**THIRD TERM E-LEARNING NOTE**

**SUBJECT: FINANCIAL ACCOUNTING CLASS: SS1**

**SCHEME OF WORK**

**WEEK TOPIC**

1. The Bank Account and its operations
2. Bank Reconciliation Statement
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   2. Final Accounts of a Sole Trader
   3. Final Accounts of a Sole Trader
3. The Balance Sheet
4. Opening Entries and Recording of Subsequent Financial Transactions

WEEK ONE

TOPIC : THE BANK ACCOUNT AND ITS OPERATIONS

CONTENTS

1. TYPES OF ACCOUNTS A BUSINESS OR INDIVIDUAL CAN MAINTAIN WITH A BANK
2. BENEFITS DERIVED BY A BUSINESS THAT OPERATES BANK ACCOUNTS
3. TREATMENT OF BANK OVERDRAFTS
4. TREATMENT OF DISHONOURED CHEQUES
5. REASONS WHY A BANK MAY DISHONOUR A CUSTOMER’S CHEQUES

A bank is a financial institution that accepts deposit of money from its customers and lend money to some other customers on request.

TYPES OF ACCOUNTS THAT CAN BE OPERATED WITH COMMERCIAL BANKS

1. Current Account
2. Savings Account
3. Fixed Deposit Account
4. Foreign Currency Domiciliary Account

BENEFITS DERIVED BY A BUSINESS THAT OPERATES BANK ACCOUNT

1. Safe-keeping of the funds (money ) of the business.
2. Ability to borrow from the bank to expand the operations of the business by means of loans and overdrafts
3. Safe-keeping of other valuables e.g. documents, jewellery etc.
4. The business can obtain business advice from the bank to promote/enhance its operations
5. The bank acts as agent of payment on behalf of the business
6. The business may earn interest on its deposits with the bank if it operates savings or deposit accounts
7. The bank can act as referee to recommend the business to local /foreign businesses
8. The business can buy/sell foreign exchange from/to the bank

TREATMENT OF BANK OVERDRAFT

Bank overdraft is granted when a customer is allowed to draw cheques over and above his credit balance with the bank. When the account is overdrawn, the business owes money to the bank. The effect of this is that the Bank Account in the Cash Book will have a credit balance instead of the normal debit balance.

EVALUATION QUESTIONS

1. List three features of each of the following (a) current account (b) savings account (c) fixed deposit account
2. What is a Cash Book

TREATMENT OF DISHONOURED CHEQUES

Dishonoured cheques are cheques received from customers of a business and lodged into a bank but were rejected(i.e. the bank declined to pay ) as a result of insufficient funds in the drawers account, irregular signature of the drawer etc. When the business received the cheque initially, the Cash Book (i.e. bank column) was debited but when the cheque is dishonoured the Cash Book will have to be credited to reverse the earlier entry.

REASONS WHY BANKS MAY DISHONOUR CHEQUES

1. Insufficient funds in drawer’s account
2. Irregular signature of the drawer
3. If the cheque is not dated
4. If the cheque is post-dated (i.e. the cheque is presented at the bank before the date written on it)
5. If the amount in words is different from the amount in figures
6. Stale cheque (i.e. the date on the cheque is more than six months before the date it was presented to the bank for payment)
7. If the cheque is not signed or where there are more than one signatories to the account; the signatures are not complete
8. If the cheque is mutilated i.e. torn
9. Alteration on cheque not endorsed (signed) by the drawer
10. Payment stopped by the drawer
11. If the account is frozen on the orders of a court of law or other competent government agencies e.g. EFCC
12. If the account is closed
13. If the bank receives notice of the death, insanity or bankruptcy of the customer.

EVALUATION QUESTIONS

1. List and explain three parties to a cheque
2. List five source documents employed in making entries into the Cash Book

READING ASSIGNMENT

1. Simplified and Amplified Financial Accounting Page 54 – 57
2. Business Accounting 1 Page 83 – 89

GENERAL EVALUATION QUESTIONS

1. State five benefits a business can derive when it operate bank account
2. List three differences between bank overdraft and bank loan
3. State four differences between a Current Account and a Savings Account
4. Give seven reasons why a bank may dishonour its customer’s cheque
5. Explain in details the following terms (a) post-dated cheque (b) stale cheque (c) dishonoured cheque

WEEKEND ASSIGNMENT

1. Which of the following books of original entry is used to record all payments and receipts by cash or cheque (a) Sales Day Book (b) Cash Book (c) Purchases Day Book (d) General Journal
2. An analytical cash book is used to (a) indicatesources of cash received (b) categorize petty cash payment (c) separate cash and bank balances (d)analyze amounts due from debtors
3. Which of the following is not a source document (a) cheque stub (b) cash receipt (c) cash book (d) sales invoice
4. In which ledger is the account of Yao, a debtor found (a) Nominal Ledger (b) Purchases Ledger (c) General Ledger (d) Sales Ledger
5. Which of the following has multiple uses (a) Sales Journal (b) Purchases Journal (c) General Journal (d) Returns Outwards Journal

THEORY

1. List five services provided by a bank to its customer
2. Give three reasons why a business will prefer to operate a current account with a bank instead of a savings account.