

Foundation Bookkeeping – 2

FLASH CARDS

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DIRECT DEBIT VS STANDING ORDER

What's the difference?

A direct debit allows a varying amount to be collected from a business's bank account on a regular basis.

A standing order is a payment of a fixed amount from a business's bank account on a regular basis.

DON'T KEEP US IN SUSPENSE!

When is the suspense account used?

When the trial balance totals disagree it is used to temporarily balance the trial balance.

If the bookkeeper doesn't know one side of an entry they post it temporarily to a suspense account.

ERRORS NOT DISCLOSED BY A TRIAL BALANCE

Six to remember

- 1. Omission** – no debit or credit entry made
- 2. Original entry** – incorrect amount used for debit and credit entry
- 3. Commission** – right category but incorrect named account
- 4. Principle** – wrong category of account used
- 5. Reversal** – debit and credit entered the wrong way around
- 6. Compensating** – two or more unrelated errors that cancel out

PAYMENT ON PLASTIC

Debit card vs Credit card

Payment for goods/services by a customer using a debit card comes out directly from the customer's bank account.

Payment for goods/services by a customer using a credit card gives the customer a period of time before they have to pay the credit card company.

VAT CONTROL ACCOUNT

Input VAT

If goods or services are coming IN to the business which include VAT, record the VAT on the debit side of the VAT control account.

This includes:

- purchases of goods on credit or for cash
 - purchase of non-current assets
- expenses from cashbook or petty cash book
 - sales returns
 - irrecoverable debts.

TOTAL WAGES COST FOR AN EMPLOYER

What is included?

The total cost to an employer is the gross pay plus employers NIC and any employer's pension contributions.

SALES LEDGER CONTROL ACCOUNT (SLCA)

What's its purpose?

The SLCA shows the amount owing by all a business's credit customers as one total. It should be reconciled with the total of all the individual customer accounts held in the subsidiary sales ledger to check the accuracy of the transactions posted.

VAT CONTROL ACCOUNT

Output VAT

If goods or services are going OUT of the business which include VAT, record the VAT on the credit side of the VAT control account.

This includes:

- sales of goods on credit or for cash
 - sale of non-current assets
 - Purchases returns.

BANK RECONCILIATION

Comparing the cash book and the bank statement. What's the procedure?

Check opening balances agree (if not find out why).

Tick off items that appear in both the cash book and on the bank statement.

Update the cash book with any items not ticked in the bank statement.

Re-balance the cash book after updating it.

Prepare a bank reconciliation statement taking account of outstanding lodgements and unrepresented cheques.

PURCHASES LEDGER CONTROL ACCOUNT (PLCA)

What's its purpose?

The PLCA shows the amount owing to all a business's credit suppliers as one total. It should be reconciled with the total of all the individual supplier accounts held in the subsidiary purchases ledger to check the accuracy of the transactions posted.