

UNIT 2 The Ledger and Trial Balance

Recommended Prior Knowledge No prior knowledge is needed other than students' personal experiences as consumers and possibly workers for and observers of organisations.

Context This Unit covers fundamental aspects of bookkeeping. It can be studied on its own or in conjunction with Unit 1. Later Units are based on knowledge gained in this Unit so it is important to study this Unit early in a course of study. Students may find it useful to refer to a glossary of accounting terms as they study.

Outline The Unit focuses on double entry bookkeeping which underlies all bookkeeping and accounting in examinations. It also covers reconciling the cash book and the bank statement.

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
1.1	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> • process accounting data using the double entry system • explain the sub-division of the ledger into the sales ledger, the purchases ledger, and the general ledger 	<p>Ensure students understand the implications of double entry. This can be shown by indicating how a transaction affects the assets and liabilities on a balance sheet. Students need to be clear about the accounting equation (Assets = Capital + Liabilities) and its variations.</p> <p>Relate the books of original entry to the ledger. Emphasise double-entry is used in the ledger.</p> <p>It helps students understand by showing and testing them with several examples of sales on credit and purchases on credit, taking the transactions through each stage. Contrast these with cash sales and cash purchases.</p>	<p>http://accounting10.tripod.com/Slides2.1.ppt</p> <p>http://accounting10.tripod.com/content.htm</p> <p>http://panoptic.csustan.edu/2110/03/sld012.htm</p> <p>http://www.staffs.ac.uk/schools/business/bsadmin/staff/s5/accsys/wseven.htm#</p>	<p>BKA 2 IGSCE 1 MB 1</p> <p>BKA Appendix C MCQs</p> <p>BKA 12 IGSCE 4 MB 19</p>
1.3	<ul style="list-style-type: none"> • post the ledger entries from the books of prime entry • distinguish between, and account for, cash and trade discounts 	<p>Following above explanations, students should practice transactions to clarify understanding of posting from the books of prime entry, including dealing with discounts.</p>	<p>http://www.staffs.ac.uk/schools/business/bsadmin/staff/s5/accsys/weight.htm#</p>	<p>BKA 3, 4, 5, 6 IGSCE 2, 4, 6 MB 20, 21, 22, 23</p>

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
1.4	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> • give the correct treatment to bank current accounts, bank deposit accounts, bank overdrafts, bank loans and other loans • draw up a reconciliation of the cash book with the bank statement in respect of the following: unpresented cheques, bank charges, direct debits, standing orders, credit transfers, dividends, correction of errors, and uncredited deposits 	<p>Explain the importance of banks to business including financing in terms of overdrafts and loans and ensure students understand terminology like bank charges, standing orders, direct debits and so on which they will meet in business transactions through the bank.</p> <p>Explain how businesses regularly check the accuracy of their accounting and that of the bank by bank reconciliations. Illustrate and practice. Emphasise the importance of clear and detailed presentation and accuracy.</p> <p>Some texts show the bank reconciliation statement beginning with the adjusted cash book balance. Others start with the bank statement balance. Either is acceptable although the most logical, having just updated the cash book, is the adjusted cash book balance. It is helpful to students to be consistent in approach as it helps them remember.</p> <p>Students find overdrafts difficult to deal with. Practice will assist.</p>	<p>http://accounting10.tripod.com/content.htm</p> <p>http://teachers.cie.org.uk/teacher_support/pdf/7110_s03_qp_2.pdf</p>	<p>BKA Glossary MB Glossary</p> <p>BKA 14, 15 IGSCE 12 MB 8, 9, 10, 11, 12, 13</p> <p>CIE Jun 2003 Paper 2 Q1</p>

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
1.6	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> • prepare ledger accounts using the 'T' account format • post transactions to the ledger accounts • balance the ledger accounts as required • interpret ledger accounts and their balances <p>Candidates need not know the use of the folio columns.</p>	<p>Returning to ledger accounts after bank reconciliation provides students opportunity to think about the former topic. Test understanding with examples (such as cash book bank accounts used for bank reconciliation) checking understanding of the various transactions.</p> <p>Students should be given ample practice preparing and checking ledger accounts. Ensure they routinely balance accounts correctly.</p>	<p>http://www.bized.ac.uk/stafsu/p/options/accounting/work03.htm</p> <p>http://accounting10.tripod.com/content.htm</p> <p>http://teachers.cie.org.uk/teacher_support/pdf/7110_w03_qp_1.pdf</p>	CIE Nov 2003 Paper 1 Q7, 8
1.7	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> • recognise that it is a statement of ledger balances on a particular date • extract a trial balance • outline its uses and limitations • draw up a suspense account and show its use • identify and explain those errors which do not affect the trial balance - omission, commission, principle, compensating, original entry, and reversals 	<p>Illustrate how ledger accounts prepared can be combined in a trial balance. It is good practice for students to be given a list of ledger account balances and to have to prepare the trial balance reinforcing that debit entries are expenses or assets and credit entries primarily comprise income, liabilities and capital.</p> <p>Students should appreciate that the trial balance is a check on <u>arithmetical</u> accuracy. Running through the errors, using examples where possible, will help them appreciate the limitations. Examples are also useful in illustrating when the suspense account is needed and how it is used.</p>	<p>http://accounting10.tripod.com/Slides11.1.ppt</p> <p>http://www.bized.ac.uk/stafsu/p/options/accounting/work04.htm</p> <p>http://www.bized.ac.uk/stafsu/p/options/accounting/mod2_t_suspense.htm</p> <p>http://teachers.cie.org.uk/teacher_support/pdf/7110_w03_qp_1.pdf</p>	<p>BKA 7, 32 IGSCE 3, 13 MB 26, 27, 28, 63, 64</p> <p>CIE Nov 2003 Paper 1 Q9,10</p>

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
2.4	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> • make journal entries supporting the correction of errors • open and post entries to a suspense account where necessary 	<p>It is useful to illustrate how the journal would be used to show corrections in the accounts. Include the narratives in these journal illustrations to avoid students falling into the common misconception of using, say, 'error of commission' as a journal narrative.</p> <p>Emphasise that suspense accounts are temporary and follow double entry principles.</p>	<p>http://www.bized.ac.uk/stafsup/options/accounting/mod2w_suspense.htm</p> <p>http://teachers.cie.org.uk/teacher_support/pdf/7110_w03_qp_2.pdf</p>	<p>CIE Nov 2003 Paper 2 Q2</p>