

Module Six

Income & Expense Accounting System



INCOME AND EXPENSE ACCOUNTING SYSTEM

a. CASH LEDGER

Cash received and disbursed is recorded and the remaining balance is calculated after adding or deducting the related cash transactions. The accounts affected by the cash transactions are placed in separate columns so the posting and grouping of accounts is facilitated. Using this system, the total in each account (as of a specified date) is the number that appears in the Income Statement. As presented earlier, the recommended Cash Ledger is as follows:

Date	Explanation	Cash			Account Distribution / Grouping			
					Cash In		Cash Out	
		In	Out	Balance	Capital	Sales	Wages	Fuel

Additional columns can be provided under the account distribution column depending on the number of accounts affected by the cash received and cash disbursed. The Cash Ledger should be maintained in a columnar notebook.

Ledger Entries:

1. Date

- 1.1 Indicate the date when the financial transaction occurred.
- 1.2 Transaction records should be in chronological order.

2. Explanation

Provide a brief description of the financial transaction that resulted in Cash In or Cash Out.

3. In

The amount received in the financial transaction that increases the outstanding balance. This includes:

- a. Capital Investment from the owner of the business entity
- b. Cash Sales
- c. Collection of Sales on Accounts Receivable
- d. Borrowed Money
- e. Payments received from cash advances

4. Out

The amount paid or disbursed in a financial transaction that decreases the outstanding balance. This includes:

- a. Purchase of fish from collectors
- b. Purchase of packing materials
- c. Payment of transportation or purchase of fuel
- d. Payment for communications (e.g., telephone bills, fax bills, stamps)
- e. Purchase of office supplies and other materials
- f. Payment of salaries and wages of workers
- g. Cash advance releases

5. Balance

5.1 Indicates the money remaining after adding or deducting the amounts recorded under In and Out.

5.2 The balance as appearing in the Cash Ledger should equal the actual cash balance on hand and in the bank.

6. Account Distribution

6.1 Cash In Accounts

Enter the account source of cash received from capital, cash sales, receivable collection, etc.

6.2 Cash Out Accounts

Enter the account affected by cash disbursed. This could be fish purchase, packing materials, transportation, etc.

b. GENERAL JOURNAL (GJ)

Non-cash transactions are recorded to the GJ such as receivables, payables and depreciation. This should be maintained in a columnar notebook.

Date	Explanation	Receivable			Payables			Depreciation
		Sales	Collections	Balance	Purchase	Payment	Balance	

Journal Entries:

1. Date

1.1 Indicate the date when the financial transaction occurred.

1.2 Transaction records should be in chronological order.

2. Explanation

Provide a brief description of the financial transaction involving receivable or payable.

3. Sales

Record the selling price of goods delivered that have not yet been paid for.

4. Collections

Record the actual collection of payment for the goods delivered. The amount collected should also be recorded in the Cash Ledger.

5. Receivable Balance

This is the outstanding amount collectible from customers.

6. Purchases

Record cost of items purchased not yet paid for.

7. Payments

Record the payment made for purchases or expenses that were originally recorded as payable. The amount paid should also be recorded in the Cash Ledger.

8. Payable Balance

This is the outstanding amount payable to fish collectors and suppliers of materials.

9. Depreciation

Depreciation of equipment and other assets is considered part of the business expenses.

The usual method/formula of computing depreciation:

Acquisition of Asset (or buying price)

Economic Life of the asset