

# ACCOUNTING AND FINANCE

## LEVE-II

**BASED ON NOVEMBER 2022, CURRICULUM VERSION 2**



**Module Title: - Process Customer Accounts and Transactions**

**Module code: LSA ACF2 M05 1122**

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## Introduction of the module

This module covers the knowledge, skills and attitudes required to understand basic knowledge and awareness of Process Customer Accounts and Transactions as they apply to account transaction of accounting cycle and found in modern accounting International financial accounting standard.

### This module covers

- Identify customer account needs
- Open customer account
- Close Customer account
- Administer the process
- Provide customer service
- Process basic financial transactions
- Administer the transaction process

### Learning objectives of the Module:

At the end of this session, the students will able to:

- Understand and identify customer account needs
- Assess and verify open customer account
- Understand Close Customer account
- Administer the process
- Assess provide customer service
- Compute Process basic financial transactions
- Administer the transaction process

### Module Instruction

For effective use this modules trainees are expected to follow the following module instructions:

1. Read the information written in each unit
2. Accomplish the Self-checks at the end of each unit
- 3 .Perform Operation Sheets which were provided at the end of units
4. Read the identified references book for Examples and exercise

## UNIT ONE: IDENTIFY CUSTOMER ACCOUNT NEEDS

This unit is developed to provide you the necessary information regarding the following content coverage and topics:

- Addressing requests for information
- Providing information to customers
- Assisting customers in completing relevant documentation

This unit will also assist you to customer attain the stated objective. Specifically, upon completion of this learning guide line, you will be able to:

- Assess and Address requests for information
- Understand and Provide information to customers
- Assist customers in completing relevant documentation

## 1.1 Addressing requests for information

### 1.1.1. Over view customer

A customer is individual or a group of individual that recipient of an offering or offerings obtained from a seller via a financial transaction or an exchange of something of value. A customer can be a business or an individual who receives the offering. He can consume the offering, sell it again, or use it to develop a different offering.

### 1.1.2 Types of Customers in Business

Customers can be divided into different types on the following basis:

1. Customer Objective
2. Brand Loyalty
3. Sales Generated
4. Origin of the Customer
5. On The Basis Of Customer Behavior

#### 1. On the Basis of Customer Objective

Every customer has a different objective of buying a good or a service or interacting with the seller. Therefore, customers can be divided into the following types on the basis of their objectives:

**A. Price Buyers:** These customers are interested in buying goods or services only at the lowest possible price. They don't care about the quality of the product but only the money that they will be taking out of their pockets in exchange for the product or service.

**B. Relationship Buyers:** Relationship buyers are concerned about the relationship with the seller. They want to build trust between the two of them and are looking for relationships where they can depend on each other.

**C. Value Buyers:** These types of customers are concerned about the value that the product or service adds in their life. This could be through better efficiency, lower costs, better quality, etc. They can be convinced to buy a particular product or a service by telling them how exactly the seller's product adds value to their portfolio as compared to other sellers' products.

**D. Poker Players:** Poker players are looking for something and display something else. They act as if they care more about the quality when in reality they are after the price of the

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product or the relationship that can be developed between them and the seller.

## 2. On the Basis of Brand Loyalty

Brand loyalty is a hard feat to achieve. But any business that succeeds in acquiring it can guarantee years of success to itself. Customers can be divided into the following three types on the basis of the brand loyalty they possess or display:

**A. Loyal Customers:** These customers belong to the most loyal breed of customers. They won't switch the product or service they presently use in any case. Selling at even zero price or providing the best quality product in the market, they will buy the product from only one seller forever.

**B. Disloyal:** Disloyal customers are self-center. They are not loyal to any seller. They are just looking for products that fulfill their needs. They can be convinced to buy a product by offering them the maximum value.

**C. Partly Disloyal:** These kinds of customers agree to buy any product if it is offered to them at a price lower than the one, they are currently paying. They don't care about the quality or the product value but how much money do they need to give to the seller.

## 3. On the Basis of Sales Funnel Stage

Different types of customers support the business through its sales funnel in different ways. They can be thus, divided into:

**A. Potential Customers:** Potential customers are not yet the customers of the business but they fall within the target market and there are high chances that they might become a customer someday.

**B. New Customer:** New customers are customers that have recently made their first purchase from the business.

**C. Regular Customer:** Regular customers make purchases from the brand repeatedly or often. They are well-versed about the brand and its offering and act as a good source of word-of-mouth marketing

## 4. On the Basis of Origin of the Customer

Customers approaching a seller might originate from inside as well as outside the organization. Therefore, they can be divided into the following two types:

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**Internal Customer:** Internal customers are the employees that work within the organization but act as customers for the product.

**External Customers:** They exist outside the organization and depend on the business for consuming or reproducing a good or service.

## 5. On the Basis of Customer Behavior

Every customer has a different personality which directs their customer behavior. They can be divided into the following four types on the basis of their behavior and personality:

**A. Directors:** This type of customer is demanding, authoritative and likes to take charge in every situation. They are in search of the best deal possible which often includes demanding the best quality product at the lowest price possible. They are aware of what they want and when they want it. They often come out as intimidating but all they are looking for is facts and short and relevant talk.

**B. Analysts:** Analysts look for more than what is being presented. They do thorough research and analysis before making a decision. They are the ones who can even go through a hundred-page manual just to make sure that their decision is well informed and not taken in haste.

**C. Relators:** They look for a group which they can fit in or relate to. They have a huge network wherein they know someone who knows someone who further knows someone, thus forming an in exhaustive network from where they can get whatever they want. The only thing that they demand in the market is to be included, either by asking them for their opinion or by taking their inputs while making decisions. This group of customers can help in spreading positive information about the product or service through their extended network.

**D Socializers:** Socializers do not just look for a one-time purchase of a product or a service. They are outgoing, love to make friends, socialize and despise small talk. They will buy a particular product or a service based on how much do they like the seller. Facts, Figures, Long Descriptions don't attract them, and neither does loyalty, they look after their own self-interest and it is important to build relationships with them to ensure their continuous support.

### 1.1.3 Meaning of information

Blood needed to human being, so. Information is the vital of businesses that how to perform every aspect of transaction based effective time basis or specified period of time to plan of

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strategy, finance or risk

## 1.2 Provide information to customer

Information refer transaction may be related to:

- **Account services**, including:

- ✓ savings
- ✓ retirement
- ✓ superannuation
- ✓ investment services

- **processes for completing transactions** including:

- ✓ cash or non-cash transactions
- ✓ EFTPOS
- ✓ cheque
- ✓ credit cards

- The interests of customer include knowledge of the changing circumstances of the customer and how these contexts influence customer needs in relation to

- ✓ Financial
- ✓ Retirement

### Investment

In the present day society, there is a great and urgent need for access and availability of information. The information need for the various purposes is enumerated below as:

**A.** Information is an aid in decision making, policy making needed for the policy makers, decision makers, and managers and forecasting of budget in the future.

**B.** Information will have a reinforcing/ transforming effect on human beings on receiving it.

**C.** A great deal for change can be perceived in the human minds/ attitudes on obtaining the information, as it increases the ability of personal knowledge for the recipient.

**D.** Information generates new information. This is the existing knowledge/ information helps in generating new information; new knowledge; new theories,

**E.** information also used as for business to minimization of risk in future period of time.

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### 1.3. Assisting customers in preparing complete relevant documentation

#### 1.3.1 Definition of relevant documents and its criteria

**Relevant documents** are files that provide details related to a company's internal and external transactions. Relevant Business documents may be digital, occurring as electronic files, or they may come in physical form, written or printed on paper. Some common examples of business documents include letters, invoices and order sheets.

#### Criteria of Relevant Documents

- A. It must be prepared based on rule and regulation of the government
- B. It must be prepared and report based on setting defined time period
- C. It should be done based procedure of accounting transaction of events
- D. The documents should be done by using compression of current period with preceding time

#### 1.3.2 Important of Preparing Relevant Documents

The important of relevant documents for customer for business as follows:

##### A.to avoid fraud and misappropriation of assets

If one company or business prepare relevant documents it encourage utilization of resource in proper arrangement (efficiency) and avoid embezzlement of assets from chatter individual person or firms.

##### B.to determine company profit or loss in easy ways

Relevant documents are prepare company total summarize revenue and loss whether reject or not

##### C. avoid misunderstanding of customer and government

Relevant documents used as an evidence for explaining the misunderstanding of customer and government in tax or other issue

##### D.as input for future task

Document is transfer the ending of this year for base for the next year or in short it is the base for setting course of action interims of plan.

#### Self-check-I

**Instruction:** Select the correct answer for the give match column A with B.

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### **Part I: Matching**

#### **A.**

1. Price object
2. Brand Loyalty
3. Sales Generated
4. Origin of the Customer
5. On the Basis of Customer Behavior

#### **B**

- A. On The Basis Of Customer Objective
- B. Loyal Customers
- C. new customer
- D. director
- E. internal customer

### **Part II: Short Answer writing**

**Instruction:** write short answer for the given question. You are provided 3 minute for each question and each point has 5Points each.

1. Write and describe the important of information?
2. Describe the definition of customer?
3. Describe the base Classification of customer

1. \_\_\_\_\_  
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## UNIT TWO -OPEN CUSTOMER ACCOUNT

This unit is developed to provide you the necessary information regarding the following content coverage and topics:

- Interviewing potential account holders
- Gathering information
- Verifying completed documentation and accepting deposits
- Processing new applications and transactions
- Providing information to customer about activation of account

This unit will also assist you to customer attain the stated objective. Specifically, upon completion of this learning guide line, you will be able to:

- Interviewing potential account holders
- Gathering information
- Verifying completed documentation and accepting deposits
- Processing new applications and transactions
- Providing information to customer about activation of account

## 2.1 Interviewing potential account holders

### 2.1.1 Definition of Account

An account is a record of all relevant business transactions in terms of money. Account consists all the statements by data wise regarding the business transactions as person, companies, representatives, asset & liabilities, income & expenditures, profit & loss. For e.g. cash account, bank account.

In banking principle and practice account can be dividing in three categories. This are:

- A. Checking account:** checking account offers easy access to your money for your daily transactional needs and helps keep your cash secure. The bank is not paid interest and every individual can withdrawal of money without restriction.
- B. Savings account:** savings account allows you to accumulate interest on funds you've saved for future needs. Interest rates can be compounded on a daily, weekly, monthly, or annual basis. Savings accounts vary by monthly service fees, interest rates, and account features.
- C. A fixed deposit account** is a type of savings account where your money is kept in a financial institution for a fixed amount of time. This is usually a one-time deal, where you deposit a set amount into the account and earn interest on that amount as long as you hold the account. However, you can't withdraw your money until the period is over.



**Figure: 2.1 open customer accounts**

### 2.1.2 Criteria of Open Customer Account

The criteria of open customer accounts are including in the following ways.

- Legal identity id card
- Photograph
- Authorization of confirmation Signature
- Fulfillment of form or back ground profile of the respondents  
Specifically, contact address, phone number, email or other.
- Initial amount of capital

### Sample form criteria of open customer accounts

Ethiopia citizen saving account form

Opening form

Branch \_\_\_\_\_ Date \_\_\_\_\_

1. Applicant's full name

First name \_\_\_\_\_ middle name \_\_\_\_\_ last name \_\_\_\_\_

2. Passport No \_\_\_\_\_ yellow card \_\_\_\_\_

Expiry date ( \_\_\_\_\_ ) expiry date ( \_\_\_\_\_ )

3. citizenship\_\_\_\_\_

4. marital statues

- Married
- not married
- Divorced

5. If married

5.1 please fulfill

First name\_\_\_\_\_middle name\_\_\_\_\_last name\_\_\_\_\_

6. Applicant address

**Foreign**

Country\_\_\_\_\_state\_\_\_\_\_city\_\_\_\_\_

Mobile address\_\_\_\_\_email address\_\_\_\_\_

Postal address\_\_\_\_\_

Social media (optional)

Facebook\_\_\_\_\_

Twitter\_\_\_\_\_

Other\_\_\_\_\_

**Domestic address (optional)**

Region \_\_\_\_\_city\_\_\_\_\_worda\_\_\_\_\_

Sub city\_\_\_\_\_house no\_\_\_\_\_

Mobile address\_\_\_\_\_email address\_\_\_\_\_

P.Box\_\_\_\_\_

If the account is opened by agent

First name\_\_\_\_\_middle name\_\_\_\_\_last name\_\_\_\_\_

Region \_\_\_\_\_city\_\_\_\_\_worda\_\_\_\_\_

Sub city\_\_\_\_\_house no\_\_\_\_\_

Mobile address\_\_\_\_\_email address\_\_\_\_\_

P.Box\_\_\_\_\_

7. Types of forging currency to be used

- USD



- GBR

- Euro
- Other

8. Initial deposit \_\_\_\_\_ name of forging currency

9. Monthly expected saving \_\_\_\_\_

10. Source of income \_\_\_\_\_

11. Full name of applicant \_\_\_\_\_ sign \_\_\_\_\_ date

11. Approved body \_\_\_\_\_

### **Objectives open customer account**

The objective of open customer account interacts of customer with banking sector in minimization of risk and mutual benefits for customer and banking sector. Specifically, the objective of bank Accounts is as follows.

- Safety preservation of saved money of clients.
- Easy transfer of money from one place to another was including foreign & domestic areas.
- Creation of savings and savings mentality.
- Increasing incomes & profits of each other.
- Formation and creation of capital and liquidity.
- Creating loan facilities.
- Assist in foreign exchange.
- Information collection & providing if necessary.
- Advising to subscribers on various facts for the interests of them.
- Creating exchange medium

## **2.1 Interviewing potential account holders**

### **2.2.1 Definition of potential account holders**

A potential account holder refers to an individual or company that has an ability of investments in the bank or other sectors.

### **2.2.2 Need of interviewing potential account holders**

- A. To understand of customer needs regarding which types of account is needed
- B. To interact good relationship between banks and potential customer
- C. To increase of investment of saving and receive mutual benefit

## **2.2 Definition and Purpose of Gathering Information**

### **2.3.1 Definition of gather information**

Gathering information is the act or process of searching and collating relevant evidence by accepting that which is relevant and rejecting that which is not relevant evidence.

### **2.3.2 Purpose of Gathering Information**

The purpose of gathering information provides opportunities are an opportunity for business. The purposes are:

- A. to receives feedback from customer and change to opportunity and strength
- B. to identify the greatest problem and comes to solution by the bank
- C. used as input future task
- D. it is used to assess the environment in great deal to banking objectives

## **2.4 Verifying completed documentation and accepting deposits**

**Deposit** is the amount of money that invested in the bank depend up on individual or company capacity

As we have seen in the above the customer should be accepted sufficient amount of money to open an account and that complete documents should be authorized by the bank authority to run of the accounts.

**N.B** .without complete documents individual have cheating of cash or other asset.

## **2.5 understanding of transactions and processing new applications**

### **2.5.1 Transaction**

A transaction is a business event that has a monetary impact on an entity's financial statements, and is recorded as an entry in its accounting records.

Transaction is an event that records the aspects of accounting treatment in terms of monetary terms.

### **2.5.2 Procedure new applications**

New application is an individual customer that enters the bank in the first time and applied for performing of transaction by fulfillment of full document like ID card and receives the bank function based on the rule and regulation of the bank.

### **2.6. Providing information to customer about activation of account**

After the customer's fulfillment of the process of opening an account, she/he should be provided with information about the activation of accounts by using:

- Cell phone calling
- sent of message
- Or other advanced technology to activation of accounts

### **Self-check-2**

#### **Test-I multiple choice questions**

**Instruction:** Choose the best answer and write the capital letter of your best choice in the space provided before each question number

1. Which one of the following is the means of providing customer information?  
A. Cell phone calling    B. message    C. A&B
2. Which one of the following accounts pays high interest?  
A. Fixed    B. current    C. saving    D. none
3. Among the following, which is unique in a period of duration?  
A. fixed accounts    B. saving accounts    C. current accounts    D. none

### **Part II Matching:**

**Instruction:** match column A with B in more acceptable ways.

- | A.                        | B                  |
|---------------------------|--------------------|
| 1. No payment of interest | A. fixed account   |
| 2. Defined period of time | B. current account |
| 3. High rate of interest  | C. saving account  |

### **Part III: short answer**

1. Describe the types of account
2. What is the difference between account and accounting?
3. Describe the meaning of transaction

### **Answer sheet for writing essay**

1. \_\_\_\_\_  
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\_\_\_\_\_  
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2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3.-  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **UNIT –THREE; CLOSE CUSTOMER Bank ACCOUNT**

This unit to provide you the necessary information regarding the following content coverage and topics:

- Gathering the required information
- Verifying completed documentation
- Processing applications

Providing information about the finalization of the process

This guide will also assist you to attain the learning outcomes stated in the cover page.

Specifically, upon completion of this learning guide, you will be able to:

- Assess and collect the required information
- Understand complete documentation
- Assess processing applications of customer

### **3.1 understand and reasons close customer bank Account**

#### **3.1.1 Understand Close Customer Bank Account**

Close customer account is an individual or a group of individual or company that close customer bank based on different reason with rational due unsatisfied of their service or others.

A closed account is any account that has been deactivated or otherwise terminated, either by the customer, custodian or counterparty.

#### **3.1.2 Reasons close customer bank Account**

Customer bank accounts are close based on several reasons. Among this are:

##### **A. Poor Customer Service**

When you're using a financial institution, you trust them with your personal finances. The least you can expect is great customer service.

Closing a bank account and moving to a new bank, or by using alternative financial services like Check City's Check Cashing Services, you can find the personal, warm customer service you deserve.

##### **B. Becoming Unbanked**

Some people choose to be what's called "unbanked." This means that you choose to not have a bank account. Some people choose to be unbanked to avoid bank fees or because they prefer alternative financial institutions.

##### **C. Bank Availability**

If you are moving or travel very often, you might need to learn how to close a bank account so you can open a more travel-friendly bank account.

##### **D. Requirements and Fees**

Another reason to learn how to close a bank account is to avoid bank account requirements and fees. Some bank accounts will have minimum balance requirements, overdraft fees, fees to transfer money, or fees for negative balances.

### **3.1.3 Procedures of Close Customer Bank Accounts**

In Ethiopia the procedures of close customer bank accounts are dividing in five categories.

#### **Step 1: Stop automatic payments**

If you have any automatic payments set up, you'll want to stop all of those before closing the account. You might have automatic payments set up for recurring payments like credit card payments or bill payments.

#### **Step 2: Clear all your charges and pending payments**

If you have any charges or pending payments, you'll need to pay those or wait for the payments to go through before you close your account.

#### **Step 3: Download documents**

Download files like credit reports, joint account forms, bank statements, account closure forms, and any other account information.

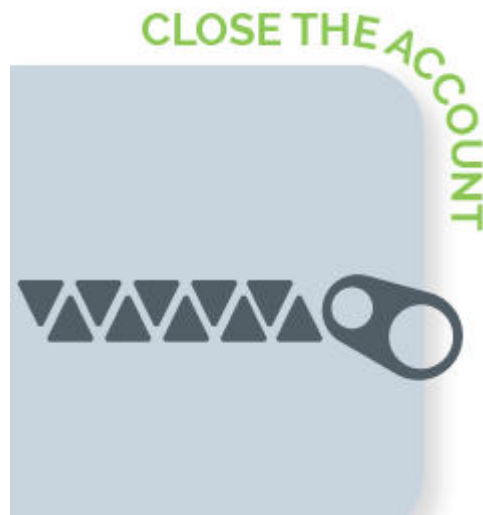


#### **Step 4: Transfer money**

Taken care you've taken care of all the business affiliated with your account, you're ready to transfer money.

#### **Step 5: Close the account**

After you transfer money, it's time to close the account. You can close the account in person, over the phone, by mail, or online, but every bank is different. Talk to your bank to know for sure what their process for account closure might be.



### **3.2 Verifying completed documentation**

As stated the above the customer are eager to close the bank account it should be verify the documents compted depend up on the banking rule and regulation. if the customer are close account it should be check the bank side of the documents by verify full documents in rational perception by higher authority the authority.

Specifically, the customer should be return account book to the bank after processing transfer of money after the bank accepted fulfillment of rule and regulation of the documents.

### **3.2 Processing applications**

After the bank has process checking over all documents the bank should be process of application to close the customer bank account in real banking rule and regulation by sign of signature for close of accounts.

### **3.4 Providing information to bank main branch**

The branch should be provide information about specifically, list of company close customer account for date, name of customer for providing main branch of the bank sectors in real practice aspects.

### **Self Check- Three**

#### **Part I: True or False Questions**

Read the following sentences carefully and write TRUE if the statement is correct or FALSE if the statement is not correct on the space provided before each question number

1. Accounts are close any period of time without considering company procedures.
2. Customer is the key king for any sectors.
3. The first steps of close accounts are initial stop online payments.
4. Accounts are may close the government direction for real phenomena.

#### **Part -I multiple choice questions**

**Instruction:** Choose the best answer and write the capital letter of your best choice in the space provided before each question number

1. The first steps of customer close accounts are:

- A. identifying legal documents    B. perception of real account or nominal accounts    C. stop online bill payments    d. none

2. Which one the following is not the reason of close customer accounts?

- A. poor communication skill    B. poor service    C. instability    D. none

3. bank accounts are includes

- A. Id card    B. signature    C. background profile    D. all of the above

### **Part III: Short answer**

1. what mean close customer accounts?

2. list the the pocdure of close customer accounts?

3. list the reason of close customer accounts?

### **Answer sheet for wrting essay**

1. \_\_\_\_\_  
\_\_\_\_\_  
2. \_\_\_\_\_  
\_\_\_\_\_  
3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **CHAPTER FOUR- ADMINISTER THE PROCESS**

This unit to provide you the necessary information regarding the following content coverage and topics:

- Using Standard organization processes and protocols
- Following up customer queries or complaints
- Providing reports on account activity

This guide will also assist you to attain the learning outcomes stated in the cover page.

Specifically, upon completion of this learning guide, you will be able to:

- Apply Standard organization processes and protocols
- Assess and follow up customer queries or complaints
- Understand and provide reports on account activity



## **4.1 Standard of organization processes and protocols**

### **4.1.1 Definition of standard**

Standards can be voluntary or mandatory, and as technology and needs change, become superseded. They are created by industrial societies and government bodies.

Standard is the guide line that manages the business for voluntary basis or involuntary basis for specified business or organizations.

A standard is an agreed way of doing something. It could be about making a product, managing a process, delivering a service or supplying materials – standards can cover a huge range of activities undertaken by organizations and used by their customers.

Standard may relate or be influenced by:

- Administrative and clerical systems
- Database and IT systems
- Product and account and service range
- Range of responsibility
- Size, type and location of branch
- Types of equipment used

Standards are the distilled wisdom of people with expertise in their subject matter and who know the needs of the organizations they represent – people such as manufacturers, sellers, buyers, customers, trade associations, users or regulators.

### **4.1.2 Types of standard**

#### **A. Voluntary Standards**

These are standards whose use is theoretically voluntary, but in practice is widely adopted for the sake of ease of manufacture, interchangeability, and safety. Virtually all industrial standards are voluntary standards. At times, such standards have been used in an exclusionary way, to favor one group or organization over its rivals.

#### **B. Mandatory Standards**

Mandatory standards are, in effect, laws. Failure to follow them could result in legal penalties and liability. They are generally adopted out of concern for safety, and promulgated by the Federal government or one of its agencies or departments. Codes are groups of standards on the same topic, generally created for government agencies, and are thus mandatory standards.

#### **C. Performance Specification Standards**

These standards specify the performance levels of a particular item or process, such as a grade of steel or test methods. It doesn't matter how a thing is made or done, but it must meet a certain level performance. That performance can be on a spectrum, with major points designated as a grade or class.

#### **D. Criteria Standards**

Criteria standards discuss how to go about an activity, kind of the "opposite" of a performance standard. Criteria standards set up recommendations considering certain aspects of an activity, such as bridge building, or a laboratory process.

### **E. Superseded Standards**

Because quality, technology, and human need change, standards change. Sometimes the area covered by the rules of a new standard must change to meet the new guidelines. Other times, only new activities must conform. Superseded standards provide information on how things used to be done, and provide valuable information when an older area of activity (like the capabilities of an old elevator or results from a lab using older reporting techniques) is being evaluated. The Art, Architecture & Engineering Library has a large number of superseded standards in our collection.

#### **4.1.3 Important of organization Standard**

The important of Organization standard as follows in the following ways for real aspects.

Standards cover a wide range of subjects from construction to nanotechnology, from energy management to health and safety, from cricket balls to goalposts. They can be very specific, such as to a particular type of product, or general such as management practices.

The point of a standard is to provide a reliable basis for people to share the same expectations about a product or service. This helps to:

- Facilitate trade
- provide a framework for achieving economies, efficiencies and interoperability
- Enhance consumer protection and confidence.

#### **Organizations might use:**

**A quality management standard** to help them work more efficiently and reduce product failures

An environmental management standard to help reduce environmental impacts, reduce waste and be more sustainable.

**A health and safety standard-** to help reduce accidents in the workplace

**An IT security standard** -to help keep sensitive information secure

**A construction standard** -to help build a house

**An energy management standard-** to help cut energy consumption

**A food safety standard** -to help prevent food from being contaminated

**An accessibility standard-** to help make buildings accessible to disabled users

**An interoperability standard-** to ensure that bank and credit cards fit into ATMs and can be used throughout the world.

### **4.2. Following up customer queries or complaints**

#### **4.2.1 Customer complaints**

Customer complaint is an individual or group individual or company that is unsatisfied in product or service. Customer complaint examples related to products include:

- Poor product or service quality
- High price compared to competitor products
- Missing or unintuitive features

#### **4.2.2 Useful following up customer queries or complaints**

The useful of following up customer complaints are as follows.

- Receive of fee back by business from customer
- Improve of productivity
- Improve of service in the future

#### **4.3 Providing reports on account activity**

Report the fundamental concepts of individual business for performing the rational aspects of transaction in real perspectives.

### **Self-check Four**

#### **Part I: Multiple choice questions**

Instruction: Choose the best answer and write the capital letter of your best choice in the space provided before each question number

1. Which of the following statements is true?

- A. Any standard is the guideline
- B. Standard measure of financial performance
- C. Standard may approved higher authority
- D.all of the above

2. Which of the following is including standard of a business?

- A. health standard
- B. marketing standard
- C. management standard
- D. none of the above

3. Which one of the standards whose use is theoretically voluntary, but in practice is widely adopted?

- A. voluntary standard
- B. mandatory standard
- C. Management standard

#### **Part II: short answer questions**

1. What is the financial statement?
2. Write the types of financial statement and explain it?
3. Write the elements of financial statement and describe it?

#### **Answer sheet writing**

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

## **UNIT FIVE: PROVIDE CUSTOMER SERVICE**

This unit to provide you the necessary information regarding the following content coverage and topics:

- Greeting and serving customer
- Providing customer with information
- Answering queries about transactions
- Referring transactions outside own knowledge

This guide will also assist you to attain the learning outcomes stated in the cover page.

Specifically, upon completion of this learning guide, you will be able to:

- Understand greeting and serving customer
- Assess and understand customer with information
- Answer queries about transactions
- Assess and refer transactions outside own knowledge

### **5.1 Greeting and Serving customer**

Greeting is an act of communication in which human beings intentionally make their presence known to each other, to show attention to, and to suggest a type of relationship or social status between individuals or groups of people coming in contact with each other.

#### **5.1.1 important of greeting**

The following are important of greeting are as follows.

- It helps to start of the day
- It helps to start to disuses other things
- It helps us show love and respect to one other
- It helps us to live and work together

- It helps promote tolerance



**Figure 5.1 greeting**

### **5.1.2 Defination of customer service**

Customer service is the support you offer your customers from the moment they first contact your business to the months and years afterward.

Customer service is the support you offer your customers from the moment they first contact your business to the months and years afterward. Providing good customer service means being a reliable partner to your customers—it goes beyond helping them troubleshoot, use, and make informed decisions about your product.

Customer service is the act of providing support to both prospective and existing customers. Customer service professionals commonly answer customer questions through in-person, phone, email, chat, and social media interactions and may also be responsible for creating documentation for self-service support.

#### **Why is customer service important?**

- When 86% of customers quit doing business with a company due to a bad experience, it means that businesses must approach every support interaction as an opportunity to acquire, retain, or up-sell.
- Good customer service is a revenue generator. It gives customers a complete, cohesive experience that aligns with an organization's purpose.
- According to a variety of studies, U.S. companies lose more than \$62 billion annually due to poor customer service and seven out of 10 consumers say they've spent more money to do business with a company that delivers great service.
- Understanding that customer service is the cornerstone of your customer experience helps you leverage it as an opportunity to delight customers and engage them in new, exciting ways.

### 5.1.3 Principles of good customer service

There are four key principles of good customer service: It's personalized, competent, convenient, and proactive. These factors have the biggest influence on the customer experience.

**A. Personalized:** Good customer service always starts with a human touch. Personalized interactions greatly improve customer service and let customers know that your company cares about them and their problems. Instead of thinking of service as a cost, consider it an opportunity to earn your customer's business all over again.

**B. Competent:** Consumers have identified competency as the element that plays the biggest role in a good customer experience. To be competent, a customer support professional must have a strong knowledge of the company and its products, as well as the power to fix the customer's problems. The more knowledge they have, the more competent they become.

**C. Convenient:** Customers want to be able to get in touch with a customer service representative through whichever channel is the most convenient for them. Offer support through the channels of communication your customers rely on most, and make it easy for customers to figure out how to contact you.

**D. Proactive:** Customers want companies to be proactive in reaching out to them. If one of your products is backordered or your website is going to experience downtime, proactively reach out to your customers and explain the problem. They may not be happy about the situation, but they will be thankful that you kept them in the loop.

### 5.2. Providing customer with information

#### What is important of information for service business

##### A. New Products and Services

Any company looking to improve and secure the future has to establish a broader perspective with the use of a well-designed and coordinated information system. The IS makes it easier to analyze independent processes such as information to produce valuable products or services and organized work activities. Therefore, an IS can give a company the competitive advantage by analyzing how a company creates, produce, and sell their products or services. This means that the focus will be put on the main goal ahead.

##### B. Information Storage

Every organization needs records of its activities, to find the cause of problems and proper solutions. Information systems are useful for storing operational data, communication records, documents, and revision histories. Manual data storage will cost the company lots of time, especially when it comes to searching for specific data. A quality information system stores data in a comprehensive and sophisticated

database which makes the process of finding it much more convenient. With such information, a company can analyze how certain actions affected the business, as well as prepare cost estimates and forecasts.

### **C. Easier Decision Making**

Without an information system, a company can take a lot of time and energy in the decision-making process. However, with the use of IS, it's easier to deliver all the necessary information and model the results to make better decisions. The management team can use the information system to choose the best course of action and carry out the tasks. When there are several appealing alternatives, the information system can be used to run different scenarios by calculating key indicators such as costs, sales, and profits. This way, you can determine the alternative with the most beneficial results.

### **D. Behavioral Change**

Employers and employees can communicate rapidly and more effectively with an information system. While emails are quick and effective, the use of Information Systems is more efficient, since documents are stored in folders that can be shared and accessed by employees.

#### **5.3. Answering queries about transactions**

After the financial information is identified it should be understood the real phenomena for customer for the sake of increasing for real perceptions.

#### **5.4. Referring transactions outside own knowledge**

Customer is greeted and served with respect and professionalism in accordance with the company service standards and expectations. Customer is provided with information as required in a timely, accurate and effective manner with any queries about transactions answered fully and clearly to ensure customer is appropriately informed. Transactions outside the knowledge or delegated authority of the officer are referred to other personnel for resolution as required.

### **Self-check –five**

#### **Part :Instruction: Matching**

Match column A with column B with respective answer.

A.

B

1. Account service

A. saving

2. Interest of customer

B. improve of product

3. Process of transaction

C. credit card

4. Posting

D. investment

5. important of information

E. transferring of journal to ledger

#### **Part II: short answer**

1. What is important of information for service business?
2. Writing is the principle customer service?

3. Why is customer service important?

**Answer sheet for writing**

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**UNIT SIX. FINANCIAL TRANSACTIONS AND CLASSIFICATION OF ACCOUNTS**

This unit to provide you the necessary information regarding the following content coverage and topics:

- Definition of financial transaction
- understanding of chart of accounts
- rule of debit and credit

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Understanding of financial transaction
- Assess the element of chart of accounts
- Understand rule of debit and credit
- Compute of elements of financial statements



## 6.1 Definition of financial transaction

a transaction which in any way or degree affects interstate or foreign commerce involving the movement of funds by wire or other means, involving one or more monetary instruments, involving the transfer of title to any real property, vehicle, vessel, or aircraft, a transaction involving the use of a financial institution which is engaged in, or the activities of which affect, interstate or foreign commerce in any way or degree.

**Customer transactions** are processed in an accurate and timely manner using standard *policies, procedures and systems*. Documentation or systems entry to support transactions is checked for accuracy and completeness and customer account and transaction details maintained and verified using correct procedures. Customer complaints and disputes are resolved or referred to other authorized personnel and customer accounts are rectified where necessary. Accurate reconciliation of subsidiary ledgers to general ledger accounts is performed and fees appropriate to the transaction are levied in accordance with standard procedures.

## 6.2 understanding of chart of accounts and rule of debit and credit

### 6.2.1 Chart of Account

The list of account based the respective code in accounting treatment

### 6.2.2 Classifications of Accounts

In order to provide the necessary information to users, accountants maintain separate records on each element of the financial statements. For example, to report the balance for cash at the end of a year, a record regarding cash should be kept. The record includes beginning cash balance, cash payments & cash collections during the period. This record is called an *account*.

**Definition:** An account is a subdivision under the three elements of the accounting equation used to record the changes over a single element in the financial statements. An account has three parts, Title, Debit, and credit. For illustration purposes an account can be represented in the form of capital letter 'T'.

### Example

Title	
Debit	Credit
Dr	Cr

Accounts are classified into five: *assets, liabilities, capital, revenue and, expenses*. The first three are called *balance sheet accounts* and the other two are called *income Statement accounts*. Balance Sheet accounts are those reported on the balance sheet at the end of the reporting period and Income Statement accounts are reported on the Income Statement.

The five groups of account are discussed below

**1. Assets:** Resources owned by a business or individual are called **assets**. Assets could be tangible or intangible. **Tangible assets** are assets having physical existence, like cash, land, computer, stationery materials. **Intangible assets** do not have physical existence. Example: Goodwill, Copyright, patent right.

On the balance sheet assets are classified into two current assets and non – current assets.

**Current Assets** – are those assets, which can be used, sold, or converted into cash within one accounting year. Example: cash, supplies, prepayments, receivables etc.

**Non-current Asset:** All assets other than current assets are called non-current assets. Example: land, patent right, office equipment, vehicles.

**2. Liabilities:** Creditors' claims to the assets of a business; amounts owed to creditors are called **liabilities**. Like assets, liabilities are classified in to two as current liabilities and non – current liabilities

**Current liabilities:** The liabilities that are payable within the next (one) accounting year are known as current liability. Example: Accounts Payable, Rent Payable, Salary Payable.

**Non – Current Liabilities:** Debts that are not required to be paid within the next accounting period. Example long term notes payable.

**3. Capital:** The excess of the assets of a business over its liabilities is referred to as capital. It is the equity of the owner in the business.

**4. Revenue:** Are increases in owner's equity resulting from the main operations of the business.

Examples of revenue accounts are sales, interest income, tuition fee, and sales commission.

**5. Expenses:** are decreases in owner's equity in the process of earning revenue. For example, a hotel has to pay salary to its workers for the services rendered to clients in order to get the income from customers (revenue) the Hotel has pay salary to the employees (expense).

Example of expenses: Salary, insurance, depreciation, supplies, utilities, rent etc.

### **Charts of Accounts**

The number and name of accounts used by an organization depends on the nature of its operation. The list of accounts used by an organization and their codes is called the **chart of accounts**.

**Asset**

**Account number**

Accounts Receivable-----	12
Supplies-----	13
Prepaid Insurance-----	14
Equipment-----	15
Accumulated Depreciation –Equipment-----	16
Truck-----	17
Accumulated depreciation – Truck-----	18

### **Liabilities**

Accounts Payable-----	21
Notes Payable-----	22

### **Owners Equity**

Yimer Adem, Capital-----	31
Yimer Adem Drawing-----	32
Income Summary-----	33

### **Revenue**

Service income-----	41
---------------------	----

### **Expense**

Salaries Expense -----	51
Rent Expense -----	52
Utilities Expense-----	53
Supplies Expense-----	54
Insurance Expense-----	55
Maintenance Expense-----	56
Depreciation Expense-----	57
Truck Expense-----	58
Miscellaneous expense-----	59

In the chart of accounts, the asset accounts are listed according to their liquidity. Liquidity is the ease with which an asset can be converted in to cash. Cash is the most liquid asset so it is listed first. Accounts other than cash will be listed in their frequency of use or in alphabetical order.

The account number is a code to identify accounts. The number could be a two digit, three digit or more digits. In the above example a three – digits code is used.

When the chart of accounts is prepared in an organization we say the ledger is opened.

### 6.3 Rules of Debits and Credits

As shown above every account has three parts. These parts are discussed below:

**Title** – The name of the account. This is written at the top of the account.

**Debit** – is the left hand side of an account –Debit is abbreviated as ‘Dr.’ when an amount is entered on the left side of an account we say the account is **debited or charged**.

**Credit** – is the right hand side of an account. Credit is abbreviated as Cr. An account is said to be **credited** when an amount is entered on the right hand side of the account.

An account may increase or decrease on the debit side or on the credit side depending on the nature of the account. In general, accounts appearing on the left hand side of the accounting equation increase on their left side (Dr. side) and decrease on their right side (Cr. Side); whereas accounts on the right side of the equation increase on their right side and decrease on their left side.

The above general rule will be expanded as follows

<u><b>Debit</b></u>	<u><b>Credit</b></u>
-Increase in assets	-Decrease in assets
-Increase in expenses	-Decrease in expenses
-Decrease in capital	-Increase in Liabilities
-Decrease in liabilities	-Increase in liabilities
-Decrease in revenue	-Increase in revenue.

#### **The normal balance of an Account**

Normal balance refers to the side of an account (Dr. or Cr.), which will have greater entries than the other. The increasing side will be the normal balance for accounts.

Example: The normal balance of all asset accounts is debit.

### **6.3 Business Transactions and the Accounting Equation**

Business transactions are economic events that should be recorded because they affect the financial position of the business enterprise. These businesses transactions are the raw materials of accounting reports, as cotton is a raw material for a textile factory.

A transaction can be an exchange (such as the purchase or sale of property, payment or collection of a loan etc.) between two or more parties. A transaction can also be an event that has the same effect as an exchange transaction but doesn’t involve an exchange transaction. Some examples of “non exchange” transactions are losses from fire, flood; physical wear and tear on equipment; donation of property and so forth.

For a given transaction to qualify to be recorded it has:

1. To be related to the business enterprise
2. To be measurable in terms of money
3. To be completed / happened/ action.

(It should not be a mere promise or intention; it must be at least partially completed to be recorded)

### Assets, Liabilities and Owner's Equity

If you have noticed, in any organization you will find properties such as a building, furniture, land, vehicles and the like. Such properties owned by business enterprises are referred to as **Assets**. To buy these assets, businesses get money from two sources: investments made by owners or amounts borrowed from creditors. Therefore, both owners and creditors have a claim over the assets of the business enterprise. The claims or rights of owners are referred to as **Equities**. If the assets owned by a business amount to Birr 50,000 the equities in the assets must also amount to Birr 50,000. The relationship between the two may be stated in the form of an equation, as follows:

$\begin{array}{l} \text{Economic Resources} = \text{claims over the resources} \\ \text{Assets} \quad \quad = \text{Equities.} \end{array}$
---

Equity may be subdivided in to two principal types: the rights of creditors and the rights of owners. The rights of creditors represent debts of the business and are called **Liabilities**. The rights of owners are called **Owners' Equity (capital)**.

$$\text{Assets} = \text{equities}$$

$$\text{Equities} = \text{Liability} + \text{Owner's equity}$$

This equation can be written as:

$$\text{Assets} = \text{liability} + \text{Owner's Equity}$$

It is customary to place “liabilities “before “Owners’ equity” in the accounting equation because creditors have priority (preferential) rights to the assets. Because of this, the owners have a residual claim over the assets.

### Debits and Credits in Common Accounting Transactions

The following bullet points note the use of debits and credits in the more common business transactions:

- ❖ **Sale for cash-** Debit the cash account and Credit the revenue account

Cash ----- xxx.

Sales -----xxx

- ❖ **Sale on credit-** Debit the accounts receivable account and Credit the revenue account

Accounts Payable ----- xxx.

Sales Revenue -----xxx

- ❖ **Receive cash in payment of an account receivable** - Debit the cash Account and Credit the accounts receivable account.

Cash -----xxx

Accounts Receivable ----- xxx.

- ❖ **Purchase supplies from supplier for cash** - Debit the supplies account and Credit the cash account.

Supplies -----xxx

Cash-----xxx

- ❖ **Purchase supplies from supplier on credit** - Debit the supplies account and Credit the accounts payable account.

Supplies -----xxx

Accounts Payable -----xxx

- ❖ **Purchase inventory from supplier for cash** - Debit the inventory account and Credit the cash account.

Merchandise Inventory -----xxx

Cash-----xxx

- ❖ **Purchase inventory from supplier on credit** - Debit the inventory account and Credit the accounts payable account.

Merchandise Inventory ----- xxx

Accounts Payable -----xxx

- ❖ **Pay employees** - Debit the wages expense and payroll tax accounts and Credit the cash account

Wages Expense -----xxx

Cash -----xxx

- ❖ **Take out a loans** - Debit cash account and Credit loans payable account

Cash-----xxx

Loan Payable -----xxx

- ❖ **Repay a loan**- Debit loans payable account and Credit cash account.

Loan Payable -----xxx

Cash-----xxx

#### Example – Transactions

1. On Jan3, 2020 ABC Company sells a product to a customer for 20,000 in cash.
2. On Jan 5, 2020, the Company sells another product to a customer for 10,000 on credit.
3. On Jan 10, 2020 Purchases equipment for 15,000 On credit or on account.
4. On Jan 15, 2020 Purchases supplies for 5,000 in cash.
5. On Jan 20,2020 Received \$6,000 cash from a customer services rendered
6. On Jan22, 2020 Received \$4,000 cash from the customer on the Jan5, 2020 transaction.
7. On Jan25, 2020, paid \$8,000 cash to creditor, for the purchase equipment of Jan 10, 2020.
8. On Jan 26, 2020, Paid \$3,000 cash in Wages expense to employees

9. On Jan28, 2020, distributed \$500 cash in dividends to stockholders’.
10. On Jan 31, 2020 withdraw \$1,000 cash for personal Use.

### General Journal

1. Jan3/ Cash -----	20,000		
	Sales Revenue -----	20,000	
2. Jan5/ Accounts Receivable ----	10,000		
	Sales Revenue-----	10,000	
3. Jan10/ Equipment -----	15,000		
	Accounts Payable-----	15,000	
4. Jan 15/ Supplies -----	5,000		
	Cash -----	5,000	
5. Jan 20/ Cash -----	6,000		
	Service Revenue -----	6,000	
6. Jan22/ Cash -----	4,000		
	Accounts Receivable -----	4,000	
7. Jan 25/ Accounts Payable -----	8,000		
	Cash -----	8,000	
8. Jan 26/ Wages Expense -----	3,000		
	Cash -----	3,000	
9. Jan28/ Dividends -----	500		
	Cash-----	500	
10. Jan 31/ Withdrawal -----	<u>1,000</u>		
	Cash -----	<u>1,000</u>	
Total Balance		<u><b>72,500</b></u>	= <u><b>72,500</b></u>

### Self-check six

#### Part I: Multiple choice questions

Instruction: Choose the best answer and write the capital letter of your best choice in the space provided before each question number1. The debit side of any asset account is

- A. Decrease side                      B. Balance side                      C. Right hand side

2. The credit side of any account is the

- A. Increase side                      B. Decrease side                      C. Right hand side

3. All increases in any account are recorded on

- A. Debit side    B. Credit side    C. Balance side

4. The increase side of any liability account is the  
A. Debit side    B. Lift hand side    C. The Balance side
5. The credit side of any capital account is  
A. Decrease side                  B. Increase side                  C. Debit side
6. The debit side of any revenue account is the  
A. Credit side    B. Increase side    C. Decrease side
7. The balance side of any expense account is the  
A. Right hand side    B. Debit side    C. Credit side

**Part II:-Give short answers to the following questions .**

1. \_\_\_\_\_ represents the claim of owner's against assets of the business enterprise.
2. Assume total asset of Br 60,000, and owner's equity of Br 45,000. Determine the amount of liability.
3. What do we mean when we say "owners have a residual claim over the assets of the business enterprise"?
4. \_\_\_\_\_ are assets used or consumed in the process of generating revenue.
5. Drawings are assets taken out of the business for the owner's personal benefit. Do you advise owners to withdraw cash or in kind (i.e. furniture, automobile..)
6. What are the four financial statements?
7. Every financial statement has three lines as a heading,  
1<sup>st</sup> line \_\_\_\_\_  
2<sup>nd</sup> line \_\_\_\_\_  
3<sup>rd</sup> line \_\_\_\_\_

**Answer sheet for writing parts**

1. \_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_



## UNIT- SEVEN ACCOUNTING TRANSACTION IN FOR SERVICE BUSINESS

This unit to provide you the necessary information regarding the following content coverage and topics:

- Analyzing and recording of accounting transaction
- Measurement of accounting financial transaction
- Practical aspects financial transaction

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- assess analyzing and recording of accounting transaction
- convert theoretical aspects in practical
- Computing of financial transaction

### 7.1. Analyzing and recording of accounting transaction

**Record;** is the event that happen due to occurrence of business transaction the event that may happen and critical understanding called **analyzing business transaction**

**Example:** The transactions were completed by AB Transport in the month of January 2003.

January 1. Ato yimer took Birr 450,000 from his personal savings and deposited it in the name of Bati transport.

January 2. AB Transport purchased two used trucks for Birr 150,000 each, on cash.

January 4. AB Transport received a check for Birr 650 for services given to Alem Trading.

January 4. Received an invoice for truck expenses Birr 90.

January 11. Paid Birr 600 for Awash Insurance Company to buy an insurance policy for its trucks.

January 16. Ato Yimer issued a check for Birr 9,400 to the workers as a salary for two weeks.

January 20. AB trading Billed Muradu Supermarket for goods transported from Djibouti to Gondar Birr 2,650

January 21. Ato Yimer wrote a check for birr 450 to have one of the trucks repainted

January 21. AB trading purchased stationary materials and other supplies of Birr 740 on Account

January 22. Office equipment of Birr 11,600 is bought on account.

January 23. Purchased an additional truck for Birr 250,000 paying birr 100,000 in cash And issuing a note for the difference.

January 23. Recorded services billed to customers on account birr 14,600.

January 25. Received cash from customers on account Birr 15,000.

January 27. The owner withdrew Birr 500 in cash for his personal use.

January 28. Paid Birr 9,400 to workers as a salary for the last two weeks of the month.

January 30. Paid telephone expense of Birr 95 and electric expenses of Birr 125 for the

month.

January 30. Paid other miscellaneous expenses Birr 50.

January 31. Paid Birr 4,000 as a rent for a building used for office space.

These transactions are journalized as follows:

Date	Description	Debit	Credit
2003 Jan.1	Cash Yimer Capital To record investment by owner	450,000	450,000
2	Truck Cash Purchase of trucks	300,000	300,000
4	Cash Service Income Cash received from customers	650	650
4	Truck Expenses Accounts Payable Service received in advance	90	90
11	Prepaid Insurance Cash Purchase of insurance policy	600	600
16	Salary Expense Cash Payment of salary	9,400	9,400
20	Accounts Receivable Service Income Provision of service	2,650	2,650
21	Truck Expense Cash Cash paid to repaint truck	450	450
21	Supplies Accounts Payable Purchase of supplies of account	740	740
22	Office Equipment Accounts Payable	11,600	11,600

	Purchase of equipment		
23	Truck	250,000	
	Cash		100,000
	Notes Payable		150,000
	Purchase of truck		
23	Accounts Receivable	14,600	
	Service Income		14,600
	Provision of service on account		
25	Cash	15,000	
	Accounts Receivable		15,000
	Collection of cash		
27	Drawings	500	
	Cash		500
	Owner withdrawals		
28	Salary Expense	9,400	
	Cash		9,400
	Payment of salary		
30	Utilities Expense	220	
	Cash		220
	Payment for telephone, electricity		
30	Miscellaneous Expenses	50	
	Cash		50
	Payment for various expenses		
31	Rent Expense	4,000	
	Cash		4,000
	Payment of Rent		

### 7.1.2 Posting

After the information about a business transaction has been journalized, that information is transferred to the specific accounts affected by each transaction. This process of transferring the information is called *posting*.

An account could be of two types; the two-column account and the four-column account. We will use the four-column account for our illustration. The two forms of accounts are given below.

***The two-column account:***

Account \_\_\_\_\_

Account number \_\_\_\_\_

Date	Item	P.R	Debit	Date	Item	P.R	Credit

***The four-column account:***

Account \_\_\_\_\_

Account number \_\_\_\_\_

Date	Item	P.R	Debit	Credit	Balance			
					Debit		Credit	

***The steps in posting are given below:***

1. Record the date and amount of Dr. and Cr. Entry to the account
2. Insert the Journal page number in the P.R (Post Reference) column of the account.
3. Insert the account number in the P.R column of the journal.

Note. The P.R Column is used for reference purposes. The P.R column of the journal shows whether the entry is posted and the account to which it is posted. In the account, the P.R Column shows the Journal page number from which the entry was brought.

***Illustration.*** As mentioned above, to illustrate the posting process the four column account is used and the entries to the cash account are posted as follows.

Account Cash

Account Number \_\_\_\_\_

Date		Item	P.R	Debit		Credit		Balance			
								Debit		Credit	
2003				450,000	00			450,000	00		
Jan	1										
	2					300,000	00	150,000	00		
	4			650	00			150,650	00		
	11					600	00	150050	00		
	16					9,400	00	140650	00		
	21					450	00	140200	00		
	23					100,000	00	40200	00		
	25			15,000	00			55200	00		
	27					500	00	54200	00		

	28					9,400	00	45300	00		
	30					220	00	45,080	00		
	30					50	00	45,030	00		
	31					4,000	00	41,030	00		

**Note.** The item column is usually left blank. In some cases the word balance is written when the account is carried forward to a new page.

### 7.1.3The Trial Balance

After the posting phase is completed, we have to verify the equality of the debit and credit balances. This is done through the use of the 'Trial Balance'. A trial balance is a two column listing of the accounts in the ledger and their balance to make sure that the total of debit balances equals the total of credit balances.

The trial balance for our illustration, AB Transport is presented bellow. The amounts are taken from the balances of the accounts after all the transactions have been posted. Therefore, after posting the above transactions, you should get the final balances shown on the trial balance.

**AB Transport**  
**Trial Balance**  
**January 31, 2003**

Cash	41,030			
Accounts Receivable	2,250	00		
Supplies	740	00		
Prepaid Insurance	600	00		
Office equipment	11,600	00		
Truck	550,000	00		
Accounts payable			12,430	00
Notes payable			150,000	00
Yimer capital			450,000	00
Yimer drawing	500	00		
Service income			17,900	00
Salary expense	18,800	00		
Rent expense	4,000	00		
Utilities expense	220	00		
Maintenance expense	450	00		
Truuck expense	90	00		

Miscellaneous expense	50	00		
Total	<u>630,330</u>	<u>00</u>	<u>630,330</u>	<u>00</u>

### Self-check seven

#### Part I: Multiple Choice Questions

Choose the best answer and write the capital letter of your best choice in the space provided before each question number

- \_\_\_\_\_ 1. Which one of the following types of accounting is providing financial information for lender and creditors?
  - A. Cost accounting
  - B. Management accounting
  - C. Financial accounting
  - D. Audit accounting
- \_\_\_\_\_ 2. Which one of the following is optional accounting cycle?
  - A. Journal
  - B. Posting
  - C. Unadjusted trial balance
  - D. Worksheet
  - E. Post-closing trial balance
  - F. D&E
- \_\_\_\_\_ 3. the gross profit in company in year four years is 75,000 cost of goods sold manufacturing was 320,000 the beginning inventories of finished goods and working process inventory 22,000 and 25,000 respectively and ending inventories process and finished goods are 30,000 and 32,000 respectively the sale made by the company.
  - A. Br378 ,000
  - B.Br385,000
  - C.Br388, 000
  - D.none
- \_\_\_\_\_ 4. Suppose XYZ company is in present value 4,000,000 birr asset but in some case fair value measurement the asset value is 6,000,000 birr, then, which conceptual frame work is reflected by the above case
  - A. Feedback value
  - B. Predictive value
  - C. Time line
  - D. None

- \_\_\_\_\_5. Which one of the following is not true about financial accounting?
- A. Provide accounting information for external user
  - B. Provide accounting information for labor union
  - C. It used past data
  - D. It is not guide by like GAAP and IFRS
- \_\_\_\_\_6. The monetary unit assumption:
- A. provides that the unit of measure fluctuate over time
  - B. it is unimportant in applying the cost principle
  - C. only used for financial statement bank
  - D. requires that only transaction date capable of being expressed in terms of money be included in the Accounting record of the economic entity.
- \_\_\_\_\_7. Which one of the following IFRS principle is violated if business report bankruptcy?
- A. Going concern B. prudence principle C. historical principle D. monetary unit assumption
- \_\_\_\_\_8. Revenue and expenses accounts are closed by;
- A. income summary B. capital accounts C. both income summary and capital

## **Part II: Work out question**

1. Indicate whether each of the following items below is an asset, liability, revenue, expense, gain or loss account and whether it appears in the balance sheet or income statement.

- a) Office furniture
- b) Income from services
- c) Salaries paid to workers
- d) Supplies on hand
- e) Salary payable to workers
- f) Cash
- g) Income from sale of a used truck
- h) Goods damaged by fire in the store

2. Given below is a list of selected transactions performed by John Décor during the month of September 2002, the first month of operation.

- a) Record the transactions in General Journal
- b) Post each entry to the perspective account. Use the four – column account.
- c) Prepare a trial balance
- d) Prepare a worksheet. Assume the following adjustment for the accounts and journalize them.
- e) Prepare a Balance sheet, Income statement and statement of owner's equity
- f) Close the temporary accounts.

Sept. 10 Mr. John transferred cash from his personal account to be used in the business, Birr 10,000.

- “ 10 Paid rent for the month, Birr 500
- “ 11 Purchased a truck for Birr 12,000 by paying Birr 3,000 Cash and giving a notes payable for the difference
- “ 12 Purchased equipment on account Birr 1,460
- “ 13 Purchased supplies on account Birr 240
- “ 14 Paid insurance premiums of Birr 170 (Dr. prepaid insurance)
- “ 15 Received cash for services completed Birr 360.
- “ 16 Purchased Supplies on account Birr 240.
- “ 18 Paid salaries of Birr 900
- “ 21 Paid its liabilities for the purchase of equipment

- “ 24 Recorded sales on account Birr 2,080
- “ 26 Received an invoice for truck expense Birr 115
- “ 27 Paid utilities expense Birr 205.
- “ 27 Paid miscellaneous expenses Birr 73
- “ 28 Received cash from customers on account birr 1,420
- “ 30 Paid salaries to employees Birr 950
- “ 30. the owner withdrew Birr 1, 750 for personal use.



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