

Lesson 7 – Use Day Books

Question 7.1

A business keeps double entry records and uses a sub-divided bookkeeping system. Double entry takes place in the General Ledger and the Cash Book. The accounts of individual customers and suppliers are kept as memorandum accounts. A Sales Ledger Control Account and Purchase Ledger Control Account are kept in the General Ledger. The business keeps Day Books for the purpose of listing details from invoices and credit notes issued and received.

Answer **each** of the following questions, which are based on the information provided above:

(i) The accounts of individual credit customers are kept in?

	✓
The sales day book	
The purchase ledger	
The sales ledger	✓
The general ledger	

(ii) The sales ledger control account is kept in?

	✓
The general ledger	✓
The sales day book	
The sales ledger	
The purchase ledger	

(iii) The VAT Control Account is kept in?

	✓
The general ledger	✓
The cash book	
The sales ledger	
The purchase ledger	

(iv) Details from sales invoices are listed in the?

	✓
The purchase ledger	
The cash book	
The sales ledger	
The sales day book	✓

(v) The purchases account is kept in?

	✓
The purchase ledger	
The sales ledger	
The general ledger	✓
The purchase day book	

(vi) The individual accounts of credit suppliers are kept in?

	✓
The purchase day book	
The purchase ledger	✓
The general ledger	
The purchase returns day book	

(vii) The sales account is kept in?

	✓
The sales day book	
The sales ledger	
The general ledger	✓
The sales returns day book	

(viii) Details from credit notes received from suppliers are listed in?

	✓
The sales returns day book	
The purchase ledger	
The general ledger	
The purchase returns day book	✓

(ix) The sales returns account is kept in?

	✓
The sales returns day book	
The general ledger	✓
The sales ledger	
The cash book	

(x) The bank account is kept in?

	✓
The general ledger book	
The cash book	✓
The sales ledger	
The purchase ledger	

Question 7.2

Floors-2-Go maintain a sub-divided bookkeeping system which includes the keeping of day books for the purpose of listing invoices and credit notes issued and received. At the end of each week the day books are totalled and postings are then made from the day books into the general ledger and subsidiary ledgers.

You are presented with the following day books for the week ended 7 January 201X

Floors-2-Go – Sales Day Book

201X	Customer	Invoice No	Total Invoice £	Net Goods £	VAT £
3 Jan	Floormaster Ltd	760	2,899.20	2,416.00	483.20
3 Jan	Quick-Step	761	3,858.96	3,215.80	643.16
4 Jan	The Floor Centre	762	2,232.48	1,860.40	372.08
5 Jan	Floormaster Ltd	763	3,854.64	3,212.20	642.44
5 Jan	Floors Galore	764	5,054.40	4,212.00	842.40
6 Jan	Quick-Step	765	5,539.80	4,616.50	923.30
7 Jan	The Floor Centre	766	3,300.00	2,750.00	550.00
7 Jan	Floors Galore	767	4,582.56	3,818.80	763.76
	Totals		31,322.04	26,101.70	5,220.34

Floors-2-Go – Sales Returns Day Book

201X	Customer	Credit Note No	Total Credit Note £	Net Goods £	VAT £
6 Jan	The Floor Centre	CN88	432.48	360.40	72.08
7 Jan	Floors Galore	CN89	609.84	508.20	101.64
7 Jan	Quick-Step	CN90	739.80	616.50	123.30
	Totals		1,782.12	1,485.10	297.02

- (i) Using information from the **Sales Day Book** above complete the following table and identify the amounts to be transferred from the day book to accounts in the **General Ledger**, the accounts in the general ledger in which the amounts would be recorded, and whether each of the accounts you identify would be debited or credited:

General Ledger

Account Name	Amount £	Debit ✓	Credit ✓
Sales ledger control	31,322.04	✓	
Sales	26,101.70		✓
VAT control	5,220.34		✓

- (ii) Using information from the **Sales Returns Day Book** above complete the following table and identify the amounts to be transferred from the day book to accounts in the subsidiary **Sales Ledger**, identify also the accounts in the subsidiary sales ledger in which the amounts would be recorded, and whether each of the accounts you identify would be debited or credited:

Subsidiary Sales Ledger

Account Name	Amount £	Debit ✓	Credit ✓
The Floor Centre	432.48		✓
Floors Galore	609.84		✓
Quick-Step	739.80		✓

Question 7.3

You are employed as an accounts clerk by Wiltshire Carpets Ltd. The company supplies carpets exclusively to six large carpet retailers. The double entry bookkeeping system used by the firm includes the use of day books for purchases and sales on credit, and for purchase and sales returns. The company is registered for VAT.

All invoices and credit notes issued or received are first entered in the appropriate day book. This is done on a daily basis for Monday to Friday of each week. On the Friday of each week day books are totalled with postings then being made to appropriate accounts within the main ledgers.

You are presented below with the Sales Day Book and Sales Returns Day Book of Wiltshire Carpets Ltd. The day books are already partly completed for the week of trading Monday 20 November 201 to Friday 24 November 201X, in that sales invoices and credit notes issued on Monday to Thursday of that week have already been listed.

**Wiltshire Carpets Ltd
Sales Day Book**

201X	Customer	Invoice Number	Total Invoice £	VAT £	Net Goods £
20 Nov	Cozee Carpets	1752	480	80	400
20 Nov	Concord (Carpets and Vinyls)	1753	240	40	200
20 Nov	Floorland Ltd	1754	720	120	600
21 Nov	Wall to Wall Carpets	1755	1,200	200	1000
21 Nov	Cozee Carpets	1756	960	160	800
22 Nov	Rotherham Carpet Centre	1757	240	40	200
22 Nov	Lockwood – Quality Carpets	1758	480	80	400
22 Nov	Concord (Carpets and Vinyls)	1759	1,440	240	1200
23 Nov	Floorland Ltd	1760	1,200	200	1000
23 Nov	Wall to Wall Carpets	1761	240	40	200
23 Nov	Rotherham Carpet Centre	1762	720	120	600
24 Nov	Concord (Carpets and Vinyls)	1763	1,440	240	1,200
24 Nov	Floorland Ltd	1764	960	160	800
24 Nov	Cozee Carpets	1765	1,920	320	1,600
24 Nov	Wall to Wall Carpets	1766	2,160	360	1,800
TOTAL			14,400	2,400	12,000

**Wiltshire Carpets Ltd
Sales Returns Day Book**

201X	Customer	Credit Note Number	Total Credit Note £	VAT £	Net Goods £
20 Nov	Wall to Wall Carpets	CN192	96	16	80
21 Nov	Cozee Carpets	CN193	192	32	160
23 Nov	Lockwood – Quality Carpets	CN194	144	24	120
24 Nov	Rotherham Carpet Centre	CN195	144	24	120
24 Nov	Floorland Ltd	CN196	240	40	200
TOTAL			816	136	680

The following information provides details taken from four invoices and two credit notes which have been raised and issued to customers on Friday 24 November 201X:

INVOICES ISSUED – Friday 24 November 201X

Invoice Number: 1763

Customer: Concord (Carpets and Vinyls)

Invoice Details:

Total Goods	£1,200
VAT	£ <u>240</u>
Invoice Total	£ <u>1,440</u>

Invoice Number: 1764

Customer: Floorland Ltd

Invoice Details:

Total Goods	£ 800
VAT	£ <u>160</u>
Invoice Total	£ <u>960</u>

Invoice Number: 1765

Customer: Cozee Carpets

Invoice Details:

Total Goods	£1,600
VAT	£ <u>320</u>
Invoice Total	£ <u>1,920</u>

Invoice Number: 1766

Customer: Wall to Wall Carpets

Invoice Details:

Total Goods	£1,800
VAT	£ <u>360</u>
Invoice Total	£ <u>2,160</u>

DR		VAT Control		CR	
201X	Details	£	201X	Details	£
24 Nov	<i>Sales returns day book</i>	136	24 Nov	<i>Sales day book</i>	2,400

REQUIRED:

- A** Enter the four sales invoices and two credit notes issued on Friday 24 November 201X into the sales day book and sales returns day book which are provided above.
- B** Total the sales day book and sales returns day book for the week ended Friday 24 November 201X
- C** Make transfers of totals at 24 November 201X from the sales day book and sales returns day book to appropriate accounts in the General Ledger using the ledger accounts provided in the ledger extract above.

Question 7.4

B&H Fire Surrounds manufacture a range of wooden and marble fire surrounds. They purchase the materials they use in manufacture exclusively from four major suppliers. The business is registered for VAT.

A subsidiary purchase Ledger is maintained by the business with the personal accounts of suppliers being kept as memorandum accounts. A purchase ledger control account is kept within the general Ledger and is within the double entry bookkeeping system. You are presented with the following:

- a A list of general ledger account balances at Monday 29 May 201X.
- b The purchase day book completed for the week of trading Monday 29 May 201X to Friday 2 June 201X.
- c The purchase returns day book completed for the week of trading Monday 29 May 201X to Friday 2 June 201X.

a Ledger Balances at 29 May 201X

General Ledger

	£
Purchases	175,219
Purchase returns	4,287
VAT control	1,742 (CR)
Purchase ledger control	9,436

b Purchase Day Book

Date 201X	Supplier	Supplier Invoice Number	Total Invoice £	VAT £	Net Goods £
29 May	SY Timber Ltd	SY175	456	76	380
29 May	Marble Imports Ltd	1292	732	122	610
30 May	Metal Castings Ltd	M362	702	117	585
31 May	Paints and Dyes Ltd	P140	348	58	290
31 May	Marble Imports Ltd	1346	624	104	520
1 June	SY Timber Ltd	SY212	1,320	220	1,100
1 June	Metal Castings Ltd	M409	600	100	500
2 June	Paints and Dyes Ltd	P171	468	78	390
2 June	Marble Imports Ltd	1408	972	162	810
	Total		6,222	1,037	5,185

c Purchase Returns Day Book

Date 201X	Supplier	Credit Note Number	Total Credit Note £	VAT £	Net Goods £
29 May	Marble Imports Ltd	CN320	108	18	90
1 June	Paints and Dyes Ltd	CN89	228	38	190
2 June	Metal Castings Ltd	CN108	180	30	150
	Total		516	86	430

REQUIRED:

- 1 Post the ledger account balances as balances brought down at 29 May 201X to appropriate accounts in the general ledger (extract) provided.

- 2 Make transfers from the purchase day book at 2 June 201X to appropriate accounts in the general ledger (extract) provided.

- 3 Make transfers from the purchase returns day book at 2 June 201X to appropriate accounts in the general ledger (extract) provided. The following general ledger (extract) is provided for your use in completing the above tasks:

**B&H Fire Surrounds
General Ledger (Extract)**

DR			Purchase Ledger Control		CR	
201X	Details	£	201X	Details	£	
2 June	Purchase returns day book	516	29 May	Balance b/d	9,436	
			2 June	Purchase day book	6,222	

DR			Purchases		CR	
201X	Details	£	201X	Details	£	
29 May	Balance b/d	175,219				
2 June	Purchase day book	5,815				

DR			Purchases Returns		CR	
201X	Details	£	201X	Details	£	
			29 May	Balance b/d	4,287	
			2 June	Purchase returns day book	430	

DR			VAT Control		CR	
201X	Details	£	201X	Details	£	
2 June	Purchase day book	1,037	29 May	Balance b/d	1,742	
			2 June	Purchase returns day book	86	

Question 7.5

The books of account of Domingo are maintained on a double entry basis. The business is registered for VAT.

The business has an extensive credit customer and credit supplier base. Its sales ledger and purchase ledger are maintained as subsidiary ledgers. Sales ledger and purchase ledger control accounts are kept in the general ledger.

Sales invoices, purchase invoices, and credit notes issued and received are listed in day books on a daily basis. At the end of each day the day books are totalled with transfers then being made to appropriate accounts in the general ledger and subsidiary sales and purchase ledgers. You are provided with the following day books showing invoices and credit notes entered on 2 May 201X, the books have been totalled at the end of the day.

Sales Day Book

Date 201X	Customer	Invoice Number	Invoice Total £	VAT £	Net Goods £
2 May	Kingsmark Ltd	1376	1,968	328	1,640
2 May	Minto Ltd	1377	1,536	256	1,280
2 May	Alpine Ltd	1378	1,632	272	1,360
2 May	Westcourt Plc	1379	960	160	800
2 May	James & Co	1380	7,680	1,280	6,400
	Total		13,776	2,296	11,480

Sales Returns Day Book

Date 201X	Customer	Credit Note Number	Credit Note Total £	VAT £	Net Goods £
2 May	Alpine Ltd	CN102	480	80	400
2 May	Westcourt Plc	CN103	720	120	600
	Total		1,200	200	1,000

The following balances appeared in the books of Domingo at close of business on 1 May 201X:

General Ledger

	£
Sales ledger control	26,380
Sales	739,518
Sales returns	3,880
VAT control	7,400 (CR)

Sales Ledger

	£
Alpine Ltd	3,180
Kingsmark Ltd	2,960
Minto Ltd	3,620
Westcourt Plc	4,480
James & Co	12,140

REQUIRED:

- A** Record the balances at the close of business on 1 May 201X as balances brought down in appropriate accounts in the general Ledger and sales ledger extracts provided below.
- B** Make transfers at 2 May 201X from the sales day book to appropriate accounts in the general ledger and subsidiary sales ledger.
- C** Make transfers from the sales returns day book at 2 May 201X to appropriate accounts in the general ledger and subsidiary sales ledger.

Domingo– General Ledger (extract)

DR		Sales Ledger Control		CR	
201X	Details	£	201X	Details	£
1 May	Balance b/d	26,380	2 May	Sales returns day book	1,200
2 May	Sales day book	13,776			

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DR		Sales		CR	
201X	Details	£	201X	Details	£
			1 May	Balance b/d	739,518
			2 May	Sales day book	11,480

DR		Sales Returns		CR	
201X	Details	£	201X	Details	£
1 May	Balance b/d	3,880			
2 May	Sales returns day book	1,000			

DR		VAT Control		CR	
201X	Details	£	201X	Details	£
2 May	Sales returns day book	200	1 May	Balance b/d	7,400
			2 May	Sales day book	2,296

Domingo – Sales Ledger (extract)

DR		Alpine Ltd		CR	
201X	Details	£	201X	Details	£
1 May	Balance b/d	3,180	2 May	Sales returns (CN102)	480
2 May	Sales (invoice 1378)	1,632			

DR		James & Co		CR	
201X	Details	£	201X	Details	£
1 May	Balance b/d	12,140			
2 May	Sales (invoice 1380)	7,680			

DR			Kingsmark Ltd			CR		
201X	Details	£	201X	Details	£			
1 May	Balance b/d	2,960						
2 May	Sales (invoice 1396)	1,968						

DR			Minto Ltd			CR		
201X	Details	£	201X	Details	£			
1 May	Balance b/d	3,620						
2 May	Sales (invoice 1377)	1,536						

DR			Westcourt Plc			CR		
201X	Details	£	201X	Details	£			
1 May	Balance b/d	4,480	2 May	Sales returns (CN103)	720			
2 May	Sales (invoice 1379)	960						

Question 7.6

The Mantelpiece is a business owned by Colin Jackson. The business is registered for Value Added Tax (VAT).

A sub-divided bookkeeping system is kept on behalf of the business and transactions are recorded on a double entry basis. The sub-divided system consists of main ledgers and books of prime entry. The personal accounts of customers and suppliers are kept as memorandum accounts in the subsidiary sales and purchase ledgers. Sales ledger and purchase ledger control accounts are kept in the general ledger.

Invoices and credit notes received from credit suppliers are entered into appropriate day books on a daily basis. The day books are closed off at the end of each day with transfers being made to appropriate accounts in the general ledger and the subsidiary purchase ledger.

Although a manual book-keeping system is used by the bookkeeper of The Mantelpiece all accounts within the books have been allocated account codes. The following is an extract from the Chart of Accounts of the business:

General Ledger Codes

- GL 0680 - Purchases
- GL 0690 - Purchase returns
- GL 0910 - Purchase ledger control
- GL 0980 - Value added tax (VAT)

Purchase Ledger Codes

- PL 0310 - The China House
- PL 0640 - Jugs Etcetera
- PL 0830 - Truro Collective
- PL 0980 - Widgewood & sons

You are presented with the purchase day book and purchase returns day book of The Mantelpiece, showing invoices received and credit notes received from credit suppliers entered on 8 June 201X. The day books have been totalled in readiness for coding and transfers being made to accounts within the general ledger and purchase ledger.

**The Mantelpiece
Purchase Day Book**

Date 201X	Supplier	Supplier Invoice Number	PL Codes	Total Invoice £	Net Goods £	VAT £
8 June	Jugs Etcetera	JU1045	0640	300	250	50
8 June	The China House	1468	0310	144	120	24
8 June	Widgewood & Sons	0975	0980	528	440	88
8 June	Truro Collective	TR0854	0830	1,440	1,200	240
Totals				2,412	2,010	402
GL Codes – Debit					0680	0980
GL Codes – Credit				0910		

**The Mantelpiece
Purchase Returns Day Book**

Date 201X	Supplier	Credit Note Number	PL Codes	Total Credit Note £	Net Goods £	VAT £
8 June	The China House	289	0310	48	40	8
8 June	Truro Collective	183	0830	240	200	40
Totals				288	240	48
GL Codes – Debit				0910		
GL Codes – Credit					0690	0980

REQUIRED

Using codes from the Chart of Accounts of The Mantelpiece code up each of the day books.

Question 7.7

Universal Building Supplies Ltd stocks a range of materials and fittings which they supply on a wholesale basis to the house building and construction trade. The business is registered for Value Added Tax (VAT).

The business maintains a sub-divided bookkeeping system and transactions are recorded on a double entry basis. The sub-divided system consists of main ledgers and books of prime entry.

Invoices and credit notes issued to credit customers are entered into appropriate day books on a daily basis. The day books are closed off at the end of each day with transfers being made to appropriate accounts in the general Ledger and sales ledger.

Although a manual bookkeeping system is used by the bookkeeper of Universal Building Supplies Ltd all accounts within the books have been allocated account codes. The following is an extract from the Chart of Accounts of the business.

General Ledger Codes

GL	0610	-	Sales
GL	0620	-	Sales returns
GL	0925	-	Sales ledger control
GL	0950	-	Value added tax

Sales Ledger Codes

SL	0090	-	Acme Builders Ltd
SL	0160	-	Apex Building
SL	0290	-	Barnet Homes
SL	0750	-	Tiles & Roofing Ltd

You are presented below with the sales day book and sales returns day book of Universal Building Supplies Ltd, showing invoices and credit notes issued to credit customers on 18 January 201X listed. The day books have been totalled in readiness for coding and transfers being made to accounts within the general Ledger and sales ledger:

**Universal Building Supplies Ltd
Sales Day Book**

Date 201X	Customer	Invoice Number	SL Codes	Total Invoice £	VAT £	Net Goods £
18 Jan	Acme Builders Ltd	13011	0090	3,744	624	3,120
18 Jan	Apex Building	13012	0160	5,856	976	4,880
18 Jan	Barnett Homes	13013	0290	9,024	1,504	7,520
18 Jan	Tiles & Roofing Ltd	13014	0750	1,344	224	1,120
Totals				19,968	3,328	16,640
GL Codes – Debit				0925		
GL Codes – Credit					0950	0610

**Universal Building Supplies Ltd
Sales Returns Day Book**

Date 201X	Customer	Credit Note Number	SL Codes	Total Credit Note £	VAT £	Net Goods £
18 Jan	Apex Building	CN 980	SL 0160	240	40	200
18 Jan	Tiles Roofing	CN 981	SL 0750	48	8	40
Totals				288	48	240
GL Codes – Debit					0950	0620
GL Codes – Credit				0925		

REQUIRED

Using codes from the Chart of Accounts of Universal Building Supplies Ltd code up each of the day books.

Question 7.8

Which **one** of the following statements is false?

	✓
The use of coding improves the accuracy of processing business transactions	
The use of coding improves the speed by which business transactions can be processed	
The use of coding completely eliminates errors from a bookkeeping system	✓

Question 7.9

Which **one** of the following is an example of an alpha-numeric code?

	✓
1056215	
GC/107	✓
ARB/FTP	

Question 7.10

Just Jeans (Wholesale) offer their credit customers a discount for prompt settlement of invoices. Where customer's take-up the offer of the discount Just Jeans (Wholesale) issue a credit note to the customer to account for the discount and the VAT adjustment on the discount.

Credit notes issued to credit customers to account for discounts allowed are entered in the sales returns day book, along with any other credit notes issued to credit customers.

Presented below is the sales returns day book for the week ended 7 May 201X. You are required to make transfers at 7 May 201X to appropriate account provided in the general ledger extract provided.

**Just Jeans (Wholesale)
Sales Returns Day Book**

201X	Customer	Customer Account Code	Credit Note Number	Total Credit Note £	VAT £	Net Goods £	Discount Allowed £
3 May	Denim Blue	DB055	126	240	40	200	-
4 May	Guys & Gals	GG025	127	180	30	-	150
5 May	Streetwise Boutique	SB060	128	360	60	300	-
7 May	Rough & Ready	RR075	129	210	35	-	175
	Totals			990	165	500	325

Domingo– General Ledger (extract)

DR		Sales Ledger Control		CR	
201X	Details	£	201X	Details	£
			7 May	Sales returns day book	990

DR		Sales Returns		CR	
201X	Details	£	201X	Details	£
7 May	Sales returns day book	500			

DR		Discounts Allowed		CR	
201X	Details	£	201X	Details	£
7 May	Sales returns day book	325			

DR		VAT Control		CR	
201X	Details	£	201X	Details	£
7 May	Sales returns day book	165			