

Cambridge IGCSE · Accounting 0452 · Notes

Books of prime entry

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Read first: [The double entry system of book-keeping](#), [Business documents](#)

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What you need to know

By the end of this topic you should be able to:

1. **Explain why businesses use books of prime entry:** what is gained by listing similar transactions together before anything reaches the ledger.
2. **Write up each of the seven books of prime entry** and say what each is for: the cash book, petty cash book, sales journal, purchases journal, sales returns journal, purchases returns journal and general journal.
3. **Post the ledger entries** from each book of prime entry: the individual items to the personal accounts and the totals to the nominal accounts.
4. **Tell trade discount and cash discount apart**, and record each correctly (trade discount is never recorded; cash discount is).
5. **Explain the dual function of the cash book:** it is a book of prime entry and, at the same time, the ledger account for cash and for bank.
6. **Record payments and receipts made by bank transfer and other electronic means** (credit transfers, standing orders, direct debits, online and card payments) and explain how they are used.
7. **Explain and use the imprest system of petty cash:** keep a petty cash book and restore the imprest.

Where each source document comes from is in the Business documents note; here we start from the document and write it up.

Understand it

Why have books of prime entry?

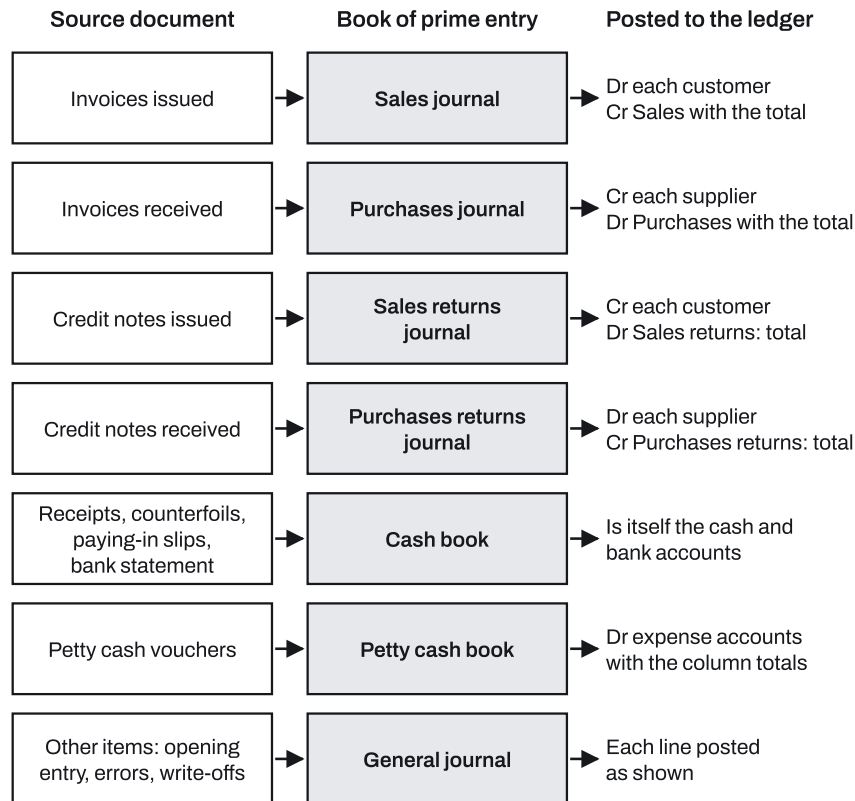
"Prime" means first. A transaction is written first in a **book of prime entry** (also called a book of original entry), and only then posted to the ledger by double entry. Each book collects one kind of transaction, in date order, from one kind of source document.

This helps because:

- **similar transactions are listed together** by date, so they are easy to find and check;

- **detail stays out of the ledger:** instead of posting every credit sale to the sales account, only the month's total is posted, so the sales account has twelve entries a year, not hundreds;
- **the work can be shared:** one clerk keeps the sales journal, another the cash book;
- **the totals are ready-made** for control accounts and for checking.

A book of prime entry is **not** part of the double entry (the cash book is the one exception, below). Its entries must still be posted to the ledger, and a trial balance is drawn from the ledger, not from these books.



Book of prime entry	What it records	Source document
Sales journal	Goods sold on credit	Copies of invoices issued
Purchases journal	Goods for resale bought on credit	Invoices received
Sales returns journal	Goods returned by customers	Copies of credit notes issued
Purchases returns journal	Goods returned to suppliers	Credit notes received
Cash book	All money in and out of cash and bank, with cash discounts	Receipts, cheque counterfoils, paying-in slips, bank statement
Petty cash book	Small cash payments	Petty cash vouchers

Book of prime entry	What it records	Source document
General journal	Anything not in another book: opening entries, non-current assets bought or sold on credit, correcting errors, writing off irrecoverable debts, goods taken by the owner	Letters, memos, lists of assets

The four "day books" (sales, purchases and the two returns journals) are for **credit goods only**. A cash sale or a purchase paid by bank transfer goes in the cash book, never in a journal. The purchase of a non-current asset on credit (a van, a machine) goes in the **general journal**, not the purchases journal, which is for goods to resell.

Trade discount and cash discount

- **Trade discount** is a reduction off the **list price**, given to trade customers, usually to encourage **bulk buying**. It is taken off on the invoice, and **only the net amount is ever recorded**. Trade discount never appears in any book of prime entry or ledger account.
- **Cash discount** is a reward for **paying quickly**, within a stated time. It is recorded only when the payment is made: in the discount column of the cash book, in the customer's or supplier's account, and in the discount allowed or discount received account. **Discount allowed** (given to customers) is an expense; **discount received** (from suppliers) is other income. Neither affects gross profit.

Always take trade discount first, then cash discount on what is left. Goods listed at \$500 with 10% trade discount are invoiced at $500 \times 90\% = 450$. If the customer pays within the period for a 2% cash discount, they pay $450 \times 98\% = 441$ and the discount is 9. The sales journal shows \$450; the cash book shows \$441 received and \$9 discount allowed.

If goods are returned before payment, the credit note is for the net invoiced amount of those goods (no cash discount has been earned yet).

The sales, purchases and returns journals

Each is a simple list: date, name, (invoice or credit note number), amount. At the month end it is totalled and the total is posted.

Sales journal of Mira, March

Date	Details	\$
Mar 4	Kofi (list price 600 less 20% trade discount)	480
17	Lina	310
31	Transfer to sales account	790

Posting follows the double entry for a credit sale:

Book	Each item	Month's total
Sales journal	Debit each customer's account	Credit sales account
Purchases journal	Credit each supplier's account	Debit purchases account
Sales returns journal	Credit each customer's account	Debit sales returns account
Purchases returns journal	Debit each supplier's account	Credit purchases returns account

The personal accounts are in the sales ledger (customers) and purchases ledger (suppliers); the sales, purchases and returns accounts are in the general (nominal) ledger. Individual items are posted during the month so customers' and suppliers' balances are always up to date.

The cash book and its dual function

The cash book records every receipt (debit side) and every payment (credit side) of cash and of money through the bank. It is a **book of prime entry**, because transactions are written there first. It is also the **ledger account for cash and for bank**: there is no separate cash account or bank account. That is its **dual function**. So for a cash book entry, only the **other** side needs posting: a receipt from a customer is debited in the bank column and then credited to the customer's account.

A **three-column cash book** has, on each side, a discount column, a cash column and a bank column.

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
	<i>money in</i>					<i>money out</i>			

Things to know:

- **Details** is the name of the account where the other half of the double entry goes: "Sales", "Wages", "Drawings", the customer's name. Not "paid wages" or "received cheque".
- **Discount columns are memorandum columns only.** They are not part of the double entry. Each discount is posted to the personal account (discount allowed: credit the customer; discount received: debit the supplier). At the month end the columns are **totalled, not balanced**: the discount allowed total is **debited** to the discount allowed account, and the discount received total is **credited** to the discount received account.
- **Contra entries**: cash paid into the bank is credited in the cash column and debited in the bank column on the same date (details "Bank" and "Cash"). Cash withdrawn from the bank for business use is the reverse. Both halves are in the cash book, so nothing is posted.
- **Balancing**: cash and bank columns are balanced like any account. The cash column can never have a credit balance (you can't spend cash you don't have). A **credit** balance on the bank column is a **bank overdraft**: the business owes the bank. An opening overdraft is entered as "Balance b/d" on the **credit** side.
- **Credit sales and credit purchases never enter the cash book.** Only money moving does.

A payment in **full settlement**: a supplier's invoice for \$2000 less 20% trade discount is \$1600. Paying it in time with 3% cash discount means paying $1600 \times 97\% = 1552$: credit bank \$1552, discount received \$48.

Bank transfers and other electronic payments

Most money now moves without cash or cheques. Every one of these goes through the **bank column**:

Method	What it is	Cash book
Bank (credit) transfer, online or telephone transfer	Money sent directly from one bank account to another	Debit bank if received, credit bank if paid
Standing order	The payer tells their bank to pay a fixed amount at regular dates (rent, loan repayments)	Credit bank
Direct debit	The payer lets the receiver collect amounts, which can vary, from their account (electricity, insurance)	Credit bank
Debit or credit card payment	Paid electronically; appears on the bank statement	Debit or credit bank

Some of these (standing orders, direct debits, credit transfers from customers, bank charges, dishonoured cheques) are only discovered from the **bank statement**, and are then entered in the cash book. A **dishonoured cheque** (one the customer's bank refuses to pay) is credited in the bank column and debited back to the customer. **Bank charges** are the fees a bank takes for running the account; they are credited in the bank column.

The petty cash book and the imprest system

Small cash payments (postage, cleaning, taxi fares, tea and coffee) would clutter the cash book, so a **petty cashier** pays them from a small float and records them in the **petty cash book**, from **petty cash vouchers**.

Under the **imprest system** the float (the **imprest**) is a fixed amount. At the end of each period the petty cashier is given exactly enough from the bank to bring the cash back to the imprest:

$$\text{amount to restore} = \text{total spent} - \text{any money received into petty cash}$$

So cash in the box plus the vouchers always equals the imprest. With an imprest of \$150, payments of \$128 and a \$5 refund paid in, the box holds $150 - 128 + 5 = 27$, and $128 - 5 = 123$ restores it to \$150.

The petty cash book has a **receipts** column on the left and, on the right, a total paid column plus **analysis columns** (one for each type of expense) and a **ledger accounts** column for payments to credit suppliers. Each payment goes in the total column **and** in one analysis column. At the month end:

1. total the paid column and every analysis column (the analysis totals must add up to the total paid);
2. carry down the balance (balance c/d), total both sides, and bring the balance down;
3. record the bank payment that restores the imprest in the receipts column (details "Bank"), and the same amount on the credit side of the cash book, bank column.

Posting: each **analysis column total** is **debited** to its expense account (postage, cleaning, and so on). Each item in the ledger accounts column is **debited** to that supplier's personal account. Money received into petty cash (from a customer, or an employee repaying a private phone call) goes in the receipts column and is

credited to the right account.

Advantages of the imprest system and petty cash: fewer small entries in the cash book and ledger; the chief cashier's time is freed; it trains a junior member of staff; the imprest limits how much cash is at risk and can be checked at any time (cash + vouchers = imprest), which helps prevent theft. If the cash in the box does not match the book, the reasons could be a missing or unrecorded voucher, a payment made for the wrong amount, a recording error, or theft.

The general journal

The general journal (or just "the journal") records any transaction that belongs in no other book of prime entry. Each entry has the date, the account to debit (first, and its amount in the debit column), the account to credit (below, with its amount in the credit column) and a short **narrative** explaining why.

Date	Details	Debit \$	Credit \$
May 31	Irrecoverable debts	215	
	Rachel		215
	<i>Amount owed by Rachel written off as irrecoverable</i>		

Its uses: the **opening entry** of a business; buying or selling **non-current assets on credit**; **correcting errors**; **writing off irrecoverable debts**; goods taken by the owner; other adjustments. It is **not** for credit goods, returns, or anything paid in cash or through the bank.

The **opening journal entry** records every asset, liability and the capital when a business starts keeping full records: **debit** each asset (with trade receivables named one by one, and petty cash), **credit** each liability (bank overdraft, loans, trade payables named one by one), and credit **capital** with the difference, since capital = assets – liabilities. Both columns then total the same. The narrative is "Assets, liabilities and capital at this date".

Key facts and formulas

There is no formula list in the IGCSE Accounting exam, so everything here must be learnt.

Formula	Status
net invoice amount = list price $\times$ (1 – trade discount rate)	Learn it
amount paid = amount owed $\times$ (1 – cash discount rate), only if paid in time	Learn it
cash discount = amount owed – amount paid	Learn it
"Having deducted $r\%$ ": amount owed = amount paid $\div$ (1 – $r\%$)	Learn it

Formula	Status
restore the imprest = total spent – money received into petty cash	Learn it
cash in box + vouchers – receipts = imprest	Learn it
Opening entry: capital = assets – liabilities	Learn it
Amount in the sales, purchases and returns journals = net of trade discount (trade discount is never recorded)	Learn it

How to do it

We have 85 tagged questions for this topic from 2021 to 2025 (62 different, as many appear on two or three paper variants): 55 one-mark multiple-choice questions from Paper 1 and 30 twenty-mark Paper 2 questions where books of prime entry are one or more parts. 28 of the 85 mix more than one type, so the counts add up to 131.

Question type	Questions
Post from books of prime entry to ledger accounts	25
Prepare and balance a three-column cash book	12
Choose the right book of prime entry or source document	12
Distinguish trade discount from cash discount	12
Calculate the amount needed to restore the petty cash imprest	10
Calculate trade and cash discounts, invoice or settlement amounts	10
Prepare and balance a petty cash book (imprest system)	9
Write general journal entries (opening entries and others)	9
Explain petty cash and the imprest system	8
Advise on payment methods or discount terms	7
State advantages of books of prime entry or a sales journal	6
Prepare sales, purchases and returns journals	5
Cash book facts: dual function, balance, discount columns	4
Explain a cash book balance or bank term	2

1. Post from books of prime entry to ledger accounts (25 questions)

1. **Find the opening balance.** A customer owes you: debit "Balance b/d". You owe a supplier: credit "Balance b/d".
2. **Post each transaction to the side the posting table gives**, with the date, the name of the other account and the amount:
 - credit purchase from the supplier: credit, "Purchases", at the **net** of trade discount;
 - goods returned to the supplier: debit, "Purchases returns", at the net price of those goods;
 - payment to the supplier: debit, "Bank" (or "Cash", or "Petty cash") with the amount paid, and a **separate** debit line "Discount received" for any cash discount;
 - credit sale to a customer: debit, "Sales"; customer returns: credit, "Sales returns"; customer payment: credit "Bank" and credit "Discount allowed";
 - a customer's dishonoured cheque: debit, "Bank".
3. **Balance the account:** total the heavier side, put the difference on the lighter side as "Balance c/d", total both sides, and bring the balance down on the opposite side on the first day of the next month.

Variations you will meet:

- **Half the goods returned.** Goods listed at \$900 with 20% trade discount were invoiced at \$720; returning half is \$360, not \$450.
- **A payment made from petty cash** to a supplier appears in the supplier's account as a debit "Petty cash".
- **Where do the monthly totals go?** (multiple choice): sales journal total credited to sales; purchases journal total debited to purchases; credit notes **issued** (sales returns journal) debited to sales returns; credit notes **received** (purchases returns journal) credited to purchases returns; petty cash analysis totals debited to the expense accounts; discount allowed column total debited to discount allowed; discount received column total credited to discount received.
- **What the supplier's account shows** after a cash book entry: "Sefa: discount 12, bank 468" on the credit side of the cash book becomes debit Bank 468 and debit Discount received 12 in Sefa's account.
- **Name the ledger** each account is in (sales ledger, purchases ledger, general ledger) and the principle used (double entry).
- **The purchases account:** opening balance (purchases so far this year) on the debit side, plus goods bought by bank transfer, plus the purchases journal total "Credit purchases for the month".

2. Prepare and balance a three-column cash book (12 questions)

1. **Enter the opening balances:** cash on the debit side; bank on the debit side, or on the **credit** side if it is an overdraft.
2. **Work through the list in date order.** For each item decide: money in (debit) or out (credit)? Cash or bank? Any discount?
3. **Details column:** the other account's name ("Sales", "Wages", "Motor expenses", "Drawings", the person's name).
4. **Cash discount:**

- "paid \$582 in full settlement of \$600": discount $600 - 582 = 18$;
- "paid \$441 having deducted 2% cash discount": owed $441 \div 0.98 = 450$, discount 9;
- "received the amount owed less 2.5%": work out 2.5% of the amount owed, and enter the rest.

5. **Contra entries** (cash to bank, bank to cash) on **both** sides.

6. **Total the discount columns** (don't balance them). **Balance** the cash and bank columns, then bring both balances down.

Bank statement parts: some questions ask whether an item **updates the cash book** or goes in the **bank reconciliation statement**. Items the business learns of from the bank statement update the cash book: bank charges, standing orders, direct debits, credit transfers received, dishonoured cheques, and errors made in the cash book. Unpresented cheques, deposits not yet credited and errors made by the bank do not: they go in the bank reconciliation statement (see the Bank reconciliation topic). An unpresented cheque is already in the cash book, so it is never added again.

Traps: credit sales and credit purchases are **not** entered; "cash sales paid directly into the bank" go in the bank column; standing orders, direct debits, credit transfers, card payments and bank charges are all bank; a dishonoured cheque is credited in the bank column; the owner's private money paid into the business bank is debited, details "Capital".

3. Choose the right book of prime entry or source document (12 questions)

1. **Is it goods on credit?** Sold → sales journal; bought → purchases journal.
2. **Is it goods returned on credit?** By a customer (credit note issued) → sales returns journal; to a supplier (credit note received) → purchases returns journal.
3. **Does money move?** Yes → cash book (or petty cash book if it is a small cash payment). Cash discount is also first recorded in the cash book.
4. **None of these?** → general journal.

Always read **whose** books: if Asha sells goods to Tomas for cash, **Tomas** records a cash purchase in his **cash book**.

Variations you will meet:

- **Goods returned before payment** by a customer who was offered cash discount: sales returns journal at the **full** invoiced amount (the discount has not been earned).
- **Paper 2 table:** pair each book with its source document and whether it is issued or received: sales journal, invoice, issued; purchases returns journal, credit note, received.
- **"Name one other book of prime entry":** any of the seven; write the full name.

4. Distinguish trade discount from cash discount (12 questions)

	Trade discount	Cash discount
Given for	Buying in bulk, or being in the trade	Paying within the stated time
Where shown	Deducted on the invoice	Offered in the terms; taken when paying
Recorded in the books?	Never	Yes: cash book, personal accounts, discount accounts
Effect on profit	None (sales and purchases are net)	Discount allowed is an expense; discount received is other income

Variations you will meet:

- **Definitions:** cash discount is an allowance for settling an account within a stated period; trade discount is a reduction in the list price, to encourage bulk buying.
- **Which statement is correct?** Both sales and purchases ledger accounts may contain cash discounts (allowed in customers' accounts, received in suppliers'). Cash discount is **not** taken off when goods are ordered. Discount received is on the **credit** side of the cash book.
- **Effect of a customer paying with cash discount:** current assets fall (trade receivables down by more than cash goes up) and expenses rise; gross profit is unchanged.

5. Calculate the amount needed to restore the petty cash imprest (10 questions)

1. Add up everything paid out of petty cash in the period (or the analysis totals).
2. Subtract any money **received** into petty cash (refunds, a customer's payment, an employee's repayment).
3. That is the amount to restore. Check: cash left = imprest – answer.

For example, imprest \$180, \$132 spent and an \$11 refund received: restore $132 - 11 = 121$, leaving $180 - 121 = 59$ in the box before the top-up. Distractors add the refund, use the imprest itself, or give the cash left.

In words (multiple choice): the imprest is restored by **the total of the vouchers**, less any cash received.

6. Calculate trade and cash discounts, invoice or settlement amounts (10 questions)

1. **Trade discount first**, on the list price: $\text{net} = \text{list} \times (1 - \text{trade rate})$. This is the invoice, journal and personal account amount.
2. **Cash discount second**, on the net amount, **only if paid within the time allowed**. Paid late means no cash discount.
3. **Working backwards:** from an amount paid after cash discount, divide by $(1 - \text{cash rate})$ to get the invoice; then divide by $(1 - \text{trade rate})$ to get the list price.

For example, goods listed at \$1500 were paid for with \$1140 after a 5% prompt-payment discount: the invoice was $1140 \div 0.95 = 1200$, so trade discount was $1500 - 1200 = 300$.

Paper 2 variant: from a list of receipts, total the money received and the cash discount allowed separately (each discount from its own receipt).

7. Prepare and balance a petty cash book (imprest system) (9 questions)

1. **Receipts side:** the opening balance, and on the same date, if the float is below the imprest, "Bank" with the top-up (for example \$86 in the box, imprest \$150: Bank \$64).
2. **Each payment:** date, details (the expense in plain words: "Postage", "Taxi fare", the supplier's name), the amount in "Total paid" and in **one** analysis column. Payments to trade payables go in **Ledger accounts**.
3. **Money received** (from a customer or an employee) goes on the receipts side, not in an analysis column.
4. **Total** the paid column and each analysis column, and check the analysis totals add up to total paid.
5. **Balance c/d** below the total paid (not inside it), total both sides, **balance b/d** on the first day of next month, then **Bank** with the amount that restores the imprest.
6. Put the dates in.

8. Write general journal entries (9 questions)

1. **Date**, then the account debited with its amount in the debit column, then the account credited (indented or below) with its amount in the credit column.
2. A **narrative** if asked for (it usually is): a short reason.

Opening entry: debit every asset (premises, vehicles, inventory, each trade receivable by name, bank if positive, cash, petty cash), credit every liability (bank overdraft, loans, each trade payable by name), and credit capital with assets – liabilities. Total both columns; they must agree.

Other entries:

- owner withdraws money from the bank for private use: debit Drawings, credit Bank;
- goods bought on credit at list price less trade discount: debit Purchases, credit the supplier, both at the **net** amount;
- non-current asset bought on credit: debit the asset account, credit the supplier;
- irrecoverable debt written off: debit Irrecoverable debts, credit the customer.

Which transactions go in the general journal? (multiple choice): corrections of errors and credit purchases of non-current assets, yes; goods on credit, returns, cash drawings and anything paid by cheque or transfer, no.

9. Explain petty cash and the imprest system (8 questions)

- **Name the system:** the imprest system.
- **Advantages:** reduces the number of entries in the cash book and the ledger; frees the chief cashier; trains junior staff; controls small spending and reduces the chance of theft or fraud, since cash + vouchers must equal the imprest.

- **Why the box and the book might differ:** a missing or unrecorded voucher, over- or underpayment by the petty cashier, a recording error, or theft.
- **What a petty cash book records:** small cash transactions (not all cash transactions).
- **Recording:** the top-up is debited in the petty cash book and credited in the cash book (bank). Money received from an employee is also debited in the petty cash book. So \$85 from the bank plus \$6 from an employee: debit petty cash book \$91, credit cash book (bank) \$85.

Give an advantage of the **imprest system** when asked for it, not a general advantage of keeping any petty cash book.

10. Advise on payment methods or discount terms (7 questions)

These are 5-mark "Advise ... Justify your answer" parts: about 2 points **for**, 2 points **against**, and a **recommendation** that follows from them (the points earn up to 4 marks, the decision 1).

Points about going cashless (all payments and receipts by bank transfer or card):

- **For:** money is safer in the bank (less risk of theft); records are easier (the bank statement shows everything); no trips to the bank; no cheques to clear or be dishonoured; most businesses already pay this way.
- **Against:** bank charges may rise; some customers have no bank account or prefer cash, so sales may fall; employees may want to be paid in cash; small items still need petty cash.

Points about offering a bigger **cash discount**:

- **For:** customers pay sooner, improving liquidity; may attract more customers.
- **Against:** less profit on each sale (discount allowed is an expense); no guarantee that customers pay early.

Read the scenario: if the business already gives cash discount and is only raising it, argue about the **increase**. Develop each point with its reason ("money in the bank is safer, because there is no cash on the premises to steal"). Points about **buying from a supplier who gives trade discount but no cash discount**:

- **For:** purchases cost less, so cost of sales falls and gross profit rises; the saving is certain, whereas cash discount is only earned by paying on time; a second supplier means less dependence on one.
- **Against:** the cash discount now received is lost; the relationship with the present supplier may suffer; quality, delivery or credit terms may be worse.

Points about **paying suppliers later** (a longer trade payables period):

- **For:** cash stays in the business longer (for example to pay for advertising) without a loan, overdraft or more capital, so no interest.
- **Against:** cash discount for prompt payment is lost; suppliers may charge interest on overdue accounts; the relationship with suppliers suffers and they may stop supplying until the balance is paid.

The split of points follows the question: "two advantages and two disadvantages" means 2 and 2, but some ask for three advantages and one disadvantage, so give exactly what is asked. A short-answer variant asks to name a bank payment method other than a cheque: bank transfer, standing order or direct debit.

11. State advantages of books of prime entry or a sales journal (6 questions)

Any of: similar transactions are listed together in date order; detail is removed from the ledger (only totals go to the sales account); book-keeping can be divided between staff; totals are useful for preparing control accounts; a sales journal gives the total of credit sales.

Wrong options in multiple choice: "no need for double entry", "a trial balance can be extracted from the books of prime entry", "it ensures all sales are correctly recorded".

12. Prepare sales, purchases and returns journals (5 questions)

1. **Pick out only the credit transactions** of the right kind. Leave out cash sales, purchases paid by bank transfer, payments and receipts.
2. **Enter each at the net amount** (list price less trade discount; ignore cash discount), with the date and the customer's or supplier's name.
3. **Total** the journal on the last day and write where it is posted: "Transfer to sales account" (or purchases, sales returns, purchases returns).
4. Put the dates in.

13. Cash book facts: dual function, balance, discount columns (4 questions)

- The cash book is **both** a book of prime entry and the ledger accounts for cash and bank. The discount columns are **not** ledger accounts.
- The discount column on the **debit** side is discount **allowed**; on the **credit** side, discount **received**.
- **Rolling a bank balance forward**: start with the opening balance as a signed number (overdraft negative), add receipts, subtract payments and charges. A negative answer is a **credit** balance (overdraft).

14. Explain a cash book balance or bank term (2 questions)

- A **credit** balance in the bank column means a **bank overdraft**: the business has paid out more than it had in the account and owes the bank.
- **Bank charges**: amounts the bank takes for its services in running the account.
- A customer's debit balance is a **trade receivable**, shown under **current assets** in the statement of financial position.

Worked examples

The bold codes show where marks are earned, as in Cambridge mark schemes. The number is how many marks.

- **B1** mark for a correct result on its own, with no method needed.
-

Example 1

Kaveh keeps a petty cash book using the imprest system, with an imprest of \$200. During April he paid out \$38, \$25, \$12.50 and \$46. He received a refund of \$9 from a stationery supplier and \$15 from a credit customer, both into petty cash.

How much is needed to restore the imprest on 1 May? **[1]**

A \$97.50 B \$121.50 C \$145.50 D \$78.50

Total spent = $38 + 25 + 12.50 + 46 = 121.50$. Money received = $9 + 15 = 24$. Restore $121.50 - 24 = 97.50$. **Answer A B1**

(B ignores the money received; C adds it instead of subtracting; D is the cash left before the receipts.)

Example 2

Leela sells goods on credit. On 1 June 2026 Bay Stores owed her \$340. In June:

- June 3: sold goods to Bay Stores, list price \$800, less 15% trade discount
- June 9: sold goods to Corin, \$260
- June 14: cash sales, \$95
- June 17: Bay Stores returned goods, list price \$120
- June 22: sold goods to Dana, list price \$500, less 10% trade discount; 2% cash discount if paid within 14 days
- June 30: Bay Stores paid the amount owed on 1 June by bank transfer, less 2.5% cash discount

(a) Prepare Leela's sales journal for June. Total it and show where the total is posted. **[3]**

(b) Prepare the sales returns journal for June. **[2]**

(c) Prepare Bay Stores' account in Leela's sales ledger. Balance it and bring down the balance on 1 July 2026. **[5]**

(a)

Date	Details	\$
June 3	Bay Stores (800 – 120 trade discount)	680
9	Corin	260
22	Dana (500 – 50 trade discount)	450
30	Transfer to sales account	1390

B1 Bay Stores \$680; **B1** Corin and Dana (Dana at \$450, no cash discount); **B1** total \$1390 posted to the sales account (follows through). The cash sale is not in the sales journal: it goes in the cash book.

(b)

Date	Details	\$
June 17	Bay Stores (120 × 85%)	102
30	Transfer to sales returns account	102

B1 \$102, at the same 15% trade discount as the sale; **B1** total and posting.

(c) Bay Stores pays $340 \times 97.5\% = 331.50$, so discount allowed is \$8.50.

Date	Details	\$	Date	Details	\$
June 1	Balance b/d	340.00	June 17	Sales returns	102.00
3	Sales	680.00	30	Bank	331.50
			30	Discount allowed	8.50
			30	Balance c/d	578.00
		1020.00			1020.00
July 1	Balance b/d	578.00			

B1 sales \$680; **B1** sales returns \$102; **B1** bank \$331.50; **B1** discount allowed \$8.50; **B1** balance b/d \$578 (follows through).

Example 3

Tamsin keeps a three-column cash book. On 1 July 2026 she had \$180 cash and a bank overdraft of \$620. In July:

- July 3: cash sales, \$450, paid directly into the bank
- 6: paid Kiri \$392 by bank transfer in full settlement of an invoice for \$400
- 10: received a cheque, \$576, from Ruben, who had deducted 4% cash discount
- 12: cash sales, \$260
- 14: paid wages in cash, \$210

- 18: rent paid by standing order, \$300
- 21: withdrew \$150 from the bank for business use
- 25: received a credit transfer, \$730, from Nia in full settlement of her debt of \$750
- 29: Tamsin took \$60 cash for her own use
- 30: electricity paid by direct debit, \$95

(a) Prepare Tamsin's cash book for July. Balance it and bring down the balances on 1 August 2026. **[12]**

(b) Explain the meaning of the bank balance on 1 July. **[1]**

(c) State the ledger entries for the totals of the discount columns. **[2]**

(a) Ruben owed $576 \div 0.96 = 600$, so his discount is \$24.

Debit side (money in):

Date	Details	Discount allowed \$	Cash \$	Bank \$
July 1	Balance b/d		180	
3	Sales			450
10	Ruben	24		576
12	Sales		260	
21	Bank		150	
25	Nia	20		730
		44	590	1756
Aug 1	Balance b/d		320	199

Credit side (money out):

Date	Details	Discount received \$	Cash \$	Bank \$
July 1	Balance b/d			620
6	Kiri	8		392
14	Wages		210	
18	Rent			300
21	Cash			150
29	Drawings		60	
30	Electricity			95
31	Balance c/d		320	199
		8	590	1756

Bank: money in $450 + 576 + 730 = 1756$; money out, including the opening overdraft, $620 + 392 + 300 + 150 + 95 = 1557$. The debit side is heavier, so the difference $1756 - 1557 = 199$ is carried down on the credit side and brought down on the debit side: the overdraft has become \$199 in the bank. Cash: $180 + 260 + 150 = 590$ in, $210 + 60 = 270$ out, so \$320 is carried down and brought down on the debit side.

Marks: **B1** each correctly placed line with its details (Sales twice, Ruben with discount, Kiri with discount, Wages, Rent, Drawings, Electricity, Nia with discount, about 8 marks); **B1** the contra on both sides; **B1** discount totals \$44 and \$8; **B1** balances b/d (cash \$320 debit, bank \$199 debit, follows through); **B1** dates.

(b) A bank overdraft: Tamsin owed the bank \$620. **B1**

(c) Debit discount allowed account \$44 **B1**; credit discount received account \$8 **B1**.

Example 4

Tui keeps a petty cash book with analysis columns for postage and stationery, cleaning, and ledger accounts. The imprest is \$120. On 1 August 2026 there was \$34 in the petty cash box, and the imprest was restored from the bank that day. In August:

- Aug 4: postage stamps, \$9
- 7: office cleaner, \$25
- 12: paid Lomu, a credit supplier, \$30
- 19: envelopes, \$7.50
- 26: window cleaning, \$18

(a) Prepare Tui's petty cash book for August. Balance it, bring down the balance on 1 September 2026 and restore the imprest. **[10]**

(b) State how the totals of the analysis columns are recorded in the ledger. **[2]**

(a)

Total received \$	Date	Details	Total paid \$	Postage and stationery \$	Cleaning \$	Ledger accounts \$
34.00	Aug 1	Balance b/d				
86.00	1	Bank				
	4	Postage	9.00	9.00		
	7	Office cleaner	25.00		25.00	
	12	Lomu	30.00			30.00
	19	Envelopes	7.50	7.50		
	26	Window cleaning	18.00		18.00	
			89.50	16.50	43.00	30.00

Total received \$	Date	Details	Total paid \$	Postage and stationery \$	Cleaning \$	Ledger accounts \$
	31	Balance c/d	30.50			
120.00			120.00			
30.50	Sept 1	Balance b/d				
89.50	1	Bank				

B1 top-up \$86 ($120 - 34$); **B1** for each of the five payments in the right columns; **B1** analysis totals (follows through; $16.50 + 43 + 30 = 89.50$); **B1** balance b/d \$30.50; **B1** Bank \$89.50 to restore the imprest; **B1** dates.

(b) Debit postage and stationery account \$16.50 and cleaning account \$43 **B1**; debit Lomu's account in the purchases ledger \$30 **B1**.

Common mistakes

- **Putting credit sales and credit purchases in the cash book.** The examiner reports say this every year. The cash book holds only money moving; credit goods go in the journals.
- **Recording trade discount.** Trade discount never appears in a journal or account. Enter the net amount only, not the gross amount and not a separate "trade discount" line.
- **Forgetting the contra.** Cash withdrawn from the bank for business use needs a credit in the bank column **and** a debit in the cash column. Missing it can leave the cash column overdrawn, which is impossible: treat that as a warning sign.
- **Wrong cash discount.** "Having deducted 3%" means the payment is 97% of the debt, so the discount is not 3% of the payment. Work out what was owed first.
- **Describing, not naming, in the details column.** Write "Wages", "Sales", "Kofi", not "paid wages", "received cheque" or "telephone transfer".
- **Balancing the discount columns.** They are totalled only.
- **Forgetting the opening balance or the restoration of the imprest** in the petty cash book, or putting the balance c/d inside the total paid so that the analysis columns no longer add up to it.
- **Putting a payment to a supplier in an expense column** of the petty cash book. It goes in "Ledger accounts". Money received from a customer goes on the receipts side.
- **Opening journal entries done transaction by transaction.** An opening entry is one entry: all assets debited, all liabilities and capital credited, with one narrative. Don't journalise the purchase of each asset or write assets – liabilities as a sum.
- **Adding the refund when restoring the imprest.** Money received into petty cash **reduces** the amount needed.
- **Missing dates.** Every cash book, petty cash book, journal and ledger account in Paper 2 has a mark for dates.

How to get the marks

- **Every line needs three things:** the date, the right account name in the details, and the amount on the right side. A mark usually needs all of them.
- **Balances follow through (OF).** If an earlier figure is wrong, your balance c/d and b/d still earn their marks if they are right for your own figures, so always finish balancing.
- **Cash book:** 1 mark per correct line, 1 for the contra shown on both sides, 1 for the discount totals, 1 for each balance brought down, 1 for dates.
- **Petty cash book:** 1 mark per payment in the right analysis column, 1 for totalling the analysis columns, then the balance b/d and the restoration from the bank.
- **Journals:** each net entry earns a mark; the total must say where it goes ("Transfer to sales account").
- **Opening journal entry:** marks for the assets, the liabilities, the capital and the narrative.
- **"State"** needs a short, precise answer ("imprest", "bank overdraft", "debit note"). **"Explain"** needs the reason.
- **"Advise ... Justify":** points on both sides, each explained, then a clear recommendation. The decision itself is a mark, but only after both sides.
- **Multiple choice:** work out the figure yourself first; the other options are built from the usual mistakes (gross list price, cash discount taken too early, refund added).

Quick check

1. Name the book of prime entry for each: (a) a credit note received from a supplier; (b) a cheque received from a customer; (c) a delivery van bought on credit; (d) an invoice sent to a customer; (e) \$8 paid for stamps from petty cash.
2. Goods with a list price of \$2400 are bought on credit with 25% trade discount and 3% cash discount for payment within 30 days. Find (a) the amount in the purchases journal; (b) the amount paid if paid in time; (c) the discount received.
3. On 1 October 2026 Rafi's business had equipment \$8500, inventory \$2300, a trade receivable (Moana) \$640, cash at bank \$1150, a trade payable (Tui) \$870 and a loan \$3000. Find the capital and the total of each column of the opening journal entry.
4. The discount column on the debit side of a cash book totals \$85 and on the credit side \$52. State the ledger entry for each total and its effect on profit for the year.
5. On 1 May the bank column of a cash book had a credit balance of \$450. In May, \$1280 was received into the bank and \$990 paid out; bank charges of \$18 were also entered. What is the balance on 1 June, and what does it mean?

Answers

1. (a) Purchases returns journal. (b) Cash book. (c) General journal (a non-current asset, not goods for resale). (d) Sales journal. (e) Petty cash book.
2. (a) $2400 \times 75\% = 1800$. (b) $1800 \times 97\% = 1746$. (c) $1800 - 1746 = 54$.
3. Assets $8500 + 2300 + 640 + 1150 = 12590$ (debit); liabilities $870 + 3000 = 3870$; capital $12590 - 3870 = 8720$ (credit). Both columns total \$12 590.
4. Debit discount allowed account \$85 (an expense, reduces profit for the year); credit discount received account \$52 (other income, increases profit for the year).
5. $-450 + 1280 - 990 - 18 = -178$: a credit balance of \$178, which is a bank overdraft.

Past questions to try

- 0452/22/F/M/24 Q1: part (a), a three-column cash book with cash discounts and a contra.
- 0452/21/M/J/24 Q1: part (a), a sales journal with trade discounts, posted to the sales account.
- 0452/21/M/J/23 Q1: part (a), a petty cash book with a receipt from a customer.
- 0452/12/O/N/22 Q7: posting the discount column totals.