

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
3-4	Bank Reconciliation Statement
5-6	Final Accounts of a Sole Trader
7-8	Final Accounts of a Sole Trader
9	The Balance Sheet
10	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....