages by cash of 250,500 FRW
- l. The insurance is paid by cheque 740,000FRW.
- m. Rent received by cheque is 90,450 FRW

Record these transactions and prepare the statement of profit and loss.



End of Unit Assessment

1. What is a statement of Profit and loss
2. Complete the table below:

Parts of income statement	Components of each part

3. List the purpose of statement of profit and loss account
4. The transactions below have been extracted from the file of JYAMBERE Ltd.
 - i) Starting the business with Cash: FRW 12,000,000
 - ii) Bought goods on credit from Anna valued at FRW 8,000,000
 - iii) Sales of goods on credit to worth FRW 2,000,000
 - iv) Purchase goods of FRW 2,000,000 to Anna
 - v) Payment of FRW 2,500 for insurance by cheque
 - vi) Sales return valued at FRW 1,000,000
 - vii) Rent received in cash

Present the statement of profit and loss.

9.3. Statement of financial position



Learning Activity 9.3.

MUKAMANA, a sole trader at NYAGATARE has the file with the following information

- Land 4,000,000
- Motor vehicle 5,000,000
- Machinery 4,000,000
- Capital 10,000,000
- Long term loan 3,000,000

You are asked to:

1. Show the accounting equation from the given information
2. Which financial statement in which the accounting equation is applied?

A business owns properties. These properties are called **assets**. The assets are the business resources that enable it to trade and carry out trading. They are financed or funded by the owners of the business who put in funds.

9.3.1. Assets

An asset is a resource controlled by a business entity/firm as a result of past events for which economic benefits are expected to flow to the firm.

An example is if a business sells goods on credit then it has an asset called a debtor. The past event is the sale on credit and the resource is a debtor. This debtor is expected to pay so that economic benefits will flow towards the firm i.e. in form of cash once the customers pays. Assets are classified into two main types:

- Fixed (Noncurrent) assets
- Current assets.

Noncurrent assets: are acquired by the business to assist in earning revenues and not for resale. They are normally expected to be in business for a period of more than one year.

Major examples include:

- Land
- Buildings
- Plant and machinery
- Fixtures,
- Furniture & fittings
- Equipment
- Vehicles, ...

Current assets: They are not expected to last for more than one year. They are in most cases directly related to the trading activities of the firm. Examples include:

- Stock of goods (for purpose of selling).
- Trade debtor's/accounts receivables (owe the business amounts as a resort of trading).
- Other debtors (owe the firm amounts other than for trading).

- Cash at bank.
- Cash in hand.

In QuickBooks, the assets of the business are presented in balance sheet as long as the records of transaction took place following the rule of double entry. Once the user needs to check the business assets, he/she must ensure that:

The company profile is created of course

The charts of account and sub accounts relating to the assets

The proper records

Presentation of the report through reports, **Company and Financials** then balance sheet standard

Example: Consider the following transactions extracted from the books on XYX Ltd as they took place during the month of January 2022.

- FRW 1,780,000 cash invested in business
- Receiving a loan from BANK OF KIGALI: FRW 2,000,000
- Bought vehicle for delivery: FRW 1,000,000 paid by cash
- Drawings from bank: FRW 25,000
- Credit purchase of FRW 45,000 from MUTESI
- Sales on credit worth FRW 98,000 to AGNES

Required: Prepare the balance sheet by showing the total assets, equity and liabilities

XYZ Ltd TOTAL ASSETS

XYZLtd	
Balance Sheet	
As of February 1, 2023	
	Feb 1, 23
BANK OF KIGALI	1,975,000.00
Total Checking/Savings	1,975,000.00
Other Current Assets	
CASH	830,000.00
Total Other Current Assets	830,000.00
Total Current Assets	2,805,000.00
Fixed Assets	
VEHICLE	1,000,000.00
Total Fixed Assets	1,000,000.00
TOTAL ASSETS	3,805,000.00

Figure 9.13 current assets and Fixed assets

9.3.2. Equity

Equity is the net amount of funds invested in a business by its owners, plus any retained earnings (Net profit): $\text{Owner's equity} = \text{capital plus net profit minus drawings}$.

This is the residual amount on the owner's interest in the firm after deducting liabilities from the assets. It includes: Items like introduced capital, profit/loss and drawings appear under equity.

Owner's equity = capital + Net profit/- Loss - Drawings.

The XYZ Ltd equity consists of the capital with it the owner started the business, the net income from statement of profit & loss and the drawings. It appears as follows:

Equity	
CAPITAL	1,780,000.00
DRAWINGS	-25,000.00
Net Income	5,000.00
Total Equity	1,760,000.00

Figure 9.14. Total Equity

9.3.3. Liabilities

These are obligations of a business as a result of past events settlement of which is expected to result to an economic outflow of amounts from the firm.

An example is when a business buys goods on credit, then the firm has a liability called creditor. The past event is the credit purchase and the liability being the creditor the firm will pay cash to the creditor and therefore there is an out flow of cash from the business.

- Liabilities are also classified into two main classes.
- Non-current liabilities (or long term liabilities)
- Current liabilities (or short term liabilities)

Non-current liabilities: are expected to last or be paid after one year. This includes long-term loans from banks or other financial institutions.

Example: 4 years loan

Current liabilities: last for a period of less than one year and therefore will be paid within one year. Major examples:

Trade creditors/ or accounts payable: owed amounts as a result of business buying goods on credit.

Other creditors: owed amounts for services supplied to the firm other than goods.

Bank overdraft: (Sundry) amounts advanced by the bank for a short-term period.

Unearned revenues

Prepaid income

According to the transactions above, XYZ Ltd has a LOAN as long term liability and CREDITOR AGNES as current liability. The total liability appears as below:

LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
CREDITORS	
MUTESI	45,000.00
Total CREDITORS	45,000.00
Total Other Current Liabilities	45,000.00
Total Current Liabilities	45,000.00
Long Term Liabilities	
LOAN	2,000,000.00
Total Long Term Liabilities	2,000,000.00
Total Liabilities	2,045,000.00

Figure 9.15. Current liabilities and non-current liabilities

Accounting equation:

Assets = Liabilities + Owner's Equity (3,805,000 = (2,045,000 + 1,760,000))

XYZLtd
Balance Sheet
As of February 1, 2023

	Feb 1, 23
BANK OF KIGALI	1,975,000.00
Total Checking/Savings	<u>1,975,000.00</u>
Other Current Assets	
CASH	830,000.00
Total Other Current Assets	<u>830,000.00</u>
Total Current Assets	<u>2,805,000.00</u>
Fixed Assets	
VEHICLE	1,000,000.00
Total Fixed Assets	<u>1,000,000.00</u>
TOTAL ASSETS	<u><u>3,805,000.00</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
CREDITORS	
MUTESI	45,000.00
Total CREDITORS	<u>45,000.00</u>
Total Other Current Liabilities	<u>45,000.00</u>
Total Current Liabilities	<u>45,000.00</u>
Long Term Liabilities	
LOAN	2,000,000.00
Total Long Term Liabilities	<u>2,000,000.00</u>
Total Liabilities	<u>2,045,000.00</u>
Equity	
CAPITAL	1,780,000.00
DRAWINGS	-25,000.00
Net Income	5,000.00
Total Equity	<u>1,760,000.00</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,805,000.00</u></u>

Figure 9.16. Total Liabilities and Equity



Application Activity 9.3.

1. Define the balance sheet
2. Give the main parts of balance sheet
3. Explain the effects of Profit or loss on owners' equity



End of Unit Assessment

1. Define the balance sheet
2. What are the examples balance sheet?
3. Enumerate the importance of Balance sheet?
4. The following transactions have been extracted from the books of ASIFIWE Trading Company:
 - On 1st February, 2022 Starting business with RWF 60,000,000 cash
 - 2nd February, 2022 Receiving a loan from KCB of RWF 20,000 000
 - 8th February, 2022 Buying premises for RWF 1,100,000 by cheque
 - 10th February, 2022 Purchasing goods on credit from Peter for RWF 4,500,000
 - 11th February, 2022 Selling goods on credit to KALISA for RWF 6,500,000
 - 12th February, 2022 receiving cash from KALISA (full payment of his debt)

Required: Prepare the statement of financial position of the business

UNIT 10

IMPORT AND EXPORT DATA TO/FROM OTHER SYSTEMS AND SOFTWARE



Key unit competence: Import and export data to/from other system and software.



Introductory Activity

The senior accountant of MGDS Ltd has an urgent meeting with the business owners. He is required to attend the meeting with well printed financial reports and list of vendors, customers, charts of account and items so that the owners will be using them in the decision making process. Because of urgency, the accountant is wondering how he can get all the required reports and list out of QuickBooks.

- If you are acting on behalf of the accountant o MGDS Ltd, What can you do?
- How can you do this?

Instead of starting from scratch, you can transfer data to and from QuickBooks. This makes it easy if you need to convert, upgrade, or create a new company file. The user can import data like bank transactions, accountant's changes, general journal entries, and batch transactions. The customers and vendors also can be imported or exported to and from QuickBooks.

10.1. Data import



Learning Activity 10.1.

- Information is different from Data. True or False.
- Vendors and customers can't be imported from external source to QuickBooks. True or False.

3. Read the information in the table below and prepare in excel sheet and import it in QuickBooks as an accountant of XYZ Ltd.

List of Items	List of Vendors	List of Customers	Charts of Accounts
Mangoes	Denyse	Queen	Land
Oranges	Umukundwa	Salome	Cash
Apples	Anita	Cyusa	Bank
Pinaples	Christine	Ganza	Capital

Data is defined as facts or figures, or information that's stored in or used by a computer. In accounting, data are all (ledgers and journals and spreadsheets) that support a financial statement.

10.1.1. Meaning

Data Import lets you upload data from external sources and use it in other system. In Quick books, data can be imported from excel or spread sheet to be used automatically in QuickBooks. Data can also be exported from other external software and system.

10.1.2. Transactions to be imported

The user can have a numerous data on his computer but out of QuickBooks. There is no reasons to take time re-typing. Instead, data like list of vendors, customers, charts of account and items... can be imported from excel to QuickBooks.



Application Activity 10.1.

1. What is the meaning of data import?
2. Give three examples of data that can be imported from external source to QuickBooks

10.2. Process to import and export



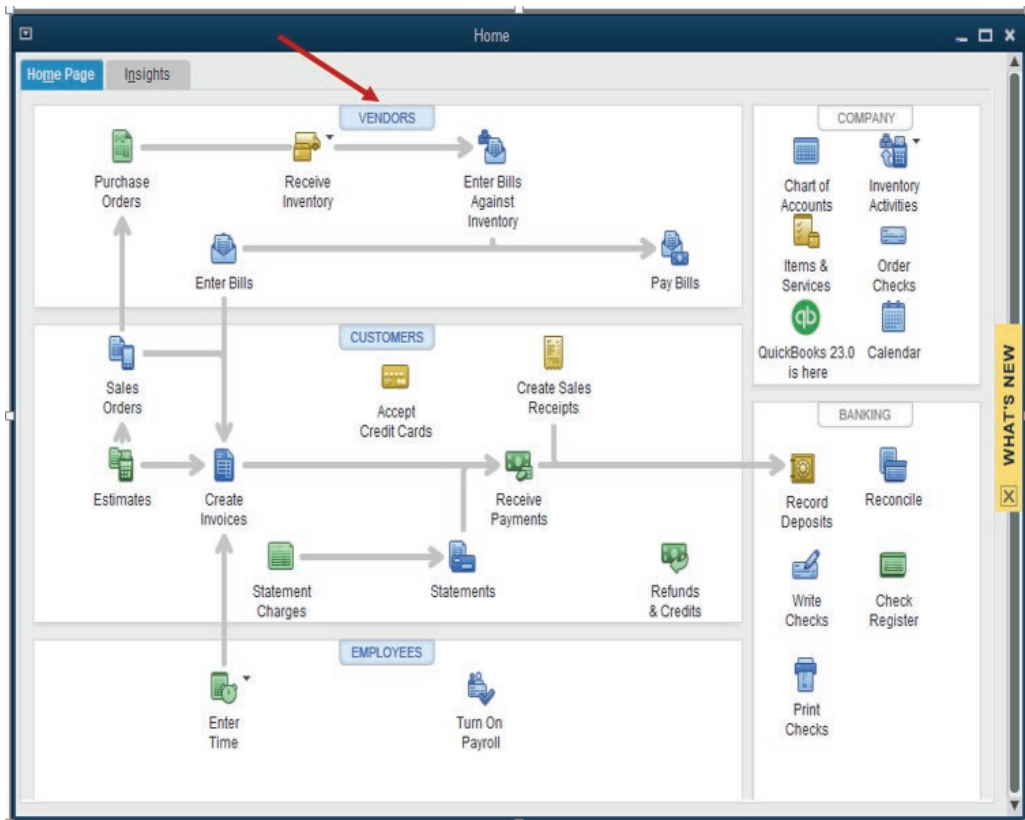
Learning Activity 10.2.

The QuickBooks users or accountants in general are always facing the issue of a huge data to record in system. For not losing time, if data are in other computer system, the user can import it for processing it as fast as possible. List the steps associated with data import.

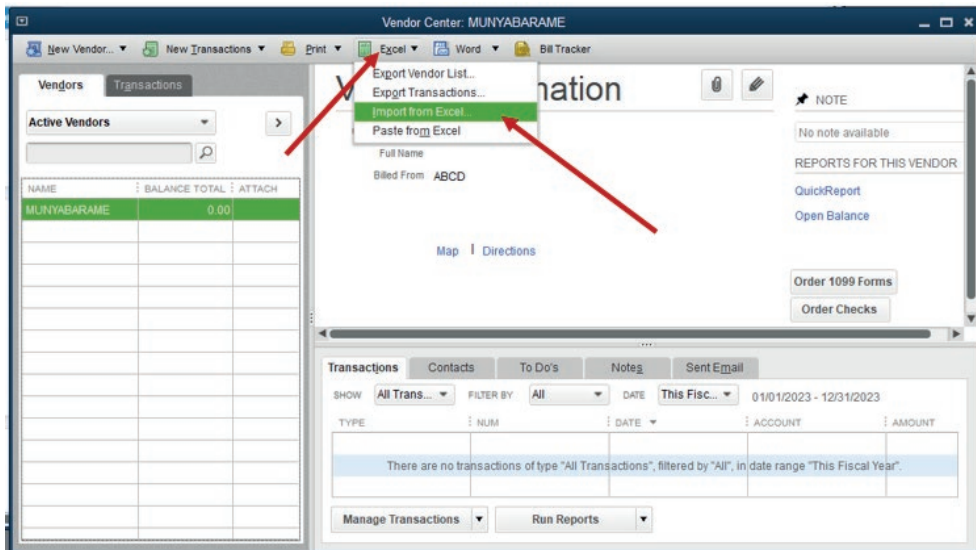
Example: HOPE SHOP, a manufacturing company is willing to create a chart of account, list of items, customers and vendor in its QuickBooks for starting its day to day business activities.

10.2.1. To import the list of vendors

Start on QuickBooks Home page and click on VENDORS

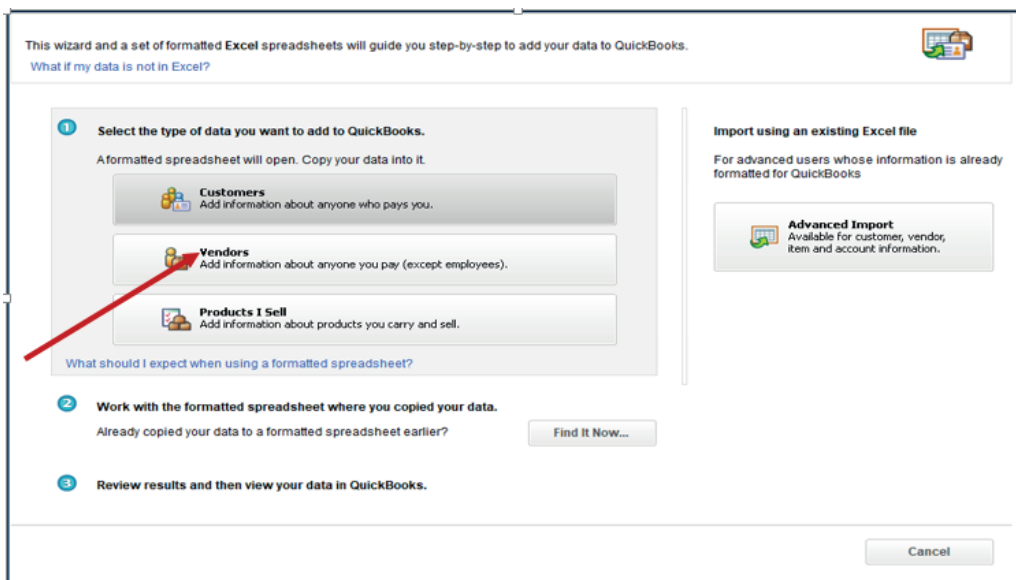


The vendor window appears as follow and the user has only one vendor called MUNYABARABE. As longer as there is another file on the user's computer containing a number of vendors, the user will not waste his time to record them, contrary, he has to IMPORT.



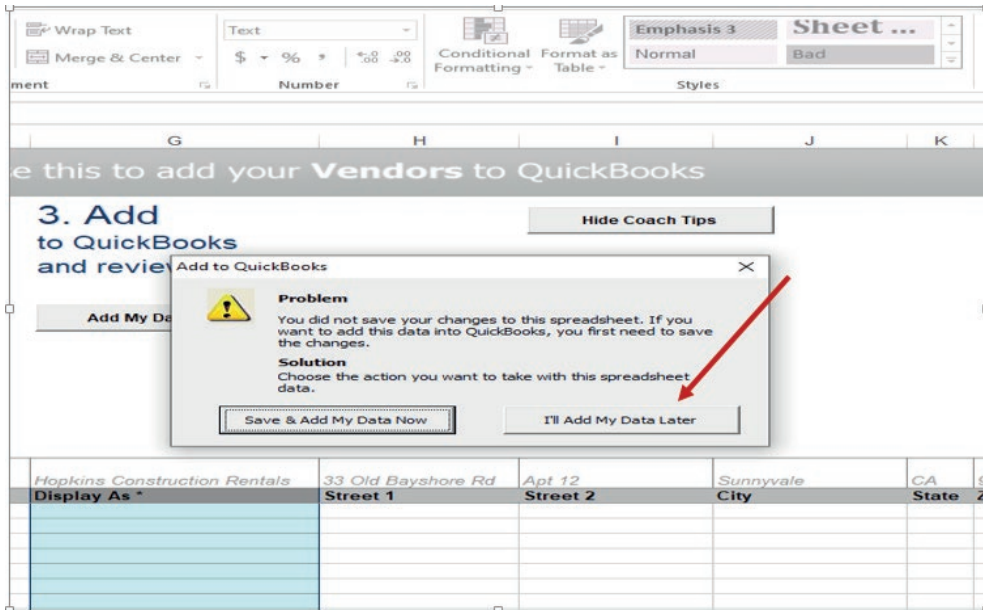
From the above window,

Click on **Excel** if there is a need to import from an excel sheet document. For us, we need a list of vendors in excel. A click on **Import from Excel** gives the following window in which the user has to select **Vendors** as he needs to import the vendors.

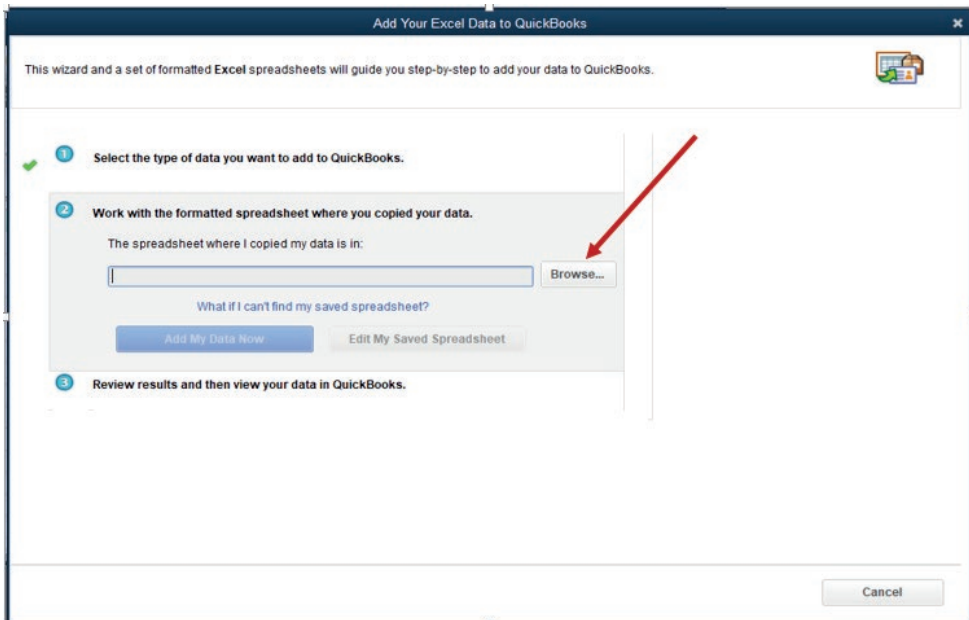


A click on **Vendor** gives an empty excel sheet. A user has to close it for browsing the appropriate file containing data he needs to import. By closing this empty excel sheet, it is better to select: I'll Add My Data Later. And don't Save.

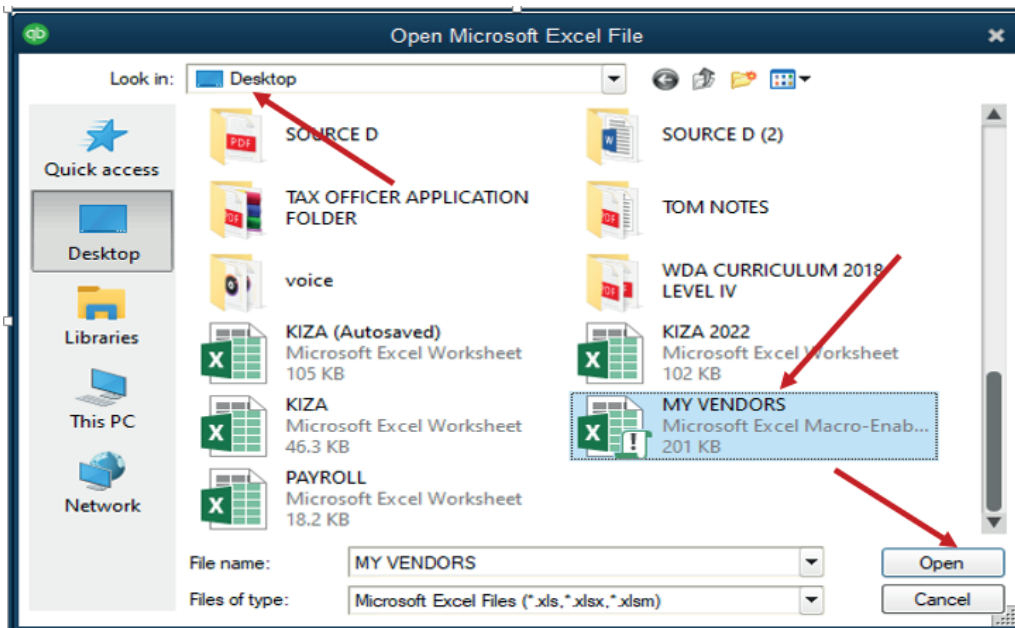
Click on **I'll Add My Data Later** to find the field of **Browser**



Browse the file containing data to be imported

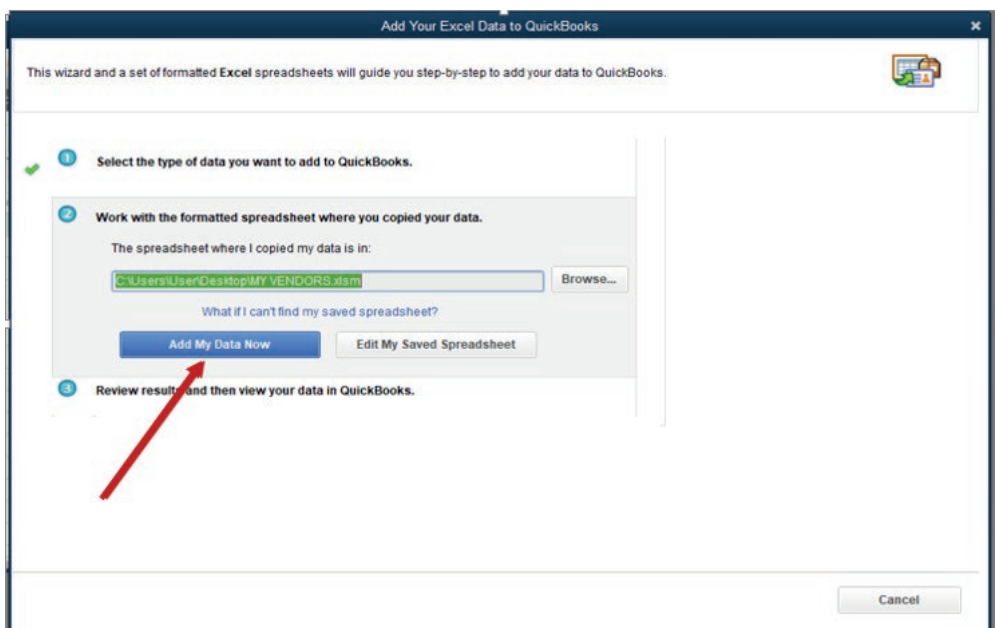


A click on browser leads to the file location. It is located on desktop and file Name in MY VENDORS.

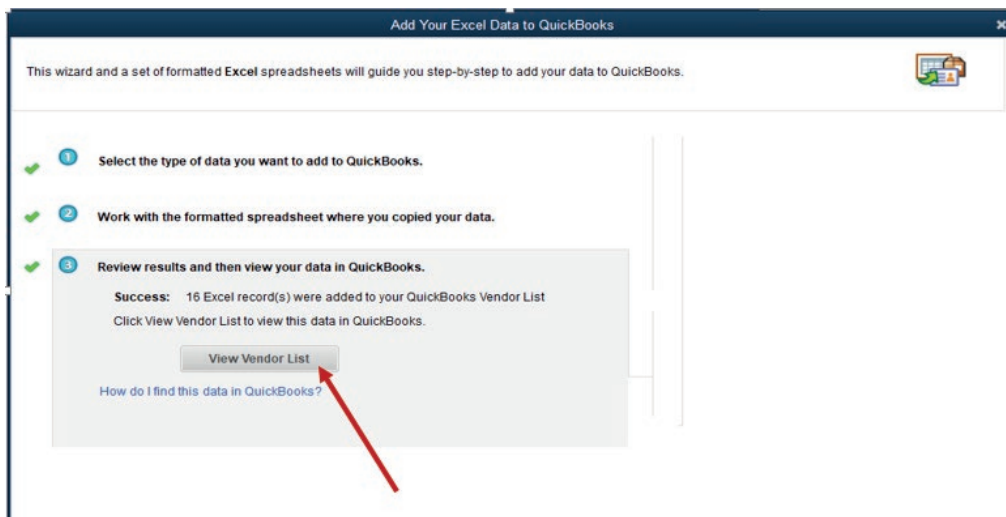


A Click on **Open** gives to the user an option to add data from Excel sheet to QuickBooks. It means that the list of vendors included in MY VENDORS file are going to be added on the only one vendor MUNYABARAME in QuickBooks. It also gives the option to edit the data before being imported.

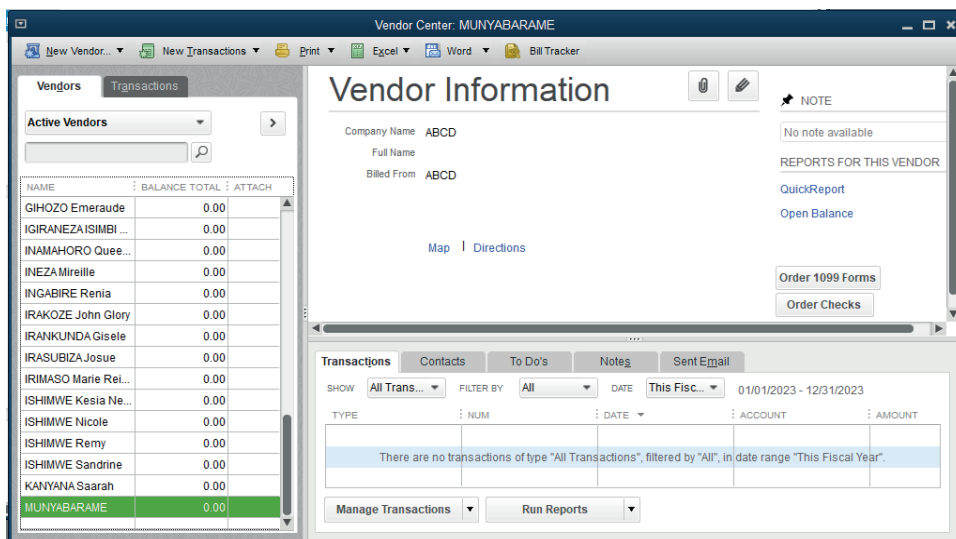
Click on **Add My Data Now**



From the window below the user gets **View vendor list** which leads to the final list of all vendors in QuickBooks.



The user finally gets the long list of all business vendors without losing time to type it but by importing it.



The same process can be used on any other data that the user is willing to import from Excel file.



Application Activity 10.2.

1. What is data import?
2. Enumerate the steps followed to import data from Excel to QuickBooks

10.2.2. Data Export



Learning Activity 10.2.

1. What is data export?
2. Enumerate the steps followed to export data from QuickBooks to Excel file format

Export means to carry away. To remove, to carry or send (something) to some other place. Data export is defined as the extraction and conversion of raw data from their existing place and format into a format required by another.

a. Data to be exported

The user can have a numerous data in his QuickBooks but not on his computer. There is no reasons to take time for re-typing. Instead, data like list of vendors, customers, charts of account and items... can be exported from QuickBooks to excel files.

Apart from this, the financial report of business can be also exported and be presented using another format different to the one used in QuickBooks.

b. Process to Export data

If the company profile has been created, list of items, list of vendors, list of customers, chart of account and business transactions are recorded correctly, the remaining task is export data from QuickBooks to another file format.

Example:

APENDEKI SHOP, a manufacturing company created a long list of chart of account, list of items, customers and vendor in its QuickBooks for starting its day to day business activities. At the end of the day, business transactions have been recorded and the reports presented in QuickBooks. The user recognizes that the accounting report should be submitted in excel format not in QuickBooks.

To export the report, (Trial balance, Income statement balance sheet and cash flow statement) there are the steps to follow:

Start on QuickBooks Home page and click on REPORTS; Company & Financials, Profit & loss if you are to export the income statement. The next step is to click on Excel and Create a New Work Sheet. It appears as follows:

Memorize Print E-mail **Excel** Hide Header Collapse Refresh

To Show Columns **Create New Worksheet** Update Existing Worksheet Default

APENDEKI SHOP Profit & Loss All Transactions

Feb 1, 23

Income	
Other income	
COMMISSION RECEIVED	23,800.00
DISCOUNT RECEIVED	7,030.00
RENT RECEIVED	34,000.00
Total Other income	64,830.00
sales	
RETURNS INWARDS	-37,000.00
sales - Other	985,000.00
Total sales	948,000.00
Total Income	1,012,830.00
Cost of Goods Sold	
PURCHASE	
RETURN OUTWARDS	-100,000.00
PURCHASE - Other	465,000.00
Total PURCHASE	365,000.00
Total COGS	365,000.00
Gross Profit	647,830.00
Expense	
RENT	20,000.00
SALARY	50,000.00
Total Expense	70,000.00
Net Income	577,830.00

Click on **Export**. The following window appears:

Send Report to Excel

WHAT WOULD YOU LIKE TO DO WITH THIS REPORT?

- Create new worksheet**
 - in new workbook
 - in existing workbook
- Update an existing worksheet [How it works](#)
- Replace an existing worksheet
- Create a comma separated values (.csv) file

[Advanced...](#)

The same data as the one presented by QuickBooks is exported and displayed in Excel. As it is in Excel now, it can be well edited and presented to the different users better than it was in QuickBooks.

A	B	C	D
			Feb 1, 23
Income			
	Other income		
		COMMISSION RECEIVED	23,800.00
		DISCOUNT RECEIVED	7,030.00
		RENT RECEIVED	34,000.00
	Total Other income		64,830.00
sales			
		RETURNS INWARDS	-37,000.00
		sales - Other	985,000.00
	Total sales		948,000.00
Total Income			1,012,830.00
Cost of Goods Sold			
	PURCHASE		
		RETURN OUTWARDS	-100,000.00
		PURCHASE - Other	465,000.00
	Total PURCHASE		365,000.00
Total COGS			365,000.00
			647,830.00
Expense			
		RENT	20,000.00
		SALARY	50,000.00
	Total Expense		70,000.00
			577,830.00

The same process can be used to export data like list of vendors, customers, charts of account and items from QuickBooks to Excel or any other possible external files.



Application Activity 10.2.

1. Differentiate Data import from data export
2. Trial balance can't be exported from QuickBooks to external files. True or False.
3. Read the information in the table below: record it in QuickBooks and export it from QuickBooks to an excel format file as an accountant of XYZ Ltd.

List of Items	List of Vendors	List of Customers	Charts of Accounts
Mangoes	Denyse	Queen	Land
Oranges	Umukundwa	Salome	Cash
Apples	Anita	Cyusa	Bank
Pinaples	Christine	Ganza	Capital



End of Unit Assessment

1. **Define the following concepts:**
 - Data
 - Import
 - Export
2. Discuss the advantage of importing or exporting data from and to QuickBooks and excel file.
3. GOOD LUCK Shop is a small sole trade business of purchasing and selling of Eggplants. It is located in MUGANZA Sector, RUSIZI District in Western Province (Tel +250788373939

GOOD LUCK Shop is well known for its services in Society and this attracts clients. Now days GOOD LUCK shop is facing serious problems related to the use of manual accounting, lack of tool which helps to analyze the financial prospects in advance, financial projection and the challenge of performing an effective payroll system.

Therefore the Manager wants to solve the above said problems by using accounting software QuickBooks to record financial transactions and Ms Office excel for effectiveness of the business. The decision is made to hire you knowing that you are skilled and able to help the business to perform well.

Below are transactions occurred during February?

- a. On 1st February, 2022 Starting business with RWF 25,000,000 (from the business owner)
- b. 2nd February, 2022 Receiving a loan from KCB of RWF 5,000,000
- c. 8th February, 2022 Buying premises for RWF 500,000 and paying rent for RWF 250,000 (both by cheque)
- d. 10th February, 2022 Purchasing goods on credit from GASANA for RWF 2,000,000

Record the information in QuickBooks and export the trial balance and general ledger of GOOD LUCK SHOP in excel file.

BIOGRAPHY

1. SARAH A. DROLLETTE (2009), A Basic Guide for Beginning QuickBooks Users, Utah State University
2. SaoudJayed MASHKOUR (2019), Accounting in English, Iraq
3. Elizabeth A. MINBIOLE (2000), Accounting principles II, NEW YORK
4. PRU MARRIOTT, J.R EDWARDS AND H.J MELLETT 2002), Introduction to accounting, 3rd edition, London
5. Kate MOONEY (2008), The essentials of accounting dictionary, Canada
6. Jeffrey R. HABER (2004), Accounting demystified, USA
7. BPP Learning media Ltd (2006), Fundamentals of accounting, UK
8. <https://quickbooks.intuit.com/global/>
9. <https://en.wikipedia.org/wiki/QuickBooks>

