

## CHAPTER FOUR

### BOOKS OF ORIGINAL ENTRY

#### CHAPTER OUTLINE

- ❖ Sales day book
- ❖ Return inwards day book
- ❖ Purchases day book
- ❖ Return outwards day book
- ❖ Journal Proper

#### Learning Objectives

At the end of this chapter, the student should be able to:

- Explain the meaning of books of original entry in accounting.
- Identify different books of original entry and their uses
- Identify the source document(s) of each book of original entry.
- Post information from books of original entry to ledger accounts.
- Explain the relationship among the different books of original entry.

#### BOOKS OF ORIGINAL ENTRY

Books of original entry take various names such as books of prime entry; subsidiary books; day books, journals, e.t.c. It is the book where transactions concerning the business are first listed or collated on a day to day basis before posting to the ledger at a specified interval. The source

documents earlier discussed are used to enter transactions in the book of original entry from where the process of book keeping commences. The main books of original entry are discussed below:

- ❖ Sales day book
- ❖ Return inwards day book
- ❖ Purchases day book
- ❖ Return outwards day book
- ❖ Journal proper

**4.1 SALES DAY BOOK:** This is the book of original entry used to record credit sales made in the company. Its source is from the duplicate copy of sales invoice. The book is merely a list in date order of each sales invoice. The book shows the date, name of the buyer company, reference number of sales invoice and net amount of the invoice. In modern accounting presentation is of no use showing the description of the goods sold in the sales day book as this information can be easily referred to in the sales invoice. Information contained in the sales day book is immediately transferred to each customer's account as it is entered in the sales day book. This is known as "posting" the sales day book. The customer's personal account is debited with the individual value of the customer's purchases while the total value of all the customers in the sales day book is credited to the sales account in the sales ledger by writing "transferred to".

#### Illustration 4.1

Hilary Enterprises made the following credit sales with the following invoice numbers, 16550-16557 respectively.

Year	Date	Name of Enterprise	Amount (₦)
2012	Jan 15	Olawumi Enterprises	3,000,000
"	16	Ngozi Enterprises	2,000,000
"	17	Mimi Enterprises	1,000,000
"	18	Ebere Enterprises	3,500,000
"	19	Jane Enterprises	6,000,000
"	20	Helen Enterprises	4,200,000
"	21	Ekpo Enterprises	500,000
"	22	Virgy Enterprises	1,800,000

You are required to record the above sales in a sales day book.

### Solution 4.1

Date	Customer	Hilary Enterprises' Sales Day Book Invoice No	Sales Ledger Ref	Amount (N)
Jan, 2012				
15	Olawumi Enterprises	16550	SL 06	3,000,000
16	Ngozi Enterprises	16551	SL 07	2,000,000
17	Mimi Enterprises	16552	SL 08	1,000,000
18	Ebere Enterprises	16553	SL 09	3,500,000
19	Jane Enterprises	16554	SL 10	6,000,000
20	Helen Enterprises	16555	SL 11	4,200,000
21	Ekpo Enterprises	16556	SL 12	500,000
22	Virgy Enterprises	16577	SL 13	1,800,000
31	Transferred to sales account Cr.			<b>22,000,000</b>

Note: The above question on the sales day book presented a summarized sales invoice, giving only the total amount for each customer. There are situations where the customers will buy goods on different dates within the stipulated period. In such cases, different sales invoice will be issued and each of them has to be captured or recorded in the sales daybook.

### Illustration 4.2.

You are required to prepare the sales day book of Chin Cherry Ltd from the particulars below:

- March 15 Sold to Anulika and Sons  
10 pairs of Sandal @ N500 a pair  
20 pairs of K-Shoes @ N1000 a pair  
Invoice subject to 20% trade discount.
- March 16 Sold to Borishade Enterprises.  
10 Pairs of Slippers @ N300 a pair  
20 Pieces of Umbrella @ N200 each.  
Invoice subject to 10% trade discount.
- March 19 Sold to Emmanuel and Co  
10 wall clocks @ N5000 each
- March 25 Sold to Ohanwe Enterprises  
100 Wall Clock @ N5000 each  
50 Pairs of Sandal @ N500 a pair  
20 Pairs of Shoes @ N1000 a pair.

### Solution 4.2

### Chin-Cherry's Sales Day Book

Date	Name & Particulars	Folio	Details (N)	Amount (N)
March 15	<b>Anulika &amp; Sons</b> 10 Pairs of Sandal @ N500 a pair 20 Pairs of k-Shoes @ N1,000 a pair Less 20% discount		5,000.00 20,000.00 <hr/> 25,000.00 5,000.00	20,000.00
March 16	<b>Borishade Enterprises</b> 10 Pairs of Slippers @ N300 a pair 20 Pieces of Umbrella @ N200 each Less 10% trade discount		3,000.00 4,000.00 7,000.00 700.00	6,300.00
March 19	<b>Emmanuel &amp; Co.</b> 10 Wall Clock @ N5000 each		50,000.00	50,000.00
March 25	<b>Ohanwe Enterprises</b> 100 Wall Clock @ N5,000 each 50 Pairs of Sandal @ N500 each 20 Pairs of Shoes @ N1000 each		500,000.00 25,000.00 20,000.00	
March 31	Transferred to Sales A/c Cr.			545,000.00 <hr/> 621,300.00

Sometimes, the student may be required to present the sales day book or purchases day book in an analytical form.

Using Chin-Cherry sales day book in the previous illustration 4.2, its analytical form will appear like this:

### Chin-Cherry's Analytical Sales Day Book

Date	Customer	Total N	Sales N	Sandal N	Shoes N	Slippers N	Wall dock N	Umbrella N
March 15	Anulika & Sons	20,000	20,000	4,000	16,000			
16	Borishade Enter.	6,300	6,300			2,700		3,600
19	Emmanuel & Co.	50,000	50,000				50,000	
25	Ohanwe Enterprises	545,000	545,000	25,000	20,000		500,000	
31	To sales A/c Cr.	<u>621,300</u>	<u>621,300</u>	<u>29,000</u>	<u>36,000</u>	<u>2,700</u>	<u>550,000</u>	<u>3,600</u>

## 4.2 RETURN INWARDS DAY BOOK

This is equally known as sales return book. It is the book of original entry where goods returned by customers are recorded. Sometimes, goods are returned by customers due to one reason or the other. When such happens, a document known as 'Credit Note' is given to the customer showing the amount of allowance given in respect of the returns. The items in the credit note are confirmation that the customer's account has been credited with the value of the allowance given. The items in the credit note are listed in the return inwards day book which is subsequently used to post the items to the credit side of the customer's personal account in the sales ledger. At the end of a specified, the total of the credit note i.e the total in the return inwards day book is posted to the debit side of the return inwards account thereby completing the double entry principles.

### Illustration 4.3

Assuming in the Hillary Enterprises in Illustration 4.1, the following returns were made:

Jan 16: Ngozi returned goods worth ₦250, 000

Jan 20: Jane returned goods worth ₦1, 000,000

Jan 21: Helen returned goods worth ₦300, 000

You are required to show the above in a return inwards day book.

### Solution 4.3

Hillary Enterprises'				
Return Inwards Day Book				
Date	Particulars	Credit Note No	Sales Ledger Ref	Amount (N)
Jan 16	Ngozi Enterprises	01/13	SL 07	250,000
Jan 20	Jane Enterprises	01/14	SL10	1,000,000
Jan 21	Helen Enterprises	01/15	SL 110	300,000
Jan 31	Total transferred to return inwards account			Dr. 1,550,000

Note: The individual accounts of Ngozi, Jane, and Helen will be credited with values attached to their names while the total of ₦1,550,000 will be debited to Return Inwards Account.

### Illustration 4.4

The following are the transactions of Nweze Enterprises for the Month of May, 2000.

May 5	Sold goods to Obollo Enterprises: 10 wall clocks @ ₦500 each 5 Radio set @ ₦1000 each Subject to 10% trade discount
May 15	Sold to Nkanu & Co, 10 Tins of Ovaltine @ ₦400 each
May 17	Sent a Credit note to Obollo for 2 Wall clocks damaged in transit
May 20	Sold goods to Ijebu Enterprises: 10 tins of Ovaltine @ ₦400 each 10 Wall Clocks @ ₦500 each

Required: List the above transactions in the sales day book and return inwards day book.

### Solution 4.4

Nweze Enterprises'				
Sales Day Book for the month of May, 2000				
Date	Name & Particulars	Folio	Details (N)	Total (N)
May 5	<b>Obollo Enterprises</b> 10 Wall Clocks @ ₦500 5 Radio set @ ₦1,000 Less 10% trade discount		5,000 5,000 <u>10,000</u> 1,000	9,000
15	<b>Nkanu &amp; Co.</b> 10 Tins of Ovaltine @ ₦400			4,000
20	<b>Ijebu Enterprises</b> 10 tins of Ovaltine @ ₦400 10 Wall clock @ ₦500 Transferred to Sales A/c Cr		4,000 5,000 <u>9,000</u>	22,000

**Nweze Enterprises'  
Return Inwards Day Book**

Date	Name & Particulars	Folio	Details (₦)	Total (₦)
May 17	<b>Obollo Enterprises.</b> Allowance for 2 Wall Clocks damaged in transit Less 10% discount Transferred to return inwards A/c Dr.		1000 <u>100</u>	<u>900</u> 900

**4.3 PURCHASES DAY BOOK**

This is the book of original entry used to record all credit purchases that are meant for resale. It is to purchases what sales day book is to sales. The source document for the purchases day book is the invoice received from the supplier. The total of the value of entries in the purchases day book is transferred to the debit side of the purchases account in the ledger at regular intervals while each supplier's account is credited in the ledger.

Using the information relating to the sales invoice on page 18, if you are required to list the information in the sales invoice to XYZ, the purchases daybook will appear thus:

XYZ's  
Purchases Journal

Date	Name and Particulars	Folio	Details (₦)	Total (₦)
June 15, 2000.	<b>Eze Sanni</b> 20 Pairs of sandal @ ₦500 5 Pairs of Slippers @ ₦200		10,000 <u>1,000</u>	
31	Less 10% discount Transfer to Purchases Account Dr.		<u>1,100</u>	10,900

**Illustration 4.5**

Enter the following transactions in the Purchases Day Book of Jomo Enterprises for the Month of December, 19x9

December 6 Bought from Sunshine Ltd:  
10 cases of beer @ ₦1000 a case  
50 cases of Malt @ ₦ 500 a case  
Invoice subject to 10% trade discount

- 20 Bought from Perikomo & Co.:  
10 cases of Viju Milk @ ₦2000 a case  
Invoice subject to 5% discount
- 25 Bought from Umaru Dikko Enterprises:  
50 crates of coca cola @ ₦1000 a crate.

**Solution 4.5**

Jomo Enterprises'  
Purchases Day Book for the Month of December, 19x9

Date	Name & Particulars	Folio	Details (₦)	Total (₦)
Dec 6	Sunshine Limited 10 cases of Beer @ ₦1000 each 50 cases of Malt @ ₦500 each		10,000 <u>25,000</u> 35,000 <u>3,500</u>	31,500
20	Less 10% Trade discount Perikomo & Co. 10 cases of viju Milk @ ₦2000 a case		20,000 <u>1,000</u>	19,000
25	Less 5% discount Umaru Dikko Enterprises 50 Crates of cocacola @ ₦1,000 per crate		50,000	50,000
	Transfer to Purchases A/c Dr			<b>100,500</b>

**Illustration 4.6**

Mamah and Sons made the following purchases on credit.

Date/year	Name of Customer	Amount (₦)	Invoice No
15/02/2012	Nnebechi & Sons	300,000	0003
"	Chinasa Enterprises	600,000	0004
20/01/2012	Ezekiel Enterprises	1,000,000	0005
"	Ngozika Stores	2,000,000	0006
28/02/2012	Onuagha & Sons	5,000,000	0007

You are required to enter the above transactions in the purchases day book.

### Solution 4.6

Mamah and Sons' Purchases Day Book				
Date	Customers	Invoice No	Purchases Ledger Ref.	Amount (N)
15/02/2012	Nnebechi & Sons	0003	PL 656	300,000
"	Chinansa Enterprises	0004	PL 657	600,000
20/02/2012	Ezekiel Enterprises	0005	PL658	1,000,000
"	Ngozika Stores	0006	PL 559	2,000,000
28/2/2012	Onuagha & Sons	0007	PL 660	5,000,000
28/2/2012	Transferred To Purchases Account Dr.			8,900,000

**Analytic Purchases Day Book.** This is an extension of the purchases day book where the transactions are further analysed into different headings.

### Illustration 4.7

Paulo is a sole trader. He made the following credit purchases in the month of January, 2010.

			N
2010, Jan.	5	Bought goods on credit from Lawson	3,000,000
	6	Bought goods on credit from Ben	1,700,000
	7	Bought stationery on credit from Sarah	1,500,000
	9	Bought stationery on credit from Komo	900,000
	15	Received invoice for water rate	100,000
	25	Bought goods on credit from Bala	125,000
	31	Received invoice from Onwuesi Ltd for gas consumed	75,000

**Required:** Prepare the Analytic Purchases Day Book for the Month of January, 2010 in the books of Paulo.

### Solution 4.7

#### Paulo's Analytic Purchases Day Book

Date	Name Particulars	& Folio	Details	Total N	Purchases N	Stationery N	Water Rate & Gas (N)
Jan. 5	Lawson			3,000,000	3,000,000		
6	Ben			1,700,000	1,700,000		
7	Sarah Ltd			1,500,000		1,500,000	
7	Komo			900,000		900,000	
15	Water Board			100,000			100,000
25	Bala			125,000	125,000		
31	Onwuesi Ltd			75,000			75,000
31	Transfer to Purchases/other a/c Dr.			7,400,000	4,825,000	2,400,000	175,000

It should be noted that the goods that are meant to be resold are called Purchases. The total in each column will be debited in Purchases Account, Stationery Account, Water Rate and Gas Account in the Ledger.

### 4.4 RETURN OUTWARDS DAY BOOK.

Another name for return outwards day book is Purchases Return. It is exactly the opposite of return inwards account. In this case, it uses a document called 'Debit Note' which is sent to the supplier stating the amount of allowance the firm returning the goods is entitled to. This implies that the debit note is prepared and sent to the supplier by the buyer as a way of informing him or her that his or her account will be debited to cancel the credit that was taken when the goods were originally purchased. It is equally expected that the supplier having received a debit note will immediately issue a credit note to the buyer. This shows that he or she has accepted the debit note given to him or her, especially if the customer's account has been credited with the debit note/credit note value. The items in the debit note are then listed in the Return Outwards Day Book from where they are posted to the debit of the personal account in the purchases ledger. At specified period, the total of the items listed in the Return Outwards Day Book is transferred to the credit side of the Return Outwards account in the ledger.

### Illustration 4.8

Suppose that the following goods were returned to the supplier due to some reasons:

January 6 Returned goods worth ₦400, 000 to Lawson  
 January 10 Returned goods worth ₦100, 000 to Sarah Ltd  
 You are required to show these in the Return Outwards Day Book.

### Solution 4.8

Return Outwards Day Book

Date	Name & Particulars	Folio	Details	Total ₦
January 6	Lawson			400,000
January 10	Sarah Ltd. Transferred to Return Outwards Account Cr.			<u>100,000</u>
				<b>500,000</b>

### 4.5 JOURNAL PROPER

Another type of subsidiary book is known as Journal Proper. It is used to record other transactions for which no specific journal or day book is maintained. Since other subsidiary books could be linked with the word journal, example sales Journal, Purchases Journal, e.t.c., this is referred to as journal proper. One can then comfortably say that there are two main books of accounts- The Journal and the ledger. The journal is sub-divided into several books such as sales journal, purchases journal, e.t.c as already discussed above. Every accounting transaction is expected to pass through the Journal before posting to the Ledger. The journal proper, in this case, is the subsidiary book used to record transactions that do not fit into any of the other subsidiary books. Such transactions include:

Opening and closing entries.

Purchase and sale of non-current assets.

Adjustments in accounts.

Corrections of errors, e.t.c.

These are all expected to pass through the journal. Journal is a form of diary for such transactions. The information required in the Journal about each transaction includes:

1. The date
2. The name of the account to be debited or credited
3. The amount to be debited or credited
4. A brief description of the transaction otherwise known as the narration.

The student should also remember the following points while preparing the journal:

- (a) The account(s) to be debited is/are shown first before showing the account(s) to be credited.
- (b) Narration which should accompany every journal entry should be brief, concise and clear.
- (c) The journal is not an account and is not part of the general ledger, hence the entries should be posted to the relevant ledger accounts.

### FORMAT OF A JOURNAL

THE JOURNAL

Date	Particulars	Folio	Dr(₦)	Cr(₦)
	Name of account to be debited		X	
	Name of account to be credited A brief narration of the transaction which usually starts with Being .....			X

### Illustration 4.9

Egbe Belu & Co purchased a brand new generator on credit at a cost of ₦1,500,000 from Benny Brothers Ltd on 10<sup>th</sup> January, 2000.  
 You are required to show the journal entries for this transaction in the books of Egbe Belu & Co.

### Solution 4.9

Egbe Belu & Co.  
 Journal

DATE	PARTICULARS	FOLIO	DR (₦)	CR (₦)
10/1/2000	Plant & Machinery Account		1,500,000	
	Benny Brothers Ltd Being cost of generator purchased on credit from Benny Brothers Ltd.			1,500,000

**Illustration 4.10**

Use the Journal to open Tom Tom's business affairs on 1 January 2004 which stood as follows:

	N
Cash in hand	33,000
Cash at bank	400,000
Stock	150,000
Creditors	200,000

Required: Record the above transactions in Tom Tom's Journal.

**Solution 4.10**

Tom Tom's  
Journal Entries

DATE	PARTICULARS	FOLIO	DR (N)	CR (N)
2004 Jan	Cash in hand		33,000	
	Cash at bank		400,000	
	Stock		150,000	
	Creditors			200,000
	Capital (balancing figure)			383,000
	Being Assets and Liabilities of Tom Tom at 1 <sup>st</sup> Jan 2014.			