

# OBE for FET applied accounting: a logical approach level 2 lecturer's guide

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Website: <http://www.nasou-viaafrika.com>

Cover design by Nasou Via Afrika

Printed and bound by Mega Digital, Paarden Eiland,  
South Africa

ISBN-10: 141540058X

ISBN-13: 9781415400586

First edition

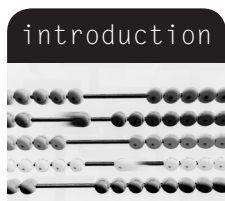
First impression – April 2007

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# introduction

This series for the subject Applied Accounting offers a Lecturer's Guide, a Student's Book and Workbook for the National Certificate/Vocational (Finance, Economics and Accounting) Level 2 in the Further Education and Training (FET) Colleges. The content of the Lecturer's Guide and Student's Book has been divided into five chapters, with each chapter dealing with a particular topic and its Subject Outcome (SO). Assessment Standards (AS) have also been integrated within Applied Accounting and with certain other subjects. Remember that an Assessment Standard cannot be integrated without linking it to its particular Subject Outcome.

## How to use this Lecturer's Guide

Every chapter in the Lecturer's Guide includes guidance, additional information, and suggestions for assessment.

The sections on Guidance and additional information offer useful suggestions on how to present the learning material, how to prepare and how to conduct each activity. Ideas for individual, pair, group, class and Portfolio of Evidence activities have been designed to cover the Subject Outcomes and Assessment Standards.

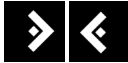










Possible solutions to questions in the Student's Book are also provided for most of the activities. Although you will find these suggestions useful when preparing a lesson, you can choose to adapt these methods or to use your own, since you know what will work best for your students. Additional background information is supplied for some of the activities.

Assessment should be continuous. At the end of each unit in the Student's Book, there is an opportunity for students to assess their own progress and do an end of unit test. The assessment questions at the end of each unit are directly linked to the Subject Outcomes and could be used as questions in tests and examinations. Where applicable, specific guidance is provided for inclusive education and LSEN.

In each unit in this Lecturer's Guide, guidance has been given regarding assessment for the activities in the Student's Book. Some additional assessment opportunities are also included. Rubrics and checklists have been prepared to assist you with assessment. You can choose to use these assessment tools as they are or adapt them to suit your specific needs. At the end of each chapter in this Lecturer's Guide, there is a grid that summarises the assessment for each activity. This could be used or adapted for Portfolio of Evidence assessment purposes for each student.

## Using this Lecturer's Guide with the Student's Book

Icons have been used throughout the Student's Book to consolidate and facilitate the learning process, and to adopt an interactive approach between the student and the text. The icons indicate different types of activity – for example, a group or a question or feedback activity. The icons are also used to indicate what is being dealt with – for example, outcomes, assessment or a cross reference to something else.

	<b>Cross reference</b> This icon shows forward or backward links or references to other sections in the book.
	<b>Outcomes</b> Outcomes appear in the outcomes table at the beginning of each unit. The students should achieve these unit outcomes, which are derived from the Subject Outcomes and the Learning Outcomes in the National Certificate (Finance, Economics & Accounting) Applied Accounting Subject Guidelines.
	<b>Minds-on</b> This icon indicates knowledge outcomes that students will acquire.
	<b>Hands-on</b> This icon shows skills-based outcomes that students will acquire.
	<b>Hearts-on</b> This icon shows values-based outcomes that will assist the students to express or develop particular values (or attitudes) to the issues raised.
	<b>Individual</b> This icon indicates that students should work on their own.
	<b>Pair work</b> This icon indicates that the students should work in pairs.
	<b>Group work</b> This icon indicates that the students should work in groups. Groups of four or five students are usually ideal, but this depends on the type of activity.
	<b>Time</b> This icon suggests the time it should take a student to complete the activity. Students should time themselves to see whether they are able to complete the activity within the suggested time.
	<b>End of unit tests</b> This icon provides the students with opportunities for self-assessment and ensures that the learning process has taken place. Tests at the end of each unit form part of your summative assessment and assist the students to reflect on what they have learnt.
	<b>ICASS</b> This icon shows an activity that could be used as part of the internal continuous assessment (ICASS) process, which should take place throughout the year. All <b>ICASS</b> evidence is contained in a Portfolio of Evidence (PoE), and must be readily available for monitoring, moderation and verification purposes.

We have used the following margin boxes in the Student's Book to highlight different kinds of information:

<b>Career corner</b>	These margin boxes provide the students with an opportunity to investigate or think about careers in the Applied Accounting field.
<b>Word bank</b>	New or difficult terms are explained or defined in these margin boxes. The aim is to extend the students' use of English and their Applied Accounting terminology.
<b>Fact file</b>	These margin boxes provide references to websites and other sources of information to extend the students' knowledge.

We have included the following types of activities in the Student's Book:

<b>Getting started</b>	These discussions can be found at the beginning of each chapter. They introduce students to the subject matter of the chapter and allow the lecturer to assess the students' prior knowledge.
<b>Daily tasks</b>	This gives students the opportunity of doing daily activities to apply their knowledge, skills and values.
<b>Activities</b>	The activities give the students the opportunity to apply their knowledge, skills and values to accounting documents and books.
<b>Summative activities</b>	These summative activities at the end of each unit allow students to practise all the accounting procedures learnt in that unit.

## Abbreviations

AG	Assessment guidelines
CCO	Critical cross-field outcomes
FET	Further Education and Training
GET	General Education and Training
HET	Higher Education and Training
ICASS	Internal continuous assessment
IKS	Indigenous knowledge systems
LB	Student's Book
LG	Lecturer's Guide
LP	Learning Programme
LTSM	Students with Special Education Needs
LTSM	Learning and teaching support materials
NC	National Certificate
NSC	National Senior Certificate
NQF	National Qualifications Framework
OBE	Outcomes-based education
SAG	Subject Assessment Guidelines
SO	Subject Outcome

## The new curriculum

A process of transforming education and training to realise the aims of our democratic society and of the Constitution has been underway since 1994. As part of this process, the Outcomes-based curriculum (OBE) was developed as one united curriculum for all school students in the General Education and Training (GET) and Further Education and Training (FET) bands.

The OBE curriculum was designed to be student-centred, integrated and holistic, relevant to students' lives and the needs of the country, and to promote critical and creative thinking.

### What has changed?

The table below outlines some of the changes and compares terms used in the pre-OBE and OBE stages.

Pre-OBE	OBE
Old terms/phrases	New terms/phrases
Core syllabus	Subject Guidelines
Scheme of work	A Learning Programme consists of three stages of planning Subject Framework (three-year plan or Band plan per Subject) Work Schedule per level per subject Lesson Plans
Aims/topics/topics	Subject outcomes (SOs)
Objectives /content	Assessment Standards (ASs)
Lesson plan	Lesson plan or learning experience
Textbooks	Learning and Teaching Support Materials (LTSM) – includes various learning and teaching resources like CDs, videos, textbooks, etc.
Learning/syllabus is content-driven. Rote learning takes place.	Learning is outcomes-based. The curriculum is relevant, communicative, connected to real-life situations and provides for the development of knowledge, skills and values in an integrated way.
Traditional teaching methods may have included learning being textbook-driven.	Traditional teaching methods are enhanced through methods that require the students to be actively involved.
Lecturer-centred	Student-centred and Lecturer plays a facilitator/mediator role.
Students' work is assessed by the Lecturer	A variety of assessment methods is used (Self-assessment, peer assessment, group assessment, Lecturer assessment, etc.).
Test-based assessment	Observation, Test and Task-based assessment takes place.
Lecturer is responsible for learning – motivation depends on the personality of the Lecturer.	Students take responsibility for their own learning – students are motivated by constant feedback and affirmation.

## The FET (vocational) curriculum policy for Applied Accounting

The FET/NC curriculum policy guidelines state the following:

### Description of Applied Accounting

The subject of Applied Accounting is structured to develop the knowledge, skills, attitudes and values which are necessary to enable students to participate responsibly, productively and effectively in business activities in both the formal and informal sectors.

Applied Accounting is a very practical subject where a student is taught to do the day-to-day basic bookkeeping of a small business enterprise. Once a student is confident with the basic accounting entries, the work is expanded to year-end procedures which also include interpretation and analysis of relevant information to help the owner of the small business enterprise within the decision-making process.

Applied Accounting is a subject that develops the logical and analytical ability of students. Students are also encouraged to develop a systematic approach to the solution of problems. The subject Accounting also develops characteristics such as neatness, thoroughness, accuracy, sound judgement and orderliness. The Student's understanding of financial principles will be meaningful in their future lives.



## Purpose of Applied Accounting

This subject prepares the student for the world of work in general and for the execution of accounting functions specifically. The practical components of accounting have the further aim to increase the Student's competence level in such a way that he/she can be productive in a post for which an accounting background is required.

A student with an interest in the field of commerce or the business world will benefit by doing Applied Accounting. Furthermore this subject forms part of the management function of any business and is essential for any student exploring management as a future career opportunity.

Students who have already explored the field of being an entrepreneur can benefit from this subject in order to learn the Generally Accepted Accounting Practice that is required to run an enterprise by taking current legislation into account.

The practical component is further directed to the learning of an accountancy package on the personal computer to keep pace with the modern computer tendencies.

## This subject will ensure that students:

- develop the skill to plan before commencing any work
- develop logical thought processes so that instead of relying upon set rules, they may be able to apply basic principles to new and unfamiliar situations
- develop a systematic approach to the solution of problems
- understand and adapt to the social environment by meaningfully interpreting accounting information, which they may apply to their future lives
- develop specific characteristic disciplines such as thoroughness, accuracy and orderliness
- are motivated, self-directed, reflective lifelong students who responsibly manage themselves and their activities while working towards their goals.

In addition to being able to secure formal employment, students need to be in a position to pursue sustainable entrepreneurial and self-employment career pathways. Applied Accounting also forms the foundation for further business learning opportunities.

## Scope

Applied Accounting encompasses relevant and contemporary theory and competence essential for promoting excellence and contributing to sustainable business enterprises. The student who completes this certificate will be able to work in the small business sector, the bank sector or even the public sector, applying elementary knowledge and skills of subjects. Skills such as decision making, problem solving, creative thinking, systems thinking and effective communication in a competitive and constantly changing environment are critical to this subject.

The subject revolves around:

TOPICS	WEIGHTED VALUE
1. Demonstrate basic accounting concepts	25
2. Demonstrate an understanding of payments and receipts transactions in a Cash book	20
3. Conduct credit sales transactions	20
4. Conduct credit purchase transactions	20
5. Demonstrate an understanding of financial year-end procedures	15
<b>TOTAL</b>	<b>100</b>

### Subject Outcomes and Learning Outcomes

Outcomes-based education calls for lifelong learning by demonstrating nine critical cross-field outcomes (CCOs).

Applied Accounting Level 2 has five topics linked to Subject Outcomes (SOs) together with corresponding Assessment Standards (ASs) and Learning Outcomes (LOs) that are derived from the CCOs and which describe the knowledge, understanding, skills and values that students should demonstrate and be able to do at the end in Applied Accounting for the National Certificate Level 2 in the FET Colleges band.

The five topics, 22 SOs together with their ASs and LOs are outlined in the table below:

#### Topic 1: Basic accounting concepts

Subject outcomes	Assessment Standards	Learning outcomes
1. Identify and describe the different types of businesses	1.1 The gaining of capital to start a new business (service or trade), is explained in detail 1.2 The profit motive for a business (service or trade), is explained and demonstrated in detail 1.3 Sole trader, partnerships, private and public companies, close corporations, clubs and non-profit organisations are identified as types of businesses. Characteristics of each type of business are described. Range: number of owners, statutory requirements, extent of liability of owners, ability to raise capital Profit and loss sharing.	The student should be able to: <ul style="list-style-type: none"> <li>• explain the gaining of capital to start a new business venture</li> <li>• explain the profit motive for a business venture</li> <li>• identify and discuss different types of businesses</li> <li>• describe the characteristics of the different types of businesses</li> </ul> Different types of businesses include: <ul style="list-style-type: none"> <li>• sole trader</li> <li>• partnership</li> <li>• private and public companies</li> <li>• close corporations</li> <li>• clubs and non-profit organisations</li> </ul>
2. Explain basic accounting principles	2.1 The term accounting is defined 2.2 Concepts of assets, owner's equity, liabilities, income and expenses are identified 2.3 Different types of assets, owner's equity, liabilities, income and expenses are identified 2.4 Concepts of Profit and losses are defined 2.5 The accounting cycle is explained. Range: documents, journals, ledgers, statements in the continuous stock system.	The student should be able to: <ul style="list-style-type: none"> <li>• explain the term accounting</li> <li>• explain the concepts of assets, owner's equity, liabilities, income and expenses</li> <li>• identify and describe different types of assets, owner's equity, liabilities, income and expense</li> <li>• explain the concepts of Profit and loss</li> <li>• explain the accounting cycle (documents – journals – ledgers – statements)</li> </ul>

Subject outcomes	Assessment Standards	Learning outcomes
3. Explain and demonstrate an understanding of source documents	3.1 The concept of source documents is explained 3.2 Different types of source documents are identified. Range: receipts, cash register slips, bank deposit slips, cheque counterfoils, invoices, credit notes, debit notes, Petty cash vouchers, internal office memorandum. 3.3 Completion of source documents. Range: Practical exercises complete receipt, cheque, cheque counterfoil, bank deposit slip, invoice, debit note, credit note. 3.4 Listed source documents are to be sorted into internal, external, duplicate and original documents. 3.5 Supporting documents are identified. Range: receipts, cheques, invoices, bank statement, bank debit note. 3.6 Numbering and safe-keeping of documents	The student should be able to: <ul style="list-style-type: none"> <li>• explain the concept of source documents</li> <li>• complete source documents correctly</li> <li>• identify and sort different source documents as internal, external, duplicate and original</li> <li>• identify supporting documents</li> <li>• number and archive the documents</li> <li>• Source documents include:               <ul style="list-style-type: none"> <li>• receipts</li> <li>• cash register slips</li> <li>• bank deposit slips</li> <li>• cheques and cheque counterfoils</li> <li>• invoices</li> <li>• credit notes</li> <li>• debit notes</li> <li>• Petty cash vouchers</li> <li>• internal office memorandum</li> </ul> </li> <li>• Supporting documents include:               <ul style="list-style-type: none"> <li>• receipts</li> <li>• cheques</li> <li>• invoices</li> <li>• bank statement</li> <li>• bank debit note</li> </ul> </li> </ul>
4. Explain and demonstrate the functioning of the double entry system	4.1 The concept of debit and credit in relation to assets, owner's equity and liabilities are explained. 4.2 Principles of the double entry system are demonstrated in T-accounts. Range: capital contribution, drawings, additions of Non-current assets, basic payments and receipts using the continuous stock system. 4.3 The effect of transactions on the accounting equation is explained.	The student should be able to: <ul style="list-style-type: none"> <li>• understand and explain the concept of debit and credit in relation to assets, owner's equity and liabilities</li> <li>• demonstrate the principles of the double entry system in T-shape accounts for basic transactions</li> <li>• demonstrate the effect of transactions on the accounting equation</li> </ul> Transactions include: <ul style="list-style-type: none"> <li>• capital contribution</li> <li>• drawings</li> <li>• addition of Non-current assets</li> <li>• elementary payments</li> <li>• elementary receipts</li> </ul>

## Topic 2: Payments and receipts transactions in Cash book

Subject outcomes	Assessment Standards	Learning outcomes
1. Explain the purpose of the Cash book (receipts and payments)	1.1 The concept Cash book is explained 1.2 The source documents for Cash book transactions are identified 1.3 The types of Cash book transactions are identified and discussed 1.4 The purpose of the different types of the Cash book is explained.	The student should be able to: <ul style="list-style-type: none"> <li>• understand the purpose of the Cash book</li> <li>• identify the source documents for Cash book transactions</li> <li>• identify the different Cash book transactions</li> <li>• explain the purpose of the debit and the credit side of the Cash book</li> </ul>
2. Prepare the Cash book	2.1 The relationship between the source documents and the Cash book transactions is explained 2.2 The correct entries from the source documents into the Cash book are demonstrated. Range: practical exercises from source documents to Cash book using the continuous stock system. 2.3 Closing of Cash book at the end of each month is demonstrated	The student should be able to: <ul style="list-style-type: none"> <li>• identify the relationship between the source documents and the Cash book transactions</li> <li>• prepare the Cash book from source documents</li> <li>• total/balance off the Cash book at the end of the month/period</li> </ul>

Subject outcomes	Assessment Standards	Learning outcomes
3. Post the Cash book to the General ledger	3.1 The purpose of the General ledger is explained 3.2 The sections of the General ledger are explained. Range: Balance sheet and nominal accounts section. 3.3 Posting from the Cash book is explained and demonstrated 3.4 The closing off of the General ledger accounts is demonstrated	The student should be able to: <ul style="list-style-type: none"> <li>understand the purpose of the General ledger</li> <li>identify the different sections of the General ledger</li> <li>post transactions from the Cash book to the General ledger</li> <li>total/balance the General ledger accounts</li> </ul>
4. Prepare the Trial balance	4.1 The purpose of the Trial balance is explained 4.2 The sections of the Trial balance are explained. Range: Balance sheet and nominal account section. 4.3 The Trial balance is demonstrated. Range: from General ledger to Trial balance.	The student should be able to: <ul style="list-style-type: none"> <li>understand the purpose of the Trial balance</li> <li>identify the different sections of the Trial balance</li> <li>complete a Trial balance</li> </ul>

### Topic 3: Conduct basic credit sales transactions

Subject outcomes	Assessment Standards	Learning outcomes
1. The concept of credit sales and returns (allowances) is explained	1.1 The concept of debtors is explained 1.2 The source documents for credit sales and returns (allowances) transactions are identified correctly. Range: invoice, credit notes, General journal vouchers.	The student should be able to: <ul style="list-style-type: none"> <li>understand the concept of debtors</li> <li>identify the source documents for credit sales and returns (allowances) transactions</li> <li>Documents include:               <ul style="list-style-type: none"> <li>invoices</li> <li>credit notes</li> <li>General journal vouchers</li> </ul> </li> </ul>
2. Record credit sales transactions in the appropriate journals Range: use the control account system in the continuous stock system	2.1 The relationship between the source documents and the credit sales and returns (allowances) transactions is explained 2.2 The correct entries from the source documents into the subsidiary journals are demonstrated. Range: from source documents to debtors journal and debtors allowance journal using the continuous stock system. 2.3 Closing of subsidiary journals at the end of each month is demonstrated. Range: Debtors' journal and debtors allowance journal closed off.	The student should be able to: <ul style="list-style-type: none"> <li>explain the relationship between the source documents and the credit sales and returns transactions</li> <li>complete the journals correctly</li> <li>close/total the journals at the end of the month/period</li> </ul>
3. Record other credit-related transactions in the General journal. Range: Use the control account system in the continuous stock system.	3.1 Other credit-related transactions to be recorded in the General journal are identified. Range: bad debts, interest on overdue accounts, cancel discount on dishonoured cheques, correct errors. 3.2 Other credit-related transactions are recorded in the General journal 3.3 Closing of General journal at the end of each month is demonstrated. Range: General journal closed off.	The student should be able to: <ul style="list-style-type: none"> <li>identify credit-related transactions</li> <li>record credit-related transactions in the General journal</li> <li>close/total the General journal at the end of the month/period</li> <li>Credit-related transactions include:               <ul style="list-style-type: none"> <li>bad debts</li> <li>interest on overdue accounts</li> <li>cancel discount on dishonoured cheques</li> <li>correct errors</li> </ul> </li> </ul>

Subject outcomes	Assessment Standards	Learning outcomes
4. Post the journals to the General ledger	4.1 Transactions from the journals are accurately posted to the General ledger accounts. Range: from the debtor's allowance and General journal. 4.2 The closing off of the General ledger accounts is demonstrated	The student should be able to: <ul style="list-style-type: none"> <li>• post transactions from the journals to the General ledger accounts</li> <li>• total/balance the General ledger accounts at the end of the month/period</li> <li>• Journals include:               <ul style="list-style-type: none"> <li>• Debtors journal</li> <li>• Debtors allowances journal</li> <li>• General journal</li> </ul> </li> </ul>
5. Maintain debtors' accounts Range: use control account system.	5.1 The concept of the Debtors ledger is explained 5.2 Transactions from the journals are accurately posted to the individual's debtor's accounts 5.3 Debtors' accounts are reconciled with the Debtors control account 5.4 Age analysis for the current month is prepared accurately 5.5 Monthly statements are prepared accurately	The student should be able to: <ul style="list-style-type: none"> <li>• explain the use of the Debtors ledger</li> <li>• post transactions from the journals to the individual debtor's accounts in the Debtors ledger</li> <li>• reconcile debtors' accounts with the Debtors control account</li> <li>• prepare an age analysis for the current month</li> <li>• prepare monthly statements</li> </ul>

#### Topic 4: Conduct basic credit purchases transactions

Subject outcomes	Assessment Standards	Learning outcomes
1. The concept of credit purchases and returns (allowances) is explained	1.1 The concept of creditors is explained 1.2 The source documents for credit purchases and returns (allowances) transactions are identified correctly. Range: invoice, debit notes, General journal vouchers.	The student should be able to: <ul style="list-style-type: none"> <li>• understand the concept of creditors</li> <li>• identify the source documents for credit purchases and returns (allowances) transactions</li> <li>• Documents include:               <ul style="list-style-type: none"> <li>• invoices</li> <li>• debit notes</li> <li>• General journal vouchers</li> </ul> </li> </ul>
2. Record credit purchases transactions in the appropriate journals Range: Use the control account system in the continuous stock system.	2.1 The relationship between the source documents and the credit purchases and returns (allowances) transactions are explained 2.2 The correct entries from the source documents into the subsidiary journals are demonstrated. Range: from source documents to Creditors journal and creditors allowance journal. Transactions include, but are not limited to credit purchases and returns (allowance with trade discount) 2.3 Closing of subsidiary journals at the end of each month is demonstrated. Range: Creditors journal and Creditors allowances journal.	The student should be able to: <ul style="list-style-type: none"> <li>• explain the relationship between the source documents and the credit purchases and returns transactions</li> <li>• complete the journals correctly</li> <li>• close/total the journals at the end of the month/period</li> </ul>
3. Record other credit-related transactions in the General journal. Range: Use the control account system in the continuous stock system.	3.1 Other credit-related transactions to be recorded in the General journal are identified. Range: correct errors 3.2 Other credit-related transactions are recorded in the General journal 3.3 Closing of General journal at the end of each month is demonstrated	The student should be able to: <ul style="list-style-type: none"> <li>• identify credit-related transactions</li> <li>• record credit-related transactions in the General journal</li> <li>• close/total the General journal at the end of the month/period</li> <li>• Credit-related transactions include:               <ul style="list-style-type: none"> <li>• correct errors</li> </ul> </li> </ul>

Subject outcomes	Assessment Standards	Learning outcomes
4. Post the journals to the General ledger	<p>4.1 Transactions from the journals are accurately posted to the General ledger accounts. Range: Creditors, Creditors allowances and General journal.</p> <p>4.2 The closing off of the General ledger accounts is demonstrated</p>	<p>The student should be able to:</p> <ul style="list-style-type: none"> <li>• post transactions from the journals to the General ledger accounts</li> <li>• total/balance the General ledger accounts at the end of the month/period</li> <li>• Journals include: <ul style="list-style-type: none"> <li>• Creditors journal</li> <li>• Creditors allowances journal</li> <li>• General journal</li> </ul> </li> </ul>
5. Maintain creditor's accounts Range: use the control account system	<p>5.1 The concept of the Creditors ledger is explained</p> <p>5.2 Transactions from the journals are accurately posted to the individual creditors' accounts</p> <p>5.3 Creditors' accounts are reconciled with the Creditors control account</p> <p>5.4 Age analysis for the current month is prepared accurately</p>	<p>The student should be able to:</p> <ul style="list-style-type: none"> <li>• explain the use of the Creditors ledger</li> <li>• post transactions from the journals to the individual creditor's accounts in the Debtors ledger</li> <li>• reconcile creditor's accounts with the Creditors control account</li> <li>• prepare an age analysis for the current month</li> </ul>

### Topic 5: Elementary financial year-end procedures

Subject outcomes	Assessment Standards	Learning outcomes
1. Explain the concept of profit	<p>1.1 The concept of gross profit is explained</p> <p>1.2 The concept of net profit is explained</p>	<p>The student should be able to:</p> <ul style="list-style-type: none"> <li>• explain the concept of profit</li> <li>• explain the concept of gross profit</li> <li>• explain the concept of net profit</li> </ul>
2. Explain closing transfers of Nominal accounts section in the General journal. Range: use the continuous stock system.	<p>2.1 The sales-, Debtors allowances- and Cost of sales accounts are closed off to the trade account. Range: from Trial balance to General journal.</p> <p>2.2 The gross profit is calculated by closing off the trade account to the Profit and loss account</p> <p>2.3 All incomes and expenses are closed off to the Profit and loss account. Range: from Trial balance to General journal.</p> <p>2.4 The net profit is calculated by closing off the Profit and loss account to the capital account</p>	<p>The student should be able to:</p> <ul style="list-style-type: none"> <li>• do the closing transfer of the following accounts: Debtors allowances, Sales and Cost of sales</li> <li>• calculate the amount of the gross profit correctly</li> <li>• do the closing transfer of the trade account to the Profit and loss account</li> <li>• do the closing transfer of all income accounts</li> <li>• do the closing transfer of all expenditure accounts</li> <li>• calculate the amount of the net profit or loss correctly</li> <li>• do the closing transfer of the Profit and loss account to the capital account</li> <li>• All above closing transfers should be done in the General journal</li> </ul>
3. Post the closing transfers of Nominal accounts section from the General journal to the General ledger. Range: use continuous stock system.	<p>3.1 The sales, Debtors allowances and Cost of sales accounts are closed off to the trade account. Range: from General journal to General ledger.</p> <p>3.2 The gross profit is calculated by closing off the trade account to the Profit and loss account.</p> <p>3.3 All incomes and expenses are closed off to the Profit and loss account. Range: from General journal to General ledger.</p> <p>3.4 The net profit is calculated by closing off the Profit and loss account to the capital account</p>	<p>The student should be able to:</p> <ul style="list-style-type: none"> <li>• use the closing transfers in the General journal and post to the accounts in the General ledger according to Generally Accepted Accounting Practice</li> <li>• balance/total accounts in the General ledger</li> </ul>

Subject outcomes	Assessment Standards	Learning outcomes
4. Prepare a basic Balance sheet. Range: use continuous stock system	4.1 Drawings is transferred to the capital account in the General journal 4.2 Post the transfer of drawings to the capital account in the General ledger 4.3 All the Balance sheet accounts in the General ledger are closed off accurately 4.4 The purpose of the Balance sheet is explained 4.5 The Balance sheet is prepared Range: notes are limited to Non-current assets and capital.	The student should be able to: <ul style="list-style-type: none"> <li>do the transfer of drawings to the capital account in the General journal and the General ledger</li> <li>identify the items from a Trial balance or the General ledger to be used on the Balance sheet</li> <li>write down the framework of the Balance sheet</li> <li>use the relevant information to complete the Balance sheet according to Generally Accepted Accounting Practice</li> <li>The notes to the Balance sheet will include the following:               <ul style="list-style-type: none"> <li>Non-current assets</li> <li>cash and cash equivalents</li> <li>capital</li> </ul> </li> </ul>

The table on the next page shows how the LOs mainly reflect the Critical cross-field outcomes (CCOs). The Applied Accounting outcomes relate to the CCOs.

## INTRODUCTION

Critical cross-field outcomes	Topic 1				Topic 2				Topic 3				Topic 4				Topic 5			
	SO 1	SO 2	SO 3	SO 4	SO 1	SO 2	SO 3	SO 4	SO 1	SO 2	SO 3	SO 4	SO 1	SO 2	SO 3	SO 4	SO 1	SO 2	SO 3	SO 4
1. Identify problems using creative thinking to manage finances and to determine progress in a business venture.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Work effectively with others as a member of a team, group, organisation and community while performing accounting and financial procedures in a small business venture.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Organise and manage oneself and one's activities responsibly and effectively through various activities to be done in a small business venture.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Collect, analyse, and organise information to simplify decision-making in a small business environment.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. Communicate effectively using mathematical and/or language skills in the modes of written presentation of elementary management information.	✓																			
6. Be culturally sensitive across a range of social contexts in determining factors influencing and contributing to local economy.	✓								✓											
7. Demonstrate an understanding of the world as a set of related systems by recognising that current economic affairs impact the individual and business venture.																				
8. Explore career and entrepreneurial opportunities by using a variety of strategies to learn more effectively, regarding elementary finances, recording of elementary accounting transactions and elementary economics.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9. The student is able to participate as a responsible citizen in the community by using accounting, financial and economic concepts as means to manage him/herself and plan for future needs.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



## The interrelationship of SOs

In the Student's Book you will find that each chapter has been primarily based on an SO, and that units within each chapter are based on the LOs. In some instances, LOs have been integrated within SOs as indicated in the table at the beginning of each unit in this Lecturer's Guide.

The SOs create five distinct focus areas, which are reflected in the chapters as follows:

Chapter 1	SO1	BASIC ACCOUNTING CONCEPTS
Chapter 2	SO2	CASH BOOK
Chapter 3	SO3	CREDIT SALES TRANSACTIONS
Chapter 4	SO4	CREDIT PURCHASES
Chapter 5	SO5	FINAL YEAR-END PROCEDURES

## Learning Outcomes

Each SO has its own ASs and LOs. LOs describe the level at which students should demonstrate their achievement of the SOs. The LOs:

- are level specific
- give more detail to SOs
- serve as a benchmark to be achieved by the student in a specific level
- describe ways of achieving the SOs
- define the levels of progression within and across each level in the FET band
- change from level to level.

The Applied Accounting ASs have been designed in such a way that there is natural progression within and across levels.

In the Student's Book, the ASs have been used to develop different units per chapter. ASs are tabulated at the beginning of each unit.

## Approach and teaching of Applied Accounting

Applied Accounting is one of the subjects employed to achieve OBE. This means that the CCOs incorporating knowledge, skills, values and attitudes will be acquired through learning this subject. This subject will contribute towards the process of lifelong learning and the realisation of the CCOs.

## Content and design

The Applied Accounting programme is vocationally orientated and aims to equip students adequately for the entry into the world of work providing him/her with practical knowledge and skills required in the wider Financial and Accounting sector. In addition the programme will develop the student for responsible citizenship, economic productivity and global competitiveness and promote the holistic development of students. Applied Accounting integrates academic knowledge and theory with practical skills and values in which students have to demonstrate competence.

## Approach

Students learn best when they discover and do things, have fun, communicate in various ways, are not afraid of failing while attempting tasks, and feel good about themselves when they are successful. Applied Accounting creates opportunities to relate what is learnt to real-life experiences that can be observed through practical experience, simulation and the media. It requires students to learn through discovery, participation and contribution, communication, critical thinking, reasoning, analysing and reflecting. The approach is student-centred, where the Lecturer is both a facilitator and a mediator. The Lecturer uses team tasks, group work and an assortment of resources, which may include parents, other members of society and stakeholders. Motivate the students to take ownership and accept responsibility for their own learning by giving them constant feedback and assurance that they are developing the required knowledge, skills and values.

Students must investigate, explore, research and monitor actual accounting and commercial events. They should participate in role-play activities to help them see how the various forces of the business world interface and interact with one another. They should develop their own value system through arguments and debates, and be given opportunities to express their opinions.

It is strongly recommended that you have an up-to-date reading shelf in the Applied Accounting classroom. This shelf should have newspapers, relevant magazines, printed Internet articles and other print media associated with Applied Accounting. Students should monitor business events from day to day. You should be ahead of the students in this respect.

The local environment should also be taken into account when teaching Applied Accounting, and Lecturers should include practical sessions and field trips in their planning and preparation.

It is important to try to arrange for guest speakers to address the students on certain issues and topics.

Create as many opportunities as possible for students to make presentations. Allow time for debates, where students should be given the opportunities to analyse, interpret and express ideas, defend an argument and draw conclusions.

## Including students with special needs (LSEN)

Students with disabilities and special needs should not be excluded from activities. These students should get the opportunity to decide at which point to stop or take up different tasks. Ensure that disabled students get the necessary assistance and support. The presentation hints in the Lecturer's Guide will often suggest ways to accommodate students with special needs.

Lecturers should implement innovative, resourceful teaching and learning strategies in Applied Accounting to accommodate an inclusive education system, to develop the full potential of all students, including those with physical, mental and emotional barriers to learning. Students with special needs, which include 'gifted' students, should also be incorporated into the planning and preparation of learning. Here are some ideas for students with special needs:

- Arrange an oral instead of a written examination for dyslexic students. Dyslexic students should not be penalised for spelling errors.
- Enlarge the text, where possible, for visually impaired students.

- The Student's Book will have to be written in Braille or put onto an audio tape for blind students. Work done in Braille is very bulky, but if it is put into a lever-arch file, it is easier to work with. The written text should also be written above the Braille 'print' so that Lecturers unable to read Braille are able to help students.
- A concession of extra time for students who cannot write quickly may be given. The rule of thumb is 15 minutes extra time for every hour.
- In any assignment where reading is involved, a tape recorder can be used for those students who can listen and follow with the taped text.
- Allow students to use the spell check function on computers. Students should also be allowed to use dictionaries if a computer is unavailable.
- Design assignments and examinations in such a way that the writing requirements are minimised (e.g. make use of multiple-choice questions instead of essays).
- On field trips, arrange for students with behavioural problems to be placed with good role models.
- On any fieldwork activities, remember to take a list of any medication requirements (the time medication needs to be administered, etc.).
- When doing any task in class, wheelchair-bound students must be accommodated by ensuring that all materials are in easy reach. Ensure there is enough space for the wheelchair or for a student using crutches.
- Students who move around with difficulty (e.g. on crutches) could use office chairs on rollers where these are available.
- The visually impaired student should be allowed to familiarise him or herself with the classroom.
- Where students are required to do a presentation, use a sign language interpreter for deaf students and a facilitator to help blind students with visual aids.
- Always consider wheelchair access where fieldwork is required. You should contact or visit the venue beforehand to find out whether there is wheelchair access.
- When using graphs or any other graphic works, use wood glue to outline the lines, so that blind students can feel the raised areas. A facilitator will be needed to help and guide the blind student's hands.
- In group work, be aware of the hard of hearing student. Always face the student and talk clearly, but not too loudly. Think about including a sign language interpreter for deaf students.
- Some students may not be comfortable with delivering a verbal presentation in front of the class. Help these students by giving them ideas on how to be well-prepared before making a speech (e.g. using well-chosen visual aids to help them through the presentation).

## The FET (vocational) Applied Accounting Lecturer

All subjects in the Vocational Programme Levels 2–4 have new features with which Lecturers must cope. Lecturers are required to be OBE compliant and should implement policy laid down by the Department of Education. In essence, this means that SOs and LOs for the FET band should be adhered to.

The Lecturer is an interpreter and designer of Applied Accounting Learning Programmes and materials who should share lesson plans and notes, allow co-educators to observe classes or lessons, review lesson plans, plan worksheets, give plans for advanced students and students with special education needs, and show evidence of different evaluations and assessments.

There is a strong focus on acquiring literacy and numeracy skills in the FET band. In Applied Accounting, both languages and mathematic literacy skills are relevant. It is important that students develop communication and quantitative skills in Applied Accounting. This may create an opportunity for the Applied Accounting Lecturer to occasionally engage in cross-curricular activities.

An FET Applied Accounting Lecturer should undertake professional development as an ongoing and long-term activity. Lecturers are encouraged to enrol for continuing Lecturer development provided by Higher Education Institutions (HEIs). The national and provincial Departments of Education offer courses and workshops, and Lecturers are urged to attend these. Lecturers should try to network with:

- other Lecturers at their own or other colleges, to share ideas and student support materials
- enterprises that could assist in promoting and developing the subject
- the immediate community in which they operate
- other stakeholders who have an interest in the students and the subject.

Lecturers should assist students to assess their own learning, and help them analyse and interpret results so that they are able to improve the learning process and programmes. They should give praise, feedback and encouragement where necessary, based on assessed activities.

Lecturers should also be involved in frequent college-based or cluster-based gatherings and meetings to reflect on teaching and to contribute towards joint planning.

## **The Finance, Economics and Accounting (FEA) student**

Students emerging from the GET band have acquired skills, knowledge, values and attitudes underpinned by the critical and developmental outcomes.

The EMS learning area in the GET band has also afforded students opportunities to apply a variety of strategies to learn more effectively.

The Learning Outcomes in EMS and other learning areas (GET band) have benefited students in the following ways. They will be students who:

- possess an improved ability in identifying and solving problems
- are able to make responsible and informed decisions using critical and creative thinking skills
- have gained the ability to co-operate and work harmoniously with others in various group contexts
- are able to demonstrate managerial, administrative and consumer skills, and fulfil a meaningful role in the economic environment
- have been equipped with the skills to collect, analyse and organise information from a variety of sources, and who can critically evaluate economic and financial information.

- have acquired the ability to use different ways to communicate economic and financial information
- have generally gained an understanding of the economic world as a set of interrelated systems, locally, regionally, nationally and globally
- have gained an improved understanding of reconstruction, sustainable growth, and development, and are able to reflect critically on its related processes
- have learnt to negotiate, share, take responsibility and participate in the economic matters of their communities, societies, country and on a global scale
- have dealt with cultural and aesthetic issues in an economic context, and have gained improved sensitivity in dealing with these issues
- have gained knowledge, skills and attitudes in applying entrepreneurial competencies and exploring related education and career opportunities.

The skills students acquire in Applied Accounting include the ability to:

- argue logically (recognise an argument, identify reasons, identify conclusions)
- discriminate between fact and opinion
- demonstrate numerical and spatial skills (arithmetic, mathematics, statistics)
- communicate effectively (debate, oral presentation)
- think critically (interpret and evaluate information, identify assumptions, ask pertinent questions, point out implications)
- solve problems (identify relevant selection, identify similarities)
- make predictions
- investigate/research.

It is important that students develop language skills so that they can express themselves in a way in which they are understood. Applied Accounting has its own unique language and some words often have different meanings from everyday language.

Applied Accounting also requires students to develop practical skills such as compiling tables, drawing graphs, illustrating models, making sketches and diagrams. Students should also develop technical skills such as the formats and characteristics of essays, assignments, reports, journals, portfolios and summaries.

Applied Accounting students should master mathematical skills (from simple numerical calculations to calculating and converting percentages, applying statistical applications, drawing graphs, etc.).

Values are as important as knowledge and skills, and are required to achieve the SOs. The three groups of values informed by our Constitution and society are listed below.

Educational values	Social values	Applied Accounting values
neat work good manners discipline active participation assertiveness consistency	equality Ubuntu honesty respect for the 'rule of law' respect and sensitivity inclusivity justice dignity and self-image morality	rationality efficiency creativity dedication proactivity productivity innovativeness consultation

## Applied Accounting and the principles of the curriculum

The National Curriculum Statement (NCS) follows the principles, purpose and thrust of Curriculum 2005, including OBE.

There is an emphasis on the key principles and values of social transformation; progression; articulation and portability; human rights, inclusivity, environmental and social justice; and valuing indigenous knowledge systems.

OBE, integration and applied competence; progression, credibility, quality and efficiency; high knowledge and high skills underpin the curriculum and are all covered within the purpose, scope and the five topics.

### Social transformation

The NCS builds on the visions and values of the Constitution. The Constitution expresses the nation's social values and the roles, rights and responsibilities of citizens in a democratic South Africa. In promoting the students' personal development, we should ensure that we build a national South African identity.

### Valuing indigenous knowledge systems

The rich history and heritage of South Africans need to be recognised as important contributors to the values contained in the Constitution. Indigenous and endogenous local communities need to be included in our economic actions and thinking.

### Human rights, inclusivity, environmental and social justice

The NCS reflects the principles and practice of social justice, and respect for the environment and human rights, as defined in the Constitution. In particular, the curriculum attempts to be sensitive to issues of poverty, inequality, race, gender, age, disability and challenges such as HIV/Aids. Students are encouraged to develop an awareness and understanding of the rich diversity of cultures, beliefs and worldviews within the unity of South Africa.

The Bill of Rights places great value on equality, human dignity, life, freedom and security. These and other rights to freedom of religion and belief, expression and association, exist alongside socio-economic rights. Each person has a right to freedom from poverty, homelessness, poor health and hunger.

In Applied Accounting we have endeavoured to build these principles into the text and the activities. Items directly or implicitly included in the ASs regarding human rights, inclusivity, HIV/Aids, environmental sustainability and socio-economic justice are listed below.

i	Global economic arrangement and its impact on human rights and the environment
ii	Industrialisation and the promotion and violation of human rights and the environment
iii	National macro-economic policy and service delivery with regard to socio-economic rights, education, health, environment, social security
iv	Labour movements and labour rights (South African labour rights framework)
v	Workers' rights and responsibilities
vi	Conventions and declarations of the International Labour Organisation
vii	Convention on the rights of the child
viii	Agenda 21 (Global partnership agreement to meet the challenges of environment and development, Rio Earth Summit 1992)

ix	Mobilisation of indigenous knowledge in relation to indigenous economic systems and practices (past and contemporary)
x	Employment equity and basic conditions of employment
xi	Empowerment and government tender regulations
xii	Black economic empowerment
xiii	Patterns of unequal distribution (income, land, wealth, access to natural and other resources, etc.)
xiv	Taxation and compensation for human rights abuses
xv	Land restitution
xvi	Food distribution, hunger and starvation
xvii	Trade relations, exports, imports and treaties
xviii	Economic activity and the degradation of the environment
xix	Environmental impact assessment, environmental management practices, and economic and industrial development
xx	Community participation in local economic planning and activities
xxi	The role of marginalised groups in the economy (women, refugees, etc.)
xxii	Access of marginalised groups to participate in the economy
xxiii	The structure of economy and exclusion
xxiv	Discrimination in service provisioning (such as financing) and access to economic opportunity (affirmative action, redress, etc.)
xxv	Economic exploitation, slavery, colonialism and imperialism

## Outcomes-based Education

Outcomes-based education forms the foundation of the South African curriculum. The SOs and ASs have been derived from the CCOs which, inspired by the Constitution, will ensure that knowledge, skills and values are articulated.

## High knowledge and high skills

The NCS sets standards in the learning areas and specifies the minimum knowledge and skills to be achieved by students in each level. In this way, the NCS provides direction on how to develop a high level of skills and knowledge in all students. In Applied Accounting the necessary knowledge and skills have been built into the text and the activities.

## Integration and applied competence and progression

Integration both within and across learning areas is central to OBE, because of the belief that fields of knowledge are connected. Some of the skills taught in one subject may also be needed to achieve a learning outcome in another subject.

Because of this a list of integration possibilities is provided at the start of each chapter. Achieving an optimal relationship between progression and integration is central to this curriculum. Within each subject, the NCS sets out progressively more complex expectations of students from level to level. This is called conceptual progression, and the NCS describes this progression through the SOs. Integration is about making links within and across learning areas, through related SOs and ASs. It is also about students developing skills, attitudes and values, as well as acquiring knowledge by integrating theory and practice.

Complexity and depth in learning increases from the beginning to the end of a level (vertical progression) and from level to level (horizontal progression).

The table below shows some examples where Applied Accounting has clear links with other subjects.

Subject	Possible areas of integration
Economic Environment	Contemporary socio-economic issues that impact on business Savings and investment
New Venture Creation	Principles of operating a small business
Mathematical Literacy	Numerical calculations Numerical relationships Mathematical knowledge and skills to plan personal finances to be an effective economic participant Data handling
Language	Communication skills (e.g. oral presentations, formal debates, comprehension tests, research activities)
Finance	Access to information Acquisitions of IT skills specific to Applied Accounting
Life Orientation	Acquisitions of IT skills specific to Applied Accounting

The shift in content and the method of presentation are captured in the SOs at levels suited to the cognitive ability of students in each level.

### Credibility, quality and efficiency

Articulation refers to the relationship between qualifications in the different NQF bands (GET/FET) and portability to the extent to which parts of a qualification are transferred to another qualification in a different learning pathway of the same NQF band. This allows for mobility across and within the FET band and recognition of prior learning.

### Planning for the Applied Accounting curriculum

It is imperative that Lecturers plan ahead. Students will not be able to attain the SOs prescribed by the LOs for a specified level if the Lecturer does not plan adequately. Planning could be summarised as follows:

- a three-year subject framework (*macro planning*)
- a one-year work schedule that sets out the pace and sequence of teaching and learning activities, and assessment. This work schedule will spell out 'term plans' of work to be covered in a particular term (*meso planning*)
- weekly and daily planning (lesson plans or learning experiences) specifying activities (*micro planning*)

### A suggested subject framework/work schedule

The work schedule on the next pages may assist lecturers in pacing the Applied Accounting Level 2 curriculum. Assessment activities are derived from the Continuous Assessment (CASS) tasks and these form part of the teaching and learning.



TERM	Week	SO	AS	Topic	Assessment activity
1	1–2	2	1.1 1.2 1.3 1.4	<b>Chapter 1</b> <b>Basic accounting concepts</b> <b>Unit 1 – Different types of businesses</b> <ol style="list-style-type: none"> <li>Planning for success</li> <li>Obtaining capital to start a new business</li> <li>Obtaining capital to start a new business</li> <li>Classifying businesses</li> <li>Forms of ownership</li> </ol>	Getting started p4: Self-assessment – case study (group work) Activity 1: Lecturer assessment – Do research about a business p7 (individual) Activity 2: Lecturer assessment – What does the owner of a business do? p8 (pair) Daily task 1: Check your knowledge p10 (individual) Daily task 2: Check your knowledge p12 (individual) Activity 3: Lecturer assessment – Categorise businesses p12 (individual) Daily task 3: Check your knowledge p14 (individual) Activity 4: Self-assessment – Characteristics of the different forms of ownership p15 (individual) Assessment: Assess your progress Revision: Lecturer assessment – Questions for revising Unit 1
	3–4	2	2.1 2.2 2.3 2.4 2.5	<b>Unit 2 – Basic accounting principles</b> <ol style="list-style-type: none"> <li>What is the difference between bookkeeping and accounting?</li> <li>The accounting cycle</li> <li>Assets</li> <li>Liabilities</li> <li>Owner's equity</li> </ol>	Activity 1: Lecturer assessment – Research accounting software p18 (individual) Daily task 1: Check your knowledge p19 (individual) Activity 2: Self-assessment – Investigate assets p20 (pairs) Activity 3: Self-assessment – Classify business assets and liabilities p21 (individual) Daily task 2: Check your knowledge p22 (individual) Activity 4: The effect of transactions on owner's equity p22 (individual) Daily task 3: Check your knowledge p23 (individual) Assessment: Assess your progress p23 (individual) Revision: Lecturer assessment – Questions for revising Unit 2 p23
	5–7	3	3.1 3.2 3.3	<b>Unit 3 – Source documents</b> Introduction <ol style="list-style-type: none"> <li>Keeping business records</li> <li>Value-added tax (VAT)</li> <li>Business documents for specific transactions</li> </ol>	Daily task 1: Check your knowledge p27 (individual) Activity 1: Self-assessment – Business documents you have received p 27 (individual) Daily task 2: Check your knowledge p30 (individual) Activity 2: Peer assessment – Investigate a record-keeping system p30 (pairs) Activity 3: Peer assessment – VAT on till slips p32 (individual) Daily task 3: Check your knowledge p32 (individual) Activity 4: Self-assessment – Complete a receipt p33 (pairs) Activity 5: Peer assessment – Interpret till slips p34 (pairs) Daily task 4: Check your knowledge p35 (individual) Daily task 5: Check your knowledge p37 (individual) Activity 6: Self-assessment – Analyse the following invoice p37 (pairs) Activity 7: Self-assessment – Complete the source document p38 (pairs) Activity 8: Self-assessment – Complete the document p40 (pairs) Daily task 6: Check your knowledge p42 (individual) Activity 9: Self-assessment – Complete the cheques p42 (pairs) Activity 10: Self-assessment – Complete the petty cash voucher p44 (pairs) Daily task 7: Check your knowledge p45 (individual) Activity 11: Self-assessment – Complete the debit note p46 (pairs) Daily task 8: Check your knowledge p47 (individual) Assessment: Assess your progress p48 (individual) Revision: Lecturer assessment – Questions for revising Unit 3 p48

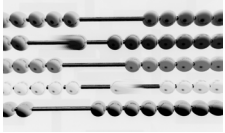
TERM	Week	SO	AS	Topic	Assessment activity
1	8–10	4	4.1 4.2 4.3	<b>Unit 4 – The basic accounting equation and the double entry system</b>  Introduction 1. The basic accounting equation (BAE)  2. How a trading business works 3. The double entry system 4. The General ledger 5. Entering transactions into the General ledger	Activity 1: Peer assessment – Analyse transactions using the basic accounting equation (BAE) p52 (pairs) Daily task 1: Check your knowledge p52 (individual) Activity 2: Self-assessment – Analyse transactions using the basic accounting equation p54 (individual) Activity 3: Peer assessment – Classify accounts in the two sections of the General ledger p56 (individual) Daily task 2: Check your knowledge p56 (individual) Activity 4: Peer assessment – Enter transactions into the General ledger p63 (pairs) Daily task 3: Check your knowledge p63 (individual) Activity 5: Self-assessment – Enter transactions into the General ledger p63 (individual) Assessment: Assess your progress p64 (individual) Revision: Lecturer assessment – Questions for revising Unit 4 p64 Assessment: Lecturer assessment – Chapter challenge p65
	10–11	<b>TEST</b>			
2	1–2	1	1.1 1.2 1.3 1.4	<b>Chapter 2: The Cash book</b> <b>Unit 1 – Transactions in the Cash book</b>  Introduction 1. Why do we need books of first entry?  2. Transactions in the Cash book	Getting started p70: Self-assessment – Investigation (pair)  Activity 1: Lecturer assessment – Different inventory systems p73 (individual) Activity 2: Self-assessment – Revise your knowledge of basic transactions (individual) Daily task 1: Check your knowledge p75 (individual) Daily task 2: Check your knowledge p78 (individual) Activity 3: Self and peer assessment – Analyse transactions p78 (individual) Activity 4: Group assessment – Investigate the use of debit and credit cards p80 (groups) Daily task 3: Check your knowledge p81 (individual) Activity 5: Self and peer assessment – Calculating the cost price p81 (individual) Assessment: Assess your progress p81 Revision: Lecturer assessment – Questions for revising Unit 1 p82
	3	2	2.1 2.2 2.3	<b>Unit 2 – Prepare the Cash book</b>  Introduction 1. The format of the Cash book 2. Recording transactions in the Cash book	Daily task 1: Check your knowledge p85 (individual) Daily task 2: Check your knowledge p88 (individual) Activity 1: Self and peer assessment – Prepare the Cash book and record transactions p90 (individual) Daily task 3: Check your knowledge p91 (individual) Activity 2: Self and peer assessment – Analyse General ledger accounts p92 (pairs) Assessment: Assess your progress p92 Revision: Lecturer assessment – Questions for revising Unit 2 p93
	4–5	3	3.1 3.2 3.3 3.4	<b>Unit 3 – Post the Cash book to the General ledger</b>  Introduction 1. Posting the Cash book to the General ledger 2. Balancing accounts in the General ledger	Activity 1: Group assessment – Make a poster p97 (groups) Daily task 1: Check your knowledge p98 (individual) Daily task 2: Check your knowledge p105 (individual) Activity 2: Self and peer assessment – Post to the General ledger p105 (individual) Activity 3: Self and peer assessment – Balance the accounts p108 (individual) Assessment: Assess your progress p111 Revision: Lecturer assessment – Questions for revising Unit 3 p111

TERM	Week	SO	AS	Topic	Assessment activity	
2	6	4	4.1 4.2 4.3	<b>Unit 4 – Prepare the Trial balance</b> Introduction 1. Drawing up a Trial balance	Daily task 1: Check your knowledge p116 (individual) Activity 1: Self and peer assessment – Give advice on an incorrect Trial balance p116 (pairs) Activity 2: Self and peer assessment – Prepare a Trial balance p117 (individual)	
				2. Opening accounts with a given balance	Daily task 2: Check your knowledge p120 (individual) Activity 3: Self and peer assessment – Interpret account balances p120 (individual) Assessment: Assess your progress p121 Revision: Lecturer assessment – Questions for revising Unit 4 p121 Assessment: Lecturer assessment Chapter Challenge p122	
	7			<b>Chapter 3: Credit sales transactions</b> <b>Unit 1 – Credit sales and returns</b> Introduction	Getting started p 128: Group assessment – Case study (group) Daily task 1: Check your knowledge p131 (individual) Activity 1: Self-assessment – Analyse cash and credit sales p131 (pairs) Daily task 2: Check your knowledge p133 (individual) Activity 2: Lecturer assessment – Complete the invoices p133 (individual) Daily task 3: Check your knowledge p134 (individual) Activity 3: Lecturer assessment – Practise working with credit sales p134 (individual) Activity 4: Self-assessment – Practise working with credit sales p136 (individual) Daily task 4: Check your knowledge p137 (individual) Activity 5: Lecturer assessment – Use the Debtors journal and the General ledger p137 (individual)	
		1	1.1			
		1	1.2	1. The credit sales of a business		
		2	2.1 2.2 2.3	2. The source documents for credit sales		
		4	4.1 4.2	3. Recording credit sales in the debtors journal (DJ) 4. Posting the Debtors journal to the General ledger		
		8–9	1	1.1	5. Debtors allowances	Activity 6: Self-assessment – Practise working with credit sales p140 (individual) Daily task 5: Check your knowledge p140 (individual) Activity 7: Lecturer assessment – Practise working with credit sales p141 (individual) Daily task 6: Check your knowledge p141 (individual)
	1		1.2	6. The source documents for debtors allowances		
		2	2.1 2.2 2.3	7. Recording allowances in the Debtors allowances journal (DAJ) 8. Posting the Debtors allowances journal (DAJ) to the General ledger (GL)	Activity 8: Self-assessment – Record transactions in the debtors allowances journal p143 (individual) Daily task 7: Check your knowledge p143 (individual) Activity 9: Self-assessment – Post the Debtors allowances journal to the General ledger p144 (individual) Daily task 8: Check your knowledge p144 (individual) Activity 10: Lecturer assessment – Credit sales project p145 (pairs) Activity 11: Self-assessment – Complete the journals and post to the General ledger p145 (individual)	
		4	4.1 4.2 2.3 4.1 4.2			
		2	2.1 2.2 2.3			
		4	4.1 4.2			
		10	1	1.1 1.2 2.2 2.3	9. Recording cash receipts from debtors and discount allowed	Activity 12: Self-assessment – Calculating discount p148 (pairs) Activity 13: Self-assessment – Use the BAE to analyse receipts from debtors p149 (pairs) Daily task 9: Check your knowledge p149 (individual) Activity 14: Self-assessment – Record receipts from debtors in the Cash book p151 (individual) Daily task 10: Check your knowledge p151 (individual) Activity 15: Lecturer assessment – Apply your knowledge of credit sales transactions p156 (individual) Assessment: Assess your progress p159 Revision: Lecturer assessment – Questions for revising Unit 1 p160
			2	2.1 2.2 2.3		
	4		4.1 4.2	10. Posting the Cash book Receipts (CB) to the General ledger (GL)		
	1		1.1 1.2			
	MID-YEAR EXAMINATION					

TERM	Week	SO	AS	Topic	Assessment activity
3	1–2			<b>Unit 2 – Managing debtors' accounts</b>	Daily task 1: Check your knowledge p167 (individual) Activity 1: Peer assessment – Correct the Debtors ledger p167 (pairs) Activity 2: Self-assessment – Complete an account in the Debtors ledger p169 (individual) Daily task 2: Check your knowledge p170 (individual) Activity 3: Group and Peer assessment – Project p170 (groups) Activity 4: Lecturer assessment – Enter transactions in the journals and post to the ledgers p170 (individual) Assessment: Assess your progress p171 Revision: Lecturer assessment – Questions for revising Unit 2 p172
		2	2.2 2.3 4.1 4.2 5.1 5.2 5.3 5.4 5.5	Introduction 1. The Debtors ledger 2. Drawing up a Debtors list 3. Drawing up monthly statements and age analyses	
	3–5			<b>Unit 3 – the General journal</b>	Activity 1: Peer assessment – Revising journals p174 (pairs) Daily task 1: Check your knowledge p176 (individual) Activity 2: Peer assessment – Collecting outstanding debts p177 (pairs) Daily task 2: Check your knowledge p177 (individual) Daily task 3: Check your knowledge p180 (individual) Activity 3: Self-assessment – Record bad debts and bad debts recovered p181 (individual) Daily task 4: Check your knowledge p183 (individual) Activity 4: Self-assessment – Record interest on debtors overdue accounts p185 (individual) Daily task 5: Check your knowledge p185 (individual) Activity 5: Self-assessment – Recording dishonoured cheques and cancelling discount allowed p190 (individual) Activity 6: Self-assessment – Recording the correction of errors p193 (individual) Daily task 7: Check your knowledge p193 (individual) Assessment: Assess your progress p193 Revision: Lecturer assessment – Questions for revising Unit 3 p194
		2	2.2	Introduction 1. The General journal (GJ) 2. The source document for the General journal 3. Transactions that are entered in the General journal (GJ) 4. Bad debts 5. Recording bad debts in the General journal (GJ) and posting the General ledger (GL) and Debtors ledger (DL) 6. Bad debts recovered 7. Interest charged on debtors' overdue accounts 8. Dishonoured cheques 9. Correcting errors	
		3	3.1 3.2 3.3		
		4	4.1 4.2		
		5	5.1 5.2 5.4 5.5		
6				<b>Chapter 4: Credit purchases transactions</b> <b>Unit 1 – Credit purchases and returns</b>	Getting started p 200: Group assessment – Case study (group) Activity 1: Peer assessment – Analyse credit purchases p202 (pairs) Daily task 1: Check your knowledge p204 (individual) Activity 2: Peer assessment – Recording invoices in the Creditors journal p206 (pairs) Daily task 2: Check your knowledge p206 (individual) Activity 3: Self-assessment – Post the Creditors journal to the General ledger p207 (individual)
		1	1.1 1.2	Introduction 1. The credit purchases of a business 2. Recording credit purchases in the Creditors journal (CJ) 3. Posting the Creditors journal (CJ) to the General ledger (GL)	
		2	2.1 2.2 2.3		

TERM	Week	SO	AS	Topic	Assessment activity
3	7	4	4.1 4.2	4. Creditors allowances  5. The source documents for creditors allowances  6. Recording allowances in the Creditors allowances journal (CAJ)  7. Posting the Creditors allowances journal (CAJ) to the General ledger (GL)	Activity 4: Peer assessment – Analyse credit purchase returns p209 (pairs) Daily task 3: Check your knowledge p209 (individual) Activity 5: Lecturer assessment – Complete debit notes p210 (pairs) Daily task 4: Check your knowledge p211 (individual) Activity 6: Lecturer assessment – Recording transactions in the Creditors allowances journal (CAJ) (individual) Daily task 5: Check your knowledge p212 (individual) Activity 7: Self-assessment – Posting the Creditors allowances journal (CAJ) to the General ledger (GL) p214 (individual) Daily task 6: Check your knowledge p214 (individual) Activity 8: Lecturer assessment – Credit purchases project p214 (groups) Activity 9: Self-assessment – Complete the journals and post to the General ledger p214 (individual) Assessment: Assess your progress p217 Revision: Lecturer assessment – Questions for revising Unit 1 p218
	8			<b>Unit 2 – Managing creditor's accounts</b> Introduction 1. Payments to creditors and discount received 2. Recording payments to creditors in the Cash Book 3. Posting the Cash book payments to the Creditors control account in the General ledger	Activity 1: Peer assessment – Analyse payments to creditors using the BAE p221 (pairs) Daily task 1: Check your knowledge p221 (individual) Activity 2: Self-assessment – Payments to creditors p223 (individual) Daily task 2: Check your knowledge p223 (individual) Activity 3: Lecturer assessment – Record transactions in the journals and post to the General ledger p227 (individual)
	9–10	4	4.1 4.2	4. The Creditors ledger 5. Preparing the Creditors list 6. Monthly statements and age analysis 7. Correcting errors made in the Creditors ledger	Daily task 3: Check your knowledge p230 (individual) Activity 4: Peer assessment – Record transactions in the Creditors ledger p230 (individual) Activity 5: Self-assessment – Recording correction of errors p232 (individual) Daily task 4: Check your knowledge p232 (individual) Assessment: Assess your progress p232 Revision: Lecturer assessment – Questions for revising Unit 2 p233 Assessment: Lecturer assessment – Chapter Challenge p235
	10	<b>TEST</b>			

TERM	Week	SO	AS	Topic	Assessment activity
4	1–2	1	1.5	<b>Chapter 5: Financial year-end procedures</b>	Getting started p240: Self-assessment – case study (pair)
		2	2.1	<b>Unit 1 – Concept of Profit and final accounts</b>	Activity 1: Self-assessment – Calculating profit p243 (individual)
			2.2		Daily task 1: Check your knowledge p244 (individual)
			2.3		Activity 2: Self-assessment – Final accounts p254 (individual)
			2.4		Daily task 2: Check your knowledge p255 (individual)
		3	3.1	1. Why do we need to close off the books? 2. What is profit?	Activity 3: Self-assessment – Draw up a post-closing trial balance p257 (individual)
			3.2		Daily task 3: Check your knowledge p257 (individual)
			3.3		Activity 4: Lecturer assessment – Apply your knowledge p257 (individual)
			3.4		Assessment: Assess your progress p260
		4	4.1	3. Closing entries and final accounts 4. The post-closing trial balance	Revision: Lecturer assessment – Questions for revising Unit 1 p260
	3–5	3	3.1	<b>Unit 2 – Drawing up the Balance sheet</b>	Activity 1: Peer assessment – GAAP concepts p266 (individual)
			3.2		Daily task 1: Check your knowledge p266 (individual)
			3.3		Activity 2: Lecturer assessment – Visit a business p267 (pairs)
			3.4		Activity 3: Self-assessment – Draw up a Balance sheet p271 (pairs)
		4	4.1	2. Generally accepted accounting practice (GAAP) 3. The Balance sheet	Daily task 2: Check your knowledge p271 (individual)
			4.2		Activity 4: Self-assessment – Complete the final accounts and the Balance sheet p271 (pairs)
			4.3		Activity 5: Self-assessment – Apply your knowledge p272 (pairs)
			4.4		Activity 6: Lecturer assessment – Final year-end procedure project p272 (pairs)
					Assessment: Assess your progress p273
					Revision: Lecturer assessment – Questions for revising Unit 2 p273
					Assessment: Lecturer assessment – Chapter Challenge p275
	6–7	all	all	<b>Chapter 6: Consolidated assignment</b>	Lecturer assessment
	8–10	<b>EXAMINATION</b>			



# assessment

Assessment in the National Certificate (Finance, Economics and Accounting) is underpinned by the objectives of the National Qualifications Framework (NQF). These objectives are to:

- Create an integrated national framework for learning achievements
- Facilitate access to and progression within education, training and career paths
- Enhance the quality of education and training
- Redress unfair discrimination and past imbalances and thereby accelerate employment opportunities
- Contribute to the holistic development of the student by addressing:
  - Social adjustment and responsibility
  - Moral accountability and ethical work orientation
  - Economic participation
  - Nation-building.

Assessment in OBE should be part of the continuous and integrated process of focusing on students' growth and development. Assessment should take place in the context of a friendly, caring, non-judgemental environment, and serve as a positive affirmation of the student.

The Subject Assessment Guidelines (SAG) uses assessment in both formative and summative ways in order for students to demonstrate the SOs in relevant contexts. Managing assessment involves three stages:

- collecting evidence
- recording assessment
- reporting.

Assessment is part of the learning process in OBE and should not be seen as a separate activity. Assessment is done to:

- determine what students know and at what point to start with the new learning experience
- identify and diagnose any barriers to learning
- provide information for reviewing and evaluating Learning Programmes
- encourage students to participate in the learning process
- apply and use knowledge in real-life contexts.

The following aspects are assessed:

- SOs.
- ASs
- LOs.
- Knowledge, skills, values and abilities.
- Metacognition.
- Integrated assessment tasks.

**Baseline assessment** takes place *at the beginning* of an activity or a learning process so that Lecturers and students find out what students already know. The recording of baseline assessment is usually informal.

**Diagnostic assessment** takes place *throughout* the learning process and is used to identify and diagnose barriers that students may have so that Lecturers can plan to overcome these. It includes extended opportunities and activities for gifted students.

**Formative assessment** is used *throughout* the learning process to inform whether teaching and learning is successful in achieving the outcomes. Any form of assessment that gives feedback to the student fulfils a formative purpose.

**Summative assessment** takes place *over time and at the end* of a learning experience. It can occur at the end of a single learning activity, a unit, a cycle, a term, a semester or a year.

### Methods of assessment

(Who carries out the assessment?)

- Self-assessment
- Peer assessment
- Group assessment
- Lecturer assessment

### Tools and instruments for assessing student performance

	Methods for collecting evidence		
	Observation-based (Less structured)	Task-based (Structured)	Test-based (More structured)
<b>Assessment instruments</b>	Observation Class questions Educator, student, parent discussions	Assignments/Tasks Projects Investigations/Research Case studies Practical exercises Demonstrations Role-play Interviews	Examinations Class tests Practical examinations Oral tests Open book tests
<b>Assessment tools</b>	Observation sheets Individuals' notes and Comments	Checklists Rating scales Rubrics	Marks (e.g. %) Rating scales (1–4)
<b>Evidence</b>	Focus on individual students Subjective evidence based on educator observations and impressions	Open middle: Students produce the same evidence but in different ways Open ended: Students use same process to achieve different end points	All students answer the same questions in the same way and within the same time

### Reporting tools

- Report card using national codes and comments on competence,
- Lecturer-parent interview,
- Lecturer-student interview,



- Written comments in student workbooks,
- Day-to-day assessment sheets, etc.

The table below could be used as a checklist to determine whether the assessment target meets the method. For example, if you want to assess skills, performance-based and observation-based assessment are the best methods to do this (*check that they both have a rating of 5*)

	Objective	Exercise/ Activity	Performance based (Individual)	Oral questions	Observation	Self- assessment
Knowledge	5	4	3	4	3	2
Reasoning	2	5	4	4	2	2
Skills	1	3	5	2	5	3
Product	1	1	5	2	4	4
Values and attitudes	1	2	4	4	4	5

Note: Higher numbers indicate better matches (e.g. 5 = high, 1 = low). Table adapted from McMillan (1997) *Classroom Assessment: Principles and Practice for Effective Instruction*

### Assessment principles

For assessment to be effective it should be:

- A **valid** process that integrates knowledge, skills and values. There should be evidence that has been collected on a number of occasions and in a variety of contexts and situations.
- **Level-appropriate**. It should be appropriate to the knowledge, skills or attitudes to be assessed, and to the development level of the student.
- **Focused**. It must assess what it is intended to.
- **Reliable**. All assessment should be monitored and reviewed so that there is standardisation and consistency in the interpretation of the evidence.
- **Fair and transparent**. Students must know how they are going to be assessed and what criteria will be used for assessment.
- **Flexible**. Assessment must cater for and take cognisance of different learning styles, and a range of assessment techniques should be used.
- Authentic, continuous, varied and balanced.
- An ongoing, integral part of the learning process.
- Accurate, objective, practicable, effective and time-efficient.
- Bias-free and sensitive to gender, race and cultural background.
- Used to identify areas where students need support and remedial intervention, or provide evidence of progress in achieving outcomes.

### Assessment methods

Some of the assessment methods used in OBE and other education systems are explained below.

- **Self-assessment**. Students assess themselves against given criteria (skills that are important for lifelong learning), which may be reflected on a self-checklist.

Students reflect on their own performance and recognise the limitations of their work.

- **Peer assessment.** Students assess each other in pairs or groups and may use checklists to do this. Peer assessment should not be interpreted as students marking each other's work and/or counting the marks.
- **Three-way assessment.** This provides an opportunity for students, Lecturers and caregivers to acknowledge a student's progress and achievement. Students take work home that has been assessed by the Lecturer and by themselves. Caregivers respond with a comment on the student's achievement and progress.
- **Test-based assessment.** The same evidence is gathered for all students in the same way and at the same time. It is a far more rigid process. A mark or a score verifies tests and examinations. In the past, too much emphasis was placed on tests and examinations.
- **Task-based assessment.** These include well-structured assessment activities that show whether students are competent at applying the skills and knowledge they have learnt to unfamiliar contexts or contexts outside the classroom. Task-based assessment has its own range of scoring instruments in a marking memorandum. Criteria or standards have to be carefully selected (and sometimes negotiated with the students) and should be described in a rubric.
- **Performance-based assessment.** This is a direct or systematic observation of a student's performance or an examination. Performance-based assessment requires students to engage in activities where they demonstrate specific skills or develop specified tasks (e.g. projects, debates, assignments, speeches and presentations).

## Internal continuous assessment (ICASS)

Assessment should be ongoing and link learning and products. In OBE, planning takes place with the SOs and LOs in mind. As we assess, we make decisions that are based on that assessment, and then those decisions will in turn be assessed, and so on, which is the principle of continuous assessment.

Internal continuous assessment is abbreviated as ICASS and referred to as college-based assessment by using instruments such as projects, tests, assignments, investigations, role-play, case studies, etc. ICASS is an ongoing process of gathering valid and reliable information (evidence) about the performance of the student during a year or level. ICASS is undertaken either in a real workplace, a simulated/ workshop or structured environment, is moderated internally, or externally quality assured by Umalusi. The results and findings of ICASS should be recorded, reflected upon and reported on by giving positive, supportive and motivational feedback to students, other Lecturers, caregivers and any other bona fide interested parties.

All ICASS evidence is contained in a Portfolio of Evidence (PoE), and must be readily available for monitoring, moderation and verification purposes.

### ICASS

- allows Lecturers to use any planned learning experience to assess student achievements and progress
- is a necessary feature of the total evaluation of every student
- takes place over a long period

- is diagnostic and allows the Lecturer to monitor strengths
- assists in addressing the needs of the student
- enables Lecturers to pace students and provide enrichment
- sets well-defined outcomes for the students to achieve
- ensures that the Learning Programme is significant for the student, and prevents 'teaching for a test'
- covers a wide spectrum of learning activities and tasks
- is transparent as students are aware of the assessment criteria
- develops a sound assessment record to track the learning progress
- provides useful data for reporting and progression
- involves assessment of knowledge, skills, values and attitudes
- encourages Lecturers and students to appraise their own work.

A compulsory component of ICASS is the Integrated Summative Assessment Task (ISAT), which is a major assessment task that draws on the students' cumulative learning achieved throughout the full year. The task requires integrated application of competence and is executed under strict assessment conditions. The duration of the task should aim to equate a 4–7 hour work session and should take place in a simulated or structured work environment. This is the most significant test of the students' ability to apply the knowledge acquired. The integrated assessment approach allows for the student to be assessed in more than one subject within the same ISAT.

### Number and forms of assessment for Level 2 assessment programme

At Level 2, an internal assessment component counts 50% of the final assessment mark. An example of the requirements of the internal assessment programme for Level 2 is summarised as follows:

Term 1	Term 2	Term 3	Total
1 × Task e.g. Assignment	1 × Task e.g. Project	1 × Task e.g. Presentation (oral and written)	3 × tasks
1 × Test		1 × Test	2 × tests
	June Examination	September Examination	2 × exams
			7

**Please note:** See pages 21 to 26 of this Lecturer's Guide for a detailed summary of all the tasks in the Student's Book. A number of activities, projects and assignments are available in the Student's Book and can be used for the internal assessment component of the student's mark. Note that the Chapter Challenges at the end of each Chapter in the Student's Book are also well-suited to be used as recorded assessment tasks for your internal assessment mark.

**Examinations** should conform to the requirements set by the Department of Education. They should be carefully designed and weighted to cover all the ASs of Applied Accounting.

The tasks should be carefully designed to give the students opportunities to research and explore the subject in a focused and exciting manner. Examples of assessment forms are debates, presentation, projects, simulations, assignments, models, case studies, long essays and research projects.

#### **Instrument 1: Control tests (2 per year) and Examinations (2 per year)**

The following conditions apply to control tests:

- All classes in the same level write the same test at the same time.
- The tests should be based on accumulative work.
- Moderation of the question paper and answer scripts should take place at college level (internal college moderation).
- Tests should be written under examination conditions.
- Questions should comply with the end-of-year examination standards.
- Where there is more than one lecturer teaching the subject, agreement should be reached on the scope, date and time of the test.

The structure and mark allocation should be similar to the final National Senior Certificate (NSC) Level 2 examination.

#### **Instrument 2: Research assignment (minimum of 1 per year)**

For assignments, students are required to investigate and report on certain issues. Ideally the task should be phrased as a question so that the students can form their own opinions based on acquired subject knowledge. Assignments may also be in the form of practical research.

#### **Instrument 3: Project (minimum of 1 per year)**

- A project is a learning activity involving investigation and solving problems by an individual or small group of students. It could consist of a task in which the student sets out to attain some definite goal of real personal value.
- Students should be encouraged to develop research, critical thinking and problem-solving skills.
- Projects should be tackled without close supervision, but with assessor (Lecturer) guidance and support.
- Students should be given the assessment criteria before starting the project.
- Students will need to complete at least one project according to CASS requirements. The Lecturer can decide whether to give the students a range of topics to choose from or select only one topic for all the students to do.
- It is suggested that projects are dealt with in the first term.
- The project should consist of 4–10 handwritten pages, excluding pictures, graphs, displays, etc.

When preparing a project, the following minimum requirements should be met:

- a title page
- a table of contents.
- text divided into paragraphs
- references for sources
- the text could include pictures, photos, diagrams, graphs, etc.

- the project should be presented in an acceptable way (bound or stapled).

#### **Instrument 4: Oral Presentation (min. of 1 per year)**

Presentations allow students to demonstrate manual and/or behavioural skills. The assessment may be based on the end result of the activity (the product), or the carrying out of the activity (the process), or a combination of both.

Presentations can be based on a project, but also given as separate tasks or assignments. The presentation can be written or oral, but proof of the presentation must be included in the portfolio. All criteria used to assess the presentation must be discussed with the students before they start.

#### **Day-by-day Assessments: practical application**

##### **Simulations**

Simulations mirror actual activities or conditions. They are suitable for assessments where demonstrations and observation will provide reliable and valid results, but where, for a number of reasons, it is difficult or impractical to assess under actual conditions.

##### **Scenario/Case study**

Students are presented with a real-life situation, a problem or an incident related to the learning outcome and expected to assume a particular role in articulating the position. They could draw on their own experiences, the experiences of peers or prior learning to interpret, analyse and solve problem. Solutions/recommendations related to the case study/scenario are then made and presented.

##### **Role-plays**

Students are presented with a situation, often a problem or an incident, to which they have to respond by assuming a particular role. The enactment may be unrehearsed, or the student may be briefed in the particular role to be played. Such assessments are open-ended and are person-centred.

##### **Oral questions**

These are mainly used to generate evidence of a student's ability to listen/sign, interpret, communicate ideas and sustain a conversation in the language of assessment. Oral questions include oral examinations, interviews, conferences and other conversations in which information is obtained about a student's learning.

##### **Observations**

This is the type of assessment that is commonly used by Lecturers without consciously thinking about it. Lecturers constantly observe students informally to assess their understanding and progress. They watch students as they respond to questions or as they study. The Lecturer listens to students as they speak and discuss issues with others. Observation is also used extensively in performance-based assessment and other formal techniques.

### Class tests

- Educators design their own diagnostic tests and conduct these during instruction time and at their discretion according to the needs of the class.
- Objective tests could include multiple choice, matching, true or false, and short answer completion, and could be used to assess the theory parts of the subject.
- Class tests should cater for the multiple intelligences of the students, and appropriate rubrics could be used for assessment.

### Debates

Topics for debates should relate to the ASs and should be formulated as contentious statements. Students should be given sufficient time to research their topics and prepare their arguments. Students should not exceed a time limit of three minutes per speaker. Students engage in a formal debate in groups not larger than eight.

### Portfolios

Lecturers and students should have portfolios in which they collect evidence of school-based learning and assessment. Portfolios facilitate moderation and verification processes, and should be readily available for this purpose. The Lecturer's portfolio should contain all the instructions, assessment criteria and rubrics relating the Annual Assessment Plan given to the students. Each student should have a student's portfolio that contains assessed items as evidence used to calculate their internal assessment mark. Portfolios should have a clear intent and purpose that is linked to AS.

## Grading students' work

Applied Accounting, as is the case for all the other vocational subjects, will be assessed according to four levels of competence. Each level description is contained in the table below:

**Scale of Achievement for the Vocational Component**

RATING CODE	RATING	MARKS %
4	Outstanding	80–100
3	Competent	70–79
2	Not yet competent	60–69
1	Not achieved	0–59

Subject competencies have been described to distinguish the level expectations of what students must know and be able to achieve. The descriptions for Applied Accounting are outlined in the Subject Assessment Guidelines for Applied Accounting (National Certificate Level 2 – Finance, Economics and Accounting).

Both college-based and external assessment should be criterion-referenced. Marks could be used to evaluate specific assessment tasks, but the tasks should be assessed against rubrics. Tasks or questions should address an aspect of a particular outcome and the AS should be used when creating a rubric for assessing that task or question.

## Assessment in Applied Accounting

External Assessment in Level 2 Applied Accounting will count 50% and college-based assessment or internal assessment counts 50% towards the progression mark of the student. The college-based assessment (ICASS) component, in turn, has a summative component (internal examinations and standardised tests) and a formative component (assignments and tasks to develop subject skills, e.g. monitoring and research activities, presentations, debating, numerical calculations, summarising, memorising.)

Tests and examinations will focus on assessing knowledge and understanding, through mainly the application of the acquired subject-specific knowledge and skills of the student (e.g. case studies, analysis and interpretation of economic data, critical discussion of economic issues, numerical calculations of economic data).

### Summative assessment

The summative component of college-based assessment comprises 50% of the total for the year. At Level 2, the summative component of ICASS includes standardised tests.

Questions typically start with command or key words. These words indicate which skills are required when answering the question. If candidates are asked to evaluate a problem, but only show knowledge and understanding, they will lose most of the marks for that question. The meanings of the most frequently used verbs are listed below:

Knowledge and understanding	
Define	Give the exact meaning of a term or concept using words or mathematical symbols. (e.g. Define assets.)
Describe	Give an account. (e.g. Describe the double entry principle.)
Identify	Single out from other information. (e.g. Identify the assets, liabilities, expenses and income from the following list of items.)
Illustrate	Use examples to explain a point. (e.g. Illustrate by means of an example the double entry principle.)
List	State briefly. (e.g. List three possible sources of capital for a new business.)
Outline	Give a short description of the main aspects or features. (e.g. Outline by means of a diagram the eight steps in the accounting cycle.)
State	Give or say. (e.g. State three reasons why the bank can dishonour a cheque.)
Summarise	Bring out the main points from a complex set of data (e.g. Draw a mind map that summarises the nine different types of businesses.)
What	Clarify a point. (e.g. What are the main characteristics of a company?)
Application	
Apply	Use knowledge of Applied Accounting to understand an issue or to solve a problem. (e.g. Apply your knowledge on equity to identify whether the following transactions would have a positive or a negative effect on equity.)
Calculate	Use mathematics to work out an answer. (e.g. Calculate the cost price of a T-shirt if the selling price is R150 and the profit mark-up is 25%.)
Distinguish between	Identify the characteristics that make two or more ideas, concepts, issues, etc. different. (e.g. Distinguish between the characteristics of a partnership and a close corporation.)
Explain	Make clear. (e.g. Explain the two main sections that the General ledger is divided into.)

Suggest	Give possible reasons or ideas that are plausible but not necessarily correct. 'Suggest' may require candidates to analyse a problem and not just apply Applied Accounting problems. (e.g. Suggest reasons why a business would sell to customers on credit.)
<b>Analysis</b>	
Analyse	Break down into constituent parts in order to be able to understand an issue or problem. Analysis involves recognising what is important, and applying knowledge and understanding of Applied Accounting. (e.g. Analyse the following transactions using the basic accounting equation.)
Compare and contrast	Show similarities and differences between two or more ideas or problems (e.g. Compare by tabulating the similarities and differences between a partnership and a close corporation.)
Examine	Break down an issue or problem to understand it. (e.g. Examine the following ledger account and point out the possible errors.)
Investigate	Look for evidence to explain and analyse. (e.g. Investigate the initial problems when starting a business by interviewing the owner of a small business and present your findings in a report.)
<b>Evaluation</b>	
Assess	Analyse an accounting issue or problem, and then weigh up the relative importance of different strands. (e.g. Assess the success of the different methods used by the business to encourage debtors to pay their accounts on time.)
Comment on	Invites students to make judgements based upon the evidence they have presented. (e.g. Comment on why good management is the key to a successful business.)
Critically analyse	Analyse an issue/problem and weigh up the relative importance. (e.g. Critically analyse the three options to obtain capital to start a new business.)
Do you think	Invites students to give their own opinions about an issue or problem. However, marks will always be awarded for the quality of the argument and not for any individual opinions. (e.g. Do you think it is better for a business to sell on credit than only for cash?)
Discuss	Compare a number of possible views about an issue and weigh up their relative importance. A conclusion is essential. (e.g. Discuss the importance of screening customers before allowing them to buy on credit.)
Evaluate	Similar to discuss; to compare a number of possible views. A final judgement is essential. (e.g. Evaluate the advantages and disadvantages of buying on credit.)
To what extent	Explain and analyse and then comment upon the relative importance of the arguments. (e.g. To what extent should a owner make use of loans to finance his/her business?)

Summative assessment involves a minimum of three control tests (at least one per term for the first three terms).

### Formative assessment

Formative assessment informs the Lecturer and the student of the student's progress. It contributes towards the formation and the development of the student's formative years. The formative component of college-based assessment comprises 50% of the total for the year. The formative component of ICASS must include various activities. For example:

- research and monitoring of relevant, contemporary economic issues
- other ongoing tasks to develop skills that are necessary for successful functioning within the subject
- creative responses to problems within the subject field
- more informal assessment of day-to-day knowledge and skills acquired through creative class tests, presentations of the previous day's work, class quizzes, etc.



The formative component should cater for the multiple intelligences (i.e. verbal-linguistic, interpersonal, intrapersonal, musical-rhythmic, bodily-kinaesthetic, mathematical-logical/spatial) in an inclusive education context.

A **performance assessment** is a direct observation of an actual student performance or an examination of products created. During a performance assessment, students are engaged in activities that require the demonstration of specific skills or the development of specific products. The demonstrations can take place in a controlled environment (such as laboratory or a classroom), or in a real-life environment, where the complexities faced by the students are much higher. In the latter case, the performance assessment is also called an 'authentic assessment'. Students are expected to demonstrate complex learning that integrates knowledge, skills and values in a single performance.

Characteristics of performance assessments:

- Students are expected to perform, produce, create or do something.
- The skills are those displayed by individuals outside the classroom (i.e. in society or in the workplace).
- Higher order thinking processes and problem-solving skills are required for these tasks.
- They provide opportunities for students to present and explain their work.

The following steps are suggested in developing a performance assessment.

- Clearly identify the outcome(s) to be assessed (i.e. create a clear and appropriate target for the students).
- Determine the purpose of the assessment and the use of the results.
- Design a performance task that will elicit the expected outcome(s).
- Specify the assessment criteria.
- Select and construct the storing and recording instruments(s).

Performances include everyday teaching and learning activities such as projects, debates, assignments and speeches. When performing, students are applying their skills in a way that is integral to the teaching and learning process.

### The external assessment component (50%) – Level 2

External assessment is assessment that is conducted by an entity such as a provincial examining body, a national agency, or a private agency that is not directly involved with the instruction of the students. It consists of a written examination paper that is externally set, marked and moderated.

An example of a typical Applied Accounting Level 2 examination which is externally set, marked and moderated is outlined below:

A typical Applied Accounting Level 2 examination (external assessment) question paper	
Number of papers	1
Time	3 hours
Marks	200

Format		
Section A (compulsory):	This section will include different types of objective questions, i.e.	
<b>sub-total = 80</b>	Q1	multiple choice (30)
	Q2	short theoretical questions (20)
	Q3	calculations (30)
Section B (compulsory):	Q1	Journals (40)
<b>sub-total = 120</b>	Q2	Posting to General ledger (30)
	Q3	Final accounts and Balance sheet (30)
	Q4	Influence on accounting equatio (20)

Suggested guidelines for the distribution of the levels of questioning are indicated in the table below.

Level of questioning	Percentage
Level 1 – Knowledge and comprehension	40%
Level 2 – Application	20%
Level 3 – Analysis, synthesis and evaluation	10%

The total mark obtained in the examination paper is then converted into an appropriate rating and code on the seven-point scale.

Bloom's taxonomy may be used as a guide to setting questions.

#### Action verbs according to the cognitive level of Bloom's taxonomy:

Knowledge	Understanding	Application	Analysis	Synthesis	Evaluation
define	compare	adapt	categorise	combine	appraise
describe	define	compute	classify	compose	consider
identify	describe	discover	compare	create	critique
label	distinguish	draw	contrast	depict	decide
locate	explain	gather	deduce	design	evaluate
name	generalise	graph	differentiate	develop	judge
recognise	illustrate	modify	distinguish	incorporate	justify
select	infer	operate	explain	integrate	recommend
state	interpret	prepare	generalise	invent	relate
memorise	match	revise	infer	organise	summarise
	summarise	show	predict	plan	support
	rewrite	solve	relate	predict	
	paraphrase	survey	solve	produce	
	express	use	modify	structure	

## Assessment tools (Rubrics and checklists)

**Rubrics** are a combination of rating codes and descriptions of standard. They consist of a hierarchy of standards with benchmarks that describe the range of acceptable performance in each code band. Rubrics require Lecturers to know exactly what is required by the outcome. Rubrics can be holistic, giving a global picture of the standard required, or analytic, giving a clear picture of the distinct features that make up the criteria, or can combine both.

Holistic rubrics score the overall process, while analytic rubrics score the individual parts. It is important to note that:

- the student is only assessed once for each criterion within a rubric

- the comments column should be completed as this makes the moderation process easier
- rubrics can be used individually or combined with others
- rubrics may be joined together for ease of marking
- Lecturers are encouraged to formulate rubrics in consultation with other Lecturers at cluster or school level
- working in clusters and setting up collaborative rubrics would bring about comparable standards.

The following steps may help you in drawing up a rubric:

Step 1: Examine the AS that describes the task.

Step 2: Specify the skills, knowledge and attitudes to be evaluated.

Step 3: Identify the observable attributes.

Step 4: Identify the attributes that you do not wish to see.

Step 5: Brainstorm the characteristics that describe each attribute and how they can be described so that they can be classified into average, above average and below average.

Step 6: Write descriptions for excellent and poor performances.

Step 7: Write descriptions for other levels.

Step 8: Collect samples of work that represent each level.

The following section includes 19 sample tables or rubrics that can be adapted where necessary for particular activities. These are referred to throughout the Lecturer's Guide.

### [RUBRIC 1]

Criteria	Not achieved (0–59%)	Not yet competent (60–69%)	Competent (70–79%)	Outstanding (80–100%)
CONTENT Range Coverage Relevance				
CONTEXT Command word requirements				
SKILLS and VALUES Skills Values				
MECHANICS Subject terms Language Format				

The following checklist may be used to evaluate a rubric.

	Yes	No
Does the rubric emphasise the most important content and skills of the SO/AS/LO?		
Are the criteria used in the rubric of appropriate importance?		

Are there sufficient levels of performance to discriminate between the quality of students and work?		
Are the levels clearly described in terms of performance?		
Do the levels accommodate students' diversity?		
Does the rubric distinguish between content and skills as well as the communication thereof?		
Does the rubric contribute to an efficient marking process?		
Was a careful decision made between using marks and level descriptors or letter symbols?		
Does the rubric offer appropriate guidance to the students?		

### Checklists

**Checklists or task lists** show what has to be done. Marks given are assigned to the most important parts of a task.

Checklists list a number of predetermined criteria against which the Lecturer or student makes a tick to indicate that the student is able to do what is stated or that the work complies with the criteria. Checklists differ from rubrics in that they do not use a set of standards or a scoring scale.

Checklists can be devised by the Lecturer and then used by the students to assess how well they coped with a particular task or activity. Alternatively, the Lecturer, together with the students, can list the criteria before the task is undertaken and then the students can use this checklist to assess their performance. The criteria should be stated in such a way that the students can respond by ticking the 'yes' or the 'not yet' column, or simply using a tick to show that they can do or have done what is stated.

### Reflective self-assessment checklist

Individual projects are very personal and more difficult to assess. They are also process-orientated rather than product-orientated.

#### [RUBRIC 2]

Amount of time spent on project (time scale to be determined)	less than	1	2	3	4	5	or more
Number of family members spoken to							
Do you feel you learnt anything about yourself while doing this project?	yes			no			
Comment:							
Do you feel the project helped you understand yourself?	yes			no			
Comment:							
Did you think you expressed this information about yourself in an interesting and exciting way?	yes			no			
Comment:							
Do you think you put a lot of effort into this project?	yes			no			

## Group work and group assessment

Teamwork is an important part of learning skills and constructing knowledge. Sharing the workload and being aware of personal contributions to the community is important for every student. In a group, the roles and responsibilities are essential to the success of the activity. Evaluating students in different roles assists in their awareness of management processes and effective co-ordination. The Lecturer or the students may use this instrument for evaluating each member of the group or to evaluate each other's contributions. This rubric should have space for comments on how the students in the group experience group work, and how they are able to improve or change the roles they play within the group.

Roles within the group should be rotated to allow each student to develop or become aware of their different capabilities.

**Together   Each   Achieves   More**

Different group/team roles include:

- timekeeper
- team leader/chairperson/manager
- resources manager
- scribe/note taker/record keeper
- reporter
- motivator
- assessor
- peacemaker.

When students work in groups to tackle complex activities and more demanding tasks, efficient organisation is crucial. The process can be helped if different students take on different roles. The Lecturer and students can decide which roles are most appropriate in terms of the activity/task. Initially the Lecturer can assign these roles, but once the students are familiar with the process, they can take responsibility for assigning these roles within their groups. This needs to be monitored to ensure that all students have an opportunity to play different roles and exercise the different skills involved. A rubric should be devised that clearly sets out the different roles, the criteria for each role and the standards that will be applied. An example of a rubric that has been designed to assess the different roles and the skills involved is shown below.

Each member of the group can assess all the roles except the one that he or she performed. The mark for each criterion within a role can be added to give a total score for the role.

Students can also decide which roles are required for a particular activity, mark them off and assign the roles before continuing with the activity.

<input type="checkbox"/>	Voice monitor	<input type="checkbox"/>	Time keeper
<input type="checkbox"/>	Motivator	<input type="checkbox"/>	Record keeper
<input type="checkbox"/>	Assessor	<input type="checkbox"/>	Chairperson/manager
<input type="checkbox"/>	Peacemaker	<input type="checkbox"/>	Reporter

**[RUBRIC 3] Group skills rubric**

Group Name/Number: _____			
NAMES: _____			
	YES	NO	Comment
Did our group members:			
Listen to each other?			
Talk about the task?			
Co-operate within the group?			
Suggest good ideas?			
Encourage each other?			
Achieve the outcomes?			
What went well? _____			
What could we have done better? _____			
Signed: _____ Date _____			

**[RUBRIC 4] Co-operative group skills assessment sheet**

TASK SKILLS	Student *	Student *	Student *	Student *	Student *	Student *
Gives ideas						
Asks questions						
Stays on task						
Follows directions						
Checks the understanding of others						
Gets group back on track						
<b>SOCIAL SKILLS</b>						
Encourages others						
Explains ideas						
Discusses						
Listens well						
Resolves conflict						
Praises others						

\* Add the names of each student in the group under 'Student' and enter a tick ✓ (Yes) or an ✗ (No) under the name of each student for each of the criteria.

**[RUBRIC 5]**

Process	Everyone took part equally.	Not yet	1	2	3	4	5	Yes
	The group held a meeting to plan.	Not yet	1	2	3	4	5	Yes
	Each student did what they were supposed to do.	Not yet	1	2	3	4	5	Yes
	Everyone in the group feels happy about the project.	Not yet	1	2	3	4	5	Yes
	The project offers a lot of information.	Not yet	1	2	3	4	5	Yes
	The group explored the following sources: school library, public library, Internet, people, newspapers, clinics, advice offices, other.	Give one mark for each source explored (up to five marks).						
Product	The information is set out in a way that is clearly understood.	Not yet	1	2	3	4	5	Yes
	There are interesting drawings and illustrations.	Not yet	1	2	3	4	5	Yes
	Written information is easy to read and to follow; ideas are described well.	Not yet	1	2	3	4	5	Yes
	The ideas are shown in an unusual and interesting way.	Not yet	1	2	3	4	5	Yes
	There are a lot of the students' own ideas – not only copied materials.	Not yet	1	2	3	4	5	Yes
	Information is presented clearly; you know what the message is.	Not yet	1	2	3	4	5	Yes
Presentation	The group uses drama, speaking, music, singing, pictures, objects to help the presentation.	Give two marks for each thing used (up to six marks).						
	All group members took part in the presentation.	Not yet	1	2	3	4	5	Yes
	The presentation is interesting and unusual.	Not yet	1	2	3	4	5	Yes
	You can hear what everyone is saying.	Not yet	1	2	3	4	5	Yes

**Assessing a research project**

The following marking grid could be used where marks allocated are circled according to the sub-criteria (below the grid) and are then transferred to this grid by the different persons assessing the project.

**[RUBRIC 6]**

	MARK AWARDED			
	Self	Peer/group	Consensus	Educator
Criteria				
1 Planning				
2 Quality of research				
3 Continuous collection of information and material				
4 Final product: creativity				
5 Final product: quality of contents				
6 Technical quality				
7 Oral presentation				

8 Individual/group role				
Converted to				

### General guideline

- 5 Excellent
- 4 Exceeds the requirement
- 3 Meets the requirement
- 2 Does not meet the requirement – student needs support
- 1 Made very little effort – student needs substantial support
- 0 Student made no/almost no effort – student needs substantial support and guidance

### Planning

- 5 Most practicable planning schedule, independently drawn up by student
- 4 Very good, practicable planning schedule, with only minor adjustments by educator needed
- 3 Good planning schedule, with only a number of small adjustments by educator needed
- 2 Planning schedule not totally practicable – a substantial degree of adjustments needed
- 1 Planning schedule totally impracticable – totally new planning necessary
- 0 Planning schedule not handed in at all

### Quality of research

- 5 Wide variety of sources used
- 4 More than required number of sources used
- 3 Adequate number of sources used
- 2 Less than adequate number of sources used
- 1 No recognised resources used; no research done

### Continuous collection of information and material

- 5 A lot of information collected continuously/submitted before due dates
- 4 More than adequate information collected/submitted before/on due dates
- 3 Adequate information collected continuously/submitted on due dates
- 2 Less than adequate information collected/some due dates missed
- 1 Very little information collected/seldom met due dates; no information collected or handed in at all

### Final project: originality/creativity

- 5 Unique presentation of extremely high quality
- 4 Original presentation – however, based upon existing ideas
- 3 Standard presentation – content is relevant and interesting
- 2 Requirements have been met, and no more
- 1 Content entirely/almost entirely copied directly from sources; no effort made



**Final project: quality of content**

- 5 In-depth presentation pertaining to real-world practice/evidence is shown of insight into relationship between subject theory and real-world practice
- 4 Relevant and well-researched presentation – Student demonstrates very good insight
- 3 Relevant content shows good insight, area of research well covered.
- 2 Some part of content is relevant – partly copied directly from sources – insight lacking
- 1 Very little effort made – content largely copied directly from sources; content only slightly in line with topic – copied directly from sources

**Technical quality**

- 5 Proof of pride and very hard work – impressive final product
- 4 Excellent presentation – made full use of available sources/technology
- 3 Good final project
- 2 Minimal effort made – presentation still acceptable.
1. Very little trouble taken – untidy, shabby presentation; project not handed in/ unacceptable presentation and/or appearance of content

**[RUBRIC 7] Analytic rubric**

	<b>Inadequate</b>	<b>Not yet competent</b>	<b>Competent</b>	<b>Outstanding</b>
<b>Knowledge and understanding</b>	<p>Demonstrates little understanding of some concepts, principles and theories</p> <p>Demonstrates little command of relevant factual knowledge</p> <p>Shows little understanding of composition and structure</p>	<p>Demonstrates good understanding of ordinary concepts, principles and theories</p> <p>Demonstrates general command of relevant factual knowledge</p> <p>Shows general understanding of composition and structure</p>	<p>Demonstrates comprehensive understanding of advanced concepts, principles and theories</p> <p>Demonstrates comprehensive command of relevant factual knowledge</p> <p>Shows comprehensive understanding of composition and structure</p>	<p>Demonstrates complete understanding of all concepts, principles and theories</p> <p>Demonstrates complete command of relevant factual knowledge</p> <p>Shows complete understanding of composition and structure</p>
<b>Context</b>	Shows little ability to mould content in the required context	Shows general ability to mould content in the required context	Shows comprehensive ability to mould content in the required context	Shows complete ability to mould content in the required context
<b>Skills</b>	<p>Shows little ability to construct tables and present data graphically</p> <p>Makes inadequate interpretations based on data and other evidence</p>	<p>Shows a general ability to construct tables and present data graphically</p> <p>Makes reasonable interpretations and conclusions based on data and other evidence</p>	<p>Shows comprehensive ability to construct tables and present data graphically</p> <p>Uses a variety of means to analyse and present data and draws defensible conclusions</p>	<p>Shows an excellent ability to construct tables and present data graphically</p> <p>Uses a variety of means to analyse and present data and draws valid conclusions</p>
<b>Attitudes/ values</b>	Demonstrates wrong attitudes/ values	Demonstrates appropriate attitudes/ values adequately	Demonstrates appropriate attitudes/ values exceptionally well	Demonstrates significant attitudes/ values exceptionally well

	Inadequate	Not yet competent	Competent	Outstanding
<b>Communication</b>	Shows a limited Applied Accounting vocabulary and no ability to use linguistic principles.	Uses standard Applied Accounting terminology and 'good practice' linguistic principles.	Uses advanced Applied Accounting terminology and 'best practice' linguistic principles	Shows exceptional command of advanced Applied Accounting terminology and 'best practice' linguistic principles

### Assessing oral presentations

(e.g. Assignments, projects, essays and journals)

Some examples of rubrics to assess oral presentations are given below. These were designed to assess specific tasks or processes. They could be adapted to assess similar tasks or processes, but are primarily meant to illustrate how rubrics can be designed.

#### [RUBRIC 8]

Circle the number indicating the rating, where 1 is the lowest rating and 5 is the highest rating					
Location	1	2	3	4	5
Appeal	1	2	3	4	5
Neatness/tidiness	1	2	3	4	5
Communication	1	2	3	4	5
Variety	1	2	3	4	5
Appropriateness	1	2	3	4	5
Content	1	2	3	4	5
Technique	1	2	3	4	5
<b>Total</b>	...../40			.....%	

The following assessment grid was designed for an Economics presentation, but may be used or adapted for Applied Accounting.

**Explanation and example:** Relate the activity/work to the skills areas and rate that skill on a rating scale of 1–4, e.g. if observation and recording is achieved adequately, tick the appropriate cell:

Name				
Skills areas	Not achieved	Not yet competent	Competent	Outstanding
Observation		✓		
Recording			✓	
Inference				
Investigative				✓
Evaluation		✓		
Marks	0	70	80	100
Total		70	80	100
			$\frac{250}{400} = 62,5\%$ Meritorious	

## [RUBRIC 9]

Name				
Skills areas	Not achieved	Not yet competent	Competent	Outstanding
Observation				
Recording				
Inference				
Investigative				
Evaluation				
Marks				
Total				

**Observation skills** are demonstrated when students are able to:

- match, classify and identify items
- interpret e.g. drawings, diagrams, graphs, figures and written passages
- observe features and characteristics

**Recording skills** are demonstrated when students are able to:

- record information exposed to by reading, observation and interaction
- summarise written and/or spoken and/or demonstrated or acted information
- present data graphically, i.e. draw curves and other presentations e.g. charts and histograms, scale axes and label appropriate components meaningfully

**Skills of inference** are demonstrated when students are able to:

- calculate data correctly and accurately, e.g. averages, percentages, and fractions
- recognise patterns and trends in raw or ordered data, extract information from results, interpolate and extrapolate
- distinguish between observations (statements describing what has been seen, heard, etc., whether qualitative or quantitative) or from inferences
- make plausible generalisations from observations

**Investigative skills** are demonstrated when students are able to:

- identify aspects of a problem that can be investigated
- formulate the aim and a general strategy for an investigation
- write a research outline, and collect relevant data and other information
- make valid observations, deductions and interpretations, and argue soberly
- prove or reject hypotheses convincingly
- show a clear understanding of the three basic methods used in research

**Evaluation of processes** is demonstrated when students are able to:

- identify weaknesses and strong points (e.g. in arguments and policies)
- recognise that results may be incomplete or inconclusive
- formulate constructive criticisms and appraisals

## [RUBRIC 10] Verbal presentations

ASSESSMENT CRITERIA		ACHIEVEMENT			
CONTENT	Development: Structure; Organisation; Support material	4	3	2	1
	Effectiveness: Purpose; Interest; Reception	4	3	2	1
	Value: Ideas; Logic; Originality	4	3	2	1
	Content sub-total	4	3	2	1
DELIVERY	Physical: Appearance; Body Language	4	3	2	1
	Voice: Flexibility; Volume	4	3	2	1
	Manner: Directness; Assurance; Enthusiasm	4	3	2	1
	Delivery sub-total	4	3	2	1
COMMUNICATION	Appropriateness: To purpose and audience	4	3	2	1
	Correctness: Grammar; Punctuation; Word selection	4	3	2	1
	Language sub-total	20			
TOTAL MARKS:					

## [RUBRIC 11] Values assessment

5	<b>Excellent</b> <ul style="list-style-type: none"> <li>Comprehensive understanding and implementation of all instructions; consistently produces exemplary and neat work.</li> <li>Exceptionally polite and respectful.</li> <li>Participates with enthusiasm; listens well; does more work than expected.</li> <li>Sets an excellent example and commands others to behave well.</li> <li>Can confidently/with conviction express opinions, even against popular opinion.</li> </ul>
4	<b>Exceeds the requirement</b> <ul style="list-style-type: none"> <li>Understands and implements all instructions; can be depended upon to produce neat/thorough work.</li> <li>Respectful towards peers and others.</li> <li>Sets a good example and encourages others to behave.</li> <li>Regularly shows interest; asks questions and show a willingness to learn.</li> <li>Can express opinions even against popular opinion.</li> </ul>
3	<b>Meets the requirement</b> <ul style="list-style-type: none"> <li>Follows instructions regularly; makes an effort to produce neat work.</li> <li>Shows acceptable level of respect and courtesy.</li> <li>Well behaved and not disruptive.</li> <li>Can answer questions, even if unsure; expresses opinions.</li> </ul>
2	<b>Does not meet the requirement – needs support</b> <ul style="list-style-type: none"> <li>Instructions often not followed; work untidy and rushed.</li> <li>Shows respect towards some; disrespectful to others.</li> <li>Sometimes disrupts and distracts; needs to focus more on work.</li> <li>Only does the minimum work required; erratic interest shown.</li> <li>Hesitant to express self in class; needs to be drawn out.</li> </ul>

1	<b>Makes very little effort</b> <ul style="list-style-type: none"> <li>Does not follow instructions; work always untidy and incomplete.</li> <li>Ill-mannered; sometimes rude.</li> <li>Disruptive and distracts others.</li> <li>Shows very little interest; passive re schoolwork.</li> <li>Seems shy/reluctant to answer questions; never expresses an opinion.</li> </ul>
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Mark allocation	Self		Educator		Final mark	
		5		5		5

### [RUBRIC 12] Poster communication skill assessment

Criteria	Range			Comments
	0	1	2	
<b>Content</b>				
Main points	Points irrelevant	Some points irrelevant	Main points selected	
Facts/concepts	Facts incorrect	Some facts incorrect	All facts correct	
Expressing facts	Poorly expressed	Partially expressed	Clearly expressed	
<b>Presentation</b>				
Size of poster (A3)	Incorrect size	Correct size	Correct size	
Headings	Not descriptive	Partially descriptive	Descriptive	
Font/print size	All too small	Some large enough	Large enough to read at one metre	
Organisation/layout	Muddled	Organisation clear and logical	Organisation clear and logical	
Use of colour	Poor	Good	Good	
Public appeal	Not eye-catching	Eye-catching	Eye-catching	
Personal information	Not included	Included	Included	

### [RUBRIC 13] Interview skill assessment

Criteria	Performance indicator			Comments
	0	1		
Prior research knowledge	Not visible	Visible		
Suitable environment/conditions	Not considered	Considered		
Comfortable voice, tone and pitch	Too loud/too soft	Appropriate		
Body language and manner of interviewer	Not acceptable	Acceptable		
Pacing of interactions/interview	Too fast/too slow	Appropriate		
Focus of questions asked	Not focused on the topic	Focused on the topic		
Clarity of questions asked	Not understandable/clear to the person being interviewed	Understandable/clear to the person being interviewed		
Value to community	Not obtained through the questions	Obtained through the questions		
Written/oral report of interview	Not brief, focused and integrated	Brief, focused and integrated		

**[RUBRIC 14] Mind map construction assessment**

Criteria	Range				Comment
	0	1	2	3	
Use of concepts/key words	More than four errors	3–4 errors	1–2 errors	All correct	
Use of linking words	More than four errors	3–4 errors	1–2 errors	All correct	
Layout and spatial organisation	Too small and cramped	Cramped	Clearly laid out		
Use of highlighting and focal points	Not used	Colours used, but not in a logical way	Colours used are linked to the logic		
Neatness	Untidy	Neat			

**[RUBRIC 15] Assessment of questionnaire development and conducting a survey**

Criteria	Range				Comment
	0	1	2	3	
Questionnaire clarity and relevance	Confusing and irrelevant	Not clear or relevant	Clear and relevant		
Questionnaire brevity and focus	Too long/too short	Sufficient length			
Sensitivity to responses/person being interviewed (gender/age/race/disability)	Insensitive	Only sensitive towards one or two aspects	Sensitive towards three aspects	Shows sensitivity towards all categories	
Representative sample (sufficient responses)	Insufficient/ Too few responses	Sufficient number of responses			

**Portfolio assessment**

Students look through written assignments in their portfolios and reflect upon the changes they see over a period of time.

**[RUBRIC 16]**

Name	Level
What do you know now that you did not know before?	
What do you do better now?	
What improvements would you still like to make?	
Write a short paragraph reflecting on your progress.	

# chapter 1

## basic accounting concepts

### About this chapter

This table summarises the work covered in Chapter 1.

Chapter 1 Basic accounting concepts			
Unit 1 Different types of businesses	Unit 2 Basic accounting principles	Unit 3 Source documents	Unit 4 The double entry system
<ul style="list-style-type: none"> <li>Gaining capital to start a new business venture</li> <li>Profit motive</li> <li>Different forms of ownership</li> <li>Classifying businesses and forms of ownership</li> </ul>	<ul style="list-style-type: none"> <li>Difference between bookkeeping and accounting</li> <li>The accounting cycle</li> <li>Financial concepts of a business concern (assets, equity, liabilities, income, expenses, Profit and loss)</li> </ul>	<ul style="list-style-type: none"> <li>Purpose of source documents and the system underlying each document</li> <li>Recording transactions on source documents</li> <li>Classifying documents as external, internal, original or duplicate</li> <li>Filing source documents</li> </ul>	<ul style="list-style-type: none"> <li>The basic accounting equation (BAE)</li> <li>Complete transactions in the BAE</li> <li>The double entry principle</li> <li>The purpose and format of the General ledger</li> <li>Enter various transactions directly in the General ledger</li> </ul>

### Learning outcomes and assessment standards

This chapter deals mainly with the first Topic for Applied Accounting Level 2: 'Demonstrate basic accounting concepts.'

In Unit 1 students will identify and describe the different types of businesses. They will also describe how capital is generated to start a new business and the profit motive for a business.

Unit 2 deals with basic accounting principles such as the concepts of assets, owner's equity, liabilities, income and expenses. The accounting cycle is also explained.

In Unit 3 students identify the different types of source documents and complete them. They also learn how to number and safe-keep these documents.

Unit 4 focuses on the double entry system. The concepts of debit and credit are explained in relation to assets, owner's equity and liabilities. Students will also consider the effect of transactions on the accounting equation.

## Critical cross-field outcomes

Topic 1 relates to the following Critical cross-field outcomes:

1	Identify problems using creative thinking to manage finances and to determine progress in a business venture.
2	Work effectively with others as members of a team, group, organisation and community while performing accounting and financial procedures in a small business venture.
3	Organise and manage oneself and one's activities responsibly and effectively through various activities to be done in a small business venture.
4	Collect, analyse, organise information to simplify decision-making in a small business environment.
5	Communicate effectively using mathematical and/or language skills in the modes of written presentation of elementary management information.
6	Be culturally sensitive across a range of social contexts in determining factors influencing and contributing to local economy.
7	Demonstrate an understanding of the world as a set of related systems by recognising that current economic affairs impact the individual and business venture.
8	Explore career and entrepreneurial opportunities by using a variety of strategies to learn more effectively, regarding elementary finances, recording of elementary accounting transactions and elementary economics.
9	The student is able to participate as a responsible citizen in the community by using accounting, financial and economic concepts as means to manage him/herself and plan for future needs.

## Promoting the NCS principles in your classroom

*Overcoming barriers to learning and development*

The introduction to this Lecturer's Guide refers to the importance of inclusive education and making provision for LSEN.

Allowing students to work in pairs may assist students with special educational needs. The 'able' partner can either describe the Activity to the other student (in the case of visual impairment) or do the actual Activity and allow the student to give input (in the case of manual impairment).

## Career opportunities

Although this chapter does not focus specifically on careers, some have been identified and described in the margin notes throughout the chapter.

## Integration

We have indicated cross-curricular links with Financial Management in the table below. When you are preparing a vocational programme, you need to meet with vocational programme developers in related subjects.



Applied Accounting Level 2: Topic 1: Demonstrate basic accounting concepts	Integration with Financial Management Level 2
<p>1 Identify and describe the different types of businesses:</p> <p>1.1 The gaining of capital to start a new business (service or trade), is explained in detail</p> <p>1.2 The profit motive for a business (service or trade), is explained and demonstrated in detail</p> <p>1.3 Sole trader, partnerships, private and public companies, close corporations, clubs and non-profit organisations are identified as types of businesses. Characteristics of each type of business are described. Range: number of owners, statutory requirements, extent of liability of owners, ability to raise capital Profit and loss sharing.</p>	<p><b>Topic 1, Subject outcome 1:</b> AS 1.4 Financial concepts and principles are related to own business venture.</p>
<p>2 Explain basic accounting principles:</p> <p>2.1 The term accounting is defined</p> <p>2.2 Concepts of assets, owner's equity, liabilities, income and expenses are identified</p> <p>2.3 Different types of assets, owner's equity, liabilities, income and expenses are identified</p> <p>2.4 Concepts of Profit and losses are defined</p> <p>2.5 The accounting cycle is explained. Range: documents, journals, ledgers, statements in the continuous stock system.</p>	<p><b>Topic 1, Subject outcome 2:</b> AS 2.1 Accounting systems are explained with reference to own venture.</p> <p>Financial Management Level 2 Topic 1, Subject outcome 2: AS 2.4 The elements of income and expenditure statements are analysed in relation to own business venture.</p>
<p>3 Explain and demonstrate an understanding of source documents.</p> <p>3.1 The concept of source documents is explained</p> <p>3.2 Different types of source documents are identified. Range: receipts, cash register slips, bank deposit slips, cheque counterfoils, invoices, credit notes, debit notes, Petty cash vouchers, internal office memorandum.</p> <p>3.3 Completion of source documents. Range: Practical exercises complete receipt, cheque, cheque counterfoil, bank deposit slip, invoice, debit note, credit note.</p> <p>3.4 Listed source documents are to be sorted into internal, external, duplicate and original documents</p> <p>3.5 Supporting documents are identified. Range: receipts, cheques, invoices, bank statement, bank debit note.</p> <p>3.6 Numbering and safe-keeping of documents</p>	<p><b>Topic 1, Subject outcome 3:</b> AS 3.2 All records pertaining to all financial and related transactions are kept and stored for input into books of account.</p> <p><b>Topic 3 Subject outcome 1:</b> AS 3.1 Receipting procedures are described. AS 3.2 The parties to and the legal importance of a receipt is explained. AS 3.3 The procedures for the securing of monies are applied. AS 3.4 The legal requirements of valid cheques are explained. AS 3.5 The safekeeping of all relevant source documents is demonstrated.</p> <p><b>Topic 3 Subject outcome 2:</b> AS 2.1 Petty cashier is approached for relevant funds and justification for purchase is explained. AS 2.2 Any necessary application forms are completed. AS 2.3 Items are purchased and receipts for items are returned to Petty cash officer according to organisational procedures.</p> <p><b>Topic 3 Subject outcome 3:</b> AS 3.1 Banking is prepared according to organisational procedures. AS 3.2 Deposit books or slips are completed. AS 3.3 Cash and cheque deposits are verified against receipt book. AS 3.4 The physical deposit of cash to the bank is ensured. AS 3.5 Deposit books or slips are secured and filed according to organisational procedures.</p>
<p>4 Explain and demonstrate the functioning of the double entry system.</p> <p>4.1 The concept of debit and credit in relation to assets, owner's equity and liabilities are explained</p> <p>4.2 Principles of the double entry system are demonstrated in T-accounts. Range: capital contribution, drawings, additions of Non-current assets, basic payments and receipts using the continuous stock system.</p> <p>4.3 The effect of transactions on the accounting equation is explained</p>	<p><b>Topic 1 Subject outcome 1:</b> AS 1.4 Financial concepts and principles are related to own business venture.</p>

## Resources

Lecturers and learners can use resources such as libraries, encyclopaedias, the Internet and a variety of business magazines to find out more about the topics covered in this chapter. For example:

- Groenewald, et al. 2003. *Applied Accounting NIC/N2*. Seyfferdt Publishers. Bapsfontein
- Boshua & Schutte. 2002. *Basic Financial Accounting*. Juta. Lansdowne
- Green, S. et al. *Trendsetter* series. Cuali Books. Centurion
- [www.bized.ac.uk](http://www.bized.ac.uk)
- [www.marketinglecturer.com](http://www.marketinglecturer.com)
- [www.finlit.com](http://www.finlit.com)
- [www.umsl.edu](http://www.umsl.edu)

## Assessment

See the notes on assessment in the introduction to this book for an explanation of how assessment takes place in the chapters and for rubrics that can be used to assess activities. You will find detailed guidance for assessing activities in the discussion of each unit.

## Getting started

*Guidance and additional information*

Students should work in pairs to complete this introductory activity. They should place their answers in their student portfolios. This activity will give you a good idea of students' prior knowledge about entrepreneurship and businesses.

*Suggested answers*

1. Encourage students to realise that you can never be too young to start your own business. However, it is important for prospective entrepreneurs to gain the necessary skills, knowledge, values and attitudes to conduct a successful (long-term) business. Let students visit different websites to read more about successes of young entrepreneurs, for example <http://www.youngbiz.com>.
- 2&3. Becoming an entrepreneur is not an easy task! There are certain qualities that are absolutely necessary for those who would like to become successful in business ventures. Some of these qualities are built-in parts of your inherent personality; others can be developed over time. Knowing these characteristics, and identifying areas where you need to improve, will eventually help you to become a successful entrepreneur.

Allow students to compare Sarah Jones's profile with the following characteristics of a successful entrepreneur:

*Characteristics of successful entrepreneurs*

### 1. **Common sense**

Good judgement depends on acquired knowledge and past experiences. The combination of these two develops common sense in a person. Common sense allows you to understand complex issues in simpler terms and get to the core of a problem.

2. **Specialised knowledge of your field**

It is easier to start a successful business if you have deep knowledge of the business field that you decide to pursue. About half of all home-based start-ups are launched by people who decide to use the knowledge they gained from their previous work experience in a particular field.

3. **Self-confidence**

This is how a person feels about their own abilities. Successful entrepreneurs believe in their own abilities to succeed. They are not scared to explore new ideas, take risks and make difficult decisions.

4. **Ability to get things done**

Getting things done is the vital link between ideas and their outcome. At times, entrepreneurs force themselves to choose work over fun, a boring job against a pleasant one. This requires self-control that many people simply fail to develop.

5. **Creativity**

Creativity is the ability to use your insights and come up with new solutions to old problems. Creative people get things done in a different way or find a totally different approach to using conventional things.

6. **Ability to lead**

Successful entrepreneurs are able to lead people so that they get things done.

7. **Self-reliance**

Successful entrepreneurs try to take full responsibility for their actions. They are proactive people who set goals, work extra hard to achieve their goals and rely mainly on their own resources and abilities.

Let students find out if their personalities fit the typical entrepreneurial profile by doing a questionnaire. You will find a good one at [http://www.rateyourself.com/subject.cfm/Subject\\_ID/2](http://www.rateyourself.com/subject.cfm/Subject_ID/2).

Emphasise the role women can play as entrepreneurs. Visit <http://www.media24.com> and search for the following article that appeared in the City Press on 13 August 2006:

**SA women must change in a fast-changing world**

Young women need to package their skills and position themselves in a dynamic and ever-changing market, says Dr Namane Magau, president of the Business-women's Association. She spoke to KHUTHALA NANDIPHA

4. Attend entrepreneurship workshops; talk to positive and successful business people; read as much as possible about the business sector (to understand the challenges)
5. Develop a business plan, secure finances, deal with 'red tape' related to government laws and regulations (VAT, etc.), find honest and suitably skilled staff, etc.
6. Answer can be: Local factories, home industries, importers, other wholesalers, etc.
7. NIKE incorporated (<http://www.nike.com>)
8. There are several pricing techniques. Introduce students to the four methods below and allow them to contextualise (give examples) each for Sarah Jones's venture:

- Cost-plus pricing: set the price at the cost price plus a certain profit
  - Value-based pricing: base the price on the effective value to the customer relative to alternative products
  - Psychological pricing: base the price on factors such as signals of product quality or popular price points (e.g. R19,95)
  - Base the price on what the customer perceives to be fair.
9. Most students would have visited a large sports shop. Allow them time to brainstorm a strategy.
  10. Physical stocktaking (inventory control). Ask students whether any of them have participated in stocktaking (e.g. as a part-time job) or whether their parents have such experience and what it entails. You can also enquire about the use of technology (scanners, bar-coding, etc.) and how this assists with keeping track of the value of the inventory in a business.

*Suggested assessment*

Method	Self-assessment
Form	Oral feedback
Tool	Observation sheets



## unit 1

# different types of businesses

## Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 1 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 2: Identify and describe the different types of businesses	1.1 The gaining of capital to start a new business (service or trade), is explained in detail 1.2 The profit motive for a business (service or trade), is explained and demonstrated in detail 1.3 Sole trader, partnerships, private and public companies, close corporations, clubs and non-profit organisations are identified as types of businesses. 1.4 Characteristics of each type of business are described. <i>Range: number of owners, statutory requirements, extent of liability of owners, ability to raise capital Profit and loss sharing.</i>	1, 2, 3, 4

## Activity 1: Do research about a business

The following rubric can be used to assess this activity.

Topic	No effort made	Needs attention	Good	Outstanding	Mark
	1–2	3–5	6–8	9–10	
<b>Research</b>	No evidence of research.	Some evidence of research, but not enough.	Clear evidence of research done.	Thorough research and collection of information for report.	
<b>Profile of entrepreneur</b>	Incomplete profile or profile not given.	Some information on profile given, but generally insufficient.	Most necessary information on profile given.	Excellent and detailed profile given.	
<b>Background information</b>	Incomplete or no information given.	Some relevant information given.	Clear background information given.	Most detailed and thorough background given.	
<b>Start-up problems</b>	Irrelevant problems or no problems given.	Some start-up problems given (less than four) and not discussed.	At least four problems mentioned but not discussed in detail.	Problems mentioned and discussed in detail.	

<b>Professional layout and technicality of report</b>	Poor, lots of mistakes noted.	Reasonable, but some technical errors noted.	Generally well presented and neat.	Excellent, professionally done and of a high standard.	
<b>Total: 50 marks</b>					

*Suggested assessment*

Method Lecturer assessment

Form Written report

Tool Rubric

## Activity 2: What does the owner of a business do?

*Guidance and additional information*

Students should complete the table and place it in their portfolios. The answers must be deduced from content provided just before the activity. The pairs need to fill in at least five functions in each column. Allow students to present their findings and collate all the ideas on a sheet of newsprint and display it in the classroom.

Sarah Jones		
Marketing	Technical	Financial
e.g. Decide who the target market is	e.g. Know why the one golf club hits the ball further	e.g. Calculate the right price for a product

*Suggested assessment*

Method Lecturer assessment

Form Oral feedback

Tool Observation sheets

## Daily task 1

*Suggested answers*

1. Business person, capitalist
2. see above
3. to focus on important tasks; compel to consider practical aspects; force to calculate costs; determine cash flow needs
4. Introduction, marketing, operations, human resources, financial
5. income statement, cash flow statement, Balance sheet

## Daily task 2

*Suggested answers*

1. Own savings, loans and investments by others
2. All ten types of businesses need to be reflected. Rubric 16 on page 50 of this Lecturer's Guide can be used to assess the mind map.

### Activity 3: Categorise businesses

#### Guidance and additional information

This activity can be done in the classroom. Inform students in advance to collect newspapers and magazines and to bring these to class. You could also bring resources to class for students to use.

#### Suggested assessment

Method Lecturer assessment

Form Practical task

Tool Checklist

### Daily task 3

#### Answers to the crossword puzzle

Across	Down
1. corporation	2. public
6. liability	3. partnership
10. CIPRO	4. continuity
11. shareholders	5. risks
13. members	7. legal
15. capital	8. ten
16. limited	9. private
	12. seven
	14. one

### Activity 4: Characteristics of the different forms of ownership

#### Guidance and additional information

	How many owners are allowed?	What are the owners called?	Is it a legal person?	What are the name requirements?	Is there continuity?
Sole proprietor	1	owner	n	None	n
Partnership	2–20	partners	n	None	n
Private company	1–50	shareholders	y	(Pty) Ltd	y
Public company	7 – unlimited	shareholders	y	Ltd	y
Close corporation	1–10	members	y	CC	y

#### Suggested assessment

Method Self-assessment

Form Written task

Tool Marking memorandum

## Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 1

### Suggested answers

- Any three of the following: Owner's reward (✓) for running (✓) and carrying risks (✓). Also give credit for Selling price – Cost price, etc. [3 marks]
- Use discretion based on the information in the unit. Any two (marketing, financial, technological) and/or others provided or researched by students [2 × ✓✓ = 4 marks]
- Use discretion from information in unit. 3 × ✓✓ [6 marks]
- Use discretion from information in unit. Award one mark for the name of the plan and three marks for the two facts about each plan. [Four plans × ✓✓✓✓ = 16 marks]
- Answers based on standard categories mentioned in the unit plus appropriate examples. [Category (✓) and example (✓) × 10 = 20 marks]
- Type, e.g. sole proprietor (✓) plus example, e.g. corner café (✓) × 5 = 10 marks

	How many owners are allowed?	What are the owners called?	Is it a legal person?	What are the name requirements?	Is there continuity?
Partnership	2–20	partners	no	None	no
Private company	1–50	shareholders	yes	(Pty) Ltd	yes
✓✓	✓✓	✓✓	✓✓	✓✓	✓✓

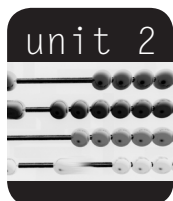
- Sole proprietor is not a legal person or there is no continuity (✓✓).
- Owners of a CC are called members; owners of a company are called shareholders (✓✓).

**Total: 75 marks**

### Suggested assessment

Method Lecturer assessment  
Form Test  
Tool Marking memorandum





## basic accounting principles

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 3 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 2: Explain the basic accounting principles	2.1 The term accounting is defined 2.2 Concepts of assets, owner's equity, liabilities, income and expenses are identified 2.3 Different types of assets, owner's equity, liabilities, income and expenses are identified 2.4 Concepts of Profit and losses are defined 2.5 The accounting cycle is explained. Range: documents, journals, ledgers, statements in the continuous stock system.	1, 2, 3 and 4

### Activity 1: Research accounting software

#### Guidance and additional information

Encourage students to share their findings with their peers and compare the information they found. Rubric 6 on page 43 in the introduction of this Lecturer's Guide can be used or adapted to assess this task.

#### Suggested assessment

Method   Lecturer assessment  
 Form     Research task  
 Tool      Rubric

### Daily task 1

#### Suggested answers

- Accounting provides information on the results of business transactions to interested users.
- Step 1: Transaction  
 Step 2: Completion of source documents  
 Step 3: Recording transactions in journals  
 Step 4: Post journals to ledger

- Step 5: Draw up Trial balance
- Step 6: Prepare financial statements
- Step 7: Analysis and interpretation
- Step 8: Decision making by owner

### Activity 2: Investigate assets

#### *Guidance and additional information*

Encourage students to share their findings with their peers and compare the information they found. Rubric 5 on page 43 in the introduction of this Lecturer's Guide can be used or adapted to assess this task. You might want to warn the stationery shops in your immediate area about the activity and ask for their patience and assistance.

#### *Suggested assessment*

Method Lecturer assessment  
Form Project/Investigation  
Tool Rubric

### Activity 3: Classify business assets and liabilities

#### *Suggested answers*

1. Computer	Non-current asset
2. Petty cash	Current asset
3. Trading stock	Current asset
4. Delivery van	Non-current asset
5. Cash float	Current asset
6. Bank overdraft	Current liability
7. Savings account	Current asset
8. Office desk	Non-current asset
9. Credit supplier	Current liability
10. Bond on business property	Non-current liability

#### *Suggested assessment*

Method Self-assessment  
Form Written exercise  
Tool Marking memorandum

### Daily task 2

#### *Suggested answers*

1. Some assets are classified as non-current because of their permanent nature and the fact that the value of these items does not change much over a short period of time. They normally have a life expectancy of more than one year and are used by the business, but not consumed or traded. Assets are classified as

current when their value changes all the time. These assets are cash or can be converted into cash in the operating process within one year.

2. Inventories are the trading stock of the business. These are the goods that are sold to customers to generate an income. The value of the stock in a business changes on a daily basis because of regular sales and purchases. Inventories can also include cleaning materials, packing materials and stationery that is in stock and that has not yet been used by the business.
3. Accounts receivable includes all the money owed to the business by credit customers or other parties.
4. Liabilities are classified as non-current because of the period in which they must be repaid. Most loans from the bank or mortgage bonds on property that take longer than 12 months to be repaid are classified as long-term or non-current liabilities. Liabilities are classified as current when they must be repaid within 12 months.
5. Accounts payable includes all the suppliers that the business owes money to. In the business they are referred to as creditors. Accounts payable can also include other people or businesses to whom the business owes money and who must be repaid within a short period.
6. A bank overdraft facility enables you to draw more money than was deposited. A limit is fixed for each customer and you are charged interest on the overdrawn amount until it is repaid.

#### Activity 4: The effect of transactions on owner's equity

*Suggested answers*

1. The business paid its telephone account. **(Negative)**
2. The business receives money for a service rendered to a client. **(Positive)**
3. The owner takes stock out of the business for his personal use. **(Negative)**
4. The business receives rent from a tenant for renting office space. **(Negative)**
5. The owner contributes one of his computers to the business. **(Positive)**
6. The business vehicle broke down and had to be fixed. **(Negative)**
7. The business receives interest on their current bank account. **(Positive)**
8. The owner uses a business cheque to pay his personal telephone account. **(Negative)**
9. The owner had to employ another secretary. **(Negative)**
10. The business gave a donation to the local charity. **(Negative)**

*Suggested assessment*

Method	Self-assessment
Form	Written exercise
Tool	Marking memorandum

### Daily task 3

*Suggested answers*

- Owner's equity** is the interest or investment that the owner has in the business.
  - When the owner starts his or her business he or she makes a personal investment in the business called **capital**. This investment can be in the form of money or any other assets such as equipment, vehicles or even immovable assets like property.
  - The owner often takes money or items from the business for own personal use. These transactions are called **drawings** by the owner. Drawings decrease the owner's investment in the business.
- Profits will have a **positive** effect on owner's equity while a loss will have a **negative** effect on owner's equity.

### Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

### Revision: Questions for revising Unit 2

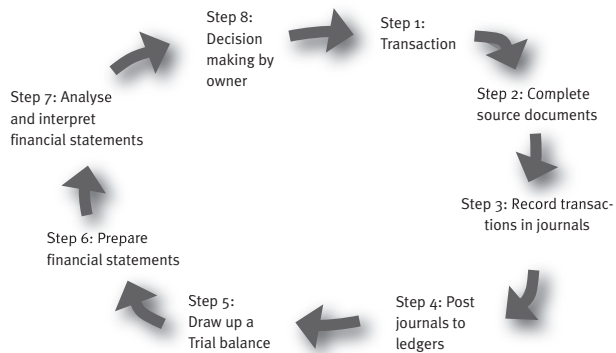
*Suggested answers*

#### Question 1 [18 marks]

- |   |                         |
|---|-------------------------|
| Stocks of stationery                    | Current asset ✓         |
| Premises                                | Non-current asset ✓     |
| Bank overdraft                          | Current liability ✓     |
| Loan from Uncle Fred due for re-payment | Non-current liability ✓ |
| Shop fixtures and fitting               | Non-current asset ✓     |
| Cash in hand                            | Current asset ✓         |
| Owing to creditors                      | Current liability ✓     |
| Delivery vans                           | Non-current asset ✓     |
| Owed by debtors                         | Current asset ✓         |
| Computers                               | Non-current asset ✓     |
- Total income less total expenses = Profit ✓✓
- Capital at the beginning R200 000 ✓ + profit R24 000 = R224 000 (Capital at the end of the year)
- Capital at the beginning = R200 000  
 Add: Profit (R24 000 ✓✓) = R224 000 ✓ (Capital at the end of the year)  
 Less: Drawings (10 000 ✓✓) = R214 000 ✓✓

### Question 2 [16 marks]

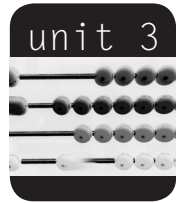
1. All activities in a business are expressed in terms of money and are recorded. ✓  
Whether businesses use manual systems or computerised systems to record financial information, it is important to know the basic principles of Accounting. ✓
2. Bookkeeping is the orderly and systematic recording of amounts, dates and sources of every financial transaction that takes place in the business. ✓✓  
Accounting provides information on the results of business transactions. ✓✓



3. Award one mark for each step plus two marks if it appears in the correct order.

#### *Suggested assessment*

Method	Lecturer assessment
Form	Test
Tool	Marking memorandum



## source documents

### Unit outcomes

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The table below summarises the Subject Outcomes and Assessment Standards of Topic 1 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 3: Explain and demonstrate an understanding of source documents	3.1 The concept of source documents is explained 3.2 Different types of source documents are identified. <i>Range: receipts, cash register slips, bank deposit slips, cheque counterfoils, invoices, credit notes, debit notes, Petty cash vouchers, internal office memorandum.</i> 3.3 Completion of source documents	1, 2, 3, 4, 5, 6, 7  8, 9, 10, 11

### Daily task 1

*Suggested answers*

1. Sales income; assets sold; owner's contributions; money borrowed
2. Business expenses; assets purchased; owner's drawings; money invested
3. Protect all parties involved, plan for future, determine whether the business is making a profit, for daily running

### Activity 1: Business documents you have received

*Guidance and additional information*

The following self-assessment rubric can be used to assess this activity.

Do you feel you have learnt anything about yourself when doing this activity?	Yes	Somewhat	No
Comment:			
Could you answer all the questions?	Yes	Somewhat	No
Comment:			
Did you consult any family or friends?	Yes	Somewhat	No
Comment:			

Did you enjoy doing this activity?	Yes	Somewhat	No
Comment:			
Do you think you put a lot of effort into his activity?	Yes	Somewhat	No
Comment:			

*Suggested assessment*

Method Self-assessment

Form Written task

Tool Rubric

## Daily task 2

*Suggested answers*

1. Auditors, SARS, Banks
2. Own discretion, but students must support their choices with adequate reasons
3. Fireproof safe; make copies; protect originals; create backups of records

## Activity 2: Investigate a record-keeping system

*Guidance and additional information*

You may want to identify a number of suitable businesses in your area and contact the business owners in advance to check whether they would be willing to assist your students with this activity.

Allow groups to present their findings to the rest of the class and to compare their findings.

The verbal presentation rubric (Rubric 10) on page 48 of this Lecturer's Guide can be used or adapted to assess this activity.

*Suggested assessment*

Method Peer assessment

Form Oral presentation

Tool Rubric

## Activity 3: VAT on till slips

*Guidance and additional information*

Once activity is completed, allow students to show their slips and answers to a partner and discuss the information they have written down.

*Suggested assessment*

Method Peer assessment

Form Written task

Tool Oral feedback

### Daily task 3

*Suggested answers*

1. **In:** Sales income; assets sold; owner's contributions; money borrowed  
**Out:** Business expenses; assets purchased; owner's drawings; money invested
2. To protect all parties involved, plan for future, determine whether the business is making a profit and for daily running
3. Business documents are either **external** or internal and are either **source** or supporting documents.
4. To protect all parties involved, plan for future, determine whether the business is making a profit and for daily running
5. As value gets added at each stage of production (producer, wholesaler, retailer, consumer), the added value gets taxed in the form of VAT.

### Activity 4: Complete a receipt

*Guidance and additional information*

Students must complete the cash receipt in their Workbooks.

<b>CASH RECEIPT</b>	<u>15/03/20.7</u>	R	C
NO: <u>251</u>			
Received from <u>J. Brown</u>			
the sum of <u>Four hundred</u> Rand <u>nil</u> cents		400	00
for <u>Payment of account</u>			
With thanks <u>S. Jones</u>			

*Suggested assessment*

Method Self-assessment

Form Written task

Tool Marking memorandum

### Activity 5: Interpret till slips

*Guidance and additional information*

Prepare a checklist using the following criteria and allow pairs to assess the answers from other pairs.

- Date of transaction
- Categories of goods
- Methods of payment
- VAT regulations
- Slip numbers
- Calculation errors



*Suggested assessment*

Method Pair assessment

Form Written task

Tool Checklist

**Daily task 4***Suggested answers*

1. The till slip records information about an individual sale and is given to the customer. The cash register roll records details of all transactions for the day.
2. The cash register roll gives total sales, etc. at the end of the day when the till is cashed up.

**Note:** In point-of-sale terminals the cash register roll has been replaced by the record of all transaction information that is stored digitally on the computer.

**Daily task 5***Suggested answers*

1. That is a tax invoice (preferably at the top of the invoice)  
The name of the supplier, the address of the business and the VAT registration number  
The name and the address of the customer  
The date on which the transaction was concluded  
The serial number of the invoice (same as the duplicate invoice)  
Description of the goods sold and the quantity and/or volume of goods sold
2. Cash sales: Cash register roll or tax invoice  
Credit sales: duplicate credit invoice

**Activity 6: Analyse the following invoice***Guidance and additional information*

1. VAT registration number appears on invoice (342345).
2. Look for date (4 February 20.7).
3. Notice the × next to 'cheque'.
4. 50 Golf shirts @ R155 each; 24 Golf gloves at R75 each
5. VAT was charged at 14% = R1 358.
6. Students should recalculate all amounts. The total should be R11 058.
7. E. & O.E. stands for Errors and Omissions Excluded. This is to protect the business against mistakes made by staff members.

*Suggested assessment*

Method Self-assessment


Form Written task

Tool Marking memorandum

### Activity 7: Complete the source document

*Guidance and additional information*

The invoice should contain the following information:

5th Avenue Summerstrand Port Elizabeth 6001				No: 24	
				Date: 18/03/07	
To: Mrs H. Cleary 23 Jura Ave Little Walmer Estate Port Elizabeth 6000		<b>Tax invoice</b> VAT registration number: 342345		Payment method Cheque <input checked="" type="checkbox"/> Debit card Cash Credit card On account	
Code	Description	Qty	Price	Total price	
N3421	Nike golf clubs	1	R3 668	R3 668	
Sub-total				R3 668	
Delivery charge				-	
Amount tendered				R3 668	
Change				-	
E. & O.E					

*Suggested assessment*

Method Self-assessment

Form Written task

Tool Marking memorandum

### Activity 8: Complete the document

*Guidance and additional information*

The Bank deposit slip should be completed as follows:

Diamond Bank Ltd													
Cheque account deposit slip													
DATE	2	0	0	7		0	3		2	1			
CREDIT ACCOUNT NO:	0	8	3	3	8	9	2	7	7	7			
NAME	Just Sport												
	Bank notes										R4550	00	
	Nickel										R400	00	
	Bronze												
	Postal and money orders												
	Sub-total										R4950	00	
Drawer's name	Bank		Branch code						Amount				
1 H. Cleary	NEW Bank		432157						R3668 00				
2 M. Kasserian	FTE Bank		56438						R564 00				
3													
4													
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.										TOTAL		R9182	00
*For office use	*DEBIT								*CREDIT				
DEPOSITED BY:										S. Jones			

Suggested assessment

Method Self-assessment

Form Written task

Tool Marking memorandum

## Daily task 6


Suggested answers


1. Cheque; Petty cash; direct transfer via the Internet
2. Bearer: Municipality  
Payee: Just Sport (S. Jones)  
Order: Diamond Bank
3. This limits the possibility that the bank will pay the money to someone not supposed to get payment. If the cheque must be cashed then the word 'Cash' has to be written in this space.

4. A cheque made out in this way can only be accepted for an account with the same description as the payee specified on the cheque (next to 'pay'). Cheques marked 'not transferable' may not be endorsed or transferred to a third party.

### Activity 9: Complete the cheques

Guidance and additional information

Date	22/03	 <div>EAGLE BANK LIMITED Port Elizabeth</div>	60-20-50-20	
To	H. Adlam		Date: 22 March 20.7	
For	Salary	Pay H. Adlam	Order or Bearer	
Balance b/d	R 34570			
Deposit	R	The sum of <u>Three thousand Rand only.</u>	R 3000 - 00	
Sub-total	R			
This cheque	R 3000			
Balance	R31570	<u>S. Jones.</u>		
012	0101 : 60-20-50-20 : 01018011198 - 012 for : Just Sport			

Date	23/03	 <b>EAGLE BANK LIMITED</b> Port Elizabeth	60-20-50-20
To	Space Rent Ltd		Date: 23 March 20.7
For	Rent expense		
Balance b/d	R 31570	Pay <u>Cash</u>	or Bearer
Deposit	R		R 5000 - 00
Sub-total	R	The sum of <u>Five thousand Rand only</u>	
This cheque	R 5000		
Balance	R26570	<u>S. Jones</u>	
013		0101 : 60-20-50-20 : 01018011198 - 013 for : Just Sport	

Suggested assessment


Method Self-assessment

Form Written task

Tool Marking memorandum

## Activity 10: Complete the Petty cash voucher

Guidance and additional information

 <b>PETTY CASH VOUCHER</b> NO: <u>18</u> DATE: <u>12 March 20.7</u> REQUIRED FOR <u>Buying Envelopes from CNA</u> Signature: <u>H. Adlam</u> Authorised by: <u>S. Jones</u>	R	C
	26	00

Suggested assessment

Method Self-assessment

Form Written task

Tool Marking memorandum

### Daily task 7

1. Debit Note; Credit Note
2. Duplicate debit note; delivery note; original invoice

## Activity 11: Complete the debit note

Guidance and additional information

5th Avenue Summerstrand Port Elizabeth 6001				No: <u>121</u>	
To: Sports Stuff Wholesalers 231 Govan Mbeki Ave. Port Elizabeth 6001		<b>Debit note</b>		Date: <u>02/03/.7</u>	
Quantity	Description	Price	Total price		
3	Golf clubs (C78)	R75,00	R225,00		
TOTAL			R225,00		

*Suggested assessment*

Method Self-assessment

Form Written task

Tool Marking memorandum

**Daily task 8***Suggested answers*

1. The account is overdrawn
2. Debited
3. The depositor's account in books of Bank is debited. The cheque is returned to the depositor.

**Assess your progress**

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

**Revision: Questions for revising Unit 3***Suggested answers*

1. Set up a good filing system for paperwork ✓. This will help the business to follow up on overdue debts and they will know when the business' accounts are due to be paid. It will also help the business to manage the business' cash flow ✓✓. The business owner/manager should make sure that record-keeping system is understood by at least one other person ✓. They should document how the records are kept, what the various records contain, where they are kept and where backup records are kept ✓✓.  
The business must get the required paperwork from suppliers and customers when the transaction takes place ✓. They should record the details as soon as possible after this and not leave it until later ✓✓.  
The business owner/manager must make sure that the records contain enough information. For example tax invoices must have all the required information, cheque books and cheque counterfoils must be correctly filled in. The book-keeper must also add notes to paperwork that will remind him/her later of any special circumstances.  
Never leave record-keeping until the end of the year. It should be done daily, weekly or monthly.  
The business owner must not mix up personal and business paperwork, for example by using business bank accounts and credit cards for personal transactions and vice versa.  
The business owner/manager must ask for help before things get out of control. The business should employ a bookkeeper to set up accounting books or purchase a suitable accounting software program. (Any  $3 \times 3 = 9$  marks)

2. Cross all cheques made out to people and businesses ✓✓. This is done by drawing two parallel lines across the left corner ✓✓. The cheque can then only be deposited into a bank account (not necessarily the account of the person nominated on the cheque).

Add another safety measure to all cheques issued to people/businesses by writing 'not transferable' ✓✓ between the crossing lines. A cheque made out in this way can only be accepted for an account with the same description as the payee specified on the cheque (next to 'pay'). Cheques marked 'not transferable' may not be endorsed to a third party.

3.

Kind of transaction	Source document	Supporting documents	External or internal?
Cash received in payment of an account by a person who owes the business money (a debtor)	Duplicate ✓ receipt ✓	Bank deposit slip ✓; Bank statement ✓	Internal ✓
Payment for Trading inventory purchased for cash	Cheque counterfoil ✓	Bank statement ✓; Cleared cheque ✓; Order form	Internal ✓
Payment for milk for staff tearoom	Petty cash voucher ✓	Cash register slip ✓; Declaration by recipient ✓	Internal ✓
Cash sales in a business not using a cash register	Duplicate ✓ sales invoice ✓	Client's order form ✓	Internal ✓
Cash sales in a business that uses a cash register	Cash register roll ✓	Client's order form ✓	Internal ✓

#### Suggested assessment

Method Lecturer assessment

Form Written task

Tool Marking memorandum

#### Additional information: Shop security

There are a number of procedures shop owners should follow to keep the shop secure. Here are some of them:

##### Cash

- Keep as little cash as possible on the premises.
- It is unwise to count cash within anyone else's view.
- Site tills away from entrance/exit doors.
- Move excess cash to a safe place.
- Restrict access to the rear of counters using lockable doors or counter flaps.
- Try to pay your staff by cheque or cash transfer.

##### Security equipment

- Plastic till guards – a cheap, but effective way to prevent till snatches.
- Smoke and dye money pack systems – designed to emit coloured smoke and spoil cash that has been stolen.
- Pneumatic cash transfer systems – an air-powered tube system to convey cash to a secure area or safe.

- External access safes – where cash collection companies can supply or take away cash without the need to enter the premises.
- Counter cache(s) – local metal containers which can be kept close to the till. They are intended for the temporary holding of bank notes before transfer to the bank or safe.
- Anti-bandit or bullet-resistant glass and fast-rising screens – fitted at till points or pay kiosks, these offer the cashier protection and are a significant deterrent.
- Time-delay safes – secure and only possible to open after a pre-set time. These safes will keep any cash not in the till, or not yet banked, safe from all but the most determined robber.





## the accounting equation and the double entry system

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 1 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 4: Explain and demonstrate the functioning of the double entry system	4.1 The concept of debit and credit in relation to assets, owner's equity and liabilities is explained 4.2 Principles of the double entry system are demonstrated in T-accounts. Range: capital contribution, drawings, additions of Non-current assets, basic payments and receipts using the continuous stock system. 4.3 The effect of transactions on the accounting equation is explained	1, 2, 3, 4, 5, 6, and 7

### Activity 1: Analyse transactions using the BAE

*Suggested answers*

No	Assets =	Owner's equity +	Liabilities	REASON
1	+ 5 000	+ 5 000	0	Bank (asset) increases. Capital increases equity.
2	- 1 200 + 1 200	0	0	Bank (asset) decreases. Equipment (asset) increases.
3	+ 500	+ 500	0	Bank (asset) increases. Current income (income) increases equity.
4	- 450	- 450	0	Bank (asset) decreases. Wages (expense) decreases equity.
5	- 500	- 500	0	Bank (asset) decreases. Drawings decreases equity.
6	- 2 400	- 2 400	0	Bank (asset) decreases. Rent (expense) decreases equity.
7	+ 5 000	0	+ 5 000	Bank (asset) increases. Loan (liability) increases.
Total	7 150 =	2 150 +	5 000	

*Suggested assessment*

Method Peer assessment

Form Written exercise

Tool Marking memorandum

### Daily task 1

1. A business's financial position has two aspects: money that is invested in the business through owner's equity and liabilities, which is how this money is put to use by acquiring assets.
2.  $\text{ASSETS} = \text{EQUITY} + \text{LIABILITIES}$

### Activity 2: Analyse transactions using the BAE

*Suggested answers*

No	Assets =	Owner's equity +	Liabilities	REASON
Jan. 1	+ 16 000	+ 16 000	0	Bank (asset) increases. Capital increases equity.
2	+ 4 850	+ 4 850	0	Bank (asset) increases. Sales (income) increases equity.
	- 3 880	- 3 880	0	Trading inventory (asset) decreases and Cost of sales (expense) decreases equity.
5	- 2 500 + 2 500	0	0	Bank (asset) decreases. Equipment (assets) increases.
	- 18 450 + 18 450	0	0	Bank (asset) decreases. Trading inventory (assets) increases.
9	+ 3 550	+ 3 550	0	Bank (asset) increases. Sales (income) increases equity.
	- 2 840	- 2 840	0	Trading inventory (asset) decreases and Cost of sales (expense) decreases equity.
13	- 280	- 280	0	Bank (asset) decreases and Stationery (expense) decreases equity.
14	+ 5 000	0	+ 5 000	Bank (asset) increases. Loan (liability) increases.
16	- 1 500	- 1 500	0	Bank (asset) decreases. Drawings decreases equity.
18	+ 1 100 - 1 100	0	0	Bank (asset) decreases and furniture (asset) increases.
24	+ 6 900	+ 6 900	0	Bank (asset) increases. Sales (income) increases equity.
	- 5 520	- 5 520	0	Trading inventory (asset) decreases and Cost of sales (expense) decreases equity.
25	- 6 000	- 6 000	0	Bank (asset) decreases and Salaries (expense) decreases equity.
28	- 500	- 500	0	Bank (asset) decreases and Water and electricity (expense) decreases equity.
29	- 3 000	- 3 000	0	Bank (asset) decreases and Rent (expense) decreases equity.
30	- 420	- 420	0	Bank (asset) decreases and Telephone (expense) decreases equity.
Total	12 360 =	7 360 +	5 000	

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

### Activity 3: Classify accounts in the two sections of the General ledger

*Suggested answers*

Account	Balance sheet section	Nominal accounts section
1. Computer	✓	
2. Cost of sales		✓
3. Stationery		✓
4. Sales		✓
5. Delivery van	✓	
7. Cash float	✓	
8. Water and electricity		✓
9. Loan	✓	
10. Drawings	✓	

*Suggested assessment*

Method Peer assessment

Form Written exercise

Tool Marking memorandum

### Daily task 2

*Suggested answers*

1. The General ledger is a collection of accounts in which the transactions of an enterprise are recorded. It is a book containing the accounts for all the assets, liabilities, equity, income and expense accounts of the business.
2. The left-hand side of a T-account is the debit side.
3. The right-hand side of a T-account is the credit side.
4. The Balance sheet section includes assets, capital, drawings and liabilities. The Nominal accounts section includes income and expenses.

### Activity 4: Enter transactions in the General ledger

*Guidance and additional information*

General ledger of Funky Hair							
Balance sheet section							
Dr				– Capital (Owner's equity) +			
				B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Jan. 1	Bank		16 000

Dr				+ Bank (Asset) –				B2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 1	Capital		16 000	20.7 Jan. 5	Equipment		2 500		
2	Sales		4 850		Trading inventory		18 450		
9	Sales		3 550	13	Stationery		280		
14	Loan: Smart Bank		5 000	16	Drawings		1 500		
24	Sales		6 900	18	Furniture		1 100		
				25	Salaries		6 000		
				28	Water and electricity		500		
				29	Rent expense		3 000		
				30	Telephone		420		
Dr				+ Trading inventory (Asset) –				B3	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 5	Bank		18 450	20.7 Jan. 2	Cost of sales		3 880		
				9	Cost of sales		2 840		
				24	Cost of sales		5 520		
Dr				+ Equipment (Asset) –				B4	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 5	Bank		2 500						
Dr				– Loan: Smart Bank (Liability) +				B5	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 Jan. 14	Bank		5 000		
Dr				+ Drawings (Equity) –				B6	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 16	Bank		1 500						
Dr				+ Furniture (Asset) –				B7	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 18	Bank		1 100						
Nominal accounts section									
Dr				– Sales (Income) +				N1	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 Jan. 2	Bank		4 850		
				9	Bank		3 550		
				24	Bank		6 900		

Dr				+ Cost of sales (Expense) –				N2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 2	Trading inventory		3 880						
9	Trading inventory		2 840						
24	Trading inventory		5 520						
Dr				+ Stationery (Expense) –				N3	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 13	Bank		280						
Dr				+ Salaries (Expense) –				N4	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 25	Bank		6 000						
Dr				+ Water and electricity (Expense) –				N5	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 28	Bank		500						
Dr				+ Rent (Expense) –				N6	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 29	Bank		3 000						
Dr				+ Telephone (Expense) –				N7	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 30	Bank		420						

Suggested assessment

Method Peer assessment

Form Written exercise

Tool Marking memorandum

### Daily task 3

- Assets increase on the **debit** side and decrease on the **credit** side.
- Liabilities increase on the **credit** side and decrease on the **debit** side.
- Capital increases on the **credit** side and decreases on the **debit** side.
- Drawings increase on the **debit** side and decrease on the **credit** side.
- Income increase on the **credit** side and decrease on the **debit** side.
- Expenses increase on the **debit** side and decrease on the **credit** side.

## Activity 5: Enter transactions in the General ledger

Suggested answers

General ledger of Castle Traders

Balance sheet section							
Dr				– Capital (Owner's equity) +			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Oct. 1	Bank		20 000
				20	Vehicles		58 000
Dr				+ Bank (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 1	Capital		20 000	20.7 Oct. 3	Equipment		2 000
2	Loan: Joker Bank		12 000	6	Trading inventory		8 800
13	Sales		3 400	9	Advertisement		400
26	Sales		6 200	12	Telephone		250
				17	Drawings		4 000
				25	Salaries		7 500
				29	Rent expense		4 000
				30	Loan: Joker Bank		3 000
Dr				+ Trading inventory (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 6	Bank		8 800	20.7 Oct. 13	Cost of sales		1 700
				26	Cost of sales		3 100
Dr				+ Equipment (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jan. 3	Bank		2 000				
Dr				– Loan: Joker Bank (Liability) +			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 30	Bank		3 000	20.7 Oct. 2	Bank		12 000
Dr				+ Drawings (Equity) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 17	Bank		4 000				
Dr				+ Vehicles (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 20	Capital		58 000				

Nominal accounts section							
Dr				– Sales (Income) +			
				N1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Oct.13	Sales		3 400
				26	Sales		6 200
Dr				+ Cost of sales (Expense) –			
				N2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 13	Trading inventory		1 700				
26	Trading inventory		3 100				
Dr				+ Advertisement (Expense) –			
				N3 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 9	Bank		400				
Dr				+ Salaries (Expense) –			
				N4 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 25	Bank		7 500				
Dr				+ Telephone (Expense) –			
				N5 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 12	Bank		250				
Dr				+ Rent (Expense) –			
				N6 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 29	Bank		4 000				

### Suggested assessment

Method Self-assessment

Form Written exercise

Tool Marking memorandum

### Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 4

Suggested answers

### Question 1

No	Assets =	Owner's equity +	Liabilities	REASON
Mar. 1	+ 80 000 ✓	+ 80 000 ✓	0	Bank (asset) increases. ✓ Capital increases equity. ✓
2	- 4 600 ✓	- 4 600 ✓	0	Bank (asset) decreases ✓ and Rent (expense) decreases equity. ✓
4	- 25 895 ✓ + 25 895 ✓	0	0	Bank (asset) decreases. ✓ Trading inventory (assets) increases. ✓
5	- 600 ✓ + 600 ✓	0	0	Bank (asset) decreases ✓ and Cash float (asset) increases ✓
	- 225 ✓	- 225 ✓	0	Bank (asset) decreases ✓ and Packing material (expense) decreases equity. ✓
6	+ 16 644 ✓	+ 16 644 ✓	0	Bank (asset) increases. ✓ Sales (income) increases equity. ✓
	- 8 322 ✓	- 8 322 ✓	0	Trading inventory (asset) decreases ✓ and Cost of sales (expense) decreases equity. ✓
10	- 1 800 ✓	- 1 800 ✓	0	Bank (asset) decreases ✓ and Wages (expense) decreases equity. ✓
13	- 6 475 ✓ + 6 475 ✓	0	0	Bank (asset) decreases. ✓ Trading inventory (assets) increases. ✓
17	- 2 260 ✓ + 2 260 ✓	0	0	Bank (asset) decreases. ✓ Equipment (assets) increases. ✓
	- 240 ✓	- 240 ✓	0	Bank (asset) decreases. ✓ Stationery (expense) decreases equity. ✓
19	+ 9 669 ✓	+ 9 669 ✓	0	Bank (asset) increases. ✓ Sales (income) increases equity. ✓
	- 4 835 ✓	- 4 835 ✓	0	Trading inventory (asset) decreases ✓ and Cost of sales (expense) decreases equity. ✓
20	- 1 800 ✓	- 1 800 ✓	0	Bank (asset) decreases ✓ and Wages (expense) decreases equity. ✓
	- 2 000 ✓	- 2 000 ✓	0	Bank (asset) decreases. ✓ Drawings decreases equity. ✓
21	+ 25 000 ✓	0	+ 25 000 ✓	Bank (asset) increases ✓ and Loan (liability) increases. ✓
25	+ 22 000 ✓ - 22 000 ✓	0	0	Bank (asset) decreases ✓ and Vehicles (asset) increases. ✓
28	- 450 ✓	- 450 ✓	0	Bank (asset) decreases ✓ and Telephone (expense) decreases equity. ✓
29	- 1 800 ✓	- 1 800 ✓	0	Bank (asset) decreases ✓ and Wages (expense) decreases equity. ✓
30	+ 5 775 ✓	+ 5 775 ✓	0	Bank (asset) increases ✓ Sales (income) increases equity ✓
	- 2 888 ✓	- 2 888 ✓	0	Trading inventory (asset) decreases ✓ and Cost of sales (expense) decreases equity. ✓



	– 680 ✓	– 680 ✓	o	Bank (asset) decreases ✓ and Water and electricity (expense) decreases equity. ✓
Total	107 448 ✓✓ =	82 448 ✓✓ +	25 000 ✓	

## Question 2

### General ledger of Qua-Qua Furnishers

Balance sheet section							
Dr				– Capital (Owner's equity) +			
Date	Details	Fol.	Amount			B1	Cr
				20.7 Mar. 1	Bank ✓		80 000 ✓
Dr				+ Bank (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Mar. 1	Capital ✓		80 000 ✓	20.7 Mar. 2	Rent ✓		4 600 ✓
6	Sales ✓		16 644 ✓	4	Trading inventory ✓		25 895 ✓
19	Sales ✓		9 669 ✓	5	Cash float ✓		600 ✓
21	Loan: Tower Bank ✓		25 000 ✓		Packing materials ✓		255 ✓
30	Sales ✓		5 775 ✓	10	Wages ✓		1 800 ✓
				13	Trading inventory ✓		6 475 ✓
				17	Equipment ✓		2 260 ✓
					Stationery ✓		240 ✓
				20	Wages ✓		1 800 ✓
					Drawings ✓		2 000 ✓
				25	Vehicles ✓		22 000 ✓
				28	Telephone ✓		450 ✓
				29	Wages ✓		1 800 ✓
				30	Water and electricity ✓		680 ✓
Dr				+ Trading inventory (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Mar. 4	Bank ✓		25 895 ✓	20.7 Mar. 6	Cost of sales ✓		8 322 ✓
13	Bank		6 475 ✓	19	Cost of sales		4 835 ✓
				30	Cost of sales		2 888 ✓
Dr				+ Equipment (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Mar. 17	Bank ✓		2 260 ✓				

Dr				+ Cash float (Asset) –				B5	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 5	Bank ✓		600 ✓						
Dr				– Loan: Tower Bank (Liability) +				B6	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 Mar. 21	Bank ✓		25 000 ✓		
Dr				+ Drawings (Equity) –				B7	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 20	Bank ✓		2 000 ✓						
Dr				+ Vehicles (Asset) –				B8	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 25	Bank ✓		22 000 ✓						
Nominal accounts section									
Dr				– Sales (Income) +				N1	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 Mar. 6	Bank ✓		16 644 ✓		
				19	Bank		9 669 ✓		
				30	Bank		5 775 ✓		
Dr				+ Cost of sales (Expense) –				N2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 6	Trading inventory ✓		8 322 ✓						
19	Trading inventory		4 835 ✓						
30	Trading inventory		2 888 ✓						
Dr				+ Stationery (Expense) –				N3	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 17	Bank ✓		240 ✓						
Dr				+ Packing material (Expense) –				N4	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 5	Bank ✓		255 ✓						
Dr				+ Rent (Expense) –				N5	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 5	Bank ✓		4 600 ✓						

Dr				+ Wages (Expense) –				N6	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 5	Bank ✓		1 800 ✓						
	Bank		1 800 ✓						
	Bank		1 800 ✓						
Dr				+ Telephone (Expense) –				N7	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
			450 ✓						
Dr				+ Water and electricity (Expense) –				N8	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Mar. 5	Bank ✓		680 ✓						

[Total: 140 marks]

*Suggested assessment*

Method Lecturer assessment

Form Test

Tool Marking memorandum

## Chapter challenge

*Suggested answers*

### Question 1 [25 marks]

	How many owners are allowed?	What are the owners called?	Is it a legal person?	What are the name requirements?	Is there continuity?	
Sole Proprietor	1	Owner	No	None	No	✓✓✓✓✓
Partnership	2 – 20	Partners	No	None	No	✓✓✓✓✓
Private company	1 – 50	Shareholders	Yes	(Pty) Ltd	Yes	✓✓✓✓✓
Public company	7 – unlimited	Shareholders	Yes	Ltd	Yes	✓✓✓✓✓
Close corporation	1 – 10	Members	Yes	CC	Yes	✓✓✓✓✓

### Question 2 [16 marks]

- (h) ✓✓
- (a) ✓✓
- (g) ✓✓
- (b) ✓✓
- (c) ✓✓
- (f) ✓✓
- (d) ✓✓
- (e) ✓✓


### Question 3 [33 marks]

1.

<b>CASH RECEIPT</b> <u>17/03/20.8</u>	R	C
NO: <u>307</u>		
Received from <u>S. Jones</u>		
the sum of <u>Twenty Thousand</u> Rand	20 000	00
<u>nil</u> cents		
for <u>Capital Contribution</u>		
With thanks <u>T. Moeng</u>		

Assign marks as follows:

- Date: ✓
- Received from: ✓
- Amount in words: ✓✓
- For: ✓
- Signature: ✓ (6 marks)

Date	22/03	 <b>EAGLE BANK LIMITED</b> Port Elizabeth	60-20-50-20 Date: 21 March 20.8	
To	Bay FM			
For	Radio advert	Pay Bay FM	Order or <u>Bearer</u>	
Balance b/d	R 9454			
Deposit	R	The sum of <u>Two hundred and fifty-four</u> <u>Rand only</u>	R 254 - 00	
Sub-total	R			
This cheque	R 254			
Balance	R9200	<u>S. Jones</u>		
125	0101 : 60-20-50-20 : 01018011198 - 125			for : Just Sport

Assign marks as follows:

- Counterfoil: date ✓; to ✓; for ✓; this cheque ✓
- Cheque: date ✓, pay ✓; amount words ✓✓; amount ✓; signature ✓ cross ✓✓ (12 marks)

3.

Stratus Bank Ltd													
Cheque account deposit slip													
DATE	2	0	0	8		0	3		3	0			
CREDIT ACCOUNT NO:	0	1	1	1	8	0	2	1	3	8			
NAME	Just Sport												
Bank notes										R5800		00	
Nickel										R200		00	
Bronze										R21		00	
Postal and money orders													
Sub-total										R6021		00	
Drawer's name	Bank		Branch code				Amount						
1 Harmse	BSA Bank		135789				R1500		00				
2 Mbokodi	USB Bank		231456				R258		00				
3 P. Singh	BSA Bank		432156				R673		00				
4													
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.							TOTAL		R8452		00		
*For office use	*DEBIT						*CREDIT						
DEPOSITED BY: <i>T. Moeng</i>													

Assign marks as follows:

- Date ✓
- For ✓
- Acc no. ✓
- Notes ✓
- Nickel ✓
- Bronze ✓
- Sub-total ✓
- Cheque 1 ✓✓
- Cheque 2 ✓✓
- Cheque 3 ✓✓
- Total ✓
- Signature ✓ (15 marks)

## Question 4 [146]

No	Assets =	Owner's equity +	Liabilities	REASON
Jan. 1	+ 50 000 ✓	+ 50 000 ✓	0	Bank (asset) increases ✓ and Capital increases equity. ✓
	+ 20 000 ✓	0	+ 20 000 ✓	Bank (asset) increases ✓ and Loan (liability) increases. ✓
2	- 340 ✓	- 340 ✓	0	Bank (asset) decreases. ✓ Trading licence (expense) decreases equity. ✓
3	+ 3 400 ✓	+ 3 400 ✓	0	Bank (asset) increases. ✓ Sales (income) increases equity. ✓
	- 2 125 ✓	- 2 125 ✓	0	Trading inventory (asset) decreases ✓ and Cost of sales (expense) decreases equity. ✓
4	+ 2 600 ✓ - 2 600 ✓	0	0	Bank (asset) decreases ✓ and Furniture (asset) increases. ✓
7	- 890 ✓	- 890 ✓	0	Bank (asset) decreases ✓ and Wages (expense) decreases equity. ✓
12	- 540 ✓	- 540 ✓	0	Bank (asset) decreases. ✓ Packing material (expense) decreases equity. ✓
	- 16 000 ✓ + 16 000 ✓	0	0	Bank (asset) decreases ✓ and Trading inventory (asset) increases. ✓
13	+ 4 280 ✓	+ 4 280 ✓	0	Bank (asset) increases. ✓ Sales (income) increases equity. ✓
	- 2 675 ✓	- 2 675 ✓	0	Trading inventory (asset) decreases ✓ and Cost of sales (expense) decreases equity. ✓
14	- 250 ✓		- 250 ✓	Bank (asset) decreases ✓ and Loan (liability) decreases. ✓
18	- 310 ✓	- 310 ✓	0	Bank (asset) decreases. ✓ Stationery (expense) decreases equity. ✓
21	+ 1 450 ✓ - 1 450 ✓	0	0	Bank (asset) decreases ✓ and Equipment (asset) increases. ✓
23	+ 5 800 ✓	+ 5 800 ✓	0	Bank (asset) increases. ✓ Sales (income) increases equity. ✓
	- 3 625 ✓	- 3 625 ✓	0	Trading inventory (asset) decreases ✓ and Cost of sales (expense) decreases equity. ✓
26	- 384 ✓✓	- 384 ✓✓	0	Bank (asset) decreases ✓ and Water and electricity (expense) decreases equity. ✓
	- 210 ✓	- 210 ✓	0	Bank (asset) decreases ✓ and Drawings decreases equity. ✓
Total	72 131 = ✓✓	52 381 ✓✓ +	19 750 ✓	

## General ledger of Cushion Traders

Balance sheet section							
Dr				- Capital (Owner's equity) +		B1 Cr	
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Jan. 1	Bank ✓		50 000 ✓

Dr + Bank (Asset) –				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jan. 1	Capital ✓		50 000 ✓	20.7 Jan. 2	Trading license ✓		340 ✓
	Loan: Penny Wise Bank ✓		20 000 ✓	4	Furniture ✓		2 600 ✓
3	Sales ✓		3 400 ✓	7	Wages ✓		890 ✓
13	sales ✓		4 280 ✓	12	Packing materials ✓		540 ✓
23	Sales ✓		5 800 ✓		Trading inventory ✓		16 000 ✓
				14	Loan: Penny Wise Bank ✓		250 ✓
				18	Stationery ✓		310 ✓
				21	Equipment ✓		1 450 ✓
				26	Water and electric-ity ✓		384 ✓✓
					Drawings ✓		210 ✓
Dr + Trading inventory (Asset) –				B3 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jan. 12	Bank ✓		16 000 ✓	20.7 Jan. 3	Cost of sales ✓		2 125 ✓
				13	Cost of sales		2 675 ✓
				23	Cost of sales		3 625 ✓
Dr + Equipment (Asset) –				B4 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jan. 21	Bank ✓		1 450 ✓				
Dr + Furniture (Asset) –				B5 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jan. 4	Bank ✓		2 600 ✓				
Dr – Loan: Penny Wise Bank (Liability) +				B6 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jan. 15	Bank ✓		250 ✓	20.7 Jan. 1	Bank ✓		20 000 ✓
Dr + Drawings (Equity) –				B7 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jan. 26	Bank ✓		210 ✓				
Nominal accounts section							
Dr – Sales (Income) +				N1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Jan. 3	Sales ✓		3 400 ✓
				13	Sales		4 280 ✓
				23	Sales		5 800 ✓

Dr				+ Cost of sales (Expense) –				N2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 3	Trading inventory ✓		2 125 ✓						
13	Trading inventory		2 675 ✓						
23	Trading inventory		3 625 ✓						
Dr				+ Stationery (Expense) –				N3	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 18	Bank ✓		310 ✓						
Dr				+ Packing material (Expense) –				N4	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 12	Bank ✓		540 ✓						
Dr				+ Trading license (Expense) –				N5	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 2	Bank ✓		340 ✓						
Dr				+ Wages (Expense) –				N6	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 7	Bank ✓		890 ✓						
Dr				+ Water and electricity (Expense) –				N7	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jan. 26	Bank ✓		384 ✓						

[Total: 220 marks]

Suggested assessment

Method   Lecturer assessment

Form      Test

Tool      Marking memorandum



# chapter 2

## the cash book

### About this chapter

This table summarises the work covered in Chapter 2.

Chapter 2 The Cash book			
Unit 1 Transactions in the Cash book	Unit 2 Prepare the Cash book	Unit 3 Post the Cash book to the General ledger	Unit 4 Prepare the Trial balance
<ul style="list-style-type: none"> <li>• The purpose of the Cash book</li> <li>• Source documents for cash transactions</li> <li>• Identify different Cash book transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Concept of mark-up</li> <li>• Record transactions in the Cash book</li> <li>• Close off Cash book at the end of the month</li> </ul>	<ul style="list-style-type: none"> <li>• The purpose of the General ledger</li> <li>• Concept of totalling and balancing General Ledger accounts</li> <li>• Post Cash book to the General ledger with opening balances</li> <li>• The Cash payments journal and Cash receipts journal as alternatives to the Cash book</li> </ul>	<ul style="list-style-type: none"> <li>• The purpose of the Trial balance</li> <li>• Different sections in the Trial balance</li> <li>• Compile a Trial balance</li> </ul>

### Learning outcomes and assessment standards

This chapter deals mainly with Topic 2 of Applied Accounting Level 2: 'Demonstrate an understanding of payments and receipts transactions in Cash book.'

In Unit 1 students are introduced to the Cash book and the different transactions that are recorded in it from the source documents.

Unit 2 deals with preparing, recording transactions and balancing off the Cash book.

In Unit 3 students will learn how to post transactions from the Cash book to the General ledger.

Unit 4 focuses on the Trial balance, its purpose, how to complete and balance it.

## Critical cross-field outcomes

Topic 2 relates to the following Critical cross-field outcomes:

1	Identify problems using creative thinking to manage finances and to determine progress in a business venture.
2	Work effectively with others as members of a team, group, organisation and community while performing accounting and financial procedures in a small business venture.
3	Organise and manage oneself and one's activities responsibly and effectively through various activities to be done in a small business venture.
4	Collect, analyse and organise information to simplify decision-making in a small business environment.
5	Communicate effectively using mathematical and/or language skills in the modes of written presentation of elementary management information.
6	Be culturally sensitive across a range of social contexts in determining factors influencing and contributing to the local economy.
7	Demonstrate an understanding of the world as a set of related systems by recognising that current economic affairs impact the individual and business venture.
8	Explore career and entrepreneurial opportunities by using a variety of strategies to learn more effectively, regarding elementary finances, recording of elementary accounting transactions and elementary economics.
9	Participate as a responsible citizen in the community by using accounting, financial and economic concepts as a means to manage him/herself and plan for future needs.

## Promoting the NCS principles in your classroom

*Overcoming barriers to learning and development*

The introduction to this Lecturer's Guide refers to the importance of inclusive education and making provision for students with special educational needs.

You can assist students with special educational needs by allowing students to work in pairs. For example, in the case of visual impairment, the sighted partner can describe the activity to the visually impaired student. In the case of manual impairment, the able student can allow the other student to give input while the able student does the physical writing.

## Career opportunities

Although this chapter does not focus specifically on careers, some related careers have been identified and described in the margin notes throughout the chapter.

## Integration

We have indicated cross-curricular links with Financial Management in the table below. When you are preparing a vocational programme, you need to meet with vocational programme developers in related subjects.

<b>Applied Accounting Level 2:</b> <b>Topic 2: Demonstrate an understanding of payments and receipts transactions in Cash book</b>	<b>Possible areas of integration with Financial Management Level 2</b>
<b>Subjects outcomes and Assessment standards</b>	
<p>1 Explain the purpose of the Cash book (receipts and payments):</p> <p>1.1 The concept Cash book is explained</p> <p>1.2 The source documents for Cash book transactions are identified</p> <p>1.3 The types of Cash book transactions are identified and discussed</p> <p>1.4 The purpose of the different types of the Cash book is explained.</p>	<p><b>Topic 2, Subject outcome 1:</b> AS 1.3 The various types of accounts are identified and explained in relation to own business venture. Range: Types of accounts include but are not limited to Cash books, journals, ledgers, Balance sheets</p> <p><b>Topic 3, Subject outcome 1:</b> AS 1.1 Receipting procedures are described, AS 1.2 The parties to and the legal importance of a receipt is explained</p> <p><b>Topic 3, Subject outcome 3:</b> AS 3.1 Banking is prepared according to organisational procedures, AS 3.2 Deposit books or slips are completed, AS 3.3 Cash and cheque deposits are verified against receipt book</p> <p>AS 3.4 The physical deposit of cash to the bank is ensured.</p> <p>AS 3.5 Deposit books or slips are secured and filed according to organisational procedures.</p>
<p>2 Prepare the Cash book:</p> <p>2.1 The relationship between the source documents and the Cash book transactions is explained</p> <p>2.2 The correct entries from the source documents into the Cash book is demonstrated. Range: practical exercises from source documents to Cash book using the continuous stock system.</p> <p>2.3 Closing of Cash book at the end of each month is demonstrated</p>	<p><b>Topic 1, Subject outcome 2:</b> AS 2.1 The ability to produce the following evidence:</p> <ul style="list-style-type: none"> <li>– describe the techniques applied by retail/wholesale practices when selling goods for profit</li> <li>– selling goods for profit including mark-ups, mark-downs, discount for cash.</li> </ul>
<p>3 Post the Cash book to the General ledger.</p> <p>3.1 The purpose of the General ledger is explained</p> <p>3.2 The sections of the General ledger are explained. Range: Balance sheet and nominal accounts section.</p> <p>3.3 Posting from the Cash book is explained and demonstrated</p> <p>3.4 The closing off of the General ledger accounts is demonstrated</p>	<p><b>Topic 1, Subject outcome 3:</b> AS 3.2 All records pertaining to all financial and related transactions are kept and stored for input into books of account.</p>
<p>4 Prepare the Trial balance.</p> <p>4.1 The purpose of the Trial balance is explained</p> <p>4.2 The sections of the Trial balance are explained. Range: Balance sheet and nominal account section.</p> <p>4.3 The Trial balance is demonstrated. Range: from General ledger to Trial balance</p>	<p><b>Topic 1, Subject outcome 1:</b> AS 1.4 Financial concepts and principles are related to own business venture.</p>

## Resources

Lecturers and students can use resources such as libraries, encyclopaedias, the Internet and a variety of business magazines to find out more about the topics covered in this chapter. For example:

- Groenewald, et al. 2003. *Applied Accounting NIC/N2*. Seyfferdt Publishers. Bapsfontein
- Boshua & Schutte. 2002. *Basic Financial Accounting*. Juta. Lansdowne
- Green, S. et al. *Trendsetter* series. Cuali Books. Centurion
- [www.bized.ac.uk](http://www.bized.ac.uk)

- [www.marketinglecturer.com](http://www.marketinglecturer.com)
- [www.finlit.com](http://www.finlit.com)
- [www.umsl.edu](http://www.umsl.edu)

## Assessment

See the notes on assessment in the introduction to this book for an explanation of how assessment takes place in the chapters and for rubrics that can be used to assess activities. You will find detailed guidance for assessing activities in the discussion of each unit.

## Getting started

*Guidance and additional information*

1. Allow students to provide answers from their investigation. They may mention criminals intercepting cheque books posted to home postboxes; thieves stealing cheque books during home burglaries, and so on.
2. Allow students to provide answers from their investigation. They may mention that the person looked very presentable (normal).
3. Allow students to share their articles. Here is an example of a media release from the South African banking sector:

### Deposit slip fraud

MEDIA RELEASE – Johannesburg, 15 July 2004

Deposit slip fraud is becoming a serious problem across the banking sector and consumers are advised to be on the alert for the following scams:

Retailers require that confirmation of deposit be presented (or faxed) to them prior to goods being released. The fraudsters then usually deposit a stolen cheque for the required amount and alter the duplicate copy of the deposit slip to indicate that cash has been deposited. On the strength of these fraudulent deposit slips, goods are released. A few days later, the retailer will be informed that the deposit was actually a cheque and that the cheque was unpaid due to it being stolen, account closed, etc. The retailer thus suffers the loss. A variant of this scheme is that the fraudsters will deposit cash into the account for an altered deposit slip.

Fraudsters approach vendors on the pretext of purchasing goods and go as far as depositing the funds to the vendor's account. This deposit is usually in the form of a stolen cheque. Once the deposit has been made, the fraudsters indicate that they have changed their minds and request the vendor to return their money. Individuals advertising goods for sale in newspapers and elsewhere are also targeted by fraudsters, where arrangements are made to credit the seller's account directly via a bank deposit. Once again, fraudulent cheques are deposited into the seller's account.

The following tips can be followed to reduce the risk of falling prey to these scams:

- Develop a good relationship with your banker;
- Do not release goods until you have established that a deposit has been made. Ask whether cash or a cheque has been deposited. When a cheque has been deposited, ask whether the cheque has been cleared before releasing goods. Do not rely on the fact that a bank cheque has been deposited, as these can also be fraudulently drawn;
- Request confirmation of deposits in writing.

4. Allow students to relate cases that happened in the businesses they have investigated.
5. The following is an extract from the website:

**Option 1: Cheque Guarantee Service (CGS)**

This service guarantees 100% payment of accepted cheques. CGS will validate the cheque and provide an 'Approved' or 'Declined' response. Should the cheque be approved you can accept the cheque with absolute confidence and guarantee of payment.

**Option 2: Cheque Verification Service (CVS)**

This service verifies cheque details prior to accepting cheques to reduce the potential risks associated with those cheques. This service checks information relating to unpaid, dishonoured and stolen cheques, and verifies the name and address, ID number and company registration details. Linked to the cheque bearer against various databases.

6. Here is an extract from an article about Cheque Guarantee Service:

## How to guarantee validity of cheque payments

April 14, 2006  
By Charlene Clayton

Cloning is the most prevalent form of cheque fraud in South Africa, but you can protect the integrity of your cheques by registering your cheque account details with a cheque-guarantee organisation. Cheque-guarantee organisations, such as Cheque Guarantee Services (CGS), aim to enable businesses and consumers to use cheques without the risk of incurring financial losses by guaranteeing the cheques approved by CGS.

Julie Wiggins, the manager of sales, marketing and new business development at CGS, says fraudsters use information obtained from account holders and stolen chequebooks to create cloned cheques, which members of crime syndicates use to buy goods and services.

If a bank fails to detect that it is processing a fraudulent cheque, the real account holder carries the risk of paying for the fraudster's purchases until the account holder queries the transactions with the bank. In these cases, the retailers are responsible for the losses because they "sold" the goods and services without receiving payment.

If you have registered your cheque account details, Wiggins says, CGS will flag the numbers of missing or stolen cheque books on its system.

When one of your missing cheques is presented at a business that is a CGS client, a cashier will enter information about the cheque in a point-of-sale device, Wiggins says. This device will transmit the information to CGS's database. The database will process the information and will either guarantee or decline to guarantee the cheque. CGS's database contains information on 1,8 million individuals and 300 000 companies.

Wiggins says CGS has an in-house fraud and forensics department that works with the South African Banking Risk and Information Centre. The centre is a joint initiative between the banking industry and the South African Police Service that tracks down fraud syndicates. Carl Martin, the manager of operations at CGS, says the company is not a credit bureau and

does not give out personal information or credit ratings to its clients. CGS provides a service to retailers and other organisations on the validity of a cheque that is presented to their cashiers as payment. CGS not only flags stolen or cloned cheques on its system, but also the details of cheques whose accountholders have not honoured their cheque payments in the past.

To register your cheques with CGS, phone the call centre on 0860 123 247 and ask to speak to the call centre manager, Cathy van Rooyen. There is no charge for registering your cheques with CGS.

(<http://www.persfin.co.za/index.php?fSectionId=592&fArticleId=3203455>)

## 7. Types of Fraud ([http://en.wikipedia.org/wiki/Credit\\_card\\_fraud](http://en.wikipedia.org/wiki/Credit_card_fraud))

### Stolen Card Fraud

*When a cardholder loses or has their credit card stolen, it is possible for the thief to make unauthorised purchases on that card up until the card is cancelled. Businesses that accept credit cards are required to check the ID of the cardholder against the card, but this is rarely what actually happens. A thief can potentially purchase thousands of dollars in merchandise or services before the cardholder or the bank realise that the card is in the wrong hands. Self-serve payment systems such as gas stations are also highly prone to accepting a stolen credit card, as there is no verification of the cardholder's identity.*

*Using a stolen credit card number, or computer-generated card number, a thief will order merchandise from a website and have it shipped to a fake or forwarding address. The thief then takes the merchandise and disappears with it. When the real cardholder realised that they did not make the purchase, they call their credit card issuer and request a chargeback. The merchant then loses the money from the transaction, in addition to the merchandise that they do not recover. This is the most common type of credit card fraud.*

**Mail Non-Receipt Fraud:** *Mail non-receipt fraud occurs when a thief intercepts a replacement card sent to the legitimate cardholder and uses it. However, many banks increasingly send out inactive cards that cannot be used until the legitimate account holder confirms his or her identity to the bank using the person's Social Security number, home address, mother's maiden name, and the number on the card and where the person got it.*

**Chargeback Fraud:** *Chargeback fraud occurs when a legitimate cardholder pays for a good or service, but then claims never to have authorised the transaction, or that the good or service was never received. This is also known as first-party fraud.*

**Skimming:** *Skimming is the theft of credit card information by a dishonest employee of a legitimate merchant, manually copying down numbers, or using a magnetic stripe reader on a pocket-sized electronic device. Common scenarios for skimming are restaurants or bars where the skimmer has possession of the victim's credit card out of their immediate view. The skimmer will typically use a small keypad to unobtrusively transcribe the 3 or 4 digit Card Security Code which is not present on the magnetic stripe.*

**Carding:** Carding is a term used by fraudsters for a process they use to verify that sets of stolen credit card data are still valid. The fraudster will present each set of credit card details in turn on a website that has real-time transaction processing, making a purchase for a very small monetary amount so as not to use up the card's credit limit, and so as not to attract the attention of a human reviewer to the transaction.

Also visit: Visit: <http://www.wiscocomputing.com/articles/ccfraud.htm>

8. Here is an example:

## R700 000 taken in heist

23/08/2006 16:02 – (SA)

Johannesburg – Armed robbers made off with R700 000 after holding up a cash-in-transit van north of Durban on Wednesday morning, police said.

Captain Shane Smith of the Serious and Violent Crimes Unit said they robbed the Coin Security van on the M4, between Umdloti and Sibaya Casino.

“The men, driving Toyota Corollas, fired shots at the van’s wheels bringing it to a standstill,” Smith said. The men then pointed guns at the guards and forced them out of the van.

They then took several cash boxes containing an estimated R700 000 and one firearm before fleeing the scene.

No one was injured in the incident and police are investigating.

([http://www.news24.com/News24/South\\_Africa/News/0,6119,2-7-1442\\_1987282,00.html](http://www.news24.com/News24/South_Africa/News/0,6119,2-7-1442_1987282,00.html))

9. (a) Careless or reckless behaviour when handling cash  
Excess money stored in the cash register  
Regular cash transfer routine (which can be observed by a potential offender)  
A safe that is visible to customers  
A money bag that is visible as it is carried to the bank
- (b) Visit the following website:  
<http://www.dir.qld.gov.au/workplace/subjects/retailsecurity/risk/cash/index.htm>



unit 1

## transactions in the cash book

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 2 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 1: Explain the purpose of the Cash book (receipts and payments)	1.1 The concept Cash book is explained 1.2 The source documents for Cash book transactions are identified 1.3 The types of Cash book transactions are identified and discussed 1.4 The purpose of the different types of the Cash book is explained.	1, 2, 3, 4, 5

### CHAPTER 2

### Activity 1: Different inventory systems

*Guidance and additional information*

Encourage the students do this fieldwork activity and talk to business owners in your area. Allow them to report back to the rest of the class so that they can benefit from each other's research.

*Suggested assessment*

Method Lecturer assessment

Form Written report and oral feedback

Tool Checklist

### Activity 2: Revise your knowledge of basic transactions

*Suggested answers*

Students complete the following table for each of the transactions:

No.	Source document	Account to Debit	Account to Credit	Amount (R)
1	Duplicate receipt or bank statement	Bank	Capital	400 000
2	Duplicate receipt or bank statement	Bank	Loan: Stratus Bank	30 000



No.	Source document	Account to Debit	Account to Credit	Amount (R)
3	Cheque counterfoil	Equipment	Bank	20 000
4	Cheque counterfoil	Drawings	Bank	3 000
5	Cheque counterfoil	Wages	Bank	1 500
6	Cash register roll	Bank	Current income	560
7	Cash register roll	Bank	Sales	3 000
		Cost of sales	Trading stock	2 500

*Suggested assessment*

Method Self-assessment

Form Written task

Tool Memorandum

## Daily task 1

*Suggested answers*

- (a) Dr Trading inventory (A+); Cr Bank (A-);  
(b) Dr Advertising (O-); Cr Bank (A-);  
(c) Dr Trading inventory (A-); Cr Bank (A-)
- (a) cheque counterfoil  
(b) cash register roll; cash sales invoice
- The Bank account is part of the Cash book
- Step 1: Decision making by owner  
Step 2: Transaction takes place  
Step 3: Source document is generated

## Daily task 2

*Suggested answers*

- Each cash register operator begins the day with an amount of money (made up of coins and notes) in the cash register. The money deposited in the bank at the end of the day is all the money received that day MINUS the Cash float. The Cash float is kept for the next day. The initial Cash float is obtained by drawing a fixed amount by cheque and then cashing the cheque.
- All costs associated with getting the trading stock to the business should contribute to the cost price. With 'free delivery' the delivery costs are already built into the purchase price!
- $10\% \text{ of } R30\,000 = R3\,000$ .  $R30\,000 + R3\,000 = R33\,000$  to be repaid.  $R33\,000 \div 12 = R2\,750$  per month

### Activity 3: Analyse transactions

Suggested answers

	A =	E +	L	REASONS	DEBIT	CREDIT
1	+R400 000			Bank increases.	BANK	
		+R400 000		The owner's interest in the business increases.		CAPITAL
2	+30 000			Money in bank increases.	BANK	
			+30 000	Liability towards the bank increases.		LOAN: STRATUS BANK
	+R500			A bank float is created.	CASH FLOAT	
	−R500			Money in bank decreases.		BANK
3	+R200 000			Increases value of equipment.	EQUIPMENT	
		+R200 000		Money in bank decreases.		BANK
6	+R2 800			Value of stock increases.	TRADING INVENTORY	
		+R2 800		Money in bank decreases.		BANK
7		−R2 000		Expenses decrease owner's equity.	WAGES	
	−R2 000			Money in bank decreases.		BANK
9		−R1 400		Expenses decrease owner's equity.	ADVERTISING	
	−R1 400			Money in bank decreases.		BANK
12		−R625		Expenses decrease owner's equity.	TELEPHONE	
	−R625			Money in bank decreases.		BANK
13	+R3 400			Money in bank increases.	BANK	
		+R3 400		The income related to the transaction increases owner's equity.		SALES
		−R1 700		The expense related to the transaction decreases owner's equity.	COST OF SALES	
	−R1 700			Stock of goods decreases.		TRADING INVENTORY
14		−R2 000		Expenses decrease owner's equity.	WAGES	
	−R2 000			Money in bank decreases.		BANK
17		−R4 000		Owner's interest in business decreases.	DRAWINGS	
	−R4 000			Money in bank decreases.		BANK
21		−R2 000		Expenses decrease owner's equity.	WAGES	
	−R2 000			Money in bank decreases.		BANK

		-R2 000		Reduction in owner's interest in business.	DRAWINGS	
	-R2 000			Money in bank decreases.		BANK
	+R7 200				TRADING STOCK	
25		-R600			STATIONERY	
	-R7 800					BANK
	+R9 200			Money in bank increases.	BANK	
26		+R9 200		The income related to the transaction increases owner's equity.		SALES
		-R4 600		The expense related to the transaction decreases owner's equity.	COST OF SALES	
	-R4 600				TRADING STOCK	
		-R2 000		Expenses decrease owner's equity.	WAGES	
28	-R2 000			Money in bank decreases.		BANK
		-R4 000		Expenses decrease owner's equity.	RENT EXPENSE	
29	-R5 000			Money in bank decreases.		BANK
	+R2 900			Stock of goods decreases.	TRADING INVENTORY	
	-R2 900			Money in bank decreases.		BANK
	+R200			Additional cost increases value of stock.	TRADING INVENTORY	
	-R200			Money in bank decreases.		BANK
30			-R5 000	Liability to the bank for loan decreases.	LOAN: STRATUS BANK	BANK
	-R5 000			Money in bank decreases.		
	+R6 000			Money in bank increases.	BANK	
31		+R6 000		The income related to the transaction increases owner's equity.		SALES
		-R3 000		The expense related to the transaction decreases owner's equity.	COST OF SALES	
	-R3 000				TRADING STOCK	

### Suggested assessment

Method Self and peer assessment  
Form Written task  
Tool Memorandum

### Activity 4: Investigate the use of debit and credit cards

#### *Suggested answers*

Students visit a local business that accepts both debit and credit cards to determine certain information. You may want to warn some of the businesses in your area about this activity and ask them to assist your students. You could even give your students a list of 'friendly' businesses.

1. Students must distinguish between debit and credit cards. They must ask specifically about Visa, Mastercard and Diners Club cards.
2. They need a modem and card reader.
3. Ask students to interpret the answer they got – what can they deduce from that?
4. Ask students to interpret the answer they got – what can they deduce from that?

#### *Suggested assessment*

Method Group assessment  
Form Assignment  
Tool Checklist

### Daily task 3

#### *Suggested answers*

1. Cost price and the Profit
2. (a) = SP minus Profit  
(b) = CP + Profit

### Activity 5: Calculating the cost price

#### *Suggested answers*

Tent = R962,96  
Bike = R1 500  
Gym Equip = R53 84,62

#### *Suggested assessment*

Method Self and peer assessment  
Form Written task  
Tool Memorandum

### Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 1

*Suggested answers*

General ledger (including Bank Account)						Effect on A, E and L		
No.	Document	Subsidiary book	Account debited	Account credited	Amount	A	E	L
1	Duplicate ✓ receipt ✓	CB	Bank ✓	Capital ✓	15 000 ✓	+15 000 ✓	+15 000 ✓	
2	Bank state- ment ✓	CB	Insurance ✓	Bank ✓	600	-600 ✓	-600 ✓	
3	CRR ✓	CB	Bank ✓	Current income ✓	300	+300 ✓	+300 ✓	
4	CC ✓	CB	Trading inventory ✓	Bank ✓	2000	+2 000 ✓ -2 000 ✓		
5	CC ✓	CB	Trading inventory ✓	Bank ✓	400	+400 ✓ -400 ✓		
6	CRR ✓	CB	Bank ✓	Sales ✓	3 000	+3 000 ✓	+3 000	
			Cost of sales ✓	Trading inventory ✓	2 250	-2 250 ✓	-2 250	
7	CC ✓	CB	Equipment ✓	Bank ✓	5 000	+5 000 ✓ -5 000 ✓		
8	CC ✓	CB	Wages ✓	Bank ✓	500	-500 ✓	-500	
9	CC ✓	CB	Drawings ✓	Bank ✓	600	-600 ✓	-600	
10	Bank state- ment ✓	CB ✓✓	Bank ✓	Loan: Lon- don Bank ✓	10 000	+10 000 ✓		+10 000 ✓

*Suggested assessment*

Method Lecturer assessment

Form Class test

Tool Memorandum



## prepare the cash book

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 2 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 2: Prepare the Cash book	2.1 The relationship between the source documents and the Cash book transactions are explained 2.2 The correct entries from the source documents into the Cash book are demonstrated. Range: practical exercises from source documents to Cash book using the continuous stock system. 2.3 Closing of Cash book at the end of each month is demonstrated	1, 2

### CHAPTER 2

#### Daily task 1

*Suggested answers*

Here are some examples:

- On 2 April a cheque for R130 000 was issued to HABA Trucks for a new delivery vehicle.
- On 5 April the owner asked for a cash cheque for R2 500 to use to pay household expenses.
- According to the cash register at the end of 7 April the total cash sales was R45 900. The business uses a 50% mark-up policy.

#### Daily task 2

*Suggested answers*

- It serves as the Bank account in the General ledger.
  - It provides analysis columns to make collective posting possible to the contra accounts in the General ledger.
- The Analysis of receipts column shows the different receipts for a given day and only the total amount deposited in the bank for the day is shown in the Bank column. Monies paid directly into the bank by other parties (e.g. the owner making a capital contribution) are not recorded in the Analysis of receipts column. The

Analysis of receipts column is not totalled at the end of the month, as it is transferred to the Bank column on a daily basis.

3. This happens when one cheque is used to pay one service provider for goods and/or services that affect more than one ledger account.
4. The double entry system requires that one account is debited and another is credited. The account to be credited is the contra account of the one to be debited and vice versa.
5. This happens when the next transaction took place on the same date.

### Activity 1: Prepare the Cash book and record transactions

*Suggested answers*

Cash book of Action Cycles										
Dr RECEIPTS – JULY 20.8 CB1										
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Cost of sales	Sundry accounts		
								Amount	Fol.	Details
R001	1	B. Motshoba		230 000	230 000			230 000		Capital
	3	Services rendered		300	300			300		Current income
	5	Sales		3 000	3 000	3 000	2400			
BS	10	Denver Bank			10 000			10 000		Loan: Denver Bank
	26	Sales		2 400	2 400	2 400	1 920			
PAYMENTS – JULY 20.8 Cr										
Doc.	Day	Details	Fol.	Bank	Wages	Trading inventory	Material costs	Sundry accounts		
								Amount	Fol.	Details
C001	1	Ahing Importers		20 000		20 000				
C002		Danie Couriers		250		250				
C003	2	Office Suppliers		5 000				5 000		Equipment
C004		De France Manufacturers		2 300			2 300			
C005	3	CNA		560				560		Stationery
C006	8	Cash		500	500					
C007	9	Drawings		600				600		Drawings
C008	15	Cash		500	500					
C009		Amstrong Suppliers		630			630			
C010	22	Cash		2 600	2 100			500		Drawings
C011	30	JBay insurance company		300				300		Insurance
C012		Telkom		457				457		Telephone

*Suggested assessment*

Method Self and peer assessment

Form Written task/Practical exercise

Tool Memorandum

**Daily task 3***Suggested answers*

1. Debit Bank; Credit Sales; Debit Cost of sales; Credit Trading inventory
2. Selling price and Cost price
3.  $R3000 \times 100 \div 125$
4. Cash register roll
5. Order form; delivery note

**Activity 2: Analyse General ledger accounts***Suggested answers*

1. R212 003
2.  $R20\,250 - R5\,400 = R14\,850$
3. Bank (R212 003); Equipment (R5 000); Trading inventory (R14 850)
4. Stationery; Insurance, Telephone, Wages, Material costs

*Suggested assessment*

Method Self and peer assessment

Form Written task/Practical exercise

Tool Memorandum

**Assess your progress**

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.



## Revision: Questions for revising Unit 2

Suggested answers

Cash book of The Appliances Doctor									
RECEIPTS – MARCH 20.8							CB3		
Dr							Sundry accounts		
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Current Income	Amount	Fol.	Details
1	5	P. Makweba		20 000	20 000		20 000		Capital
P	7	Services rendered		1 456	1 456	1 456			
P	14	Services rendered		2 313	2 313	2 313			
P	21	Services rendered		1 923	1 923	1 923			
P	28	Services rendered		3 112	3 112	3 112			

PAYMENTS – MARCH 20.8									
								Cr	
Doc.	Day	Details	Fol.	Bank	Stationery	Equipment	Material costs	Sundry accounts	
								Amount	Fol. Details
C001	3	Giddy Tools		1 340		1 340			
C002	5	City Dwellers Ltd		237				237	Rent expense
C003	10	Telkom		640				640	Drawings
C004	12	JHB News		900				900	Advertising
C005		Makro		510	210		300		
C006	19	Steel Products CC		2 300		2 300			
C007	24	CNA		50	50				
C008	26	Johnic Supplies		517			517		
C009	28	Mr Small		5 000				5 000	Salaries

[100 marks]

Allocate marks as follows:

Headings = 20 (minus 2 for every mistake)

Debit side entries 35 (minus 2 for every mistake)

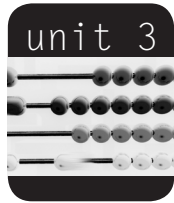
Credit side entries 45 (minus 2 for every mistake)

Suggested assessment

Method Lecturer assessment

Form Class test

Tool Memorandum



## post the cash book to the general ledger

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 2 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 3: Post the Cash book to the General ledger	3.1 The purpose of the General ledger is explained 3.2 The sections of the General ledger are explained. Range: Balance sheet and nominal accounts section. 3.3 Posting from the Cash book is explained and demonstrated 3.4 The closing off of the General ledger accounts is demonstrated	1, 2

### Activity 1: Make a poster

*Suggested answers*

1. Increase
2. Debit
3. Credit
4. Decreases
5. Owner's

*Suggested assessment*

Method Group assessment

Form Assignment

Tool Rubric no. 12

### Daily task 1

Remind students that the total of Column A is equal to the sum of the totals of columns B, C and D

*Suggested answers*

(a)

A		B	C	D
200		200		
1 600			1 600	
500				500

	3 100		3 100	
Totals	5 400		4 700	500

(b)

	A		B		C		D
	900		900				
	800				800		
	1 200						1 200
	2 500				2 500		
Totals	5 400		900		3 300		1 200

## Daily task 2

*Suggested answers*

1. This is when more money is paid out of the account than what is in the account.
2. Has a R0 balance. It is neither favourable nor unfavourable.
3. (a) Sales is an income and income increases owner's equity and owner's equity increases on the credit side.  
(b) Wages is an expense and expenses decrease owner's equity and owner's equity decreases on the debit side.
4. The individual posting is done to the individual accounts.
5. Debit Cost of sales and Credit Trading inventory

## Activity 1: Post to the General ledger

Cash book of Pets' Palace											
Dr								RECEIPTS – JANUARY 20. 8			CB1
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Cost of sales	Sundry accounts			
								Amount	Fol.	Details	
R001	1	M. Catt			250 000			400 000		Capital	
BS	2	Corner Bank		20 000	20 000			20 000		Loan: Corner Bank	
✓	13	Sales		2 400	2 400	2 400	1 200				
✓	26	Sales		7 400	7 400	7 400	3 700				
✓	30	Current income		300				300			
✓	30	Sales		4 000	4 000	4 000	2 000				
					283 800	13 800		42 300			
							6 900				
Dr								RECEIPTS – FEBRUARY 20. 8			CB2
	1	Balance	b/d		245 385			245 385			

PAYMENTS – JANUARY 20.8								CB1	Cr	
Doc.	Day	Name of payee	Fol.	Bank	Wages	Trading inventory	Repairs	Sundry accounts		
								Amount	Fol.	Details
CC 001	2			500		500			Cash float	
CC 002	4			700	700					
CC 003	8			20 000				20 000	Vehicles	
CC 004	10			280			280			
CC 005	12			700	700					
CC 006				3 825		3 200		625	Stationery	
CC 007	15			1 200				1 200	Telephone	
CC 008	17			4 000		4 000				
CC 009	22			700	700					
CC 010	25			610			610			
CC 011	28			1 300				1 300		
CC 012	29			500				500	Stationery	
CC 013				1 400		1 400				
CC 014				700	700					
CC 015	30			2 000				2 000	Loan: Corner Bank	
	31	Balance	c/d	245 385				245 385		
				283 800	2 800	9 100	890	25 625		

*Suggested assessment*

Method Self and peer assessment

Form Written task/Practical exercise

Tool Memorandum

## Activity 2: Balance the accounts

*Suggested answers*

Dr				Drawings				B2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7									
Feb. 8	Bank	CB1	5 200						
23	Bank	CB1	1 080						
			6 280						

Dr Trading inventory				B4 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Feb. 28	Bank	CB1	19 100	20.7 Feb. 28	Cost of sales	CB1	12 850
					Balance	c/d	6 250
			19 100				19 100

Dr Loan: Stratus Bank				B6 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Feb. 30	Bank	CB1	5 000	20.7 Feb. 2	Bank	CB1	30 000
	Balance	c/d	25 000				
			30 000				30 000

*Suggested assessment*

Method Self and peer assessment

Form Written task/Practical exercise

Tool Memorandum

## Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 3

[100 marks]

### Cash book of Lemmer Traders

Dr RECEIPTS – MARCH 20.8										
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Current income	Sundry accounts		
								Amount	Fol.	Details
R 1	1	A. Lemmer		20 000	20 000			20 000		Capital
✓	5	Sales		6 720	6 720	6 720	5 376			
✓	14	Sales		500	500	500	400			
✓	28	Sales		2 100	2 100	2 100	1 680			
					29 320	9 320		20 000		
							7 456			

Dr RECEIPTS – APRIL 20.8										
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Current income	Sundry accounts		
								Amount	Fol.	Details
	1	Balance	b/d		14 950					

PAYMENTS – MARCH 20.8										Cr
Doc.	Day	Details	Fol.	Bank	Wages	Trading inventory	Sundry accounts			
							Amount	Fol.	Details	
C001	2	Office Display Ltd		2 120			2 120		Equipment	
C002		Pet's Stuff Distributors		5 220		5 220				
C003		Cash		200			200		Cash float	
C004	7	Cash		900	900					
C005	11	A. Lemmer		520			520		Drawings	
C006	13	Dog Food Suppliers CC		2 100		2 100				
C007		ABC Transport		150		150				
C008	14	Cash		900	900					
C009	21	Cash		1 150	900		250		Cash float	
C010	27	Telkom		1 360			805		Telephone	
							555		Drawings	
	31	Balance	c/d	14 700			14 700			
				29 320	2 700	7 470	19 150			

Allocate marks as follows:

Headings = 20 (minus 2 for every mistake)

Debit side entries 35 (minus 2 for every mistake)

Credit side entries 45 (minus 2 for every mistake)

*Suggested assessment*

Method Lecturer assessment

Form Class test

Tool Memorandum



## prepare the trial balance

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 2 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 4: Prepare the Trial balance	4.1 The purpose of the Trial balance is explained 4.2 The sections of the Trial balance are explained. Range: Balance sheet and nominal account section. 4.3 The Trial balance is demonstrated. Range: from General ledger to Trial balance	1, 2, 3

### Daily task 1

*Suggested answers*

1. Give five examples of accounts that will appear in the Balance sheet section of a Trial balance and another five accounts that will resort under the Nominal accounts section.
2. In which order should the ten accounts appear in the two sections?
3. If the Trial balance balances, but with the wrong totals, what could the possible reasons (errors) be?

### Activity 1: Give advice on an incorrect Trial balance

*Suggested answers*

Elizabeth Fashions					
Trial balance on 30 April 20.8					
			Fol.	Debit	Credit
		<i>Balance sheet section</i>			
		Capital	B1		450 000
		Drawings	B2	8 000	
		Equipment	B3	105 000	
		Vehicles	B4	215 000	
		Trading inventory	B5	72 000	

	Bank	CB1	138 653	
	Cash float	B6	300	
	<i>Nominal accounts section</i>			
	Sales	N1		153 333
	Cost of sales	N2	113 580	
	Current income	N3		50 400
	Advertising	N4	2 100	
	Rent expense	N5	21 000	
	Salaries	N6	12 000	
	Telephone	N7	4 900	
	Wages	N8	18 000	
	Water and electricity	N10	8 000	
			653 733	653 733

*Suggested assessment*

Method Self and peer assessment

Form Written task/Practical exercise

Tool Memorandum

## Activity 2: Prepare a Trial balance

*Suggested answers*

Hadedu Golf Shop					
Trial balance on 31 January 20.8					
			Fol.	Debit	Credit
	<i>Balance sheet section</i>				
	Capital	B1			400 000
	Drawings	B2		8 000	
	Buildings	B3		250 000	
	Equipment	B4		11 000	
	Trading inventory	B5		30 000	
	Bank	CB1		22 500	
	<i>Nominal accounts section</i>				
	Sales	N1			48 000
	Cost of sales	N2		16 000	
	Rent expense	N5		6 000	
	Repairs	N7		1 000	
	Stationery	N4		1 500	
	Wages	N8		3 000	
				448 000	448 000



#### *Suggested assessment*

Method Self and peer assessment  
Form Written task/Practical exercise  
Tool Memorandum

### **Daily task 2**

#### *Suggested answers*

1. Assets: Building; Vehicles
2. Liabilities: Loan XY Bank; Creditors
3. Owner's equity (in the Balance sheet section); Capital; Drawings
4. Expenses: Stationery; Wages
5. Income: Sales; Rent income

### **Activity 3: Interpret account balances**

#### *Suggested answers*

1. The Bank account has a debit balance of R3 000.  
The business has the money available to be withdrawn or cheques written out against.
2. The Equipment account has a debit balance of R140 000.  
The value of the equipment currently in the business.
3. The account Loan: Gear Bank has a credit balance of R25 000.  
The business borrowed money and may have paid some back, but this is how much is still outstanding
4. The Trading inventory has a debit balance of R51 000.  
The cost price of the goods for sale on the shelves.
5. The balance in the Sales account is R120 000.  
The turnover since the start of the financial year.
6. If the balance of the Cost of sales account is R90 000 – calculate the percentage mark-up on cost price that the business applies.  
Gross profit = R30 000.  $GP/CP \times 100 = \% \text{ mark-up}$ . Answer: 33,3%.
7. The balance of the Current income account is R2 000.  
The amount of money received for services rendered since the beginning of the financial year.
8. The Wages account balance is R5 000.  
Total of all payments made towards Wages in the current financial year.
9. The balance of the Rent expense account is R30 000. The business has been operating for 12 months and has rented the same premises from the start of the business. How much is the rent per month?  
 $R30\ 000 \div 12 = R2\ 500$  per month

#### *Suggested assessment*

Method Self and peer assessment  
Form Written task/Practical exercise  
Tool Memorandum

## Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 4

Suggested answers

Question 1:

[30 marks]

Ari's Book Shop					
Trial balance on 31 December 20.8					
			Fol.	Debit	Credit
		<i>Balance sheet section ✓</i>			
		Capital ✓	B1 ✓		140 000 ✓
		Drawings ✓	B2	11 000 ✓	
		Equipment ✓	B3	120 000 ✓	
		Trading inventory ✓	B4	56 000 ✓	
		Bank ✓	CB1 ✓		800 ✓
		Loan: XY Bank ✓	B5		10 000 ✓
		<i>Nominal accounts section ✓</i>			
		Sales ✓	N1 ✓		148 000 ✓
		Cost of sales ✓	N2	74 000 ✓	
		Electricity ✓	N3	2 300 ✓	
		Rent expense ✓	N4	7 200 ✓	
		Salaries ✓	N5	28 000 ✓	
				298 800 ✓	298 800 ✓

Question 2:

[20 marks]

General ledger of Ari's Book Shop							
Dr				Capital			
Date	Details	Fol.	Amount				
				20.8			
				Dec. 1	Balance	b/d	140 000
							✓✓
Dr				Drawings			
Date	Details	Fol.	Amount				
20.8							
Dec. 1	Balance	b/d	11 000				
✓✓							

Equipment				B <sub>3</sub> Cr			
Dr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Dec. 1	Balance	b/d	120 000				
✓✓							
Trading inventory				B <sub>4</sub> Cr			
Dr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Dec. 1	Balance	b/d	56 000				
✓✓							
Loan: XYZ Bank				B <sub>5</sub> Cr			
Dr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.8 Dec. 1	Balance	b/d	10 000
				✓✓			
Nominal accounts section							
Sales				N <sub>1</sub> Cr			
Dr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.8 Dec. 1	Balance	b/d	148 000
				✓✓			
Cost of sales				N <sub>2</sub> Cr			
Dr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Dec. 1	Balance	b/d	74 000				
✓✓							
Electricity				N <sub>3</sub> Cr			
Dr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Dec. 1	Balance	b/d	2 300				
✓✓							
Rent expense				N <sub>4</sub> Cr			
Dr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Dec. 1	Balance	b/d	7 200				
✓✓							
Salaries				N <sub>5</sub> Cr			
Dr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Dec. 1	Balance	b/d	28 000				
✓✓							

Suggested assessment  
Method Lecturer assessment  
Form Class test  
Tool Memorandum

## Chapter challenge

Suggested answers

[125 marks]

### CHAPTER 2

#### Cash book of Hankey Hardware

Dr RECEIPTS – OCTOBER 20.8											
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Cost of sales	Current income	Sundry accounts		
									Amount	Fol.	Details
	1	Balance	b/d		101 304				101 304		
P	3	Sales		4 350	4 350	4 350	3 480				
		Services rendered		5 300				5 300			
P	10	Sales		9 840	9 840	9 840	7 872				
		Services rendered		4 890				4 890			
P	17	Sales		12 400	12 400	12 400	9 920				
		Services rendered		2 300				2 300			
P	24	Sales		10 800	10 800	10 800	8 640				
		Services rendered		7 430				7 430			
					138 694	37 390		19 920	101 304		
						/ N2	29 912	/ N3			
							N1/B5				

Dr RECEIPTS – NOVEMBER 20.8										
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Current income	Sundry accounts		
								Amount	Fol.	Details
	1	Balance	b/d		24 842			24 842		

PAYMENTS – OCTOBER 20.8											
Doc.	Day	Details	Fol.	Bank	Trading inventory	Wages	Material costs	Drawings	Sundry accounts		
									Amount	Fol.	Details
165	1	The Green Company		7 400					7 400	B4 /	Equipment
166		Cash		200					200	B6 /	Cash float
167	4	Ms Roux		860				860			

168	6	Prime Distributors		8 900	8 900						
169		Stop-Go Transport		200	200						
170		Life-guard CC		400		400					
171	7	Cash		1 950		1 950					
172	12	AutoMax Motors		75 000				75 000	B3 /	Vehicles	
173	14	Cash		2 250		2 250					
174		PE Cleaning Services		640		640					
175	18	Makro		612				612	N4 /	Stationery	
176	21	Cash		2 450		2 450					
177		The Bay Herald		700				700	N10	Advertising	
178	28	Cash		1 800		1 800					
179		Telkom		990			410	580		Telephone	
180	30	City Space CC		5 000				5 000		Rent expense	
181		L. Ngubeni		4 500				4 500		Salaries	
182		Balance	c/d	24 842			14 700				
				138 694	9 100	8 450	1 040	15 970	93 992		
				113 852	B5 /	N5 /	N9 /	B2 /			

## General ledger of Hankey Hardware

Dr				Capital				B1	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.8 Oct. 1	Balance	b/d	575 000		
Dr				Drawings				B2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.8 Oct. 1	Balance	b/d	52 000						
30	Bank	CB10	1 270						

Dr Vehicles B3 Cr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	160 000				
12	Bank	CB10	75 000				
Dr Equipment B4 Cr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	115 000				
	Bank	CB10	7 400				
Dr Trading inventory B5 Cr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	60 450	20.8 Oct. 30	Cost of sales	CB10	29 912
30	Bank	CB10	9 100		Balance	c/d	39 638
			69 550				69 550
20.8 Nov. 1	Balance	b/d	39 638				
Dr Cash float B6 Cr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	500				
	Bank	CB10	200				
Nominal accounts section							
Dr Cost of sales N1 Cr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	105 600				
30	Trading inventory	CB10	29 912				
Dr Sales N2 Cr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.8 Oct. 1	Balance	b/d	132 000
				30	Bank	CB10	37 390
Dr Current income N3 Cr							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.8 Oct. 1	Balance	b/d	19 560
				30	Bank	CB10	19 920

Dr Vehicle expenses N4				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	7 900				
Dr Wages N5				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	32 000				
30	Bank	CB10	8 450				
Dr Telephone N6				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	7 456				
28	Bank	CB10	580				
Dr Rent expense N7				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	60 000				
30	Bank	CB10	5 000				
Dr Stationery N8				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	12 000				
18	Bank	CB10	612				
Dr Material costs N9				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	10 650				
30	Bank	CB10	1 040				
Dr Advertising N10				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 1	Balance	b/d	1 700				
21	Bank	CB10	700				
Dr Salaries N11				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Oct. 30	Bank	CB10	4 500				

## Hankey Hardware

Trial balance on 31 October 20.8					
			Fol.	Debit	Credit
		<i>Balance sheet section</i>			
		Capital	B1		575 000
		Drawings	B2	53 270	
		Vehicles	B3	235 000	
		Equipment	B4	122 400	
		Trading inventory	B5	39 638	
		Bank	CB1	44 762	
		Cash float	B6	700	
		<i>Nominal accounts section</i>			
		Cost of sales	N1	135 512	
		Sales	N2		169 390
		Current income	N3		39 480
		Vehicle expenses	N4	7 900	
		Wages	N5	40 450	
		Telephone	N6	8 036	
		Rent expense	N7	65 000	
		Stationery	N8	12 612	
		Material costs	N9	11 690	
		Advertising	N10	2 400	
		Salaries	N11	4 500	
				783 870	783 870

Suggested assessment

Method Lecturer assessment

Form Class test

Tool Memorandum



# chapter 3

## credit sales transactions

### About this chapter

This table summarises the work covered in Chapter 3.

Chapter 3 Credit sales transactions		
Unit 1 Credit sales and returns	Unit 2 Maintaining debtors' accounts	Unit 3 The General journal
<ul style="list-style-type: none"> <li>• Credit sales and returns</li> <li>• Recording credit sales transactions in the Debtors journal and returns in the Debtors allowances journal.</li> <li>• Posting the Debtors journal and the Debtors allowances journal to the General ledger</li> <li>• Recording receipts from debtors in the Cash book and posting to the General ledger</li> </ul>	<ul style="list-style-type: none"> <li>• Posting transactions from journals to the individual debtors' accounts</li> <li>• Reconciling debtors' accounts with the Debtors control account</li> <li>• Preparing an age analysis for the current month</li> <li>• Preparing monthly statements</li> </ul>	<ul style="list-style-type: none"> <li>• Recording bad debts, interest on overdue accounts, cancellation of discount on dishonoured cheques and correction of errors in the General journal</li> <li>• Posting the General journal to the General ledger</li> </ul>

### Learning outcomes and assessment standards

This chapter deals mainly with the Topic 3 of Applied Accounting Level 2: 'Conduct basic credit sales transactions'.

Unit 1 deals with the concept of credit sales and returns and identifies the source documents for these. Credit sales transactions are recorded in the appropriate journals and posted to the General ledger. Receipts from debtors and discounts allowed are also recorded. The Applied Accounting focus is Topic 3: Subject Outcomes 1, 2 and 4.

Unit 2 deals with maintaining debtors' accounts and preparing monthly statements. The Applied Accounting focus is Topic 3: Subject Outcome 5.

Unit 3 deals with other credit-related transactions in the General journal and the posting of the General journal to the General ledger. The Applied Accounting focus is Topic 3: Subject Outcome 3.

### Critical cross-field outcomes

Topic 3 relates to the following Critical cross-field outcomes:

1	Identify problems using creative thinking to manage finances and to determine progress in a business venture.
2	Work effectively with others as members of a team, group, organisation and community while performing accounting and financial procedures in a small business venture.

3	Organise and manage oneself and one's activities responsibly and effectively through various activities to be done in a small business venture.
4	Collect, analyse and organise information to simplify decision-making in a small business environment.
5	Communicate effectively using mathematical and/or language skills in the modes of written presentation of elementary management information.
6	Be culturally sensitive across a range of social contexts in determining factors influencing and contributing to the local economy.
7	Demonstrate an understanding of the world as a set of related systems by recognising that current economic affairs impact the individual and business venture.
8	Explore career and entrepreneurial opportunities by using a variety of strategies to learn more effectively, regarding elementary finances, recording of elementary accounting transactions and elementary economics.
9	Participate as a responsible citizen in the community by using accounting, financial and economic concepts as a means to manage him/herself and plan for future needs.

## Promoting the NCS principles in your classroom

### *Overcoming barriers to learning and development*

The introduction to this Lecturer's Guide refers to the importance of inclusive education and making provision for students with special educational needs.

You can assist students with special educational needs by allowing students to work in pairs. For example, in the case of visual impairment, the sighted partner can describe the activity to the visually impaired student. In the case of manual impairment, the able student can allow the other student to give input while the able student does the physical writing.

## Career opportunities

Although this chapter does not focus specifically on careers, some related careers have been identified and described in the margin notes throughout the chapter.

## Integration

We have indicated cross-curricular links with Financial Management in the table below. When you are preparing a vocational programme, you need to meet with vocational programme developers in related subjects.

Applied Accounting Level 2: Topic 3: Conduct basic credit sales transactions	Integration with Financial Management Level 2
SO 1 The concept of credit sales and returns (allowances) is explained: AS 1.1 The concept of debtors is explained. AS 1.2 The source documents for credit sales and returns (allowances) transactions are identified correctly.	Topic 1: SO 3: AS 3.2: All records pertaining to all financial and related transactions are kept and stored for input into books of account.
SO 2 Record credit sales transactions in the appropriate journals: AS 2.1 The relationship between the source documents and the credit sales and returns (allowances) transactions is explained. AS 2.2 The correct entries from the source documents into the subsidiary journals are demonstrated. AS 2.3 Closing of the subsidiary journals at the end of each month is demonstrated.	Topic 1: SO 1: AS 1.3: The various types of accounts are identified and explained in relation to own business venture. Topic 2: SO 1: AS 2.1: The ability to produce the following evidence: – Describe the techniques applied by retail/wholesale practices when selling goods for profit. – Selling goods for profit including mark-ups, mark-downs, discounts for cash.

<b>Applied Accounting Level 2: Topic 3: Conduct basic credit sales transactions</b>	<b>Integration with Financial Management Level 2</b>
SO 3 Record other credit-related transactions in the General journal: AS 3.1 Other credit-related transactions to be recorded in the General journal are identified. AS 3.2 Other credit-related transactions are recorded in the General journal. AS 3.3 Closing of General journal at the end of each month is demonstrated.	Topic 1: SO 1: AS 1.3 The various types of accounts are identified and explained in relation to own business venture. Topic 3: SO 1: AS 1.4 The legal requirements of valid cheques are explained.
SO 4 Post the journals to the General ledger : AS 4.1 Transactions from the journals are accurately posted to the General ledger accounts. AS 4.2 The closing off of the General ledger accounts is demonstrated.	Topic 1: SO 1: AS 1.3 The various types of accounts are identified and explained in relation to own business venture.
SO 5 Maintain debtors' accounts: (Range: Use control accounts system) AS 5.1 The concept of the Debtors ledger is explained. AS 5.2 Transactions from the journals are accurately posted to the individual debtors' accounts. AS 5.3 Debtors' accounts are reconciled with the Debtors control account. AS 5.4 Age analysis for the current month is prepared accurately. AS 5.5 Monthly statements are prepared accurately.	Topic 1: SO 1: AS 1.3; The various types of accounts are identified and explained in relation to own business venture.

## Resources

Lecturers and students can use resources such as libraries, encyclopaedias, the Internet and a variety of business magazines to find out more about the topics covered in this chapter. For example:

- Groenewald, et al. 2003. *Applied Accounting NIC/N2*. Seyfferdt Publishers. Bapsfontein
- Boshua & Schutte. 2002. *Basic Financial Accounting*. Juta. Lansdowne
- Green, S. et al. *Trendsetter series*. Cuali Books. Centurion
- [www.bized.ac.uk](http://www.bized.ac.uk)
- [www.marketinglecturer.com](http://www.marketinglecturer.com)
- [www.finlit.com](http://www.finlit.com)
- [www.umsl.edu](http://www.umsl.edu)

## Assessment

See the notes on assessment in the introduction to this book for an explanation of how assessment takes place in the chapters and for rubrics that can be used to assess activities. You will find detailed guidance for assessing activities in the discussion of each unit.

## Getting started

*Guidance and additional information*

### Advantages of credit sales for Just Sport

- Increased sales: Credit provides an avenue for impulse buying. When you offer your customers the ability to purchase an item instantly, they are much more likely to follow through and buy. The easier you make it to buy, the more often it will happen.
- Sell expensive items faster/easier: Expensive items can be the hardest items to sell, but if buyers are allowed to buy on account, they will be able to spread their payments over several months.
- Just Sport can charge a higher price for items because of finance and interest charges that are added on to the sales price.

### Advantages of credit sales for the customers

- Customers enjoy the good or service now and don't have to wait too long for more expensive purchases. They are able to buy needed items instantly and only settle their account later.
- Customers don't have to carry cash around. Accounts are more convenient and secure than cash or cheques.
- Though you end up paying more, it enables you to spread the cost of expensive purchases over a number of months.
- Accounts create a record of purchases.
- Customers have the ability to consolidate bills into one payment.
- It is important in this activity to also point out the disadvantages of credit sales for both parties and discuss to what extent the advantages outweigh the disadvantages.

### Disadvantages of credit sales for Just Sport

- There is the possibility that customers will not pay their debt, which can result in Just Sport carrying a loss.
- The fact that the sales price of items might increase because of finance and interest charges may put some customers off buying.

### Disadvantages of credit sales for customers

- Potential higher cost of items because of interest and finance charges if the amount is paid back over time.
- Increased impulse buying – buying things you don't need right now.
- The danger of spending beyond your means, resulting in financial difficulties.
- It is easy to lose track of what you've spent – lots of small purchases can add up quickly, especially as customers only see their statements once a month.
- Not paying your account on time can negatively affect your credit history, making it more difficult to buy on credit in the future.

*Suggested assessment*

Method	Observation-based assessment
Form	Class work
Tool	Oral presentation



## credit sales and returns

### Unit outcomes

The table on page 135 of the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 3 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO1: The concept of credit sales and returns (allowances) is explained.	1.1 The concept of debtors is explained. 1.2 The source documents for credit sales and returns (allowances) transactions are identified correctly.	1, 6, 12, 15 2, 7, 13, 15
SO 2: Record credit sales transactions in the appropriate journals.	2.1 The relationship between the source documents and the credit sales and returns (allowances) transactions is explained. 2.2 The correct entries from the source documents into the subsidiary journals are demonstrated. 2.3 Closing off the subsidiary journals at the end of each month is demonstrated.	3, 5, 8, 14, 15 3, 8, 10, 13, 14, 15 3, 5, 8, 10, 13, 14, 15
SO 4: Post the journals to the General ledger.	4.1 Transactions from the journals are accurately posted to the General ledger accounts. 4.2 The closing off of the General ledger accounts is demonstrated.	4, 5, 9, 10, 14, 15 4, 5, 9, 10, 14, 15

### Daily task 1

#### Suggested answers

- Any individual or business that owes money to an enterprise is known as a trade debtor.
- Debtors control is a current asset because money will be received in a relatively short period of time.
- Creditworthiness is the extent to which a customer can safely be granted credit.
- Debtors control: debited  
Sales: credited  
Trading inventory: credited  
Cost of sales: debited

### Activity 1: Analyse cash and credit sales

*Guidance and additional information*

The transactions can be analysed as follows:

Date	A =	E +	L	REASON
5	+ 3 500	+ 3 500	0	Bank (asset) increases and Sales (income) increases equity.
	- 1 750	- 1 750	0	Trading inventory (asset) decreases and Cost of sales (expense) decreases equity.
11	+ 3 600	+ 3 600	0	Debtors control (asset) increases and Sales (income) increases equity.
	- 1 800	- 1 800	0	Trading inventory (asset) decreases and Cost of sales (expense) decreases equity.

#### Note

The Cost of sales is calculated as follows:

5th:  $R3\ 500 \times 100 \div 200 = R1\ 750$

11th:  $R3\ 600 \times 100 \div 200 = R1\ 800$

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

### Daily task 2

*Suggested answers*

1. A credit term is the maximum period of time that a customer has to pay for the outstanding debt.
2. The invoice records the name and address of the customer, the number of goods bought or sold, the selling price of these goods and the total amount of the invoice.
3. When a business sells goods on credit, an invoice is drawn up. The original invoice is given to the customer and the duplicate invoice remains in the business and is used to record the credit transaction.

### Activity 2: Complete the invoices

*Suggested answers*

The following invoices contain all the information required by this activity:

 Takkie Traders 56 Sweat Street Ficksburg 9730		INVOICE NO 90		
<b>To:</b> P. Schumann 122 Race Road Ficksburg 9730		<b>Date:</b> 09/06/07 <b>Terms:</b> 30 days		
QUANTITY	DESCRIPTION	CODE	PRICE	TOTAL
1	Pair of Nike takkies	BGG/GG	R640,00	R640,00
1	Pair of Adidas takkies	DAG/GG	R560,00	R560,00
<b>TOTAL</b>				<b>R1 200,00</b>

 Takkie Traders 56 Sweat Street Ficksburg 9730		INVOICE NO 91		
<b>To:</b> S. Mbonambi 234 Third Street Ficksburg 9730		<b>Date:</b> 15/06/07 <b>Terms:</b> 30 days		
QUANTITY	DESCRIPTION	CODE	PRICE	TOTAL
4	Pairs of Nike socks	LO/LA	R34,00	R136,00
<b>TOTAL</b>				<b>R136,00</b>

#### Suggested assessment

Method Task-based assessment

Form Written exercise

Tool Marking memorandum

### Daily task 3

#### Suggested answers

1. Cash sales are recorded in the Cash book Receipts.
2. We record credit sales in the Debtors journal.
3. We record credit sales in the Debtors journal on a daily basis.
4. Recording transactions in journals is Step 3 in the accounting cycle.

### Activity 3: Practise working with credit sales

*Suggested answers*

1. The following invoices show all the information required by this activity:

Extreme Sports 33 Fitness Street Parow 7500		<b>EXTREME SPORTS</b>		INVOICE NO 105	
<b>To:</b> S. Schuba 77 Long Street Goodwood 7460		<b>Date:</b> 03/10/07 <b>Terms:</b> 30 days			
<b>QUANTITY</b>	<b>DESCRIPTION</b>	<b>PRICE</b>	<b>TOTAL</b>		
1	Diving suit	R520,00	R520,00		
2	Pairs of diving goggles	R310,00	R620,00		
<b>TOTAL</b>			<b>R1 140,00</b>		

Extreme Sports 33 Fitness Street Parow 7500		<b>EXTREME SPORTS</b>		INVOICE NO 106	
To: J. Bungee 75th Avenue Stellenbosch 7600		Date: 15/10/07 Terms: 30 days			
QUANTITY	DESCRIPTION	PRICE	TOTAL		
1	Nike tracksuit top	R390,00	R390,00		
1	Nike tracksuit pants	R460,00	R460,00		
TOTAL			R850,00		

Extreme Sports 33 Fitness Street Parow 7500		<b>EXTREME SPORTS</b>		INVOICE NO 107	
<b>To:</b> S. Schuba 77 Long Street Goodwood 7460		<b>Date:</b> 23/10/07 <b>Terms:</b> 30 days			
<b>QUANTITY</b>	<b>DESCRIPTION</b>	<b>PRICE</b>	<b>TOTAL</b>		
1	Pair of flippers	R240,00	R240,00		
<b>TOTAL</b>			<b>R240,00</b>		



2. The effect on the basic accounting equation is as follows:

Date	A =	E +	L	REASON
3	+ 1 140	+ 1 140	0	Debtors control (asset) increases and Sales (income) increases equity.
	– 912	– 912	0	Trading inventory (asset) decreases and Cost of sales (expense) decreases equity.
15	+ 850	+ 850	0	Debtors control (asset) increases and Sales (income) increases equity.
	– 680	– 680	0	Trading inventory (asset) decreases and Cost of sales (expense) decreases equity.
23	+ 240	+ 240	0	Debtors control (asset) increases and Sales (income) increases equity.
	– 192	– 192	0	Trading inventory (asset) decreases and Cost of sales (expense) decreases equity.

#### Note

The calculation of the Cost of sales is as follows:

3rd:  $R1\,140 \times 100 \div 125 = R912$

15th:  $R850 \times 100 \div 125 = R680$

23rd:  $R240 \times 100 \div 125 = R192$

3. The Debtors journal should be completed as follows:

Extreme Sports					
Debtors journal – October 20.7					DJ1
Inv.	Day	Debtor	Fol.	Sales	Cost of sales
105	3	S. Schuba		1 140	912
106	15	J. Bungee		850	680
107	23	S. Schuba		240	192
				3 370	1 784

#### Suggested assessment

Method Task-based assessment

Form Written exercise

Tool Marking memorandum

## Activity 4: Post from the Debtors journal to the General ledger

*Suggested answers*

The General ledger of Extreme Sports should look like this at the end of October 20.7:

General ledger of Extreme Sports							
Balance sheet section							
Dr				+ Trading inventory (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 1	Balance	b/d	34 975	20.7 Oct. 31	Cost of sales	DJ1	1 784
					Balance	c/d	33 191
			34 975				34 975
20.7 Nov. 1	Balance	b/d	33 191				
Nominal accounts section							
Dr				– Sales (Income) +			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 1	Balance	b/d	1 330	20.7 Oct. 31	Balance	b/d	4 700
31	Sales	DJ1	3 370				
			4 700				4 700
20.7 Nov. 1	Balance	b/d	4 700				
Dr				+ Cost of sales (Expense) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Oct. 1	Total	b/f	15 778				
31	Trading inventory	DJ1	1 784				
			17 562				

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 4

### Suggested answers

1. The Sales column in the Debtors journal is posted to the **debit** side of the Debtors control account in the General ledger.
2. The Sales column in the Debtors journal is also posted to the **credit** side of the Sales account in the General ledger.
3. The Cost of sales column in the Debtors journal is posted to the **credit** side of the Trading inventory account in the General ledger.
4. The Cost of sales column in the Debtors journal is also posted to the **debit** side of the Cost of sales account in the General ledger.

## Activity 5: Use the Debtors journal and the General ledger

### Suggested answers

The Debtors journal of Bela-Bela Traders should look like this at the end of August 20.7:

Bela-Bela Traders Debtors journal – August 20.7						DJ1
Inv.	Day	Debtor	Fol.	Sales	Cost of sales	
115	3	M. Conradie		310	155	
116	21	S. Botha		760	610	
117	29	L. Daniels		740	555	
				1 810	1 320	
				B2/N1	B1/N2	

The General ledger of Bela-Bela Traders should look like this at the end of August 20.7:

General ledger of Bela-Bela Traders							
Balance sheet section							
Dr				+ Trading inventory (Asset) –			
				B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Balance	b/d	36 498	20.7 Aug. 30	Cost of sales	DJ1	1 320
					Balance	c/d	35 178
			36 498				36 498
Sept. 1	Balance	b/d	35 178				
Dr				+ Debtors control (Asset) –			
				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Balance	b/d	2 828				
30	Sales	DJ1	1 810				
			4 638				

Nominal accounts section							
Dr				– Sales (Income) +		N1 Cr	
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Aug. 1	Total	b/f	90 195
				30	Debtors control	DJ1	1 810
							92 005
Dr				+ Cost of sales (Expense) –		N2 Cr	
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Total	b/f	50 547				
30	Trading inventory	DJ1	1 320				
			51 867				

**Note**

The calculation of the Cost of sales is as follows:

$$3\text{rd: } R310 \times 100 \div 200 = R155$$

$$21\text{st: } \text{TOPWINDERS}$$

$$0 \ 1 \ 2 \ 3 \ 4 \ 5 \ 6 \ 7 \ 8 \ 9$$

$$\text{DOT/TT} = R610,00$$

$$29\text{th: } R828 \times 100 \div 133,3 = R555$$

The entry on the 11th will not be entered in the Debtors journal because it is a cash sales transaction, which will be entered in the Cash book. For the purpose of this exercise students have to ignore the cash entry on the 11th when posting to the General ledger.

*Suggested assessment*

Method Task-based assessment

Form Written exercise

Tool Marking memorandum

**Activity 6: Analyse credit sales returns**

*Suggested answers*

The effect on the basic accounting equation is as follows:

Date	A =	E +	L	REASON
13	– 1 400	– 1 400	0	Debtors control (asset) decreases and Debtors allowances (expense) decreases equity.
	+ 700	+ 700	0	Trading inventory (asset) increases and Cost of sales (expense) decreases which causes an increase in equity.
21	– 60	– 60	0	Debtors control (asset) decreases and Debtors allowances (expense) decreases equity.

**Note**

The calculation of the Cost of sales is as follows:

13th:  $R1\,400 \times 100 \div 200 = R700$

21st: This entry involves no Cost of sales entry, because no actual goods were returned.

*Suggested assessment*

Method Self-assessment

Form Written exercise


Tool Marking memorandum


**Daily task 5***Suggested answers*

- Reasons for changes to debtors' accounts include:
  - Return of poor quality goods sold
  - Return of goods not as per order
  - Discount or reduction on the purchase price of damaged goods
  - Allowance granted because of an overcharge on a previous sale
- When goods are returned by debtors, we cannot debit the sales account because we need to monitor how many goods are being returned and therefore we need the Debtors allowances account to perform this function effectively.
- Debtors control: credited  
Debtors allowances: debited  
Trading inventory: debited  
Cost of sales: credited

**Activity 7: Complete credit notes***Suggested answers*

The credit notes should contain the following information:

 <b>Takkie Traders</b> 56 Sweat Street Ficksburg 9730		INVOICE NO 91		
<b>To:</b> P. Schumann 122 Race Road Ficksburg 9730		<b>Date:</b> 12/06/07 <b>Terms:</b> 30 days		
QUANTITY	DESCRIPTION	CODE	PRICE	TOTAL
1	Correction of overcharge on Invoice 90		R80,00	R80,00
<b>TOTAL</b>				<b>R1 200,00</b>

 <b>Takkie Traders</b> 56 Sweat Street Ficksburg 9730		INVOICE NO 91		
<b>To:</b> S. Mbonambi 234 Third Street Ficksburg 9730		<b>Date:</b> 15/06/07 <b>Terms:</b> 30 days		
QUANTITY	DESCRIPTION	CODE	PRICE	TOTAL
1	Pair of Nike socks returned	LO/LA	R34,00	R34,00
<b>TOTAL</b>				<b>R34,00</b>

*Suggested assessment*

Method Task-based assessment

Form Written exercise

Tool Marking memorandum

## Daily task 6

*Suggested answers*

1. The credit note records the name and address of the customer, the number of goods returned or the allowance granted and the total amount by which the debtors' account will be credited (decreased).
2. The original credit note is sent to the debtor to confirm that the business has received the returned items or granted the allowance and the duplicate credit note is retained by the business for processing.

## Activity 8: Record transactions in the DAJ

*Suggested answers*

The Debtors allowances journal of Takkie Traders should look like this at the end of June 20.7:

Takkie Traders					
Debtors allowances journal – June 20.7					DAJ1
C/N	Day	Debtor	Fol.	Debtors allowances	Cost of sales
29	12	P. Schumann		80,00	–
30	17	S. Mbonambi		34,00	21,25
				114,00	21,25

### Note

There is no Cost of sales entry for the transaction on the 12th because it was an allowance for an overcharge and no goods were returned.

### Suggested assessment

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 7

### Suggested answers

1. Debtors' returns or allowances cannot be recorded in the Cash book or the Debtors journal and therefore the Debtors allowances journal is used to record allowances to debtors for the month.
2. The source document used for the Debtors allowances journal is the duplicate credit note.
3. The Cost of sales column is not used for every transaction, only in cases where stock is returned by debtors.

## Activity 9: Post transactions to the General ledger

### Suggested answers

The General ledger of Takkie Traders should look like this at the end of June 20.7:

General ledger of Takkie Traders									
Balance sheet section									
Dr				+ Trading inventory (Asset) –				B1	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 June 30	Cost of sales	DAJ1	21,25						
Dr				+ Debtors control (Asset) –				B2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 June 30	Debtors allowances	DAJ1	114,00		
Nominal accounts section									
Dr				+ Debtors allowances (Expense) –				N1	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 June 30	Debtors control	DAJ	114,00						
Dr				+ Cost of sales (Expense) –				N2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 June 30	Trading inventory	DAJ1	21,25		

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

**Daily task 8***Suggested answers*

1. The Debtors allowances column in the Debtors allowances journal is posted to the **credit** side of the Debtors control account in the General ledger.
2. The Debtors allowances column in the Debtors allowances journal is also posted to the **debit** side of the Debtors allowances account in the General ledger.
3. The Cost of sales column in the Debtors allowances journal is posted to the **debit** side of the Trading inventory account in the General ledger.
4. The Cost of sales column in the Debtors allowances journal is also posted to the **credit** side of the Cost of sales account in the General ledger.

**Activity 10: Credit sales project***Guidance and additional information*

This activity can form part of the Internal Continuous Assessment (ICASS) mark and can be included in the Portfolio of Evidence (POE). Read through the activity with the students to ensure that they all know what will be expected of them for this project and explain how you will go about assessing the project. Set a due date for the project.

*Suggested assessment*

Method Task-based assessment

Form Project

Tool Rubric

You can use the following rubric to assess this project:

**Assessment rubric**

Topic	No effort made	Needs attention	Good	Outstanding	Mark
	1–2	3–5	6–8	9–10	
<b>Credit sales transactions</b>	Incomplete and formulated incorrectly; important information missing.	Some relevant transactions, but generally insufficient.	Most transactions formulated accurately. Some errors noted.	Most creative credit sales transactions. All formulated accurately.	
<b>Returns or allowances transactions</b>	Incomplete and formulated incorrectly; important information missing.	Some relevant transactions, but generally insufficient.	Most transactions formulated accurately. Some errors noted.	Most creative returns and allowances transactions. All formulated accurately.	
<b>Source documents (invoices and credit notes)</b>	Incomplete and formulated incorrectly; important information missing.	Some information correct, but many mistakes and omissions noted.	Most source documents are completed correctly. Some errors noted.	Excellent, most professionally and accurately drawn up and completed.	



Topic	No effort made	Needs attention	Good	Outstanding	Mark
	1–2	3–5	6–8	9–10	
<b>Completion of journals</b>	Mostly incorrect; student cannot differentiate between DJ and DAJ.	Some information entered correctly, but many mistakes noted.	Most transactions entered in appropriate journals and closed off correctly. Some errors noted.	Journals most accurately and neatly completed and closed off. No errors noted.	
<b>Posting to the ledger</b>	Incorrect; student does not understand the posting process.	Some information posted correctly, but generally incorrect.	Most information posted correctly. Some errors noted.	Most accurate posting to the ledger. No errors noted.	
<b>Professional layout and technical correctness of project</b>	Poor; many mistakes noted.	Reasonable, but some technical errors noted.	Generally well presented and neat.	Professionally done; work of a high standard.	
<b>Total: 50 marks</b>					

### Activity 11: Complete the journals and post to the GL

*Suggested answers*

The Debtors journal of Active Monkey Traders should look like this at the end of August 20.7:

Active Monkey Traders					
Debtors journal – August 20.7					DJ1
Inv.	Day	Debtor	Fol.	Sales	Cost of sales
46	5	M. Fivaz		960	600
47	11	K. Simpson		200	125
48	19	J. Morgan		280	175
49	25	M. Fivaz		440	275
				1 880	1 175
				B1/N1	B2/N2

The Debtors allowances journal of Active Monkey Traders should look like this at the end of August 20.7:

Active Monkey Traders					
Debtors allowances journal – August 20.7					DAJ1
C/N	Day	Debtor	Fol.	Debtors allowances	Cost of sales
23	15	M. Fivaz		240	150
24	19	K. Simpson		45	–
				285	150
				B1/N3	B2/N2

The General ledger of Active Monkey Traders should look like this at the end of August 20.7:

## General ledger of Active Monkey Traders

Balance sheet section							
Dr				+ Debtors control (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Balance	b/d	26 896	20.7 Aug. 30	Debtors allowances	DAJ1	285
30	Sales	DJ1	1 880		Balance	c/d	28 491
			28 776				28 776
Sept. 1	Balance	b/d	28 491				

## Note

The Cost of sales amounts in the Debtors journal and Debtors allowances journal are calculated using the following formula:

$$\text{Sales} \times 100 \div 160 = \text{Cost of sales}$$

Therefore the entry on the 5th:  $R960 \times 100 \div 160 = R600$

Dr				+ Trading inventory (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Balance	b/d	11 352	20.7 Aug. 30	Cost of sales	DJ1	1 175
30	Cost of sales	DAJ1	150		Balance	b/d	10 327
			11 502				11 502
Sept. 1	Balance	b/d	10 327				

Nominal accounts section							
				– Sales (Income) +			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Aug. 1	Total	b/f	40 800
				30	Debtors control	DJ1	1 880
							42 680
Dr				+ Debtors allowances (Expense) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Total	b/f	8 160				
30	Debtors control	DAJ1	285				
			8 445				
Dr				+ Cost of sales (Expense) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Total	b/f	25 500	20.7 Aug. 30	Trading inventory	DAJ1	150
30	Trading inventory	DJ1	1 175				
			26 675				

Let students add up all the amounts on the debit side of the General ledger and all the amounts on the credit side of the General ledger to check the double entry principle.

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

### Activity 12: Calculating discount

*Suggested answers*

The completed table should look like this:

Transaction	Balance	Discount	Bank
Debtor owing R300 pays account, 5% discount allowed.	R300	R15	R285
Received R190 from a debtor, discount allowed R10.	R200	R10	R190
Debtor owing R600 settled account with a R560 cheque.	R600	R40	R560
Debtor paid R500. Payment is subject to a 10% discount.	–	R50	R500
A debtor owing R400 settles his account less 2,5%.	R400	R10	R390

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

### Activity 13: Use the BAE to analyse receipts from debtors

*Suggested answers*

The effect on the basic accounting equation is as follows:

Date	A =	E +	L	REASON
23	– 350 + 350	0	0	Debtors control (asset) decreases and Bank (asset) increases. The net effect on assets is nil. There is no effect on equity.
	– 10	– 10	0	Debtors control (asset) decreases and Discount allowed (expense) decreases equity.
29	– 6 783 + 6 783	0	0	Debtors control (asset) decreases and Bank (asset) increases. The net effect on assets is nil. There is no effect on equity.
	– 357	– 357		Debtors control (asset) decreases and Discount allowed (expense) decreases equity.

#### Note

The calculation of the discount on the 29th is as follows:

$$R7\,140 \times 5 \div 100 = R357$$

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 9

*Suggested answers*

1. Receipts from debtors are recorded in the Cash book Receipts.
2. Discount allowed is an expense account.
3. Discount allowed has a negative effect on equity.
4. Businesses offer discounts to debtors to encourage prompt payment of accounts.
5. The original receipt is given to the debtor to confirm that the business has received money from him/her and the duplicate receipt is retained by the business for processing.

## Activity 14: Record receipts from debtors in the Cash book

*Suggested answers*

The Cash book of Takkie Traders should look like this at the end of June 20.7:

Cash book of Takkie Traders										
Dr RECEIPTS – JUNE 20.7							CB1			
Doc.	Day	Details	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control		Sundry accounts	
							Receipts	Discount allowed	Amount	Details
96	21	P. Schumann	1 092	1 092			1 092	28		
97	28	S. Mbonambi	90	90			90	12		
				1 182			1 182	40		

### Note

The calculation of the discount on the 21st is as follows:

$$R1\,120 \times 2,5 \div 100 = R28$$

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 10

*Suggested answers*

1. The Debtors control Receipts column in the Cash book is posted to the **credit** side of the Debtors control account in the General ledger.
2. The Debtors control Receipts column in the Cash book is also posted to the **debit** side of the Bank account in the General ledger.
3. The Debtors control Discount allowed column in the Cash book is posted to the **credit** side of the Debtors control account in the General ledger.
4. The Debtors control Discount allowed column in the Cash book is also posted to the **debit** side of the Discount allowed account in the General ledger.

### Activity 15: Test your knowledge of credit sales transactions

Suggested answers

The Cash book of Price Rite Traders should look like this at the end of March 20.7:

Cash book of Price Rite Traders										
RECEIPTS – MARCH 20.7										
Dr							CB1			
Doc.	Day	Details	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control		Sundry accounts	
							Receipts	Discount allowed	Amount	Details
251	13	R. Reddy	250	250			250	25		
252	30	K. Arthur	620	640			640	16		
				890			890	41		
							B2/B3	B2/N4		

The Debtors journal of Price Rite Traders should look like this at the end of March 20.7:

Price Rite Traders					
Debtors journal – March 20.7					
DJ1					
Inv.	Day	Debtor	Fol.	Sales	Cost of sales
159	5	K. Arthur		1 200	960
160	10	R. Reddy		1 000	800
161	21	K. Arthur		610	488
162	28	R. Reddy		135	108
				2 945	2 356
				B3/N1	B1/N3

The Debtors allowances journal of Price Rite Traders should look like this at the end of March 20.7:

Price Rite Traders					
Debtors allowances journal – March 20.7					
DAJ1					
C/N	Day	Debtor	Fol.	Debtors allowances	Cost of sales
72	15	K. Arthur		180	144
73	25	R. Reddy		40	–
				220	144
				B3/N4	B1/N3

The General ledger of Price Rite Traders should look like this at the end of March 20.7:

## General ledger of Price Rite Traders

Balance sheet section							
Dr				+ Trading inventory (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Mar. 1	Balance	b/d	23 000	20.7 Mar. 30	Cost of sales	DJ1	2 356
30	Cost of sales	DAJ1	144		Balance	b/d	20 788
			23 144				23 144
Apr. 1	Balance	b/d	20 788				
Dr				+ Bank (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Mar. 1	Balance	b/d	70 500				
30	Total receipts	CB1	890				
			71 390				
Dr				+ Debtors control (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Mar. 1	Balance	b/d	20 000	20.7 Mar. 30	Receipts	CB1	890
30	Sales	DJ1	2 945		Discount allowed	CB1	41
					Debtors allowances	DAJ1	220
					Balance	c/d	21 794
			22 945				22 945
Apr. 1	Balance	b/d	21 794				
Nominal accounts section							
Dr				– Sales (Income) +			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Mar. 1	Total	b/f	48 000
				30	Debtors control	DJ1	2 945
							50 945
Dr				+ Debtors allowances (Expense) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Mar. 1	Total	b/f	660				
30	Debtors control	DAJ1	220				
			880				

## Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 1

Suggested answers

### Question 1

Date	A =	E +	L	REASON
1	+ 600✓	+ 600✓	o	Debtors control (asset) increases✓ and sales (income) increases equity✓
	- 400✓✓	- 400✓✓	o	Trading inventory (asset) decreases✓ and Cost of sales (expense) decreases equity✓
7	- 120✓	- 120✓	o	Debtors control (asset) decreases✓ and Debtors allowances (expense) decreases equity✓
	+ 80✓✓	+ 80✓✓		Trading inventory (asset) increases✓ and Cost of sales (expense) decreases which causes an increase in equity✓
20	- 450✓ + 450✓	o✓	o	Debtors control (asset) decreases✓ and Bank (asset) increases.✓ The net effect on assets is nil. There is no effect on equity✓
	- 30✓	- 30✓		Debtors control (asset) decreases ✓and discount allowed (expense) decreases equity✓

### Note

The calculation of the Cost of sales is as follows:

1st:  $R600 \times 100 \div 150 = R400$

7th:  $R120 \times 100 \div 150 = R80$

### Question 2

2.1 & 2.4

Dr + Trading inventory (Asset) -				B3 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Feb. 1	Balance	b/d	18 770	20.7 Feb. 28	Cost of sales	CB1	14 850
28	Bank	CB ✓	14 381		Cost of sales	DJ✓	7 900
	Cost of sales✓	DAJ1	994		Balance	b/d	11 395✓✓
			34 145✓				34 145✓
Mar. 1	Balance	b/d	11 395✓✓				

2.2 The first Cost of sales entry is for cash sales ✓ from the cash book and the second Cost of sales entry is for credit sales ✓ from the Debtors journal.

2.3  $R19\,800 \times 100 \div 133.3 = R14\,850$  ✓✓

2.5 Cash sales total R19 800

Credit sales total  $R7\,900 \times 140 \div 100 = R11\,060$  ✓

Total sales =  $R19\,800 + R11\,060 = R30\,860$  ✓

## Question 3

3.1

## Cash book of Mario Traders

RECEIPTS – May 20.7										CB1
Dr	Doc.	Day	Details	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control		Sundry accounts
								Receipt	Discount allowed	
	320	19	R. Reddy	300	300 ✓			300 ✓	25 ✓	
	321	28	B. Criticos	460	460 ✓			460 ✓	23 ✓✓	
✓					760 ✓			760 ✓	48 ✓	

## Note

The calculation of discount for the entry on the 28th is:

$$R460 \times 5 \div 100 = R23$$

## Mario Traders

Debtors Journal – May 20.7						DJ1
Inv.	Day	Debtor	Fol	Sales	Cost of sales	
701	6	W. Mseleku		308 ✓✓		148 ✓✓
702	12	B. Criticos		360 ✓		220 ✓
703	15	J. Jonker		444 ✓		330 ✓
✓				1 112 ✓		698 ✓

## Note

The calculation of Cost of sales for the entry on the 6th is

$$R75 + (24,50 \times 2) + (12 \times 2) = R148$$

## Mario Traders

Debtors allowances journal – May 20.7						DAJ1
C/N	Day	Debtor	Fol	Debtors allowances	Cost of sales	
36	10	W. Mseleku		39 ✓		12 ✓
37	22	J. Jonker		24 ✓		–
✓				63 ✓		12 ✓

3.2

## General ledger of Mario Traders

Balance sheet section							
Dr				+ Debtors control (Asset) –		B3	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7				20.7			
May 1	Balance	b/d	8 900 ✓	May 30	Receipts ✓	CB1 ✓	760 ✓
30	Sales ✓	DJ1 ✓	1 112 ✓		Discount allowed ✓	CB1	48
					Debtors allowances ✓	DAJ1 ✓	63 ✓
					Balance	c/d	9 141 ✓✓
			10 012 ✓				10 012 ✓
June 1 ✓	Balance	b/d	9 141 ✓				



<b>Mario Traders</b>				<b>INVOICE NO: 701 ✓</b>	
53 De Jager Street Kraaifontein 7570					
To: W. Mseleku ✓			Date: 06/05/07 ✓		
Account number: 100792			Terms: 30 days		
Quantity	Description	Code	Price	Total	
1	Hacksaw	ES/MM	R110,00	R110,00	
2	Hammers	RO/SM	R60,00	R120,00	
2	Chisels	AR/MM	R39,00	R78,00	
✓	✓	✓	<b>TOTAL</b>	R308,00 ✓✓	

<b>Mario Traders</b>				<b>CREDIT NOTE NO: 36 ✓</b>	
53 De Jager Street Kraaifontein 7570					
To: W. Mseleku ✓			Date: 10/05/07 ✓		
Account number: 100792			Terms: 30 days		
Quantity	Description	Code	Price	Total	
1	Chisel	AR/MM ✓	R39,00	R39,00	
<b>TOTAL</b>				R39,00 ✓	

<b>Received from: B. Criticos ✓</b>			<b>Date: 28/05/07 ✓</b>			<b>Receipt 321 ✓</b>	
<b>Amount:</b>					<b>R</b>	<b>c</b>	
Four hundred ✓      Rand					400 ✓	00	
Nil ✓      Cents							
<b>For: Payment of account ✓</b>							
<b>Signature: M.Steyn</b>							



## maintaining debtors' accounts

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 3 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 2: Record credit sales transactions in the appropriate journals	2.2 The correct entries from the source documents into the subsidiary journals are demonstrated. 2.3 Closing of the subsidiary journals at the end of each month is demonstrated.	18, 19
SO 4: Post the journals to the General ledger	4.1 Transactions from the journals are accurately posted to the General ledger accounts. 4.2 The closing off of the General ledger accounts is demonstrated.	18, 19
SO 5: Maintain debtor's accounts	5.1 The concept of the Debtors ledger is explained. 5.2 Transactions from the journals are accurately posted to the individual debtors' accounts. 5.3 Debtors' accounts are reconciled with the Debtors control account. 5.4 Age analysis for the current month is prepared accurately. 5.5 Monthly statements are prepared accurately	16, 17, 18 and 19

### Daily task 1

#### *Suggested answers*

1. The purpose of the Debtors ledger is to enable the business to keep a running balance of amounts owed by debtors.
2. A Debtors list shows the total of what each debtor owes, it represents the individual debtors' accounts.
3. An invoice will be entered in the **debit** column of the Debtors ledger and will (increase/decrease) the debtors' account.
4. A credit note will be entered in the **credit** column of the Debtors ledger and will (increase/decrease) the debtors' account.
5. A receipt will be entered in the **credit** column of the Debtors ledger and will (increase/decrease) the debtors' account.

## Activity 1: Correct the Debtors ledger

Suggested answers

H. Dumpty								DL1	
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Jan.	1	Balance	b/d					7 680	–
	7	Invoice 332	DJ1	13 680	–			21 360	–
	14	Receipt 412	CB1			7 480	–	13 880	–
		Discount allowed	CB1			187	–	13 693	–
	21	Invoice 346	DJ1	1 328	–			15 021	–
	24	Invoice 149	DJ1	3 150	–			18 171	–
	29	Credit note 119	DAJ1			3 200	–	14 971	–
	30	Credit note 125	DAJ1			690	–	14 281	–

### Note

- The entry on the 27th must be taken out, because it is a cash entry.
- The calculation of the discount allowed on the 14th is as follows:  
 $R7\,480 \times 2,5 \div 100 = R187$ .
- The calculation of the trade discount on Invoice 332 is as follows:  
 $R14\,400 \times 5 \div 100 = R720$ .  $R14\,400 - R720 = R13\,680$ .

Let pairs mark each other's exercise.

Suggested assessment

Method Peer assessment

Form Written exercise

Tool Marking memorandum

## Activity 2: Draw up a statement of account

Suggested answers

STATEMENT OF ACCOUNT									
<b>From:</b> Eldorado Traders 9 Main Street ESCOMBE 4093  <b>To:</b> L. Clark PO Box 57 QUEENSBURGH 4070 <b>Credit terms:</b> 30 days <b>Credit limit:</b> R5 000					<b>Statement date:</b> 30/04/07  <b>Account no:</b> DL1 120 Reeves Street QUEENSBURGH 4093 Tel no: (031) 464 7800 Fax no: (031) 464 7801				
Date		Details	Fol.	Debit		Credit		Balance	
2007 Apr.	1	Balance	b/d					343	–
	4	Receipt	CB1			200	–	143	–
		Discount allowed	CB1			10	–	133	–

9	Invoice 225	DJ1	630	–		763	–
14	Credit note 98	DAJ1		80	–	683	–
23	Invoice 231	DJ1	1 008	–		1 691	–
<b>Age analysis:</b>		<b>Current</b>	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Total</b>	
		1 558,00	133,00	–	–	1 691,00	

**Note**

The calculation of the age analysis is as follows:

- Current: Invoices for the current month less credit notes for the current month:  
 $R630 + R1\ 008 - R80 = R1\ 558$
- 30 days: Balance from last month less payment made by debtor and discount allowed in current month:  $R343 - R200 - R10 = R133$

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

**Daily task 2**

*Suggested answers*

1. The type of information that should appear on a statement of account is: the debtor's full postal address, telephone and fax numbers, the credit limit and credit terms, arrangement with regard to discount, an age analysis, all transactions that occurred during the course of that month and any outstanding amounts from the previous month.
2. An age analysis entails drawing up a schedule of outstanding amounts that are classified according to the period outstanding. An age analysis is calculated as follows:  
 Current month: Invoices for the current month less credit notes for the current month.  
 30 days: Balance from last month less payment and discount allowed in current month.

**Activity 3: Project**

*Guidance and additional information*

Refer to the information about group work and group assessment in the introduction to this Lecturer's Guide. One of the rubrics given on these pages can be used or adapted to assess this task.

*Suggested assessment*

Method Group/Peer assessment

Form Oral feedback

Tool Rubric

## Activity 4: Enter transactions in the journals and post to the ledgers

Suggested answers

Cash book of Stoneage Nursery

RECEIPTS – August 20.7										CB1
Doc.	Day	Details	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control		Sundry accounts	
							Receipt	Discount allowed	Amount	Details
195	3	D. Botha	820	820			820	20		
196	6	K. de la Mare	720	720			720	36		
197	13	N. Naicker	672	672			672	–		
				2 212			2 212	56		

### Note

- The discount for the entry on the 3rd is calculated by taking the opening balance of D. Botha on the 1st (R840) less R820 paid = R20
- The calculation of discount for the entry on the 6th is as follows:  
 $R720 \times 5 \div 100 = R36$

Stoneage Nursery

Debtors journal – August 20.7						DJ1
Inv.	Day	Debtor	Fol.	Sales	Cost of sales	
123	5	K. de la Mare		720	450	
124	13	N. Naicker		1 344	840	
125	25	D. Botha		1 520	950	
				3 584	2 240	
				B3/N1	B1/N3	

Stoneage Nursery

Debtors allowances journal – August 20.7						DAJ1
C/N	Day	Debtor	Fol.	Debtors allowances	Cost of sales	
67	15	N. Naicker		128	80	
68	28	R. Reddy		228	–	
				356	80	
				B3/N4	B1/N3	

General ledger of Stoneage Nursery

+ Debtors control (Asset) –								B3	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Aug. 1	Balance	b/d	4 482	20.7 Aug. 30	Receipts	CB1	2 212		
30	Sales	DJ1	3 584		Discount allowed	CB1	56		
					Debtors allowances	DAJ1	356		
					Balance	c/d	5 442		
			8 066				8 066		
Sept. 1	Balance	b/d	5 442						

## Debtors ledger of Stoneage Nursery

K. de la Mare								DL1	
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Aug.	1	Balance	b/d					2 472	–
	5	Invoice 123	DJ1	720	–			3 192	–
	6	Receipt 196	CB1			720	–	2 472	–
		Discount allowed	CB1			36	–	2 436	–

N. Naicker								DL2	
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Aug.	1	Balance	b/d					1 170	
	13	Invoice 124	DJ1	1 344				2 514	
		Receipt 197	CB1			672		1 842	
	15	Credit note 67	DAJ1			128		1 714	

D. Botha								DL3	
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Aug.	1	Balance	b/d					840	–
	3	Receipt 195	CB1			820	–	20	–
		Discount allowed	CB1			20	–	–	
	25	Invoice 125	DJ1	1 520	–			1 520	–
	28	Credit note 68	DAJ1			228	–	1 292	–

## Debtors list as at 30 August 20.7

K. de la Mare	DL1	2 436
N. Naicker	DL2	1 714
D. Botha	DL3	1 292
		<b>5 442</b>

## Note

The total of the Debtors list reconciles with the balance in the Debtors Control account in the General ledger.

**Age analysis for Stoneage Nursery at 30 August 20.7**

	Current	30 days	60 days	90 days	Total
K. de la Mare	720	1 716			2 436
N. Naicker	1 216	498			1 714
D. Botha	1 292	0			1 292
TOTAL	3 228	2 214			5 442

**Calculations**

K. de la Mare: Current: R720  
 30 days: R2 472 – R720 – R36 = R1 752

N. Naicker: Current: R1 344 – R128 = R1 216  
 30 days: R1 170 – R672 = R498

D. Botha: Current: R1 520 – R228 = R1 292  
 30 days: R840 – R820 – R20 = 0

**Note**

The total of the Age analysis reconciles with the total of the Debtors list.

STATEMENT OF ACCOUNT									
<b>From:</b> Stoneage Nursery 12 Coombie Street MARIANHILL 3610				<b>Statement date:</b> 30/08/.7					
<b>To:</b> N. Naicker PO Box 57 QUEENSBURG 4070 Credit terms: 30 days Credit limit: R5 000				<b>Account no:</b> DL2 120 Reeves Street QUEENSBURG 4093 Tel no: (031) 464 7800 Fax no: (031) 464 7801					
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Aug.	1	Balance	b/d					1 170	–
	13	Invoice 124	DJ1	1 344	–			2 514	–
		Receipt 197	CB1			672	–	1 842	–
	15	Credit note 67	DAJ1			128	–	1 714	–
<b>Age analysis:</b>									
		Current	30 days	60 days	90 days	Total			
		1 216,00	498,00	–	–	1 714,00			

**Note**

The calculation of the age analysis is as follows:

- Current: Invoices for the current month less credit notes for the current month:  
 $R1\ 344 - R128 = R1\ 216$
- 30 days: Balance from last month less payment made by debtor and discount allowed in current month:  $R1\ 170 - R672 = R498$

*Suggested assessment*

Method Lecturer assessment  
 Form Written exercise  
 Tool Marking memorandum

## Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 2

Suggested answers

### Question 1

[30]

Debtors ledger of Ping Golf Shop

E. Inderjeedt				DL1				
Date		Details	Fol.	Debit		Credit		Balance
20.7								
Feb.	1	Balance ✓	b/d					1 170 ✓
	5	Invoice X11 ✓	DJ1 ✓	2 150	✓			3 320 ✓
	8	Receipt 601 ✓	CB1 ✓			1 300	✓	2 020 ✓
	12	Cheque 319 ✓	CB1 ✓			50	✓	1 970 ✓
	21	Invoice X13 ✓	DJ1	600	✓			2 570 ✓
	24	Credit note 56 ✓	DAJ1 ✓			250	✓	2 320 ✓
	30	Receipt 606 ✓	CB1			2 088	✓✓	232 ✓
	✓	Discount allowed ✓	CB1			232	✓✓	– ✓

### Question 2 [10]

- The balance of the Debtors control account would be R132 less than it should be. ✓✓
- No effect, it would only affect the Debtors ledger ✓✓
- No effect, it would only affect the Debtors ledger ✓✓
- The balance of the Debtors control account would be R34 more than it should be. ✓✓
- No effect; cash sales do not affect Debtors control. ✓✓



### Question 3

[15]

STATEMENT OF ACCOUNT									
From: Hurstwood Traders 119 Village Road HILLCREST 3650						Statement date: 30/05/07			
To: J. Duma		Account no: DL1		Credit terms: 30 days		Credit limit: R15 000			
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Oct.	1	Balance	b/d					9 920	
	8	Invoice 331	DJ1	10 800	–			20 720	✓
	19	Credit note 123	DAJ1			160	–	20 560	✓
	22	Invoice 332	DJ1	5 400	–			25 960	✓
	25	Receipt 442	CB1			9 648	–	16 312	✓
		Discount allowed	CB1			230	–	16 082	✓
Age analysis:									
		Current	30 days	60 days	90 days	Total			
		16 040	42	16 082					
		✓✓✓✓	✓✓✓✓	✓✓					

#### Note

The calculation of the age analysis is as follows:

- Current: Invoices for the current month less credit notes for the current month:  
 $R10\,800 + 5\,400 - R160 = R16\,040$
- 30 days: Balance from last month less payment made by debtor and discount allowed in current month:  $R9\,920 - R9\,648 - R230 = R42$

*Suggested assessment*

Method Lecturer assessment

Form Test

Tool Marking memorandum



## the general journal

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 3 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 2: Record credit sales transactions in the appropriate journals	2.2 The correct entries from the source documents into the subsidiary journals are demonstrated. 2.3 Closing of the subsidiary journals at the end of each month is demonstrated.	26
SO 3: Record credit-related transactions in the General journal	3.1 Other credit-related transactions to be recorded in the General journal are identified. 3.2 Other credit-related transactions are recorded in the General journal 3.3 Closing of General journal at the end of each month is demonstrated.	20, 21, 22, 23, 24, 25 and 26
SO 4: Post the journals to the General ledger	4.1 Transactions from the journals are accurately posted to the General ledger accounts. 4.2 The closing off of the General ledger accounts is demonstrated.	21, 22, 23, 24 and 26
SO 5: Maintain debtors' accounts	5.1 The concept of the Debtors ledger is explained. 5.2 Transactions from the journals are accurately posted to the individual debtor's accounts. 5.3 Debtor's accounts are reconciled with the Debtors control account. 5.4 Age analysis for the current month is prepared accurately. 5.5 Monthly statements are prepared accurately	21, 22, 23, 24 and 26

### CHAPTER 3

### Activity 1: Revising journals

*Suggested answers*

- Cash book:** Cash sales, other income received, cash purchases of assets, payment of expenses, obtaining of loans, payment of loans, investments, cash drawings by owner, capital contributions made by owner, receipts from debtors.  
**Debtors journal:** Credit sales  
**Debtors allowances journal:** Allowances and returns from debtors
- Mistakes in the books  
Debtors who don't pay accounts, etc.

*Suggested assessment*

Method Peer assessment

Form Discussion

Tool Memorandum

**Daily task 1***Suggested answers*

1. The office memorandum is an internal document because these transactions take place inside the organisation and need authorisation from a senior member of staff.
2. Some transactions that occur in business cannot be covered in any of the existing journals therefore transactions which do not occur frequently enough to justify a special journal are entered in a General journal (GJ).
3. A narration is a brief explanation of the transaction for use of the bookkeeper as well as for auditors.

**Activity 2: Collecting outstanding debts***Guidance and additional information*

1. People do not pay their debts for various reasons, but the most common reasons are: when a person is declared insolvent and cannot pay because they have no money; when a person dies and there is no money left in the estate to pay the debt; when a person goes on a long holiday and forgets to provide for their accounts or when a person disappears without a trace or leaves the country without letting anyone know.
2. One way to recover more from your outstanding accounts is to hire a collection agency. A collection agency locates debtors and collects the money you're owed. If brought on board early, a collection agency can often recover a substantial portion of your unpaid accounts. In addition to increasing your chances of actually getting paid, using an agency saves you time and money – two of your most valuable resources. With their custom-designed phone systems, computers and software, collection agencies can be more effective in recovering outstanding accounts than you can. Although collection agencies charge between 15 to 50 per cent of what they recover, you still end up with more than you probably could have collected on your own.
3. Rubric 11 in the introduction to this Lecturer's Guide can be used to assess the role-play.

*Suggested assessment*

Method Peer assessment

Form Role-play

Tool Rubric

## Daily task 2

### Suggested answers

1. Bad debts are debt owing to the business that will never be received from credit customers and this is an expense to the business.
2. Death  
Insolvency  
Forgetfulness/Negligence  
Deliberately refusing to pay

## Something to do

### Guidance and additional information

Feedback on this activity can either be in written or oral form. The aim of this activity is to make students aware that there are services to help people control or manage their debt. Many people face overwhelming money concerns. Although mismanagement or overspending is sometimes the cause, job loss, illness or accidents can place a family in financial jeopardy. People who are struggling with financial pressures, can take advantage of the free services offered by Consumer Credit Counseling Services. It is usually a non-profit organisation offering free financial consumer credit counseling and education. Creditors are usually very cooperative with the Consumer Credit Counseling, waiving or reducing finance charges and late fees, reducing payments and/or bringing past due accounts current, because the initiative has been taken to seek professional guidance.

### Suggested assessment

Method Lecturer assessment  
Form Written or oral presentation  
Tool Checklist

## Daily task 3

### Suggested answers

1. Debtors control (asset) will decrease by the amount written off and bad debts (expense) will increase resulting in a decrease of owner's equity.
2. Bad debts will be recorded in the General journal and the source document is the journal voucher or office memorandum.

## Activity 3: Record bad debts and bad debts recovered

### Guidance and additional information

	A =	E +	L	REASON
1	- 740	- 740	o	Debtors control (asset) decreases and bad debts (expense) decreases equity
25	+ 740	+ 740	o	Bank (asset) increases and bad debts recovered (income) increases equity

Bela-Bela Traders							
General journal – December 20.7						GJ12	
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control	
						Debit	Credit
207	1	Bad debts	N8	740			
		L. Daniels	DL1		740		740
		Account written off as bad					
							B2

Cash book of Bela-Bela Traders											
RECEIPTS – DECEMBER 20.7											
Dr CB12											
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control		Sundry accounts	
								Receipt	Discount allowed	Amount	Details
JV 334	25	L. Daniels	DL1	740	740					740	Bad debts recovered
											N9

General ledger of Bela-Bela Traders							
Dr + Debtors control (Asset) –				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	740	20.7 Dec. 1	Bad debts	GJ 12	740
Dr + Bad debts (Expense) –				N8 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Debtors control	GJ12	740				
Dr – Bad debts recovered (Income) +				N9 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Dec. 25	Bank	CB 12	740

Debtors ledger of Bela-Bela Traders							
L. Daniels				DL1			
Date	Details	Fol.	Debit	Credit	Balance		
20.7 Dec. 1	Balance	b/d			740	–	
	JV 207 (Bad debts)	GJ1		740	0	–	

Suggested assessment

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 4

*Suggested answers*

1. Bank (asset) increases by the amount received and bad debts recovered (income) increases resulting in an increase in owner's equity.
2. Bad debts recovered will be recorded in the Cash book Receipts and the source document will be a receipt.

## Activity 4: Recording interest on debtors' overdue accounts

*Suggested answers*

	A =	E +	L	REASON
1	+ 24	+ 24	0	Debtors control (asset) increases and interest on overdue debtors (income) increases equity

### Note

The calculation for interest is:  $R600 \times 16 \div 100 = R96 \times 3 \div 12 = R24$

Bela-Bela Traders						
General journal – February 20.7						GJ2
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control
						Debit Credit
JV73	28	S. Moonsamy	DL2	24		24
		Interest on overdue debtors	N10		24	
		Interest charged on overdue account				
						B2

General ledger of Bela-Bela Traders							
Dr + Debtors control (Asset) –				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Feb. 1	Balance	b/d	9 700				
28	Interest on overdue debtors	GJ2	24				
Dr – Interest on overdue debtors (Income) +				N10 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Feb. 28	Debtors control	GJ2	24

Debtors ledger of Bela-Bela Traders							
S. Moonsamy				DL2			
Date		Details	Fol.	Debit	Credit	Balance	
20.7 Feb.	1	Balance	b/d			600	–
	28	J/V 73 (Interest)	GJ2	24	–	624	–

Suggested assessment

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 5

Suggested answers

1. Overdue account means a debtor has exceeded his/her agreed credit term by not paying his/her account on time.
2. Debtors control (asset) increases because the debtor owes more and interest on overdue debtors (income) increases resulting in an increase in owner equity.
3. Interest charged on overdue accounts will be recorded in the General journal.
4. Interest charged on overdue accounts will be recorded in the debit column of the Debtors ledger because it will increase the balance of the debtor.

## Activity 5: Recording dishonoured cheques and cancelling discount allowed

Suggested answers

	A =	E +	L	REASON
4	- 437 + 437	0	0	Debtors control (asset) decreases and Bank (asset) increases. The net effect on assets is nil. There is no effect on equity.
	- 23	- 23	0	Debtors control (asset) decreases and discount allowed (expense) decreases equity.
10	- 437 + 437	0	0	Debtors control (asset) increases and Bank (asset) decreases.
	+ 23	+ 23	0	Debtors control (asset) increases and discount allowed (expense) decreases which increases equity.

### Cash book of Bela-Bela Traders

Dr RECEIPTS – April 20.7 CB4											
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control		Sundry accounts	
								Receipt	Discount allowed	Amount	Details
199	4	D. Shabane	DL3	437	437			437	23		
								B2	N11		

CrPAYMENTS – April 20.7CB4										
Doc.	Day	Details	Fol.	Bank	Trading inventory	Debtors control	Creditors control		Sundry accounts	
							Payments	Discount received	Amount	Details
BDN 175	10	D Shabane (r/d)	DL3	437		437				
						B2				

General journal of Bela-Bela Traders – April 20.7							GJ4
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control	
						Debit	Credit
BDN 175	30	D. Shabane	DL3	23		23	
		Discount allowed	N11		23		
		Discount on r/d cheque cancelled					
						B2	

General ledger of Bela-Bela Traders							
Dr				+ Debtors control (Asset) – B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Balance	b/d	10 400	20.7 Apr. 4	Bank	CB4	437
10	Bank (r/d cheque)	CB4	437		Discount allowed	GJ4	23
	Discount allowed	GJ4	23				
Dr				+ Discount allowed (Expense) – N11 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 4	Debtors control	GJ4	23	20.7 Apr. 10	Debtors control	GJ4	23

Debtors ledger of Bela-Bela Traders									
D. Shabane								DL3	
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Apr.	1	Balance	b/d					460	–
	4	Receipt 199	CB4			437	–	23	–
		Discount allowed	CB4			23	–	0	–
	10	R/d cheque	CB4	437	–			437	–
		Discount cancelled	GJ1	23	–			23	–

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 6

*Suggested answers*

1. Drawer buys goods and pays with a cheque.
2. Payee deposits the money in their bank.
3. Payee's bank clears cheque with drawer's bank.
4. Drawer's bank deposits money in payee's bank.



## Activity 6: Recording the correction of errors

Suggested answers

	A =	E +	L	REASON
4	– 210	– 210	0	Equipment (asset) decreases and Repairs to equipment (expense) decreases equity

### Note

The second entry will have no effect on the BAE because the mistake was not made in the General ledger, but only in the Debtors ledger.

General journal of Bela-Bela Traders – June 20.7							GJ5
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control	
						Debit	Credit
243	4	Repairs to equipment		210			
		Equipment			210		
		Correction of error					
244	15	P. Smit	DL4	118		118	
		P. Smith	DL5		118		118
		Correction of error					

General ledger of Bela-Bela Traders									
Dr				+ Equipment (Asset) –				B2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 June 4	Repairs to equipment	GJ5			210
Dr				+ Repairs to equipment (Expense) –				N13	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 June 4	Equipment	GJ5	210						

Debtors ledger of Bela-Bela Traders									
P. Smit									
DL4									
Date		Details	Fol.	Debit		Credit		Balance	
June	1	Balance	b/d					320	–
	15	Credit note 68	DAJ5			118	–	202	–
		Error corrected / JV244	GJ5	118	–			320	–
P. Smith									
DL5									
Date		Details	Fol.	Debit		Credit		Balance	
June	1	Balance	b/d					354	–
	15	Error corrected/ JV244	GJ5			118	–	236	–

**Note**

1. The first entry in P. Smit's account on the 15th is the entry of the error and the second one is the correction.
2. The error took place between two debtors and only affects the debtors' individual accounts. This error would not affect the General ledger.

*Suggested assessment*

Method Self-assessment  
 Form Written exercise  
 Tool Marking memorandum

**Daily task 7***Suggested answers*

- Step 1: Two accounts will be affected by the error made. Determine which two accounts are involved.
- Step 2: Check which account was incorrectly debited or credited.
- Step 3: Determine which account should have been debited or credited.
- Step 4: To correct the error in the GJ, one account will be debited and the other account will be credited.

**Assess your progress**

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

**Revision: Questions for revising Unit 3***Suggested answers***Question 1**

General journal of Glencoe Traders – March 20.7							
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control	
						Debit	Credit
127	3	E. Martinez ✓		52 ✓✓		52 ✓✓	
		Discount allowed ✓			52 ✓✓		
		Discount on r/d cheque cancelled ✓					
128	9	Stationery ✓		150 ✓			
		Trading inventory ✓			150 ✓		
		Correction of error ✓					

129	15	Bad debts ✓		1 750 ✓			
		H. Legman ✓			1 750 ✓		1 750 ✓
		Account written off ✓					
130	17	E. Boosi ✓		900 ✓		900 ✓	
		E. Busi ✓			900 ✓		900 ✓
		Correction of error					
131	21	E. Shabalala ✓		164 ✓✓		164 ✓✓	
		Interest on overdue debtors ✓			164 ✓✓		
		Interest charged on overdue account ✓					
132	25	Drawings ✓		600 ✓✓			
		Insurance ✓			600 ✓✓		
		Correction of error					
133	29	E. Martinez ✓		600 ✓		600 ✓	
		E. Martinus ✓			600 ✓		600 ✓
✓		Correction of error					
						1 716 ✓	3 250 ✓

**Note**

- The calculation for the entry on the 3rd is:  $R1\ 248 \div 96 = 13 \times 4 = R52$ .  
The amount before the discount deduction was thus R1 300.
- The calculation for the entry on the 21st is:  
 $R8\ 200 \times 12 \div 100 = R984 \times 2 \div 12 = R164$
- The calculation for the entry on the 25th is:  $R2\ 400 \times 25 \div 100 = R600$

**Question 2**

	A =	E +	L	REASON
3	- 1 248 ✓ + 1 248 ✓	0	o	Debtors control (asset) increases ✓ and Bank (asset) decreases. ✓
	+ 52 ✓✓	+ 52 ✓✓	o	Debtors control (asset) increases ✓ and discount allowed (expense) decreases which increases equity ✓
15	- 1 750 ✓	- 1 750 ✓	o	Debtors control (asset) decreases ✓ and bad debts (expense) decreases equity ✓
21	+ 164 ✓✓	+ 164 ✓✓	o	Debtors control (asset) increases ✓ and interest on overdue debtors (income) increases equity ✓

*Suggested assessment*

Method Lecturer assessment

Form Test

Tool Marking memorandum

## Chapter challenge

Suggested answers

### Question 1

Debtors ledger of Hill Traders									
S. Bombay								DL1	
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Feb.	1	Balance ✓	b/d					3 200	✓
	4	Invoice 554 ✓	DJ1 ✓	1 350	✓✓			4 550	✓
	9	Credit note 134 ✓	DAJ1 ✓			150 ✓		4 400	✓
	12	Receipt 469 ✓	CB1 ✓			3 040	✓	1 360	✓
		Discount allowed ✓	CB1 ✓			160	✓	1 200	✓
	17	JV 199 Correction of error ✓	GJ ✓	325	✓			1 525	✓
	22	R/D cheque ✓	CB1 ✓	3 040	✓			4 565	✓
		JV 200 Discount cancelled ✓	GJ ✓	160	✓			4 725	✓
	25	JV 201 (Interest) ✓	CB1 ✓	126	✓✓			4 851	✓
	28	Receipt 497 ✓	CB1 ✓			1 000	✓	3 851	✓
	✓	JV 202 (Bad debts) ✓	GJ1 ✓			3 851	✓	0	✓

### Question 2

#### CHAPTER 3

<b>Hill Traders</b>			INVOICE NO: 554 ✓
Mall Street KwaMashu 4359			
To: S. Bombay ✓ Date: 04/02/07 ✓			
Account number: 10232 Terms: 30 days			
Quantity	Description	Price	Total
	Goods ✓	1 350,00 ✓	1 350,00 ✓
<b>TOTAL</b>			1 350,00 ✓

<h1 style="margin: 0;">Hill Traders</h1> <p style="margin: 0;">Mall Street KwaMashu 4359</p>			<b>CREDIT NOTE NO: 134 ✓</b>
<b>To:</b> S. Bombay ✓ <b>Date:</b> 09/02/07 ✓			
<b>Account number:</b> 10232 <b>Terms:</b> 30 days			
<b>Quantity</b>	<b>Description</b>	<b>Price</b>	<b>Total</b>
	Goods damaged ✓	150,00 ✓	150,00 ✓
<b>TOTAL</b>			150,00 ✓

<b>Receipt No.</b> 469 ✓						
<b>Received from:</b> S. Bombay ✓		<b>Date:</b> 12/02/07 ✓				
<b>Amount:</b> Three thousand and forty ✓ Nil ✓ <b>Cents</b>	<b>Rand</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><b>R</b></td> <td style="width: 50%; text-align: center;"><b>C</b></td> </tr> <tr> <td style="text-align: center;">3 040 ✓</td> <td style="text-align: center;">00</td> </tr> </table>	<b>R</b>	<b>C</b>	3 040 ✓	00
<b>R</b>	<b>C</b>					
3 040 ✓	00					
<b>For:</b> Payment of account ✓ 5% Discount allowed ✓						
<b>Signature:</b> B.Hill ✓						

<h1 style="margin: 0;">Hill Traders</h1>	
<b>Office memorandum</b>	<b>Form:</b> 201 ✓
<b>To:</b> Bookkeeper	<b>Date:</b> 25 February 20.7 ✓
The account of S. Bombay has now been outstanding for two months. ✓ As per management decision, 16% interest p.a. should be charged on the arrears account. ✓ BH	

### Question 3

1.

General journal of Sawubona Stores – April						GJ1	
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control	
						Debit	Credit
34	5	C. Ganesh ✓		29 ✓✓		29 ✓✓	
		Interest on overdue debtors ✓			29 ✓✓		
		Interest charged on overdue account ✓					

35	12	Bad debts ✓		430 ✓			
		A. Louw ✓			430 ✓		430 ✓
		Account written off ✓					
36	21	M. Modi ✓		28 ✓			28 ✓
		Discount allowed ✓			28 ✓		
		Discount on r/d cheque cancelled ✓					
37	29	N. Ngema ✓		844 ✓		844 ✓	
		N. Ngwenya ✓			844 ✓		844 ✓
		Correction of error ✓					
						873	1 302
						B1	B1

2.

General ledger of Sawubona Stores							
Balance sheet section							
Dr				+ Debtors control (Asset) – B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1 ✓	Balance	b/d	6 000 ✓	20.7 Apr. 30 ✓	Bank ✓	CB1 ✓	6 885 ✓
30	Sales ✓	DJ1 ✓	11 070 ✓		Discount allowed ✓	CB1 ✓	460 ✓
	Bank (r/d cheques) ✓	CB1 ✓	680 ✓		Debtors allowances ✓	DAJ1 ✓	430 ✓
	Journal debits ✓	GJ1 ✓	873 ✓		Journal credits ✓	GJ1 ✓	1 302 ✓
					Balance	c/d	9546 ✓✓
			18 623 ✓				18 623 ✓
20.7 May 1 ✓	Balance	b/d	9 546 ✓✓				
Dr				+ Trading inventory (Asset) – B2 Cr			
20.7 Apr. 1	Balance	b/d	18 000 ✓	20.7 May 30	Cost of sales ✓	CB1 ✓	13 113 ✓
30	Bank ✓	CB1 ✓	12 816 ✓		Cost of sales	DJ1 ✓	7 182 ✓
	Cost of sales ✓	DAJ1 ✓	120 ✓		Balance	c/d	10 641 ✓✓
			30 936 ✓				30 936 ✓
May 1	Balance	b/d	10 641 ✓✓				

Nominal accounts section							
Dr				– Sales (Income) +			
				N1			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Apr. 1	Total	b/f	78 000 ✓
				30	Bank ✓	CB1 ✓	11 070 ✓
					Debtors control ✓	DJ1 ✓	28 233 ✓
							117 303 ✓
Dr				+ Cost of sales (Expense) –			
				N2			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Total	b/f	52 000 ✓	20.7 Apr. 30	Trading inventory ✓	DAJ1 ✓	120 ✓
30	Trading inven- tory ✓	CB1 ✓	13 113 ✓				
	Trading inven- tory	DJ1 ✓	7 182 ✓				
			72 295 ✓				

3. (a) Two advantages:  
 Increased sales: Credit provides an avenue for impulse buying. ✓✓  
 Sell expensive items faster/easier: ✓✓  
 Charge a higher price for items because of finance and interest charges that are added onto the sales price. (any two)
- (b) The final balance of the Debtors control account can be checked against the Debtors list. ✓✓
- (c) Offer discounts for early payments ✓✓ or charge interest on overdue accounts. ✓✓

[Total: 175 marks]

*Suggested assessment*

Method Lecturer assessment

Form Test

Tool Marking memorandum

# chapter 4

## credit purchases transactions

### About this chapter

This table summarises the work covered in Chapter 4.

Chapter 4 Credit purchases transactions	
Unit 1 Credit purchases and returns	Unit 2 Maintaining creditors' accounts
<ul style="list-style-type: none"> <li>• Concept of credit purchases and returns</li> <li>• Recording of credit purchases transactions in the CJ and returns in the CAJ.</li> <li>• Posting of CJ and CAJ to the General ledger</li> </ul>	<ul style="list-style-type: none"> <li>• Recording of payments to creditors in the Cash book and posting to the General ledger</li> <li>• Posting transactions from journals to the individual creditors' accounts</li> <li>• Reconciliation of creditors' accounts with Creditors control account</li> <li>• Preparation of age analysis for the current month</li> <li>• Recording of correction of errors in the General journal.</li> <li>• Posting of General journal to the General ledger</li> </ul>

### CHAPTER 4

### Learning outcomes and assessment standards

This chapter deals mainly with Topic 4 for Applied Accounting Level 2 in the Further Education and Training Phase: 'Conduct credit purchases transactions.'

In Unit 1 students will learn about the concept of credit purchases and returns and identify source documents for these. They will record credit purchase transactions in the appropriate journals and post the journals to the General ledger.

Unit 2 deals with the payments to creditors and other credit-related transactions in the General journal. Students will also learn how to maintain creditors' accounts.

### Critical cross-field outcomes

Topic 4 relates to the following Critical cross-field outcomes:

1	Identify problems using creative thinking to manage finances and to determine progress in a business venture.
2	Work effectively with others as members of a team, group, organisation and community while performing accounting and financial procedures in a small business venture.
3	Organise and manage oneself and one's activities responsibly and effectively through various activities to be done in a small business venture.



4	Collect, analyse and organise information to simplify decision-making in a small business environment.
5	Communicate effectively using mathematical and/or language skills in the modes of written presentation of elementary management information.
6	Be culturally sensitive across a range of social contexts in determining factors influencing and contributing to the local economy.
7	Demonstrate an understanding of the world as a set of related systems by recognising that current economic affairs impact the individual and business venture.
8	Explore career and entrepreneurial opportunities by using a variety of strategies to learn more effectively, regarding elementary finances, recording of elementary accounting transactions and elementary economics.
9	Participate as a responsible citizen in the community by using accounting, financial and economic concepts as a means to manage him/herself and plan for future needs.

## Promoting the NCS principles in your classroom

### *Overcoming barriers to learning and development*

The introduction to this Lecturer's Guide refers to the importance of inclusive education and making provision for students with special educational needs.

You can assist students with special educational needs by allowing students to work in pairs. For example, in the case of visual impairment, the sighted partner can describe the activity to the visually impaired student. In the case of manual impairment, the able student can allow the other student to give input while the able student does the physical writing.

## Career opportunities

Although this chapter does not focus specifically on careers, some related careers have been identified and described in the margin notes throughout the chapter.

## Integration

We have indicated cross-curricular links with Financial Management in the table below. When you are preparing a vocational programme, you need to meet with vocational programme developers in related subjects.

Applied Accounting Level 2: Topic 4: Conduct credit purchases transactions		Possible areas of integration with Financial Management Level 2
Subjects outcomes and Assessment standards		
1	The concept of credit purchases and returns (allowances) is explained: 1.1 The concept of creditors is explained 1.2 The source documents for credit purchases and returns (allowances) transactions are identified correctly. Range: invoice, debit notes, General journal vouchers.	<b>Topic 1, Subject outcome 3:</b> AS 3.2 All records pertaining to all financial and related transactions are kept and stored for input into books of account.

<p>2 Record credit purchases transactions in the appropriate journals:</p> <p>2.1 The relationship between the source documents and the credit purchases and returns (allowances) transactions are explained</p> <p>2.2 The correct entries from the source documents into the subsidiary journals are demonstrated. Range: from source documents to Creditors journal and creditors allowance journal. Transactions include, but are not limited to credit purchases and returns (allowance with trade discount)</p> <p>2.3 Closing of subsidiary journals at the end of each month is demonstrated. Range: Creditors journal and creditors allowance journal.</p>	<p><b>Topic 1 , Subject outcome 1:</b> AS 1.3 The various types of accounts are identified and explained in relation to own business venture</p>
<p>3 Record other credit-related transactions in the General journal.</p> <p>3.1 Other credit-related transactions to be recorded in the General journal are identified. Range: correct errors</p> <p>3.2 Other credit-related transactions are recorded in the General journal</p> <p>3.3 Closing of General journal at the end of each month is demonstrated</p>	<p><b>Topic 1 , Subject outcome 1:</b> AS 1.3 The various types of accounts are identified and explained in relation to own business venture</p>
<p>4 Post the journals to the General ledger:</p> <p>4.1 Transactions from the journals are accurately posted to the General ledger accounts.</p> <p>4.2 The closing off of the General ledger accounts is demonstrated.</p>	<p><b>Topic 1 , Subject outcome 1:</b> AS 1.3 The various types of accounts are identified and explained in relation to own business venture</p>
<p>5 Maintain creditors' accounts Range: use control accounts system:</p> <p>5.1 The concept of the Creditors ledger is explained</p> <p>5.2 Transactions from the journals are accurately posted to the individual's debtors' accounts</p> <p>5.3 Debtors' accounts are reconciled with the Creditors control account</p> <p>5.4 Age analysis for the current month is prepared accurately</p>	<p><b>Topic 1 , Subject outcome 1:</b> AS 1.3 The various types of accounts are identified and explained in relation to own business venture</p> <p>Financial Management Level 2: Topic1, Subject outcome 3: AS 3.4 Books of account are kept on a monthly basis to ensure effective financial management of business venture</p>

## Resources

Lecturers and students can use resources such as libraries, encyclopaedias, the Internet and a variety of business magazines to find out more about the topics covered in this chapter. For example:

- Groenewald, et al. 2003. *Applied Accounting NIC/N2*. Seyfferdt Publishers. Bapsfontein
- Boshua & Schutte. 2002. *Basic Financial Accounting*. Juta. Lansdowne
- Green, S. et al. *Trendsetter series*. Cuali Books. Centurion
- [www.bized.ac.uk](http://www.bized.ac.uk)
- [www.marketinglecturer.com](http://www.marketinglecturer.com)
- [www.finlit.com](http://www.finlit.com)
- [www.umsl.edu](http://www.umsl.edu)

# Assessment

See the notes on assessment in the introduction to this book for an explanation of how assessment takes place in the chapters and for rubrics that can be used to assess activities. You will find detailed guidance for assessing activities in the discussion of each unit.

# Getting started

Guidance and additional information

## Advantages of credit purchases for Just Sport

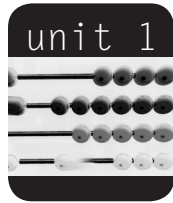
- Buying in bulk: Credit purchases provide an avenue for buying in bulk and saving money. If the retailer buys regularly and in large quantities, creditors often offer merchandise at reduced prices.
- Don't need cash: Buying on credit will not affect the business's cash flow because Just Sport can negotiate credit terms that suit them. There is thus no need to invest large sums of money in working capital.

## Disadvantages of credit purchases for Just Sport

- Credit purchases could be more expensive because of interest and finance charges. Buying on credit could sometimes be more expensive than buying cash and can consequently result in Just Sport increasing their selling prices. If Just Sport's prices are higher than their competitors', they might lose customers.
- Danger of Just Sport not being able to pay their accounts on time could affect their credit history negatively, making it more difficult to obtain credit in the future.
- Creditors must be trustworthy: It is important that creditors are trustworthy otherwise merchandise will not be delivered on time or merchandise could be of a bad quality.
- Just Sport must be careful that their total liabilities do not exceed their total assets which could lead to the businesses being declared insolvent.

Suggested assessment

Method	Group assessment
Form	Oral presentation
Tool	Rubric



## unit 1

# credit purchases and returns

## Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 4 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 1: The concept of credit purchases and returns (allowances) is explained	1.1 The concept of creditors is explained 1.2 The source documents for credit purchases and returns (allowances) transactions are identified correctly.	1, 4, 5, 9
SO 2: Record credit purchases transactions in the appropriate journals	2.1 The relationship between the source documents and the credit purchases and returns (allowances) transactions are explained. 2.2 The correct entries from the source documents into the subsidiary journals is demonstrated. 2.3 Closing of the subsidiary journals at the end of each month is demonstrated.	2, 3, 6, 8, 9
SO 4: Post the journals to the General ledger	4.1 Transactions from the journals are accurately posted to the General ledger accounts. 4.2 The closing off of the General ledger accounts is demonstrated.	3, 7, 8, 9

## CHAPTER 4

## Activity 1: Analyse credit purchases

*Suggested answers*

Date	A =	E +	L	REASON
2		+ 340	+340	Stationery (expense) decreases equity and Creditors control (liability) increases
17	+ 3 700		+ 3 700	Trading inventory (asset) increases and Creditors control (liability) increases

*Suggested assessment*

Method Peer assessment  
Form Written exercise  
Tool Marking memorandum

## Daily task 1

### Suggested answers

1. The customer to whom the business sells on credit is known as a trade debtor.  
The supplier or individual to whom the business owes money is known as a trade creditor.
2. Equipment, vehicles, consumable goods (packing material and cleaning material), stationery and even repairs to vehicles and buildings.
3. Trading inventory is debited and Creditors control is credited.

## Activity 2: Recording invoices in the Creditors journal

### Suggested answers

35

Just Sport									
Creditors journal – December 20.7								CJ1	
Invoice no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Equip-ment	Sundry accounts		
							Amount	Fol	Details
B898	10	One Stop Stationery		565			565		Stationery
A675	16	A-Team Wholesalers		21 400	21 400				
B1014	21	Super Clean Suppliers		368			368		Cleaning materials
				2 805	2 620		185		

### Suggested assessment

Method Peer assessment

Form Written exercise

Tool Marking memorandum

## Daily task 2

### Suggested answers

1. Cash purchases are recorded in the Cash book (payments) while credit purchases are recorded in the Creditors journal.
2. When the business purchases merchandise on account they receive an original invoice, because they are the customer, the creditor keeps the duplicate.

### Activity 3: Post the Creditors journal to the General ledger

Suggested answers

Treasure School Uniforms Creditors journal – July 20.7									
Invoice no	Day	Creditor	Fol.	Creditors control	Trading inventory	Stationery	Sundry accounts		
							Amount	Fol.	Details
L116	1	ABC Shoe Supplies		11 690	11 690				
S112	9	Zikalala Wholesalers		2 140		360	1 780	N1	Consumable stores
2019	23	Datcentre		64 000			64 000	B3	Vehicles
0147	28	Super Jersey Factory		14 300	14 300				
				92 130	25 990	360	65 780		
				B1	B2	N2			

**Note** that the entry on the 23rd will not be recorded in this journal because it is a cash transaction which will be recorded in the Cash book.

General ledger of Treasure School Uniforms							
Balance sheet section							
Dr				– Creditors control (Liability) +			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 July 1	Balance	b/d	30 912
				30	Total purchases	CJ1	92 130
							123 042
Dr				+ Trading inventory (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 July 1	Balance	b/d	27 360				
	Creditors control	CJ1	25 990				
			53 350				
Dr				+ Vehicles (Asset) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 July 1	Balance	b/d	378 000				
23	Creditors control	CJ1	64 000				
			442 000				

Nominal accounts section							
Dr				+ Consumable stores (Expense) –			
				N1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7							
July 1	Total	b/f	4 485				
9	Creditors control	Cj1	1 780				
			6 265				
Dr				+ Stationery (Expense) –			
				N2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7							
July 1	Total	b/f	14 256				
30	Creditors control	Cj1	360				
			14 616				

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Activity 4: Analyse credit purchases returns

*Suggested answers*

No	A =	E +	L	REASON
1.1		– 55	– 55	Packing material (expense) decreases which causes an increase in equity and Creditors control (liability) decreases
1.2	– 840		– 840	Trading inventory (asset) decreases and Creditors control (liability) decreases

*Suggested assessment*

Method Peer assessment

Form Written exercise

Tool Marking memorandum


## Daily task 3


*Suggested answers*

- Trading inventory would be credited because if stock is returned, it decreases and Trading inventory (asset) decreases on the credit side. Creditors control would be debited because if goods are sent back, we owe creditors less and Creditors control (liability) decreases on the debit side.
- Stationery would be credited because if stationery is returned, it decreases and stationery (expense) decreases on the credit side. Creditors control would be debited because if goods are sent back, we owe creditors less and Creditors control (liability) decreases on the debit side.

### Activity 5: Complete debit notes

*Suggested answers*

 <b>TAKKIE TRADERS</b> 56 Sweat Street Ficksburg 9730		DEBIT NOTE	
		NO: 46	
<b>To:</b> North Star Traders		<b>Date:</b> 09/06/07	
QUANTITY	DESCRIPTION	PRICE	TOTAL
	Omission of 7% trade discount on invoice of R1 200	84,00	84,00
<b>TOTAL</b>			84,00

 <b>TAKKIE TRADERS</b> 56 Sweat Street Ficksburg 9730		DEBIT NOTE	
		NO: 46	
<b>To:</b> Gold Printers		<b>Date:</b> 18/06/07	
QUANTITY	DESCRIPTION	PRICE	TOTAL
	Business cards not according to order	135,00	135,00
<b>TOTAL</b>			135,00

*Suggested assessment*

Method   Lecturer assessment  
 Form     Written exercise  
 Tool      Marking memorandum

### Daily task 4

*Suggested answers*

1. The name of the creditor, the amount of the allowances and the reason for the return or claim.
2. The business completes a debit note in duplicate stating the reason for the return or claim, and sends the original copy together with the goods to the credit supplier.
3. When the creditor receives the original debit note and agrees to make the allowance, a credit note is issued by the creditor as indication that the allowance has been given. Once the original credit note is received, the entry can be made. Note that the original credit note received from the creditor only serves as a supporting document and the duplicate debit note, retained by the business will be used for processing.



## Activity 6: Recording transactions in the Creditors allowances journal (CAJ)

Suggested answers

Takkie Traders									
Creditors allowances journal – June 20.7								CAJ1	
D/N no	Day	Creditor	Fol.	Creditors control	Trading inventory	Stationery	Sundry accounts		
							Amount	Fol.	Details
46	9	North Star Traders		84	84				
47	18	Gold Printers		135		135			
				219	84	135			

Suggested assessment

Method Lecturer assessment

Form Written exercise

Tool Marking memorandum

## Daily task 5

Suggested answers

- Returns to creditors or allowances cannot be recorded in the Cash book or the Creditors journal and a special journal called the Creditors allowances journal (CAJ) is used to record creditors allowances for the month according to the duplicates of the debit notes issued to credit suppliers.
- The debit note is used as a source document for the CAJ

## Activity 7: Posting the Creditors allowances journal (CAJ) to the General ledger (GL)

Suggested answers

General ledger of Takkie Traders							
Balance sheet section							
Dr				– Creditors control (Liability) +			
				B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Total allowances	CAJ1	219				
Dr				+ Trading inventory (Asset) –			
				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Jun. 30	Creditors control	CAJ1	84

Nominal accounts section							
Dr				+ Stationery (Expense) –			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Jun. 30	Creditors control	CAJ1	135

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 6

*Suggested answers*

1. The Creditors column in the Creditors allowances journal is posted to the **debit** side of the Creditors control account in the General ledger.
2. The Trading inventory column in the Creditors allowances journal is posted to the **credit** side of the Trading inventory account in the General ledger.

## Activity 8: Credit purchases project

*Guidance and additional information*

The following rubric can be used to assess this project:

### Assessment rubric

Topic	No effort made	Needs attention	Good	Outstanding	Mark
	1–2	3–5	6–8	9–10	
<b>Credit purchases transactions</b>	Incomplete and formulated incorrectly, important information missing.	Some relevant transactions, but generally insufficient.	Most transactions formulated accurately. Some errors noted.	Most creative credit purchases transactions. All formulated accurately.	
<b>Returns or allowances transactions</b>	Incomplete and formulated incorrectly, important information missing.	Some relevant transactions, but generally insufficient.	Most transactions formulated accurately. Some errors noted.	Most creative return and allowances transactions. All formulated accurately.	
<b>Source documents (invoices and debit notes)</b>	Incomplete and mostly incorrect.	Some information correct but many mistakes and omissions noted.	Most source documents are completed correctly. Some errors noted.	Excellent, most professionally and accurately drawn up and completed.	
<b>Completion of journals</b>	Mostly incorrect, student cannot differentiate between CJ and CAJ.	Some information entered correctly but many mistakes noted.	Most transactions entered in appropriate journals and closed off correctly. Some errors noted.	Journals most accurately and neatly completed and closed off. No errors noted.	

<b>Posting to the ledger</b>	Incorrect, student does not understand posting process.	Some information posted correctly but generally incorrect.	Most information posted correctly. Some errors noted.	Most accurate posting to the ledger. No errors noted.	
<b>Professional layout and technicality of project</b>	Poor, lots of mistakes noted.	Reasonable but some technical errors noted.	Generally well presented and neat.	Professionally done and of a high standard.	
<b>Total [50]</b>					

*Suggested assessment*

Method Lecturer assessment

Form Project

Tool Rubric

## Activity 9: Complete the journals and post to the General ledger

*Suggested answers*

Active Monkey Traders Creditors journal – August 20.7									
CJ1									
Invoice no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Stationery	Sundry accounts		
							Amount	Fol.	Details
A0034	2	Sport Expo		3 600	3 600				
M066	10	Packers Unlimited		1 500			1 500	N1	Packing material
0122	16	Modern Quip		2 215			2 215	B3	Equipment
143	21	Morandi's Stationery		473		473			
A0035	24	Sport Expo		2 525	2 525				
				10 313	6 125	473	3 715		
				B1	B2	N2			

Active Monkey Traders Creditors allowances journal – August 20.7									
CAJ1									
D/N no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Stationery	Sundry accounts		
							Amount	Fol.	Details
33	11	Packers Unlimited		90			90	N1	Packing material
34	15	Morandi's Stationery		30		30			
35	26	Sport Expo		125	125				
				245	125	30	90		
				B1	B2	N2			

## General ledger of Active Monkey Traders

Balance sheet section							
Dr				– Creditors control (Liability) +			
				B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 30	Total allowances	CAJ1	245	20.7 Aug. 1	Balance	b/d	38 850
	Balance	c/d	48 918	30	Total purchases	CJ1	10 313
			49 163				49 163
				Sept. 1	Balance	b/d	48 918
Dr				+ Trading inventory (Asset) –			
				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Balance	b/d	11 352	20.7 Aug. 30	Creditors control	CAJ1	125
30	Creditors control	CJ1	6 125		Balance	c/d	17 352
			17 477				17 477
Sept. 1	Balance	b/d	17 352				
Dr				+ Equipment (Asset) –			
				B3 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Balance	b/d	31 000				
16	Creditors control	CJ1	2 215				
			33 215				
Nominal accounts section							
Dr				+ Packing material (Expense) –			
				N1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Total	b/f	4 430	20.7 Aug. 11	Creditors control	CAJ1	90
10	Creditors control	CJ1	1 500				
			5 930				
Dr				+ Stationery (Expense) –			
				N2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Aug. 1	Total	b/f	6 240	20.7 Aug. 30	Creditors control	CAJ1	30
30	Creditors control	CJ1	473				
			6 713				

## Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 1

Suggested answers

Cool Specs Creditors journal – April 20.7									
Inv. no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Equip-ment	Sundry accounts		
							Amount	Fol	Details
CS227	1	Fresh Shades		19 404 ✓✓	19 404 ✓✓				
0033C	5	Optico Equip-ment		10 842 ✓		9 852 ✓	990 ✓	N1	Repairs to equip. ✓
S115	19	Price Rite Sta-tioners		419 ✓		195 ✓	224 ✓	N2	Stationery ✓
0034C	23	Optico Equip-ment		270 ✓		270 ✓			
1002	29	Bright Eyes		12 960 ✓	12 960 ✓				
				43 895 ✓	32 364 ✓	10 317 ✓	1 214 ✓		
				B1	B2	B3			

### Note

The calculation for the entry on the 1st is:  $R22\ 050 \times 12 \div 100 = R2\ 646$  trade discount.  
 $R22\ 050 - R2\ 646 = R19\ 404$

Cool Specs Creditors allowances journal – April 20.7									
D/N no	Day	Creditor	Fol.	Creditors control	Trading inventory	Equipment	Sundry accounts		
							Amount	Fol	Details
27	9	Fresh Shades		2 816 ✓✓	2 816 ✓✓				
28	13	Optico Equipment		847 ✓✓		847 ✓✓			
				3 663 ✓	2 816	847			
				B1	B2	B3			

+ 1 ✓ for correct folio referencing

### Note

- The calculation for the entry on the 9th is:  
 $R3\ 200 \times 12 \div 100 = R384$  trade discount.  
 $R3\ 200 - R384 = R2\ 816$
- The calculation for the entry on the 13th is:  
 $R8\ 470 \times 10 \div 100 = R847$

## General ledger of Cool Specs

Balance sheet section							
Dr				– Creditors control (Liability) +			
				B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 30	Total allow- ances	CAJ1 ✓	3 663 ✓	20.7 Apr. 1	Balance	b/d	11 832 ✓
	Balance	c/d	52 064 ✓	30	Total purchases	CJ1 ✓	43 895 ✓
			55 727 ✓				55 727 ✓
				May 1	Balance	b/d	52 064 ✓
Dr				+ Trading inventory (Asset) –			
				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Balance	b/d	17 850 ✓	20.7 Apr. 30	Creditors control	CAJ1 ✓	2 816 ✓
30	Creditors control	CJ1 ✓	32 364 ✓		Balance	c/d	47 398 ✓
			50 214 ✓				50 214 ✓
May 1	Balance	b/d	47 398 ✓				
Dr				+ Equipment (Asset) –			
				B3 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Balance	b/d	15 432 ✓	20.7 Apr. 30	Creditors control	CAJ1 ✓	847 ✓
30	Creditors control	CJ1 ✓	10 317 ✓		Balance	c/d	24 902 ✓
			25 749 ✓				25 749 ✓
May 1	Balance	b/d	24 902 ✓				
Nominal accounts section							
Dr				+ Repairs to equipment (Expense) –			
				N1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 5	Creditors control	CJ1 ✓	990 ✓				
Dr				+ Stationery (Expense) –			
				N2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 19	Creditors control	CJ1 ✓	224 ✓				

Date	A =	E +	L	REASON
1	+ 19 404 ✓		+ 19 404 ✓	Trading inventory (asset) increases ✓ and creditors control (liability) increases ✓
5	+ 9852 ✓		+ 9852 ✓	Equipment (asset) increases ✓ and creditors control (liability) increases
		+ 990 ✓	+ 990 ✓	Repairs to equipment (expense) decreases equity ✓ and creditors control (liability) increases ✓
9		– 2 826 ✓	– 2 816 ✓	Trading inventory (asset) decreases ✓ and creditors control (liability) decreases ✓

Date	A =	E +	L	REASON
13	– 847 ✓		– 847 ✓	Equipment (asset) decreases ✓ and creditors control (liability) decreases
19		+ 224 ✓	+ 224 ✓	Stationery (expense) decreases equity ✓ and creditors control increases ✓
	+ 195 ✓		+ 195 ✓	Equipment (asset) increases ✓ and creditors control (liability) increases

<b>INVOICE</b>		<b>Optico Equipment</b>	<b>NO: 0033C ✓</b>
To: Cool Specs ✓			<b>Date: 05/04/07 ✓</b>
Showcases		R 8 470,00 ✓	
Mirrors		R 1 382,00 ✓	
Repairs to showcases		R 990,00 ✓	
<b>Total invoice</b>		<b>R 10 842,00 ✓</b>	

<b>COOL SPECS</b>		<b>Debit Note</b>	
34 Argyle Ave Glenwood 4001		No: 0032C	
To: Optico Equipment ✓		Date: 13/04/07 ✓	
QUANTITY	DESCRIPTION	PRICE	TOTAL
	Omission of 10% trade discount ✓ on showcases purchased as per Invoice 0033C ✓	847,00 ✓	847,00 ✓
<b>TOTAL</b>			<b>847,00 ✓</b>

Date	A =	E +	L	REASON
1	+ 19 404 ✓		+ 19 404 ✓	Trading inventory (asset) increases ✓ and Creditors control (liability) increases ✓
5	+ 9852 ✓		+ 9852 ✓	Equipment (asset) increases ✓ and Creditors control (liability) increases
		+ 990 ✓	+ 990 ✓	Repairs to equipment (expense) decreases equity ✓ and Creditors control (liability) increases ✓
9		– 2 826 ✓	– 2 816 ✓	Trading inventory (asset) decreases ✓ and Creditors control (liability) decreases ✓
13	– 847 ✓		– 847 ✓	Equipment (asset) decreases ✓ and Creditors control (liability) decreases
19		+ 224 ✓	+ 224 ✓	Stationery (expense) decreases equity ✓ and Creditors control increases ✓
	+ 195 ✓		+ 195 ✓	Equipment (asset) increases ✓ and Creditors control (liability) increases

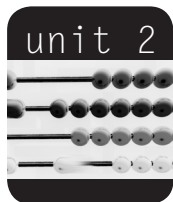
*Suggested assessment*

Method Lecturer assessment

Form Written test

Tool Marking memorandum





## managing creditors' accounts

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 4 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 1: The concept of credit purchases and returns (allowances) is explained	1.2 The source documents for credit purchases and returns (allowances) transactions are identified correctly.	1
SO 2: Record credit purchases transactions in the appropriate journals	2.1 The relationship between the source documents and the credit purchases and returns (allowances) transactions is explained. 2.2 The correct entries from the source documents into the subsidiary journals is demonstrated. 2.3 Closing of the subsidiary journals at the end of each month is demonstrated.	2
SO 3: Record credit-related transactions in the General journal	3.1 Other credit-related transactions to be recorded in the General journal are identified. 3.2 Other credit-related transactions are recorded in the General journal 3.3 Closing of General journal at the end of each month is demonstrated.	3
SO 4: Post the journals to the General ledger	4.1 Transactions from the journals are accurately posted to the General ledger accounts. 4.2 The closing off of the General ledger accounts is demonstrated.	4
SO 5: Maintain creditors' accounts	5.1 The concept of the Creditors ledger is explained. 5.2 Transactions from the journals are accurately posted to the individual creditors' accounts. 5.3 Creditors' accounts are reconciled with the Debtors control account. 5.4 Age analysis for the current month is prepared accurately. 5.5 Monthly statements are prepared accurately	5

### Activity 1: Analyse payments to creditors using the BAE

*Suggested answers*

Date	A =	E +	L	REASON
23	- 480	0	- 480	Bank (asset) decreases and Creditors control (liability) decreases.
		+ 40	- 40	Creditors control (liability) decreases and discount received (income) increases equity
25	- 8 987	0	- 8 987	Bank (asset) decreases and Creditors control (liability) decreases.
		+ 473	- 473	Creditors control (liability) decreases and discount received (income) increases equity

The calculation for the entry on the 25th is:  $R9\,460 \times 5 \div 100 = R473$  discount.  
 $R9\,460 - R473 = R8\,987$  amount paid.

*Suggested assessment*

Method Peer assessment

Form Written exercise

Tool Marking memorandum

### Daily task 1


*Suggested answers*

- Discount received from a creditor is an income for the business
- Discount received has a positive effect on equity, it increases equity because it is an income.
- Creditors will offer the business discount if they pay their accounts on time.

### Activity 2: Payments to creditors

*Suggested answers*

Date	A =	E +	L	REASON
Dec. 28	- 520	0	- 520	Bank (asset) decreases and Creditors control (liability) decreases.
		+ 45	- 45	Creditors control (liability) decreases and discount received (income) increases equity

Date	28/12	 <b>EAGLE BANK LIMITED</b> Port Elizabeth	60-20-50-20 Date: 28 December 20.7
To	One Stop Stationery Shop		
For	Account	order or Bearer	
Balance b/d	R	Pay One Stop Stationery Shop	
Deposit	R		
Sub-total	R	The sum of <u>Five hundred and twenty Rand</u>	R 520 - 00
This cheque	R 520	<u>only</u>	
Balance	R	<u>S. Jones</u>	
134		0101 : 60-20-50-20 : 01018011198 - 134 for : Just Sport	

Cash book of Just Sport									
PAYMENTS – December 20.7								CB11 Cr	
Doc.	Day	Details	Fol.	Bank	Trading inventory	Equip-ment	Creditors control		Sundry accounts
							Payments	Discount received	Amount Details
134	28	One Stop Stationery		520			520	45	
				520			520	45	
							B2	B2/N1	

#### General ledger of Just Sport

Balance sheet section							
Dr				– Creditors control (Liability) +			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 30	Bank	CB1	520				
	Discount received	CB1	45				

Nominal accounts section							
Dr				– Discount received (Income) +			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
				20.7 Dec. 30	Creditors control	CB1	45

#### Suggested assessment

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 2

*Suggested answers*

1. The cheque counterfoil serves as the source document for payments to creditors. In the case of direct deposits or Internet banking, the bank statement will serve as the source document.
2. The original receipt serves as the supporting document for payment to creditors.
3. When posting the Cash book to the General ledger, payments to creditors and discount received is posted to the **debit** side of the Creditors control account because these entries will **decrease** the Creditors control account.

## Activity 3: Record transactions in the journals and post to the General ledger

*Suggested answers*

The Zone Creditors journal – July 20.7									CJ1
Invoice no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Stationery	Sundry accounts		
							Amount	Fol.	Details
Fo60	2	Music Unlimited		5 225	5 225				
Fo034	6	Blue Bean Computers		10 600			10 600	B3	Equipment
Co99	10	Giant Wholesalers		8 828	7 810	374	644	N1	Packing material
Fo61	17	Music Unlimited		4 184	4 184				
				28 837	17 219	374	11 244		
				B1	B2	N2			

### Note

The calculation for the entry on the 2nd is:

$$R5\ 500 \times 5 \div 100 = R275 \text{ trade discount. } R5\ 500 - R275 = R5\ 225$$

The Zone Creditors allowances journal – July 20.7										CAJ1
D/N no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Stat-ion- ery	Sundry accounts			
							Amount	Fol.	Details	
61	14	Blue Bean Computers		5 300			5 300	B3	Equip- ment	
62	21	Music Unlim- ited		180	180					
				5 480	180		5 300			
				B1	B2	N2				

Cash book of The Zone										CB1	Cr
PAYMENTS – July 20.7											
Doc.	Day	Details	Fol.	Bank	Trading inventory	Station-ery	Creditors control		Sundry accounts		
							Payments	Discount received	Amount	Details	
112	1	Blue Bean		969			969	51			
113	5	Hallmark		345		345					
114	20	Giant Whole-salers		2 650			2 650	60			
115	25	Ntini's Music Supplies		4 060	4 060						
				8 024	4 060	345	3 619	111			
					B2	N2	B1	B1/N3			

#### Note

The calculation for the entry on the 1st is:  $R1\ 020 \times 5 \div 100 = R51$  discount.  
 $R1\ 020 - R51$  discount =  $R969$  payment

#### General ledger of The Zone

Balance sheet section							
Dr				– Creditors control (Liability) +			
				B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jul. 30	Bank	CB1	3 619	20.7 July 1	Balance	b/d	14 656
	Discount received	CB1	111	30	Total purchases	CJ1	28 837
	Total allowances	CAJ1	5 480				
	Balance	c/d	34 283				
			43 493				43 493
				Aug. 1	Balance	b/d	34 283
Dr				+ Trading inventory (Asset) –			
				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jul. 1	Balance	b/d	136 775	20.7 Jul. 30	Creditors control	CAJ1	180
30	Bank	CB1	4 060		Balance	c/d	157 874
	Creditors control	CJ1	17 219				
			158 054				158 054
Aug. 1	Balance	b/d	157 874				

Dr				+ Equipment (Asset) –				B3 Cr	
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jul. 1	Balance	b/d	23 889	20.7 Jul. 14	Creditors control	CAJ1		5 300	
6	Creditors control	CJ1	10 600	30	Balance	c/d		29 189	
			34 489					34 489	
Aug. 1	Balance	b/d	29 189						
<b>Nominal accounts section</b>									
Dr				+ Packing material (Expense) –				N1 Cr	
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jul. 1	Total	b/f	1 258						
10	Creditors control	CJ1	644						
			1 902						
Dr				+ Stationery (Expense) –				N2 Cr	
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jul. 1	Total	b/f	3 900						
30	Bank	CB1	345						
	Creditors control	CJ1	374						
			4 619						
Dr				Discount received (Income) +				N3 Cr	
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jul. 1	Total	b/f	800						
30	Creditors control	CB1	111						
			911						

*Suggested assessment*

Method   Lecturer assessment

Form      Written exercise

Tool      Marking memorandum

**Daily task 3***Suggested answers*

1. The Creditors ledger shows the balance owing to creditors from the previous month, Total purchases and allowances from creditors for the month as well as payments to creditors and discounts received. It ends off with the balance owing at the end of the month.

- At the end of the month a creditor's list is prepared with the totals of what is owed to each creditor. The creditors list represents the individual creditors' accounts.
- A debit note will be entered in the debit column of the Creditors ledger and will decrease the account.
- A payment will be entered in the debit column of the Creditors ledger and will decrease the account.
- An age analysis is prepared for each creditor classifying the outstanding amounts according to the period outstanding. Each amount is evaluated separately in order to decide which amount will be paid first.

#### Activity 4: Record transactions in the Creditors ledger

Suggested answers

Creditors ledger of Just Sport									
A-Team Wholesalers						CL1			
Date		Details	Fol.	Debit		Credit		Balance	
20.7 Dec.	1	Balance	b/d					7 960	–
	3	Invoice A675	CJ1			21 400	–	29 360	–
	7	Cheque 143	CB1	7 761	–			21 599	–
		Discount received	CB1	199	–			21 400	–
	12	Debit note 046	CAJ1	1 300	–			20 100	–
	24	Invoice A692	CJ1			3 145	–	23 245	–

#### Note

- The calculation for the entry on the 7th is:  $R7\,960 \times 2,5 \div 100 = R199$  discount.  $R7\,960 - R199 = R7\,761$  payment.
- The entry on the 18th will not be recorded in the Creditors ledger because it is a cash sale.
- The calculation for the entry on the 24th is:  $R3\,700 \times 15 \div 100 = R555$  trade discount.  $R3\,700 - R555 = R3\,145$ .

Suggested assessment

Method Peer assessment

Form Written exercise

Tool Marking memorandum

## Activity 5: Recording correction of errors

*Suggested answers*

General journal of Bela-Bela Traders – July 20.7

Doc. No.	Day	Details	Fol.	Debit	Credit	Creditors control	
						Debit	Credit
062	6	Creative Supplies		390		390	
		Creative Stationers			390		390
		Correction of error					
063	19	Max Wholesalers		98		98	
		Mac's Wholesalers			98		98
		Correction of error					

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 4

*Suggested answers*

No, the error took place between two creditors and only affects the creditors' individual accounts. This error would not affect the Creditors control account in the General ledger because we post the totals of the subsidiary books to the control accounts each month.

## Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 2

*Suggested answers*

### Creditors ledger of Holly Traders

The calculation for the entry on the 4th is:  $R2\ 050 \times 14 \div 100 = R287$  trade discount.  
 $R2\ 050 - R287 = R1\ 763$ .



## Question 2

2.1

Date	29/04	<b>SAFE-T BANK LIMITED</b>		73-24-27-18
To	Gino Stores ✓	Cape Town		Date: 29 April 20.7
For	Account	Order or Bearer		
Balance b/d	R	Pay Gino Stores	✓	
Deposit	R			
Sub-total	R	The sum of <u>Two thousand seven hundred and forty-five rand only</u>		R 2 745 - 00
This cheque	R 2 745 ✓			
Balance	R	P. Holly		
818		0201 : 73-24-27-18 : 02017122577 - 818		for: Holly Traders

### Note

Add 1 mark ✓ If the cheque is crossed properly.

2.2

Cash book of Holly Traders										CB1 Cr
PAYMENTS – April 20.7										
Doc.	Day	Details	Fol.	Bank	Trading inventory	Stationery	Creditors control		Sundry accounts	
							Payments	Discount received	Amount	Details
818 ✓	9	Gino Stores ✓		2 745 ✓✓			2 745 ✓✓	45 ✓✓		
846 ✓	29	Gino Stores ✓		3 200 ✓			3 200 ✓	- ✓		
				5 945 ✓			5 945 ✓	45 ✓		

2.3

Date	A =	E +	L	REASON
Apr. 9	- 2 745 ✓	0	- 2 745 ✓	Bank (asset) decreases ✓ and Creditors control (liability) decreases. ✓
		+ 45 ✓	- 45 ✓	Creditors control (liability) decreases ✓ and discount received (income) increases equity ✓

Suggested assessment

Method Lecturer assessment

Form Written test

Tool Marking memorandum

## Chapter challenge

Suggested answers

### Question 1

1.  $R17\,465 - R336 = R17\,129$  ✓
2. Equipment, ✓ Trading inventory, ✓ Stationery, Packing /Cleaning materials, etc. (any two)
3. Duplicate Debit note ✓
4. CAJ ✓
5. (a) Discount received ✓  
(b) Nominal accounts section ✓  
(c) Income ✓
6. Items not according to order, items damaged, omission of discount, discount on damaged items, etc. (any one ✓✓)
7. Cheque counterfoil or bank statement ✓
8. The most effective way to check the balance in this account is to compare the balance to the creditors list. ✓
9. Error in creditors accounts in the Creditors ledger. ✓✓
- 10.

Dr				- Creditors control (Liability) +				B4	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 July 30	Bank and discount received	CB1	17 465	20.7 July 1	Balance	b/d	17 080		
	Total allowances	CAJ ✓	1 617	30	Total purchases ✓	CJ1	24 360		
	Balance	c/d	22 568 ✓		Journal credits/ Sundry accounts ✓	GJ1	210		
			41 650				41 650 ✓		
				Aug. 1	Balance	b/d	22 568 ✓		

[20]

### Question 2

1.

Cool Cat Traders									
Creditors journal – May 20.7									CJ1
Invoice no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Stationery	Sundry accounts		
							Amount	Fol.	Details
233	3	Xa-Xa Fashions	CL2	1 600 ✓	1 600 ✓				
A105	15	Xena Fashion Supplies	CL3	2 209 ✓	2 209 ✓				
C039	21	Thabo's Whole-salers	CL1	788 ✓		323 ✓	465 ✓		Packing material ✓
✓				4 597 ✓	3 809 ✓	323	465		
					B2				

### Note

The calculation for the entry on the 15th is:  $R2\,946 - R737 = R2\,209$

Cool Cat Traders									
Creditors allowances journal – May 20.7								CAJ1	
D/N no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Stationery	Sundry accounts		
							Amount	Fol.	Details
89	18	Xa-Xa Fashions	CL2	80 ✓✓	80 ✓✓				
90	25	Thabo's Wholesalers	CL1	90 ✓		90 ✓			
				170 ✓	80	90			
✓					B2				

**Note**

The calculation for the entry on the 18th is:  $R1\ 600 \times 5 \div 100 = R80$

Cash book of Cool Cat Traders										
PAYMENTS – May 20.7								CB1	Cr	
Doc.	Day	Details	Fol.	Bank	Trading inventory	Stationery	Creditors control		Sundry accounts	
							Payments	Discount received	Amount	Details
118	7	Xena Fashion Suppliers	CL3	2 970 ✓✓			2 970 ✓✓	330 ✓✓		
119	11	Thabo's Wholesalers	CL1	2 800 ✓			2 800 ✓	200 ✓		
120	15	Xena Fashion Suppliers		737 ✓	737 ✓					
✓				6 507 ✓	737		5 770 ✓	530 ✓		
					B2					

**General Journal of Cool Cat Traders – May 20.7**

Doc. No.	Day	Details	Fol.	Debit	Credit	Creditors control	
						Debit	Credit
JV52 ✓	9	Xa-Xa Fashions ✓	CL2	850		850 ✓	
		Xena Fashion Suppliers ✓	CL3		850		850 ✓
		Correction of error ✓					

**Note**

Add one mark ✓ for correct folio referencing in all journals.

2.

General ledger of Cool Cat Traders

Balance sheet section							
Dr				+ Trading inventory (Asset) –			
				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 May 1 ✓	Balance	b/d	16 075 ✓	20.7 May 30 ✓	Creditors control ✓	CAJ1 ✓	80 ✓
30	Bank ✓	CB1 ✓	737 ✓		Balance	c/d	20 541 ✓✓
	Creditors control ✓	CJ1 ✓	3 809 ✓				
			20 621 ✓				20 621 ✓
June 1 ✓	Balance	b/d	20 541 ✓				

3. Opening balance, R18 822 ✓ + Credit purchases (CJ) R4 597 ✓ – Credit allowances (CAJ) R170 ✓ – Bank payments (CB) R5 770 ✓ – Discount received R530 ✓  
= R16 949 ✓✓

4.

Creditors ledger of Cool Cat Traders

Thabo's Wholesalers							
CL1							
Date		Details	Fol.	Debit		Credit	Balance
20.7 May	1	Balance	b/d				4 322 ✓
	11	Cheque 119 ✓	CB1 ✓	2 800 ✓			1 522 ✓
		Discount received ✓	CB1 ✓	200 ✓			1 322 ✓
	21	Invoice Co39 ✓	CJ1 ✓			788 ✓	2 110 ✓
	25	Debit note 90 ✓	CAJ1 ✓	90 ✓			2 020 ✓

Xa-Xa Fashions							
CL2							
Date		Details	Fol.	Debit		Credit	Balance
20.7 May	1	Balance	b/d				11 200 ✓
	3	Invoice 233 ✓	CJ1 ✓			1 600 ✓	12 800 ✓
	9	Error corrected ✓	GJ1 ✓	850 ✓			11 950 ✓
	18	Debit note 89 ✓	CAJ1 ✓	80 ✓			11 870 ✓

Xena Fashion Suppliers							
CL3							
Date		Details	Fol.	Debit		Credit	Balance
20.7 May	1	Balance	b/d				3 300 ✓
	7	Cheque 118 ✓	CB1 ✓	2 970 ✓			330 ✓
		Discount received ✓	CB1 ✓	330 ✓			–
	9	Error corrected ✓	GJ1 ✓			850 ✓	850 ✓
	15	Invoice A105 ✓	CJ1 ✓			2 209 ✓	3 059 ✓

Creditors list on 30 May 20.7		
Creditor	Fol.	Amount
Thabo's Wholesalers	CL1	2 020 ✓✓
Xa-Xa Fashions	CL2	11 870 ✓✓
Xena Fashion Suppliers	CL3	3 059 ✓✓
		16 949 ✓✓

**Age analysis for Creditors of Cool Cat Traders at May 2006**

	Current	30 days	60 days	90 days	Total
Thabo's Wholesalers	698 ✓✓	1 322 ✓✓✓			2 020 ✓
Xa-Xa Fashions	670 ✓✓✓	11 200 ✓✓			11 870 ✓
Xena Fashion Suppliers	3 059 ✓✓✓	0 ✓✓			3 059 ✓
TOTAL	4 427 ✓	12 522 ✓			16 949 ✓

5.

Thabo's Wholesalers CL1									
Date		Details	Fol.	Debit		Credit		Balance	
20.7 May	1	Balance	b/d					4 322	–
	11	Cheque 119	CB1	2 800	–			1 522	–
		Discount received	CB1	200	–			1 322	–
	21	Invoice C039	CJ1			788	–	2 110	–
	25	Debit note 90	CAJ1	90	–			2 020	–
Age analysis:									
		Current	30 days	60 days	90 days	Total			
		R698,00	1 322,00	–	–	2 020,00			
		✓✓		✓✓✓	✓				

**Note**

- **Current:** Invoices for the current month less debit notes for the current month:  
R788 – R90 = R698
- **30 days:** Balance from last month less payment made and discount received in current month: R4 322 – R2 800 – R200 = R1 322

6.

INVOICE		XA-XA FASHIONS		NO: 233 ✓	
To: Cool Cat Traders ✓				Date: 03/05/07 ✓	
Merchandise ✓				R1 600,00 ✓	
Total invoice				R1 600,00 ✓	

<b>Cool Cat Traders</b>		Form 52 ✓
<b>Office memorandum</b>		
To: Bookkeeper	Date: 9 May 20.7 ✓	
Trading inventory costing R850 returned to Xa-Xa Fashions last month was incorrectly posted to the account of Xena Fashion Suppliers in the Creditors Ledger. Correct the error. ✓✓ CC		

Date	11/05	<b>TWIN BANK LIMITED</b> Pietermaritzburg	97-03-10-02 Date: 11 May 20.7
To	Thabo's Wholesalers		
For	Account	Pay Thabo's Wholesalers	Order or <del>Bearer</del>
Balance b/d	R		
Deposit	R		
Sub-total	R	The sum of <u>Two thousand eight hundred</u>	R 2 800 - 00
This cheque	R 2800	<u>Rand only</u>	
Balance	R		<u>C. Cat</u>
119		0304 : 97-03-10-02 : 13024131566 - 119	for: Cool Cat Traders

**Note**

Add one mark ✓ if the cheque is crossed properly.

<b>Cool Cat Traders</b>			Debit note no: 0032C
137 Catwalk Street Westville 3629			
To: Thabo's Wholesalers ✓			Date: 25/05/07 ✓
QUANTITY	DESCRIPTION	PRICE	TOTAL
	Return inferior quality stationery purchased on the 21st as per invoice C039 ✓	90,00	90,00 ✓
<b>TOTAL</b>			90,00 ✓

[Total: 170 marks]

*Suggested assessment*

Method   Lecturer assessment

Form       Written test

Tool       Marking memorandum

# chapter 5

## financial year-end procedures

### About this chapter

This table summarises the work covered in Chapter 5.

Chapter 5 Financial year-end procedures	
Unit 1 Profit and final accounts	Unit 2 The Balance sheet
<ul style="list-style-type: none"><li>• Concept of gross profit and net profit</li><li>• Recording of closing entries of nominal accounts in the General journal.</li><li>• Posting of closing transfers from the General journal to the General ledger and drawing up the Trading account and Profit and loss account.</li><li>• Draw up the Post-closing trial balance</li></ul>	<ul style="list-style-type: none"><li>• The Generally Accepted Accounting Practice (GAAP)</li><li>• Prepare the Balance sheet (according to GAAP) and draw up notes to the Balance sheet for Non-current assets, cash and cash equivalents and capital.</li></ul>

### Learning outcomes and assessment standards

This chapter deals mainly with Topic 5 of Applied Accounting Level 2 in the Further Education and Training Phase: 'Demonstrate an understanding of financial year-end procedures.'

In Unit 1 you will learn about the concept of gross profit and net profit. You will record the closing transfers of the nominal accounts in the General journal and post to the final accounts in the General ledger. You will also prepare a Post-closing trial balance.

In Unit 2 you will learn about the Generally Accepted Accounting Practice (GAAP) and prepare a Balance sheet with notes for Non-current assets, cash and cash equivalents and capital.

### Critical cross-field outcomes

Topic 5 relates to the following Critical cross-field outcomes:

1	Identify problems using creative thinking to manage finances and to determine progress in a business venture.
2	Work effectively with others as members of a team, group, organisation and community while performing accounting and financial procedures in a small business venture.
3	Organise and manage oneself and one's activities responsibly and effectively through various activities to be done in a small business venture.

4	Collect, analyse and organise information to simplify decision-making in a small business environment.
5	Communicate effectively using mathematical and/or language skills in the modes of written presentation of elementary management information.
6	Be culturally sensitive across a range of social contexts in determining factors influencing and contributing to the local economy.
7	Demonstrate an understanding of the world as a set of related systems by recognising that current economic affairs impact the individual and business venture.
8	Explore career and entrepreneurial opportunities by using a variety of strategies to learn more effectively, regarding elementary finances, recording of elementary accounting transactions and elementary economics.
9	Participate as a responsible citizen in the community by using accounting, financial and economic concepts as a means to manage him/herself and plan for future needs.

## Promoting the NCS principles in your classroom

### *Overcoming barriers to learning and development*

The introduction to this Lecturer's Guide refers to the importance of inclusive education and making provision for students with special educational needs.

You can assist students with special educational needs by allowing students to work in pairs. For example, in the case of visual impairment, the sighted partner can describe the activity to the visually impaired student. In the case of manual impairment, the able student can allow the other student to give input while the able student does the physical writing.

## Career opportunities

Although this chapter does not focus specifically on careers, some related careers have been identified and described in the margin notes throughout the chapter.

## Integration

We have indicated cross-curricular links with Financial Management in the table below. When you are preparing a vocational programme, you need to meet with vocational programme developers in related subjects.

Applied Accounting Level 2: Topic 5: Financial year end procedures	Possible areas of integration with Financial Management Level 2
Subjects outcomes and Assessment standards	
1 Explain the concept of profit: 1.1 The concept of gross profit is explained 1.2 The concept of net profit is explained	<b>Topic 4, Subject outcome 1:</b> AS1.1 The Income Statement entries – Sales, Cost of Goods sold, Gross profit, Expenses, Net profit, Interest, Tax, Dividends and Retained income are explained along with their effect on the Net profit of the organisation. AS1.2 The net profit of an organisation is calculated in an exercise given the necessary figures.



<p>2 Explain closing transfers of Nominal accounts section in the General journal:</p> <p>2.1 The Sales, Debtors allowances and Cost of sales accounts are closed off to the trade account. Range: from Trial balance to General journal.</p> <p>2.2 The gross profit is calculated by closing off the trade account to the Profit and loss account.</p> <p>2.3 All incomes and expenses are closed off to the Profit and loss account. Range: from Trial balance to General journal.</p> <p>2.4 The net profit is calculated by closing off the Profit and loss account to the capital account.</p>	<p><b>Topic 1, Subject outcome 4:</b> AS 4.3 Profit/Loss is ascertained accordingly to determine financial progress of business.</p> <p><b>Topic 4, Subject outcome 1:</b> AS1.1 The Income Statement entries – Sales, Cost of goods sold, Gross profit, Expenses, Net profit, Interest, Tax, Dividends and Retained Income are explained along with their effect on the Net profit of the organisation.</p> <p>AS1.2 The net profit of an organisation is calculated in an exercise given the necessary figures.</p>
<p>3 Post the closing transfers of Nominal accounts section from the General journal to the General ledger.</p> <p>3.1 The Sales, Debtors allowances and Cost of sales accounts are closed off to the trade account. Range: from General journal to General ledger.</p> <p>3.2 The gross profit is calculated by closing off the trade account to the Profit and loss account.</p> <p>3.3 All incomes and expenses are closed off to the Profit and loss account. Range: from General journal to General ledger.</p> <p>3.4 The net profit is calculated by closing off the Profit and loss account to the capital account.</p>	<p><b>Topic 4, Subject outcome 1:</b> AS1.1 The Income Statement entries – Sales, Cost of Goods sold, Gross profit, Expenses, Net profit, Interest, Tax, Dividends and Retained income are explained along with their effect on the Net profit of the organisation.</p> <p>AS1.2 The net profit of an organisation is calculated in an exercise given the necessary figures.</p>
<p>4 Prepare a basic Balance sheet:</p> <p>4.1 Drawings are transferred to the capital account in the General journal</p> <p>4.2 Post the transfer of drawings to the capital account in the General ledger</p> <p>4.3 All the Balance sheet accounts in the General ledger are closed off accurately</p> <p>4.4 The purpose of the Balance sheet is explained</p> <p>4.5 The Balance sheet is prepared Range: notes are limited to Non-current assets and capital.</p>	<p><b>Topic 1, Subject outcome 1:</b> AS 1.3 The various types of accounts are identified and explained in relation to own business venture. Range: Types of accounts include but are not limited to Cash books, journals, ledgers, Balance sheets.</p> <p><b>Topic 1, Subject outcome 1:</b> AS 1.4 Financial concepts and principles are related to own business venture. Range: Financial concepts and principles include but are not limited to start-up capital, working capital, cash flow management, profit forecasts, management of assets and liabilities.</p>

## Resources

Lecturers and students can use resources such as libraries, encyclopaedias, the Internet and a variety of business magazines to find out more about the topics covered in this chapter. For example:

- Groenewald, et al. 2003. *Applied Accounting NIC/N2*. Seyfferdt Publishers. Bapsfontein
- Boshua & Schutte. 2002. *Basic Financial Accounting*. Juta. Lansdowne
- Green, S. et al. *Trendsetter* series. Cuali Books. Centurion
- [www.bized.ac.uk](http://www.bized.ac.uk)
- [www.marketinglecturer.com](http://www.marketinglecturer.com)
- [www.finlit.com](http://www.finlit.com)
- [www.umsil.edu](http://www.umsil.edu)

## Assessment

See the notes on assessment in the introduction to this book for an explanation of how assessment takes place in the chapters and for rubrics that can be used to assess activities. You will find detailed guidance for assessing activities in the discussion of each unit.

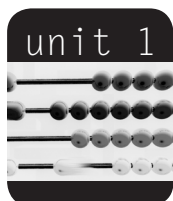
## Getting started

### *Guidance and additional information*

1. She has invested R30 000 of her own funds and she has borrowed funds from the bank, a loan of R50 000.
2. Vehicles, R90 000; Bank, R14 550; Equipment (computers and printers), R13 000; Trading inventory (stock), R62 128; Debtors control, R12 400.
3. Loan, R50 000; Creditors control, R8 249
4. Assets, R192 078 less Liabilities R58 249 = R133 829
5. Yes, this is good because it means the business owns more than it owes.
6.  $R297\,752 \times 200 \div 100 = R595\,504$
7.  $R595\,504 - R297\,752 = R297\,752$  profit
8. Bank charges ( $R260 \times 12$ ), R3 120; Interest on loan, R6 500; Salaries, R12 500; Advertisements ( $R450 + R360$ ), R810; Telephone, R5 760; Water and electricity, R4 080; Stationery and packing material, R8 720
9. Sales R595 504 – Cost of sales R297 752 – Expense R41 490 = R256 262 profit
10. Yes, she has earned a very high profit. She has invested cash of R30 000 and a vehicle of R90 000, totalling R120 000 and has more than doubled her investment.
11. It is important for Sarah to continually view the financial results and financial position of her business and to consider whether it is worthwhile continuing with the business and whether her investment in the business is growing.

### *Suggested assessment*

Method	Self-assessment
Form	Written exercise
Tool	Marking memorandum



## profit and final accounts

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 5 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 1: Explain the concept of profit.	1.1 The concept of gross profit is explained 1.2 The concept of net profit is explained	1, 5
SO 2: Explain closing transfers of Nominal accounts section in the General journal.	2.1 The Sales, Debtors allowances and Cost of sales accounts are closed off to the trade account. Range: from Trial balance to General journal. 2.2 The gross profit is calculated by closing off the trade account to the Profit and loss account 2.3 All incomes and expenses are closed off to the Profit and loss account. Range: from Trial balance to General journal. 2.4 The net profit is calculated by closing off the Profit and loss account to the capital account	2, 4, 5
SO 3: Post the closing transfers of Nominal accounts section from the General journal to the General ledger.	3.1 The Sales, Debtors allowances and Cost of sales accounts are closed off to the trade account. Range: from General journal to General ledger. 3.2 The gross profit is calculated by closing off the trade account to the Profit and loss account. 3.3 All incomes and expenses are closed off to the Profit and loss account. Range: from General journal to General ledger. 3.4 The net profit is calculated by closing off the Profit and loss account to the capital account	2, 4, 5
SO 4: Prepare a basic Balance sheet.	4.1 Drawings are transferred to the capital account in the general journal 4.2 Post the transfers of drawings to the capital account in the General ledger 4.3 All the Balance sheet accounts in the General ledger are closed off accurately 4.4 The purpose of the Balance sheet is explained	2, 3, 4, 5

## Activity 1: Calculating profit

*Suggested answers*

No.	Gross sales	Debtors allowances	Net sales	Cost of sales	Gross profit	Other income	Expenses	Net Profit/Loss
1	97 000	(4 000)	93 000	(62 000)	31 000	12 000	(29 000)	14 000
2	45 346	(1 760)	<b>43 586</b>	(22 908)	<b>20 678</b>	33 008	(30 230)	<b>23 456</b>
3	38 430	<b>2 305</b>	36 125	19 215	<b>16 910</b>	8 560	<b>21 710</b>	3 760
4	<b>73 600</b>	(4 416)	69 184	<b>44 160</b>	25 024	<b>19 932</b>	(37 464)	7 492
5	89 292	(1 785)	<b>87 507</b>	<b>74 410</b>	13 097	6 224	(21 250)	<b>(1 929)</b>
6	92 458	<b>3 698</b>	88 760	(55 475)	<b>33 285</b>	7 000	(47 881)	(7 596)

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

## Daily task 1

*Suggested answers*

1. A certain period in which the activities of a business take place, it does not have to be the same as a calendar year but is usually 12 months. It is always a fixed period at the same time of the year.
2. Gross sales is sales before Debtors allowances is subtracted and net sales is the amount of sales after Debtors allowances has been deducted.
3. The owner had to decide whether to expand the business; how much inventory to keep; whether he/she should increase or decrease prices.
4. Gross Profit is the profit made from sales. It is calculated by subtracting the Cost of sales figure (cost of goods sold) for the year from the net sales figure for the year. Net Profit is the final profit due to the owner. It is calculated by adding any other income (other than sales) to the Gross profit and subtracting all other expenses from this figure.
5. A business will make a loss when expenses exceed income.

## Activity 2: Final accounts

*Suggested answers*

Fast Step Shoes General journal – June 20.7						GJ1
Doc. No.	Day	Details	Fol.	Debit	Credit	
JV1	30	Sales	N1	883		
		Debtors allowances	N2		883	
		Transfer of Debtors allowances				

JV2		Sales	N1	339 892	
		Trading account	F1		339 892
		Closing transfer			
JV3		Trading account	F1	169 505	
		Cost of sales	N3		169 505
		Closing transfer			
JV4		Trading account	F1	170 387	
		Profit and loss account	F2		170 387
		Transfer of gross profit			
JV5		Rent income	N4	8 568	
		Profit and loss account	F2		8 568
		Closing transfers			
JV6		Profit and loss account	F2	93 956	
		Salaries and wages	N5		70 975
		Rates and taxes	N6		3 137
		Telephone	N7		3 699
		Water and electricity	N8		4 993
		Stationery	N9		4 718
		Packing material	N10		6 434
		Closing transfers			
JV7	28	Profit and loss account	F2	84 999	
		Capital	B1		84 999
		Transfer of net profit			
JV8	28	Capital	B1	40 800	
		Drawings	B2		40 800
		Transfer of drawings			

## General ledger of Fast Step Shoes

Balance sheet section							
Dr				– Capital (Equity) +			
				B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Drawings	GJ1	40 800	20.7 Jun. 30	Balance	b/d	340 000
	Balance	c/d	384 199		Profit and loss	GJ1	84 999
			424 999				424 999
				Jul. 1	Balance	b/d	384 199

Dr				+ Drawings (Equity) –				B2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Balance	b/d	40 800	20.7 Jun. 30	Capital	GJ1	40 800		
Dr				+ Trading inventory (Asset) –				B3	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Balance	b/d	37 145						
Dr				+ Debtors control (Asset) –				B4	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Balance	b/d	15 793						
Dr				+ Land and buildings (Asset) –				B5	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Balance	b/d	255 000						
Dr				– Creditors control (Liability) +				B6	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 Jun. 30	Balance	b/d	13 464		
Dr				+ Equipment (Asset) –				B7	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Balance	b/d	87 234						
Dr				+ Cash float (Asset) –				B8	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Balance	b/d	340						
Dr				+ Petty cash (Asset) –				B9	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Balance	b/d	85						
Nominal accounts section									
Dr				– Sales (Income) +				N1	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Debtors allow- ances	GJ1	883	20.7 Jun. 30	Total	b/f	340 775		
	Trading account	GJ1	339 892						
			340 775				340 775		
Dr				+ Debtors allowances (Expense) –				N2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Jun. 30	Total	b/f	883	20.7 Jun. 30	Sales	GJ1	883		

Dr + Cost of sales (Income) –				N3 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Total	b/f	169 505	20.7 Jun. 30	Trading account	Gj1	169 505
Dr – Rent income (Income) +				N4 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Profit and loss account	Gj1	8 568	20.7 Jun. 30	Total	b/f	8 568
Dr + Salaries and wages (Expense) –				N5 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Total	b/f	70 975	20.7 Jun. 30	Profit and loss account	Gj1	70 975
Dr + Rates and taxes (Expense) –				N6 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Total	b/f	3 137	20.7 Jun. 30	Profit and loss account	Gj1	3 137
Dr + Telephone (Expense) –				N7 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Total	b/f	3 699	20.7 Jun. 30	Profit and loss account	Gj1	3 699
Dr + Water and electricity (Expense) –				N8 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Total	b/f	4 993	20.7 Jun. 30	Profit and loss account	Gj1	4 993
Dr + Stationery (Expense) –				N9 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Total	b/f	4 718	20.7 Jun. 30	Profit and loss account	Gj1	4 718
Dr + Packing material (Expense) –				N10 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Total	b/f	4 718	20.7 Jun. 30	Profit and loss account	Gj1	4 718
Final accounts section							
Dr Trading account				F1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Cost of sales	Gj1	169 505	20.7 Jun. 30	Sales	Gj1	339 892
	Profit and loss account	Gj1	170 387				
			339 892				339 892

Dr				F2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Salaries and wages	GJ1	70 975	20.7 Jun. 30	Trading account	GJ1	170 387
	Rates and taxes	GJ1	3 137		Rent income	GJ1	8 568
	Telephone	GJ1	3 699				
	Water and electricity	GJ1	4 993				
	Stationery	GJ1	4 718				
	Packing material	GJ1	6 434				
	Capital	GJ1	84 999				
			178 955				178 955

*Suggested assessment*

Method Self-assessment

Form Written test

Tool Marking memorandum

## Daily task 2

- The transfer of nominal accounts totals for an accounting period to the final accounts (Trading account and Profit and loss account) at the end of the financial year.
- The Trading account is used to calculate the profit made from trading (gross profit) of the business for the year. The Profit and loss account is used to calculate the overall profit (net profit) or loss made by the business for the year.
- Step 1:** Close off the Debtors allowances account to the Sales account. Credit Debtors allowances and debit Sales.  
**Step 2:** Close off the Sales account to the Trading account. Debit Sales (net sales) and credit Trading account.  
**Step 3:** Close off the Cost of sales account to the Trading account. Credit Cost of sales and debit Trading account.  
**Step 4:** Calculate the gross profit in the Trading account and transfer the gross profit from the Trading account to the Profit and loss account. Debit Trading account and credit Profit and loss account.  
**Step 5:** Close off all other income to the Profit and loss account. Debit all other income accounts and credit Profit and loss account.  
**Step 6:** Close off all expenses to the Profit and loss account. Debit Profit and loss account and credit all expense accounts.  
**Step 7:** Calculate the net profit in the Profit and loss account and transfer the net profit from the Profit and loss account to the Capital account. Debit Profit and loss account and credit Capital.  
**Step 8:** Close off the Drawings account to the Capital account and balance the Capital account. Credit Drawings and debit Capital.



### Activity 3: Draw up a Post-closing trial balance

*Suggested answers*

**Post-closing trial balance of Fast Step Shoes as at 30 June 19.7**

	<i>Fol.</i>	<i>Debit</i>	<i>Credit</i>
<b>Balance sheet section</b>			
Capital	B1		384 199
Trading inventory	B3	37 145	
Debtors control	B4	15 793	
Bank	CB1	2 066	
Land and buildings	B5	255 000	
Creditors control	B6		13 464
Equipment	B7	87 234	
Cash float	B8	340	
Petty cash	B9	85	
		397 663	397 663

*Suggested assessment*

Method Self-assessment

Form Written Test

Tool Marking memorandum

### Daily task 3

*Suggested answers*

1. After all the closing transfers of the nominal accounts have been completed, usually at the end of the financial year, the Post-closing trial balance is drawn up.
2. After all the nominal accounts have been closed off and all the closing transfers have been completed, there will only be a Balance sheet section left over in the Trial balance.
3. The Post-closing trial balance will not include Drawings because it has been closed off to the Capital account.

### Activity 4: Apply your knowledge

*Suggested answers*

Yuppie Camping Equipment General journal – April 20.7					
<i>Doc. No.</i>	<i>Day</i>	<i>Details</i>	<i>Fol.</i>	<i>Debit</i>	<i>Credit</i>
JV1	30	Sales	N1	1 966	
		Debtors allowances	N2		1 966
		Transfer of Debtors allowances			

JV2		Sales	N1	237 042	
		Trading account	F1		237 042
		Closing transfer			
JV3		Trading account	F1	106 041	
		Cost of sales	N3		106 041
		Closing transfer			
JV4		Trading account	F1	131 001	
		Profit and loss account	F2		131 001
		Transfer of gross profit			
JV5		Rent income	N6	12 000	
		Discount received	N8	1 000	
		Interest on overdue debtors	N10	169	
		Profit and loss account	F2		13 169
		Closing transfers			
JV6		Profit and loss account	F2	106 158	
		Sundry expenses	N4		101 691
		Interest on loan	N5		2 200
		Discount allowed	N7		1 352
		Bad debts	N9		915
		Closing transfers			
JV7	28	Profit and loss account	F2	38 012	
		Capital	B1		38 012
		Transfer of net profit			
JV8	28	Capital	B1	9 905	
		Drawings	B2		9 905
		Transfer of drawings			

## General ledger of Yuppie Camping Equipment

Balance sheet section							
Dr		– Capital (Equity) +				B1	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 30	Drawings	GJ1	9 905	20.7 Apr. 1	Balance	b/d	208 210
	Balance	c/d	236 317	30	Profit and loss	GJ1	38 012
			246 222				246 222
				May 1	Balance	b/d	236 317

Dr + Drawings (Equity) –				B2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Balance	b/d	9 905	20.7 Apr. 30	Capital	GJ1	9 905
Dr + Trading inventory (Asset) –				B3 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Balance	b/d	18 960	20.7 Apr. 30	Cost of sales	CB1	17 484
30	Bank	CB1	17 088		Cost of sales	DJ1	9 576
	Cost of sales	DAJ1	144		Creditors control	CAJ1	990
	Creditors control	CJ1	13 200		Sundry accounts (correction of error)	GJ1	300
			49 392		Balance	c/d	21 042
May 1	Balance	b/d	21 042				49 392
Dr + Debtors control (Asset) –				B4 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Balance	b/d	7 200	20.7 Apr. 30	Bank	CB1	9 180
30	Sales	DJ1	14 760		Discount allowed	CB1	552
	Journal debits	GJ1	44		Debtors allowances	DAJ1	516
			22 004		Journal credits	GJ1	470
			11 286		Balance	c/d	11 286
May 1	Balance	b/d	11 286				22 004
Dr + Vehicles (Asset) –				B5 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Balance	b/d	63 750				
Dr – Creditors control (Liability) +				B6 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 30	Bank	CB1	5 160	20.7 Apr. 1	Balance	b/d	8 912
	Discount received	CB1	360	30	Total purchases	CJ1	14 400
	Total allowances	CAJ1	1 050				23 312
	Balance	c/d	16 742				16 742
			23 312				
				May 1	Balance	b/d	16 742

Dr				+ Equipment (Asset) –				B7	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Apr. 1	Balance	b/d	15 000	20.7 Apr. 30	Creditors control	CAJ1	60		
30	Creditors control	CJ1	1 200		Balance	c/d	16 140		
			16 200				16 200		
May 1	Balance	b/d	16 140						
Dr				– Loan (Liability)+				B8	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
				20.7 Apr. 1	Balance	b/d	20 000		
Dr				+ Land and buildings (Asset) –				B9	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Apr. 1	Balance	b/d	150 000						
Nominal accounts section									
Dr				– Sales (Income) +				N1	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Apr. 30	Debtors allow- ances	GJ1	1 966	20.7 Apr. 1	Total	b/f	198 700		
	Trading account	GJ1	237 042	30	Bank	CB1	25 548		
					Debtors control	DJ1	14 760		
			239 008				239 008		
Dr				+ Debtors allowances (Expense) –				N2	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Apr. 1	Total	b/f	1 450	20.7 Apr. 30	Sales	GJ1	1 966		
30	Debtors control	DAJ1	516				1 966		
			1 966						
Dr				+ Cost of sales (Income) –				N3	Cr
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
20.7 Apr. 1	Total	b/f	79 125	20.7 Apr. 30	Trading inventory	DAJ1	144		
30	Trading inventory	CB1	17 484		Trading account	GJ1	106 041		
	Trading inventory	DJ1	9 576						
			106 185				106 185		

Dr + Sundry expenses (Expense) –				N4 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Total	b/f	92 945	20.7 Apr. 30	Profit and loss account	GJ1	101 691
30	Bank	CB1	8 446				
	Trading inven- tory (correction of error)	GJ1	300				
			101 691				101 691
Dr + Interest on loan (Expense) –				N5 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Total	b/f	2 200	20.7 Apr. 30	Profit and loss account	GJ1	2 200
Dr – Rent income (Income) +				N6 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 30	Profit and loss account	GJ1	12 000	20.7 Apr. 1	Total	b/f	12 000
Dr + Discount allowed (Expense) –				N7 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Total	b/f	800	20.7 Apr. 30	Profit and loss account	GJ1	1 352
30	Debtors control	CB1	552				
			1 352				1 352
Dr – Discount received (Income) +				N8 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 30	Profit and loss account	GJ1	1 000	20.7 Apr. 1	Total	b/f	640
				30	Creditors control	CB1	360
			1 000				1 000
Dr + Bad debts (Expense) –				N9 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 1	Total	b/f	445	20.7 Apr. 30	Profit and loss account	GJ1	915
30	Debtors control	GJ1	470				
			915				915
Dr – Interest on overdue debtors (Income) +				N10 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 30	Profit and loss account	GJ1	169	20.7 Apr. 1	Total	b/f	125
				30	Debtors control	GJ1	44
			169				169

Final accounts section							
Dr				Trading account			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Jun. 30	Cost of sales	GJ1	106 041	20.7 Apr. 30	Sales	GJ1	237 042
	Profit and loss account	GJ1	131 001				
			237 042				237 042

Dr				Profit and loss account			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Apr. 30	Sundry expenses	GJ1	101 691	20.7 Apr. 30	Trading Account	GJ1	131 001
	Interest on loan	GJ1	2 200		Rent income	GJ1	12 000
	Discount allowed	GJ1	1 352		Discount received	GJ1	1 000
	Bad debts	GJ1	915		Interest on overdue debtors	GJ1	169
	Capital	GJ1	38 012				
			144 170				144 170

**Post-closing trial balance**  
**Yuppie Camping Equipment on 30 April 19.7**

	Fol.	Debit	Credit
<b>Balance sheet section</b>			
Capital	B1		236 317
Trading inventory	B3	21 042	
Debtors control	B4	11 286	
Bank (6 807 + 37 488 – 35 206)	CB1	10 841	
Vehicles	B5	63 750	
Creditors control	B6		16 742
Equipment	B7	16 140	
Loan	B8		20 000
Land and buildings	B9	150 000	
		273 059	273 059

*Suggested assessment*

Method   Lecturer assessment

Form      Written exercise

Tool       Marking memorandum

### Assess your progress

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete

the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 1

*Suggested answers*

### Question 1

Zenith Foods Stores General journal – September 20.7					
Doc. No.	Day	Details	Fol.	Debit	Credit
JV1	30	Sales ✓	N1	4 324 ✓	
		Debtors allowances ✓	N2		4 324 ✓
		Transfer of Debtors allowances ✓			
JV2		Sales ✓	N1	520 881 ✓✓	
		Trading account ✓	F1		520 881 ✓✓
		Closing transfer ✓			
JV3		Trading account ✓	F1	333 500 ✓	
		Cost of sales ✓	N3		333 500 ✓
		Closing transfer			
JV4		Trading account ✓	F1	187 381 ✓✓	
		Profit and loss account ✓	F2		187 381 ✓✓
		Transfer of gross profit ✓			
JV5		Rent income	N10	48 634 ✓	
		Discount received	N12	1 139 ✓	
		Interest on savings account	N15	184 ✓	
		Interest on fixed deposit	N16	759 ✓	
		Profit and loss account	F2		50 716 ✓✓
		Closing transfers ✓			
JV6		Profit and loss account	F2	114 736 ✓✓	
		Salaries	N4		74 750 ✓
		Telephone	N5		24 541 ✓
		Water and electricity	N6		3 450 ✓
		Stationery	N7		4 002 ✓
		Consumable stores	N8		2 150 ✓
		Interest on loan	N9		2 473 ✓
		Discount allowed	N11		1 426 ✓
		Bad debts	N13		529 ✓

		Bank charges	N14		1 415 ✓
		Closing transfers ✓			
JV7	28	Profit and loss account ✓	F2	123 361 ✓✓	
		Capital ✓	B1		123 261 ✓✓
		Transfer of net profit ✓			
JV8	28	Capital ✓	B1	8 050 ✓	
		Drawings ✓	B2		8 050 ✓
		Transfer of drawings ✓			

[54]

General ledger of Zenith Food Stores

Balance sheet section							
Dr				– Capital (Equity) +			
				B1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Sept. 30	Drawings ✓	GJ1 ✓	8 050 ✓	20.7 Sept. 30	Balance	b/d	209 012 ✓
	Balance	c/d	324 323 ✓✓		Profit and loss ✓	GJ1 ✓	123 361 ✓✓
			332 373 ✓				332 373 ✓
				Oct. 1 ✓	Balance	b/d	324 323 ✓

[14]

Final accounts section							
Dr				Trading account			
				F1 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Sept. 30	Cost of sales ✓	GJ1 ✓	333 500 ✓	20.7 Sept. 30	Sales ✓	GJ1	520 881 ✓
	Profit and loss account ✓	GJ1	187 381 ✓				
			520 881		✓		520 881

[8]

Profit and loss account							
Dr				F2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Sept. 30	Salaries	GJ1	74 750 ✓	20.7 Sept. 30	Trading Account	GJ1	187 38 ✓
	Telephone	GJ1	24 541 ✓		Rent income	GJ1	48 634 ✓
	Water and electricity	GJ1	3 450 ✓		Discount received	GJ1	1 139 ✓
	Stationery	GJ1	4 002 ✓		Interest on savings account	GJ1	184 ✓
	Consumable Stores	GJ1	2 150 ✓		Interest on fixed deposit		759 ✓



	Interest on loan	GJ1	2 473 ✓				
	Discount allowed	GJ1	1 426 ✓				
	Bad debts	GJ1	529 ✓				
	Bank charges	GJ1	1 415 ✓				
	Capital	GJ1	123 361 ✓✓				
			238 097				238 097

[18]

**Post-closing trial balance of Yuppie Camping Equipment as at 30 September 19.7**

	Fol.	Debit	Credit
<b>Balance sheet section</b>			
Capital	B1		324 323 ✓
Loan: Super Bank	B3		57 500 ✓
Fixed deposit: World Bank	B4	46 000 ✓	
Savings account	B5	6 900 ✓	
Land and buildings	B6	151 800 ✓	
Vehicles	B7	113 160 ✓	
Equipment	B8	37 318 ✓	
Trading inventory	B9	24 541 ✓	
Debtors control	B10	37 260 ✓	
Bank	CB1	7 739 ✓	
Petty cash	B12	460 ✓	
Creditors control	B13		43 355 ✓
		425 178 ✓✓	425 178 ✓✓

[16]

**Question 2**

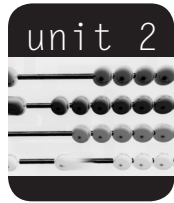
1. Gross profit
2. Final accounts
3. Closing transfers
4. Net profit
5. Net loss (2 marks each = 10)

*Suggested assessment*

Method Lecturer assessment

Form Written test

Tool Marking memorandum



## the balance sheet

### Unit outcomes

The table at the beginning of the unit in the Student's Book states the unit outcomes for this unit, grouped into skills, knowledge, and values and attitudes. This table has been adapted and placed at the end of the unit in the Student's Book so that it can be used for self-assessment.

The table below summarises the Subject Outcomes and Assessment Standards of Topic 5 and shows how these are addressed in the activities in the Student's Book.

Subject outcomes	Assessment standards	Activities
SO 3: Post the closing transfers of Nominal accounts section from the General journal to the General ledger.	3.1 The sales, Debtors allowances and Cost of sales accounts are closed off to the trade account. Range: from General journal to General ledger. 3.2 The gross profit is calculated by closing off the trade account to the Profit and loss account. 3.3 All incomes and expenses are closed off to the Profit and loss account. Range: from General journal to General ledger. 3.4 The net profit is calculated by closing off the Profit and loss account to the capital account.	8, 11
SO 4: Prepare a basic Balance sheet.	4.1 Drawings is transferred to the capital account in the General journal. 4.2 Post the transfers of drawings to the capital account in the General ledger. 4.3 All the Balance sheet accounts in the General ledger are closed off accurately. 4.4 The purpose of the Balance sheet is explained.	6, 7, 8, 9, 10, 11

### Activity 1: GAAP concepts

#### Guidance and additional information

- The owner of a sole trader receives a R20 000 gift from his uncle. This is not shown in the books of the business: **Business entity concept**.
- Interest on loan and interest on overdraft are shown as two separate amounts: **Materiality concept**
- Land and buildings purchased five years ago for R2 million is worth R3,5 million today. This asset is recorded as R2 million in the Balance sheet: **Historical cost concept**
- There is a possibility that certain stock costing R20 000 has lost 75% of its value because of changing fashions. Provision is made for this loss of R15 000 in the books of the business: **Prudence concept**

5. The business has earned interest on fixed deposit of R120 for the current year but has not yet received this amount. This amount must be recorded as an income for the current year: **Matching concept**
6. Trading inventory is shown at cost price in the books of the business at R100 000, however if it had to be sold at short notice, only R75 000 will be received for it: **Going-concern concept**

*Suggested assessment*

Method Peer assessment

Form Written exercise

Tool Marking memorandum

## Daily task 1

*Suggested answers*

1. Financial statements are used to report on the financial results and financial position of the business. They are a necessary tool to help the owner with important decision making regarding the business because they summarises the business activities for a specific accounting period.
2. Financial statements are Step 6 in the accounting cycle.
3. Generally Accepted Accounting Practice (GAAP) is a set of accounting principles or rules and consists of methods and procedures for financial reporting. It provides guidance to accountants in the preparation of financial statements. The purpose of GAAP is to ensure that reliable information is given to those people who need to use financial information and to reduce the wide variety of possible accounting practices and interpretations.
4. The six GAAP concepts
  - Business entity concept:** The financial records and reports of a business should not include the personal transactions or assets of either its owner(s) or those of another business.
  - Historical cost concept:** The rule is that assets purchased by the business must be recorded in the books at their original cost price (the price originally paid for them).
  - Going-concern concept:** Financial statements need to be prepared on the assumption that the business is a going concern, meaning that the business will continue trading for some time in the future.
  - Matching concept:** According to the matching concept, the transaction must be recorded in the financial period in which it occurs, regardless of when the cash is received or paid.
  - Prudence concept:** When there is any uncertainty about the value of an asset, liability, income or expense, the principle of prudence must be applied. This means that accountants must be conservative in their approach to these uncertainties when preparing financial statements.
  - Materiality concept:** This concept requires that all material items should be shown separately in the financial statements to make it easier for the users of financial statements to understand what they are reading and to help with decision making. Immaterial amounts need not be shown separately, but added to other amounts of a similar nature.

## Something to do

*Guidance and additional information*

The following rubric can be used to assess this activity

Design and make (Story)	Level	Mark	Student mark
Exceeds expectations. Very creative and practical demonstration of GAAP principle. Excellent understanding of GAAP, innovative and interesting.	4	7–10	
Good effort and creative storyline. Satisfactory demonstration of GAAP principle. Good understanding of GAAP.	3	5–6	
Needs assistance with storyline. Not strong enough to deliver message. Some effort, but does not meet the requirements.	2	3–4	
Below expectations. No creativity and inappropriate message. Needs assistance. Weak effort.	1	0–2	
<b>SUB-TOTAL</b>			/10
<b>Demonstration: (Delivery of storyline)</b>			
Exceeds expectations. Displays confidence, enthusiasm and energy while performing storyline. Excellent group work and body language.	4	7–10	
Displays confidence and enthusiasm while performing storyline. Good group work and body language.	3	5–6	
Needs assistance with performing storyline and use of body language. Needs to work at portraying confidence. Some effort, but does not meet the requirements.	2	3–4	
Below expectations. No confidence while doing storyline. Needs assistance. Weak effort.	1	0–2	
<b>SUB-TOTAL</b>			/10
<b>TOTAL</b>			/20

*Suggested assessment*

Method Lecturer assessment

Form Oral presentation

Tool Rubric

## Activity 2: Visit a business

*Guidance and additional information*

The interview skills assessment rubric (Rubric 15) in the introduction to this Lecturer's Guide can be used to assess this activity. The interviewee can be asked to complete this rubric.

*Suggested assessment*

Method Lecturer assessment

Form Oral presentation

Tool Rubric

### Activity 3: Draw up a Balance sheet

Suggested answers

Fast Step Shoes Balance sheet as at 30 June 20.7		
ASSETS	Note	
<b>Non-current assets</b>		342 234
Fixed/Tangible assets	1	342 234
Financial assets		
Fixed deposit		–
<b>Current assets</b>		55 429
Trading inventory		37 145
Trade debtors		15 793
Cash and cash equivalents	2	2 491
<b>TOTAL ASSETS</b>		397 663
<b>EQUITY AND LIABILITIES</b>		
<b>Owner's equity</b>	3	384 199
<b>Non-current liabilities</b>		–
Loan		–
<b>Current liabilities</b>		13 464
Trade creditors		13 464
Bank overdraft		–
<b>TOTAL EQUITY AND LIABILITIES</b>		397 663

Notes to financial statements for the year ended 30 June 20.7

#### 1. Fixed/Tangible assets

	Land and buildings	Equipment	Vehicles	Total
Cost at beginning of year	255 000	87 234	–	342 234
Movements				
Additions at cost	–	–	–	–
Cost at the end of year	255 000	87 234	–	342 234

#### 2. Cash and cash equivalents

Bank	2 066
Petty cash	85
Cash float	340
Savings account	–
	2 491

**3. Owner's equity**

Capital balance – 1 July 20.6	340 000
Net profit	84 999
Additional capital contributed	–
Drawings	(40 800)
Capital balance – 30 Jun. 20.7	384 199

*Suggested assessment*

Method Self-assessment

Form Written exercise

Tool Marking memorandum

**Daily task 5**

*Suggested answers*

1. The Balance sheet indicates the financial position of the business and it is the report that shows what the business is worth. It shows business assets, liabilities and equity at one point in time, usually the last day of the accounting period.
2. We use notes to financial statements to give meaning and to provide details of the items in the Balance sheet. When we draw up notes to financial statement we apply the concept of materiality by not showing immaterial amounts separately, but adding it to other amounts of a similar nature.

**Activity 4: Complete the final accounts and the Balance sheet**

*Suggested answers*

**General ledger of Spiky Dealers**

Final accounts section							
Dr				Trading account			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7				20.7			
Oct. 30	Cost of sales	GJ1	218 500	Oct. 30	Sales	GJ1	415 150
	Profit and loss account	GJ1	196 650				
			415 150				415 150

Profit and loss account							
Dr				F2 Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7				20.7			
Oct. 30	Salaries	GJ1	49 450	Oct. 30	Trading account	GJ1	196 650
	Rent paid	GJ1	41 400		Interest on fixed deposit	GJ1	13 800
	Water and electricity	GJ1	14 375		Discount received	GJ1	414
	Stationery	GJ1	1 955				

	Packing materials	GJ1	2 357				
	Interest on loan	GJ1	19 320				
	Insurance	GJ1	12 650				
	Discount allowed	GJ1	966				
	Bad debts	GJ1	920				
	Repairs	GJ1	1 300				
	Telephone	GJ1	6 118				
	Capital	GJ1	60 053				
			210 864				210 864

Spiky Dealers Balance sheet as at 30 October 20.7			
ASSETS	Note		
<b>Non-current assets</b>			270 200
Fixed/Tangible assets	1		155 200
Financial assets			
Fixed deposit			115 000
<b>Current assets</b>			224 334
Trading inventory			126 500
Trade debtors			51 612
Cash and cash equivalents	2		46 222
<b>TOTAL ASSETS</b>			494 534
<b>EQUITY AND LIABILITIES</b>			
<b>Owner's equity</b>	3		321 793
<b>Non-current liabilities</b>			138 000
Loan: Sharp Bank			138 000
<b>Current liabilities</b>			34 741
Trade creditors			34 741
Bank overdraft			–
<b>TOTAL EQUITY AND LIABILITIES</b>			494 534

#### Notes to financial statements for the year ended 30 October 20.7

##### 1. Fixed/Tangible assets

	Land and buildings	Equipment	Vehicles	Total
Cost at beginning of year	–	55 200	100 000	155 200
Movements/ Additions at cost	–		–	–
Cost at the end of year	–	55 200	100 000	155 200

**2. Cash and cash equivalents**

Bank	46 222
Petty cash	–
Cash float	–
Savings account	–
	46 222

**3. Owner's equity**

Capital balance – 1 Nov 20.6	287 500
Net profit	60 053
Additional capital contributed	–
Drawings	(25 760)
Capital balance – 30 Oct. 20.7	321 793

*Suggested assessment*

Method Self-assessment

Form Written Test

Tool Marking memorandum

**Activity 5: Apply your knowledge**

*Suggested answers*

Yuppie Camping Equipment Balance sheet as at 30 April 20.7		
ASSETS	Note	
<b>Non-current assets</b>		229 890
Fixed/Tangible assets	1	229 890
Financial assets		
Fixed deposit		–
<b>Current assets</b>		43 169
Trading inventory		21 042
Trade debtors		11 286
Cash and cash equivalents	2	10 841
<b>TOTAL ASSETS</b>		273 059
<b>EQUITY AND LIABILITIES</b>		
<b>Owner's equity</b>	3	236 317
<b>Non-current liabilities</b>		20 000
Loan: Wild Bank		20 000
<b>Current liabilities</b>		16 742
Trade creditors		16 742
Bank overdraft		–
<b>TOTAL EQUITY AND LIABILITIES</b>		273 059



## Notes to financial statements for the year ended 30 April 20.7

## 1. Fixed/Tangible assets

	Land and buildings	Equipment	Vehicles	Total
Cost at beginning of year	150 000	14 940	63 750	228 690
Movements/ Additions at cost	–	1 200	–	1 200
Cost at the end of year	150 000	16 140	63 750	229 890

## 2. Cash and cash equivalents

Bank	10 841
Petty cash	–
Cash float	–
Savings account	–
	10 841

## 3. Owner's equity

Capital balance – 1 May 20.6	208 210
Net profit	38 012
Additional capital contributed	–
Drawings	(9 905)
Capital balance – 30 April 20.7	236 317

Suggested assessment

Method Self-assessment

Form Written Test

Tool Marking memorandum

## Activity 6: Financial year-end procedures project

Guidance and additional information

The following rubric can be used to assess this activity.

Topic	No effort made	Needs attention	Good	Outstanding	Mark
	1–2	3–5	6–8	9–10	
<b>Trial balance</b>	Incomplete and not balancing.	Many errors noted.	Generally well formulated. Some errors noted.	Most accurate and done. No errors noted.	
<b>Cash transaction</b>	Incomplete and formulated incorrectly, important information missing.	Some relevant transactions, but generally insufficient.	Most transactions formulated accurately. Some errors noted.	Most creative cash transactions. All formulated accurately and a large variety	
<b>Credit transactions</b>	Incomplete and formulated incorrectly, important information missing.	Some relevant transactions, but generally insufficient.	Most transactions formulated accurately. Some errors noted.	Most creative credit transactions. All formulated accurately and a large variety	

<b>Source documents</b>	Incomplete and mostly incorrect.	Some information correct but many mistakes and omissions noted.	Most source documents are completed correctly. Some errors noted.	Excellent, most professionally and accurately drawn up and completed.	
<b>Completion of journals</b>	Mostly incorrect, student cannot differentiate between different journals	Some information entered correctly but many mistakes noted.	Most transactions entered in appropriate journals and closed off correctly. Some errors noted	Journals most accurately and neatly completed and closed off. No errors noted.	
<b>Posting to the ledgers (General and Subsidiary)</b>	Incorrect, student does not understand posting process	Some information posted correctly but generally incorrect. Control account balances does not correlate with debtors and creditors lists	Most information posted correctly. Some errors noted.	Most accurate posting to the ledger. No errors noted. Control accounts balances with debtors and creditors lists.	
<b>Closing transfers</b>	Incorrect and information missing. Student does not understand the closing transfer process	Some transfers correct but generally incorrect. Many mistakes and omissions noted	Most transactions transferred correctly in General journal and General ledger. Some errors noted.	Most accurate closing off procedures followed. No errors noted.	
<b>Post-closing trial balance</b>	Incorrect, does not balance and nominal accounts included	Some amounts transferred correctly but many mistakes noted.	Most amounts are transferred correctly. Some errors noted. Does not balance	Most accurately done and balances.	
<b>Balance sheet</b>	Incorrect and does not balance. Student does not understand the Balance sheet	Some entries are correct but many incorrect entries noted. Does not balance	Most entries transferred correctly and notes to Balance sheet are complete. Some errors noted	Most accurately and Balance sheet balance and notes are complete.	
<b>Professional layout and technicality of project</b>	Poor, lots of mistakes noted	Reasonable but some technical errors noted	Generally well presented and neat	Professionally done and of a high standard	
<b>Total [100]</b>					

#### *Suggested assessment*

Method   Lecturer assessment

Form      Project

Tool      Rubric

### **Assess your progress**

Students should use the page in their Workbooks to summarise the new words and concepts and transaction they have learnt in this unit. Then they should complete the table at end of the unit in the Student's Book for inclusion in their Portfolio of Evidence. If students identify any problems, make time to discuss them and provide additional exercises or assistance.

## Revision: Questions for revising Unit 2

Suggested answers

### Question 1

1. historical cost
2. prudence
3. materiality
4. going-concern
5. matching
6. entity

[6 marks]

### Question 2

1. The Balance sheet indicates the financial position of the business and it is the report that shows what the business is worth. ✓ It shows business assets, liabilities and equity at one point in time, usually the last day of the accounting period. ✓
- 2.

Original Dealers Balance sheet as at 28 February 20.7		
ASSETS	Note	
<b>Non-current assets</b>		432 000
Fixed/Tangible assets	1	416 000
Financial assets		
Fixed deposit at 10% p.a.		16 000
<b>Current assets</b>		128 000 ✓
Trading inventory		80 000
Trade debtors		40 000 ✓
Cash and cash equivalents	2	8 000
<b>TOTAL ASSETS</b>		560 000
<b>EQUITY AND LIABILITIES</b>		
<b>Owner's equity</b>	3	456 000 ✓
<b>Non-current liabilities</b>		48 000 ✓
Mortgage Bond: First Bank		48 000
<b>Current liabilities</b>		56 000
Trade creditors		56 000
Bank overdraft		–
<b>TOTAL EQUITY AND LIABILITIES</b>		560 000 ✓

3. Yes ✓, there are trade debtors worth R40 000. ✓
4. Yes ✓, they own land and buildings as seen in the Fixed/Tangible asset note. ✓
5. Profit increases the owner's investment in the business. ✓✓
6. Liabilities are classified as Non-current when they take longer than 12 months to be repaid and are therefore classified as long-term or Non-current liabilities. ✓✓  
Liabilities are classified as current when they must be paid within 12 months. ✓✓

7. To finance the buying of property. ✓✓  
 8. Yes, ✓ the business purchased Equipment worth R4 000 during the year ✓, as seen in the Fixed/Tangible asset note. ✓ [24]

*Suggested assessment*

Method Self-assessment

Form Written Test

Tool Marking memorandum

## Chapter challenge

*Suggested answers*

1.

General ledger of Yako Traders

Final accounts section							
Dr				Trading account			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Feb. 28 ✓	Cost of sales ✓	GJ1 ✓	395 504 ✓	20.7 Feb. 28	Sales ✓	GJ1	791 008 ✓✓✓
	Profit and loss account ✓	GJ1	395 504 ✓		$(395\,504 \times \frac{200}{100})$		
		✓	520 881			✓	520 881

[12 marks]

Dr				Profit and loss account			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Feb. 28	Interest on loan $(300\,000 \times \frac{11}{100})$	GJ1	✓✓✓ 33 000	20.7 Feb28 ✓	Trading Account	GJ1 ✓	✓ 395 504
	Interest on overdraft	GJ1	65 ✓		Rent income $(3\,200 \times 11)$	GJ1	✓✓ 35 200
	Bank charges $(260 \times 12)$	GJ1	✓✓ 3 120		Interest on fixed deposit $(50\,000 \times \frac{8}{100})$	GJ1	✓✓✓ 4 000
	Salaries $(2\,500 \times 2 \times 12)$	GJ1	✓✓✓ 60 000				
	Advertisements $(635 \times 2)$	GJ1	✓✓ 1 270				
	Telephone	GJ1	5 300 ✓				
	Rates $(740 \times 12)$	GJ1	✓✓ 8 880				
	Stationery	GJ1	4 720 ✓				
	Capital	GJ1	318 349 ✓✓				
		✓	434 704			✓	434 704

[27 marks]

Yako Traders Balance sheet as at 28 February 20.7		
ASSETS	Note	
<b>Non-current assets</b>		761 000 ✓✓
Fixed/Tangible assets	1	711 000 ✓
Financial assets		
Fixed deposit		50 000 ✓
<b>Current assets</b>		80 528 ✓✓
Trading inventory		58 158 ✓
Trade debtors		22 370 ✓
Cash and cash equivalents	2	—
<b>TOTAL ASSETS</b>		841 528 ✓✓
<b>EQUITY AND LIABILITIES</b>		
<b>Owner's equity</b>	3	525 349 ✓
<b>Non-current liabilities</b>		300 000 ✓
Mortgage bond		300 000 ✓
<b>Current liabilities</b>		16 179 ✓✓
Trade creditors (3 600 + 8 400)		12 000 ✓✓
Bank overdraft ✓		4 179 ✓
<b>TOTAL EQUITY AND LIABILITIES</b>		841 528 ✓✓

## Notes to financial statements for the year ended 28 February 20.7

## 1. Fixed/Tangible assets

	Land and buildings	Equipment	Vehicles	Total
Cost at beginning of year	600 000 ✓	4 000 ✓✓	—	604 000 ✓
Movements				
Additions at cost		9 000 ✓✓	98 000 ✓	107 000 ✓
Cost at the end of year	600 000 ✓	13 000 ✓	98 000 ✓	711 000 ✓

## 2. Cash and cash equivalents

Bank	—
Petty cash	—
Cash float	—
Savings account	—
	—

## 3. Owner's equity

Capital balance – 1 March 20.6	255 000 ✓✓ (157 000 + 98 000)
Net profit	318 349 ✓
Additional capital contributed	—
Drawings	(48 000) ✓✓ (4 000 × 12)
Capital balance – 28 February 20.7	525 349 ✓

[39 marks]

2. Generally Accepted Accounting Practice (GAAP) is a set of accounting principles or rules and consists of methods and procedures for financial reporting. It provides guidance to accountants in the preparation of financial statements. The purpose of GAAP is to ensure that reliable information is given to those people who need to use financial information and to reduce the wide variety of possible accounting practices and interpretations. ✓✓ ✓✓ The GAAP concepts that I have applied in drawing up the Balance sheet are:

**Business entity concept: ✓**

The financial records and reports of a business should not include the personal transactions or assets of either its owner(s) or those of another business. ✓✓

**Historical cost concept: ✓**

The rule is that assets purchased by the business must be recorded in the books at their original cost price (the price originally paid for them). ✓✓

**Going-concern concept: ✓**

Financial statements need to be prepared on the assumption that the business is a going concern, meaning that the business will continue trading for some time in the future. ✓✓

**Matching concept: ✓**

According to the matching concept, the transactions must be recorded in the financial period in which it occurs, regardless of when the cash is received or paid. ✓✓

**Prudence concept: ✓**

When there is an uncertainty about the value of an asset, liability, income or expense, the principle of prudence must be applied. This means that accountants must be conservative in their approach to these uncertainties when preparing financial statements. ✓✓

**Materiality concept: ✓**

This concept requires that all material items should be shown separately in the financial statements to make it easier for the users of financial statements to understand what they are reading and to help with decision making. Immaterial amounts need not to be shown separately, but added to other amounts of a similar nature. ✓✓

[22 marks]

*Suggested assessment*

Method	Lecturer assessment
Form	Written test
Tool	Marking memorandum

# chapter 6

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## consolidated assignment

This is a practical assignment that consolidates all the knowledge, skills and values that students have acquired throughout the year.

This is not intended to be a chapter done right at the end of the year. Students should complete the assignment in sections once they have acquired the necessary knowledge and skills.

All the templates and documents needed for this assignment are provided in the Workbook.

All the model answers for all the accounting tables are provided in this section of the Lecturer's Guide.

Here are some guidelines for assessing the completion of source documents.

### General guidelines for assessing documents

- Deduct marks for untidy work and illegible handwriting.
- Amounts must be written in words and figures without spaces before or after so as to prevent fraud.
- Information provided in transactions should be accurately transferred to documents. This includes spelling, amounts and so on.

### Specific guidelines for certain key documents

**Receipts** must include the following:

- The document number, if it is not printed, even if it is not provided in the question
- The date in an acceptable format (dd-mm-yy)
- The name of the person or business to whom the receipt is issued
- The correct amount in figures (adhere to anti-fraud measures)
- The same amount in words (adhere to anti-fraud measures)
- Narration that indicates what the receipt is for.

**Credit notes and Debit notes** must include the following:

- The name and address of the business issuing the document if this information is not printed on the document
- The VAT registration number if it is not printed on the document
- The date in an acceptable format (dd-mm-yy)
- The document number, if it is not printed, even if it is not provided in the question
- The name and address of the client to whom the document is issued
- The account number of the client if provided

- A description of similar items returned (per line) as follows:
  - Code
  - Description
  - Quantity
  - Unit price (excluding VAT)
  - VAT total for similar units, unless indicated in the totals
  - Total price for similar units
- The total of the sub-totals
- The VAT on the total (if not indicated already)
- The signature of the person who completed the document (optional).

**Cheques** must include the following:

- The date in an acceptable format (dd-mm-yy)
- The name of the payee (correctly spelt)
- The correct amount in figures (adhere to anti-fraud measures)
- The same amount in words (include anti-fraud measures)
- The signature of the owner or manager
- Crossing done correctly
- The cheque number if not printed.

**Cheque counterfoils** must include the following:

- The date in an acceptable format (dd-mm-yy)
- The name of the payee
- A brief narration
- The opening balance, any deposits, the amount of this cheque and the new balance
- The counterfoil number, corresponding with the corresponding cheque, if not printed.

**Invoices** (credit or cash sales) must include the following:

- The name and address of the business issuing the invoice if not printed
- The VAT registration number if not printed
- The date in an acceptable format (dd-mm-yy)
- The document number if it is not printed, even if it is not provided in the question
- The name and address of the client the invoice is issued to
- The account number of the client if provided
- The payment method used
- A description of similar items returned (per line) as follows:
  - Code
  - Description
  - Quantity
  - Unit price (excluding VAT)
  - VAT total for similar units, unless indicated in the totals
  - Total price for similar units
- The total of the sub-totals
- The VAT on the total (if not indicated already)
- The signature of the person who completed the document (optional).



**Bank deposit slips** must include the following:

- The name of the Bank if not printed
- The date in an acceptable format (dd-mm-yy)
- The name of the account into which money must be deposited
- The correct account number into which money must be deposited
- The total value of bank notes, nickel, bronze and postal orders (each separately)
- The sub-total of the above
- The details of the cheques deposited per line as follows:
  - Drawer's name
  - Drawer's bank
  - Drawer's bank branch code
  - The correct amount in figures (adhere to anti-fraud measures)
- Total of sub-total and all cheques
- The signature of the person who made the deposit.

# CHAPTER 6

Cash book of MusicMakers													
RECEIPTS – DECEMBER 20.7													CB12
Dr	Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Current income	Sales	Cost of sales	Debtors control			Sundry accounts
										Receipts	Discount allowed	Amount	
		1	Balance	b/d		24 312						24 312	
	R 321	2	B. Marley	DL5	1 100					1 100	55		
	R 322	3	J. Denver	DL2	1 050					1 050	21		
	R 323	6	T. Ashanti	DL4	304					304	16		
		7	Sales		15 400			15 400	11 000				
✓			Services rendered		3 300	21 154	3 300						
	R 324	10	C. Malefane		12 000							12 000	/B1 Capital
		14	Sales		12 936			12 936	9 240				
✓			Services rendered		2 564	27 500	2 564						
		21	Sales		15 680			15 680	11 200				
✓			Services rendered		5 823	21 503	5 823						
R 325		24	E. Presley	DL1	3 125					3 125			
R 326		28	H. Mabasa	DL3	2 088					2 088	232		
			Sales		34 832			34 832	24 880				
✓			Services rendered		2 268	42 313	2 268						
						136 782	13 955	78 848		7 667		36 312	
							/N3	/N2	56 320	/B6	324		
							N1/B5		N10/B6				

Cash book of MusicMakers															
Dr		RECEIPTS – JANUARY 20.7												CB1	
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Current income	Sales	Cost of sales	Debtors control		Sundry accounts				
									Receipts	Discount allowed	Amount	Fol.	Details		
	1	Balance	b/d		36 167						36167				
R 327	1	D. Ashanti	DL4	213					213	11					
R 328	3	T. Jordaan		200							200	/ N19	Bad debts recovered		
	4	Sales		7 400			7 400	5 286							
✓		Services rendered		800	8 613	800									
R 329	7	E. Presley	DL1	2 300					2 300						
	11	Sales		8 734			8 734	6 239							
✓		Services rendered		1 574	12 608	1 574									
	18	Sales		11 540			11 540	8 243							
✓		Services rendered		2 457		2 457									
R 330	20	H. Mabasa	DL3	945	14 942				945	105					
	25	Sales		13 569			13 569	9 692							
✓		Services rendered		1 987	15 556	1 987									
		Balance	c/d		11 301						11301				
					99 187	6 818	41 243		3 458		47668				
						/N3	/N2	29 460	/B6	116					
								N1/B5		N10/B6					

## CHAPTER 6

## CHAPTER 6

Cash book of MusicMakers PAYMENTS – DECEMBER 20.7													Cr
Doc.	Day	Details	Fol.	Bank	Salaries	Trading inventory	Material costs	Debtor's Control	Creditors control		Sundry accounts		
									Payments	Discount Received	Amount	Fol.	Details
C354	4	Roxette Advertising CC	CL2	5 350					5 350				
C355	6	Commodores Wholesalers	CL1	2 875					2 875	92			
C356	7	Makro		600			400				200	N12 /	Stationery
C357	11	Moody Blue Pianos		8 000		8 000							
C358	14	Blues Primary School		1 200							1 200	B2 /	Drawings
C359	15	Stratus Bank		5 000							5 000	B8 /	Loan: Stratus Bank
C360	19	Dire Straits Importers		1 850		1 850							
C361	20	Finders Bank		1 850							1 850	N14 /	Vehicle expense
C362	21	Queen Instrument Factory		3 850					3 850				
C363	22	Flutes R Us		6 400		6 400							
C364		Meat Loaf Couriers		260		260							
C365	23	Roxette Advertising CC	CL3	250							250	N4 /	Advertising
C366	25	C. Malefane		6 000							6 000	B2 /	Drawings
C367		J. Glegg		8 000	8 000								
C368		R. Blunt		5 000	5 000								
C369		"your name"		5 500	5 500								
C370		O. Melua		5 600	5 600								
C371		J. Boyence		4 200	4 200								
C372		D. Zoid		5 400	5 400								
C373		Z. Houston		6 000	6 000								



## CHAPTER 6

✓	11	Sales	8 734	12 608	1 574	8 734	6 239					
	18	Services rendered	1 574									
		Sales	11 540			11 540	8 243					
✓		Services rendered	2 457		2 457							
R 330	20	H. Mabasa	945	14 942				945	105			
	25	Sales	13 569			13 569	9 692					
✓		Services rendered	1 987	15 556	1 987							
		Balance		11 301						11 301		
			99 187	6 818		41 243		3 458		47 668		
							29 460		116			
			87 886	/ N3	/ N2	/ N1 / B5		/ B6	N10 / B6			

Cash book of MusicMakers PAYMENTS – JANUARY 20.7												Cr
Doc.	Day	Details	Fol.	Bank	Salaries	Trading Inventory	Material costs	Debtor's Control	Creditors control		Sundry accounts	
									Payments	Discount Received	Amount	Fol. Details
C379	2	Commodores Whole- salers	CL1	1 884					1 884	47		
C380	3	Roxette Advertising CC	CL3	153					153	17		
C381	8	ACDC Pty Ltd		550		550						
C382	8	Savuka Primary School		100							100	N18 / Donation
C383	15	Stratus Bank		5 000							5 000	Loan: Stratus Bank
C384	16	Collins Drums		5 122		5 122						
C385	18	Queen Instrument Factory	CL2	7 128					7 128	570		



# CHAPTER 6

Cash book of MusicMakers													
Dr		RECEIPTS – FEBRUARY 20-7											CB2
Doc.	Day	Details	Fol.	Analysis of receipts	Bank	Current Income	Sales	Cost of sales	Debtors control		Sundry accounts		
									Receipts	Discount Allowed	Amount	Fol Details	
R 331	1	C. Lalefane		50 000							50 000	B1 Capital	
✓		Sales		6 223			6 223	4 445					
		Services rendered		3 700	59 923	3 700							
R 332	2	E. Presley	DL1	2 504					2 504	125			
R 333	4	D. Ashanti	DL4	505					505				
✓	8	Sales		19 234			19 234	13 739					
		Services rendered		1 860	24 103	1 860							
✓	15	Sales		16 344			16 344	11 674					
		Services rendered		8 240	24 584	8 240							
✓	22	Sales		18 569			18 569	13 264					
		Services rendered		1 987	20 556	1 987							
R 334	27	H. Mabasa	DL3	1 441					1 441	254			
R 335	28	B. Marley	DL5	2 340					2 340				
✓	29	Sales		14 432			14 432	10 309					
		Services rendered		1 600	19 813	1 600							
					148 979	17 387	74 802		6 790		50 000		
							/ N3	53 430	/ B6	379	N10/B6		
								N11/B5					



Cash book of MusicMakers PAYMENTS – FEBRUARY 20.7													Cr
Doc.	Day	Details	Fol.	Bank	Salaries	Trading inventory	Material costs	Debtors control	Creditors control		Sundry accounts		
									Payments	Discount received	Amount	Fol.	Details
	1	Balance	b/d	11 301							11301		
C403	4	Meat Loaf Couriers (for E. Presley)		120				120					
C404	7	Roxette Advertising CC	CL3	420					420	36			
C405	10	Commodores Wholesalers	CL1	5 939					5 939	148			
C406	14	Cash		3 400							3 400	B2 /	Drawings
C407		Lighthouse Family Ltd		9 500							9 500	B3 /	Equipment
C408	15	Stratus Bank		5 000							5 000	B8 /	Loan: Stratus Bank
C409	16	Modern Talking CC		930		930							
C410	18	Dire Straits Auctioneers		13 600		13 600							
C411	20	Finders Bank		2 100							2 100	N14	Vehicle expenses
C412	21	Queen Instrument Factory	CL2	5 524					5 524	138			
C413	25	C. Malefane		6 000							6 000	B2 /	Drawings
C414		J. Glegg		8 000	8 000								
C415		R. Blunt		5 000	5 000								
C416		"your name"		5 500	5 500								
C417		O. Melua		5 600	5 600								
C418		J. Boyence		4 200	4 200								
C419		D. Zoid		5 400	5 400								
C420		Z. Houston		6 000	6 000								
C421		A. Cher		6 200	6 200								

## CHAPTER 6

## CHAPTER 6

C422	29	REM Rentals	6 533									6 533	N8 /	Rent expense
C423		Telkom SA	956									1 211	N13 /	Telephone
C424		Wings Internet Services	367									367	N16 /	Website expense
C425		JHB Municipality	1 870									1 570	N15 /	Water and electricity
C426		Cash	450									450		Wages
BS		Stratus Bank	214									214	N7 /	Bank charges
		Balance	29 069	c/d								29 069		
			148 979		45 900	14 530	0	120	11 883			47 432		
					N11 /	B5 /	N9 /	B6 /	B9 /			322		
														B9/N5

<b>MusicMakers</b> <b>Creditors allowances journal – December 20.7</b> <b>CAJ12</b>									
D/N no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Equipment	Sundry accounts		
							Amount	Fol.	Details
NN212	7	Queen Instrument Factory	CL2	370	370				
NN213	31	Commodore Wholesalers	CL1	32	32				
				402	402				

B9 / / B5

<b>Creditors allowances journal – January 20.8</b> <b>CAJ1</b>									
D/N no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Equipment	Sundry accounts		
							Amount	Fol.	Details
NN214	12	Roxette Advertising CC	CL3	80			80	/ N4	Advertising
NN215	25	Commodores Wholesalers	CL1	652		652			
NN216	28	Queen Instrument Factory	CL2	182	182				
				914	182	652	80		

B9 / / B5 / B3

<b>Creditors allowances journal – February 20.8</b> <b>CAJ2</b>									
D/N no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Equipment	Sundry accounts		
							Amount	Fol.	Details
NN217	8	Queen Instrument Factory	CL2	140	140				
NN218	25	Queen Instrument Factory	CL2	98	98				
NN219	28	Commodores Wholesalers	CL1	32			32	/ N12	Stationery
				270	238	0	32		

B9 / / B5

<b>MusicMakers</b> <b>Creditors journal – December 20.7</b> <b>CJ12</b>									
Invoice no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Equipment	Sundry accounts		
							Amount	Fol.	Details
MM301	5	Queen Instrument Factory	CL2	9 240	9 240				
MM302	11	Roxette Advertising CC	CL3	170			170	N4 /	Advertising
MM303	15	Commodores Wholesalers	CL1	180			180	N9 /	Material costs

MM304	29	Queen Instrument Factory	CL2	672	672				
MM305	30	Commodores Wholesalers	CL1	438	198		240	N12 /	Stationery
				10 700	10 110	0	590		

/ B9      B5 /

Creditors journal – January 20.8										CJ1
Invoice no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Equipment	Sundry accounts			
							Amount	Fol.	Details	
MM306	7	Roxette Advertising CC	CL3	536			536	N4 /	Advertising	
MM307	13	Queen Instrument Factory	CL2	893	893					
MM308	19	Commodores Wholesalers	CL1	3 260		3 260				
MM309	21	Commodores Wholesalers	CL1	4 850		4 850				
MM310	27	Queen Instrument Factory	CL2	5 150	5 150					
				14 689	6 043	8 110	536			

/ B9      B5 /

Creditors journal – February 20.8										CJ2
Invoice no.	Day	Creditor	Fol.	Creditors control	Trading inventory	Equipment	Sundry accounts			
							Amount	Fol.	Details	
MM311	5	Queen Instrument Factory	CL2	2 800	2 800					
MM312	8	Mike and the Mechanics	CL4	1 200			1 200	N14 /	Vehicle Expenses	
MM313	14	Commodores Wholesalers	CL1	897	897					
MM314	23	Queen Instrument Factory	CL2	1 470	1 470					
MM315	26	Queen Instrument Factory	CL2	1 533	1 533					
MM316	27	Commodores Wholesalers	CL1	496			496	N12 /	Stationery	
				8 396	6 700	0	1 696			

/ B9      B5 /

<b>MusicMakers</b> <b>General journal – December 20.7</b> <b>GJ12</b>									
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
JV35	25	J. Denver	DL2	21		21			
		Discount allowed	N10		21				
		(dishonoured cheque)				21			

B6 /

<b>MusicMakers</b> <b>General journal – January 20.8</b> <b>GJ1</b>									
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
JV36	1	Drawings	B2	450					
		Telephone	N13		450				
		(correction)							
JV37	12	D. Ashanti	DL4	520		520			
		Current Income	N3		520				
		(Inv 186-Services rendered)							
JV38	14	J. Denver	DL2	420		420			
		Interest Income	N20		420				
		(interest on overdue acc.)							

B6 /

<b>MusicMakers</b> <b>General journal – February 20.8</b> <b>GJ2</b>									
Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
JV39	25	B. Marley	DL5	76		76			
		Interest income	N20		76				
		(interest on overdue acc)							
JV40	28	Bad debts	N6	4 907		4 907			
		J. Denver	DL2		4 907				
		(account written off)				4 983			
						B6 /			
JV41	29	Sales	N2	3 790					
		Debtors allowances	N17		3 790				
		(transfer of DA)							
JV42		Sales	N2	2 464 493					
		Trading account	F1		2 464 493				
		(closing transfer)							

JV43	Trading account	F1	1 760 353					
	Cost of sales	N17		1 760 351				
	(closing transfer)							
JV44	Trading account	F1	704 140					
	Profit and loss account	F2		704 142				
	(transfer of gross profit)							
JV45	Current income	N3	171 567					
	Discount received	N5	3 606					
	Bad debts recovered	N19	200					
	Interest income	N20	496					
	Profit and loss account	F2		175 869				
	(closing transfer)							
JV46	Profit and loss account		879 370					
	Advertising	N4		29 376				
	Bad debts	N6		5 607				
	Bank charges	N7		1 835				
	Building rent expense	N8		75 288				
	Material costs	N9		23 525				
	Discount allowed	N10		1 853				
	Salaries	N11		658 100				
	Stationery	N12		2 104				
	Telephone	N13		14 738				
	Vehicle expense	N14		34 463				
	Water and electricity	N15		23 740				
	Website rent expense	N16		4 401				
	Debtors allowances	N17		3 790				
	Donation	N18		100				
	Wages	N19		450				
	(closing transfer)							
JV47	Profit and loss account	F2	4 753					
	Capital	B1		4 753				
	(Transfer of Net profit)							
JV48	Capital	B1	49 100					
	Drawings	B2		49 100				
	(Transfer of Drawings)							

Debtors journal – December 20.7					DJ12
Inv.	Day	Debtor	Fol.	Sales	Cost of sales
177	2	D. Ashanti	DL4	154	110
178	7	E. Presley	DL1	1 337	955
179	8	H. Mabasa	DL3	490	350
180	12	J. Denver	DL2	980	700
181	15	E. Presley	DL1	98	70
182	23	B. Marley	DL5	3 850	2 750
183	29	D. Ashanti	DL4	70	50
				6 979	4 985
B6/N2					N1/B5

Debtors journal – January 20.8					DJ1
Inv.	Day	Debtor	Fol.	Sales	Cost of sales
184	6	B. Marley	DL5	350	250
185	11	E. Presley	DL1	252	180
187	19	H. Mabasa	DL3	1 050	750
188	26	D. Ashanti	DL4	495	354
189	30	E. Presley	DL1	408	291
				2 555	1 825
B6/N2					N1/B5

Debtors journal – February 20.8					DJ2
Inv.	Day	Debtor	Fol.	Sales	Cost of sales
190	3	P. Hilton	DL6	700	500
191	8	D. Ashanti	DL4	2 268	1 620
192	13	H. Mabasa	DL3	205	146
193	18	E. Presley	DL1	3 136	2 240
194	21	B. Marley	DL5	128	91
195	25	H. Mabasa	DL3	1 700	1 214
196	27	D. Ashanti	DL4	2 298	1 641
				10 435	7 454
B6/N2					N1/B5

MusicMakers					
Debtors allowances journal – December 20.7					DAJ12
C/N	Day	Debtor	Fol.	Debtors allowances	Cost of sales
45	15	J. Denver	DL2	693	495
46	27	B. Marley	DL5	112	80
				805	575
N17/ B6					B5/N1

Debtors allowances journal – January 20.8					DAJ1
C/N	Day	Debtor	Fol.	Debtors allow- ances	Cost of sales
47	21	H. Mabasa	DL3	210	150
48	24	E. Presley	DL1	252	180
				462	330
				N17/ B6	B5/N1

Debtors allowances journal – February 20.8					DAJ2
C/N	Day	Debtor	Fol.	Debtors allow- ances	Cost of sales
49	10	D. Ashanti	DL4	2 268	1 620
50	28	H. Mabasa	DL3	255	182
				2 523	1 802
				N17/ B6	B5/N1

## Creditors ledger of MusicMakers

Commordores Wholesalers						CL1
Date		Details	Fol.	Debit	Credit	Balance
20.7 Dec.	1	Balance	b/d			11 500
	6	C355	CB12	2 875		8625
		Discount received	CB12	92		8 533
	15	T122	CJ12		180	8 713
	30	T123	CJ12		438	9 151
	31	D/N T123	CAJ12	32		9 119
20.8 Jan.	2	C379	CB1	1 884		7 235
		Discount received	CB1	47		7 188
	19	MM308	CJ1		3 260	10 448
	21	MM309	CJ1		4 850	15 298
	25	NN215	CAJ1	652		14 646
Feb.	10	C405	CB2	5 939		8 707
		Discount received	CB2	148		8 559
	14	MM313	CJ2		897	9 456
	27	MM314	CJ2		496	9 952
	28	NN219	CAJ2	32		9 920



Queen Instrument Factory						CL2
Date		Details	Fol.	Debit	Credit	Balance
20.7 Dec.	1	Balance	b/d			23 100
	5	M312	CJ12		9 240	32 340
	7	D/N Qo25	CAJ12	370		31 970
	21	C362	CB12	3 850		28 120
	29	M313	CJ12		672	28 792
20.8 Jan.	13	MM307	CJ12		893	29 685
	18	C385	CB1	7 128		22 557
		Discount received	CB1	570		21 987
	27	MM310	CJ12		5 150	27 137
	28	NN216	CAJ12	182		26 955
Feb.	5	MM311	CJ2		2 800	29 755
	8	NN219	CAJ2	140		29 615
	21	C412	CB2	5 524		24 091
		Discount received	CB2	138		23 953
	23	MM314	CJ2		1 470	25 423
	25	NN220	CAJ2	98		25 325
	26	MM315	CJ2		1 533	26 858

Roxette Advertising CC						CL3
Date		Details	Fol.	Debit	Credit	Balance
20.7 Dec.	1	Balance	b/d			5 350
	4	C354	CB12	5 350		0
	11	Ao54	CJ12		170	170
20.8 Jan.	3	C380	CB1	153		17
		Discount received	CB1	17		0
	7	MM306	CJ1		536	536
	12	NN214	CAJ1	80		456
Feb.	7	C404	CB2	420		36
		Discount received	CB2	36		0

Mike and the Mechanics						CL3
Date		Details	Fol.	Debit	Credit	Balance
Feb.	8	MM312	CJ2		1 200	1 200

## Debtors ledger of MusicMakers

E. Presley						DL1
Date		Details	Fol.	Debit	Credit	Balance
20.7 Dec.	1	Balance	b/d			12 500
	7	Inv 178	DJ12	1 337		13 837
	15	Inv 181	DJ12	98		13 935
	24	Receipt 325	CB12		3 125	10 810
20.8 Jan.	7	Receipt 325	CB1		2 300	8 510
	11	Inv 185	DJ1	252		8 762
	21	C/N 47	DAJ1		210	8 552
	30	Inv 189	DJ1	408		8 960
Feb.	2	Receipt 332			2 504	6 456
		Discount allowed			125	6 331
	4	C403	CB2	120		6 409
	18	Inv 193		3 126		9 545

J. Denver						DL2
Date		Details	Fol.	Debit	Credit	Balance
20.7 Dec.	1	Balance	b/d			4 200
	3	Receipt 322	CB12		1 050	3 150
		Discount allowed	CB12		21	3 129
	12	Inv 180	DJ12	980		4 109
	15	C/N 45	DAJ12		693	3 416
	25	Cheque R/D	CB12	1 050		4 466
		Discount allowed cancelled	GL12	21		4 487
20.8 Jan.	14	Interest on overdue account	GL1	420		4 907
Feb.	28	Journal	GL2		4 907	0

H. Mabasa				DL3		
Date		Details	Fol.	Debit	Credit	Balance
20.7 Dec.	1	Balance	b/d			1 830
	8	Inv 179	DJ12	490		2 320
	28	Receipt 326	CB12		2 088	232
		Discount allowed	CB12		232	0
20.8 Jan.	19	Inv 187	DJ1	1 050		1 050
	20	Receipt 330	CB1		945	105
		Discount allowed	CB1		105	0
	21	C/N 47	DAJ1		210	-210
Feb.	13	Inv 192	DJ2	205		-5
	25	Inv 195	DJ2	1 700		1 695
	27	R 334	CB2		1 441	254
		Discount allowed	CB2		254	0
	28	C/N 48	DAJ2		255	-255

D. Ashanti				DL4		
Date		Details	Fol.	Debit	Credit	Balance
20.7 Dec.	1	Balance	b/d			320
	2	Inv 177	DJ12	154		474
	6	Receipt 323	CB12		304	170
		Discount allowed	CB12		16	154
	29	Inv 183	DJ12	70		224
20.8 Jan.	1	R 327	CB1		213	11
		Discount allowed	CB12		11	0
	12	Inv 186	DJ1	520		520
	26	Inv 188	DJ1	495		1 015
Feb.	4	R 333	CB2		505	510
	8	Inv 191	DJ2	2 268		2 778
	10	NN49	DAJ2		2 268	510
	27	Inv 196	DJ2	2 298		2 808

B. Marley						DL5
Date		Details	Fol.	Debit	Credit	Balance
20.7 Dec.	1	Balance	b/d			2 200
	2	Receipt 321	CB12		1 100	1 100
		Discount allowed	CB12		55	1 045
	23	Inv 182	DJ12	3 850		4 895
	27	C/N 46	DAJ12		112	4 783
20.8 Jan.	6	Inv184	DJ12	350		5 133
Feb.	21	Inv 194	DJ2	128		5 261
	25	Interest on overdue account	GL2	76		5 337
	28	Receipt 335	CB2		2 340	2 997

P. Hilton						DL6
Date		Details	Fol.	Debit	Credit	Balance
20.8 Feb.	3	Inv 190	CB2	700		700

General ledger of MusicMakers							
Balance sheet section							
Capital				B1			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Drawings	GL2	49 100	20.7 Dec. 1	Balance	b/d	250 000
	Balance	c/d	263 539	10	Bank	CB12	12 000
				Feb. 1	Bank	CB2	50 000
				29	Profit and loss	GL2	639
			312 639				312 639
				20.8 Mar 1	Balance	b/d	263 539

Drawings				B2			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	24 000	20.8 Feb. 29	Capital	GL2	49 100
14	Bank	CB12	1 200				
25	Bank	CB12	6 000				
Jan. 1	Telephone	GL1	450				
22	Bank	CB1	2 050				
25	Bank	CB1	6 000				
Feb. 14	Bank	CB2	3 400				
25	Bank	CB2	6 000				
			49 100				49 100

Equipment				B3			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	94 300	20.8 Jan. 31	Creditors control	CAJ1	652
Jan. 26	Bank	CB1	13 000		Balance	c/d	114 758
31	Creditors control	CJ1	8 110				
			115 410				115 410
20.8 Feb. 1	Balance	b/d	114 758	20.8 Feb. 29	Balance	c/d	124 258
26	Bank	CB2	9 500				
			124 258				124 258
20.8 Mar. 1	Balance	b/d	124 258				

Vehicles				B4			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	130000				

Trading inventory				B5			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	212 800	20.7 Dec. 31	Cost of sales	CB12	56 320
31	Bank	CB12	16 510		Creditors control	CAJ12	402
	Creditors control	CJ12	10 110		Cost of sales	DJ12	4 985
	Cost of sales	DAJ12	575		Balance	c/d	178 288
			239 995				239 995
20.8 Jan. 1	Balance	b/d	178 288	20.8 Jan. 31	Cost of sales	CB1	29 460
31	Bank	CB1	5 972		Cost of sales	DJ1	1 825
	Cost of sales	DAJ1	330		Creditors control	CAJ1	182
	Creditors control	CJ1	6 043		Balance	c/d	159 166
			190 633				190 633
20.8 Feb. 1	Balance	b/d	159 166	20.8 Feb. 29	Creditors control	CAJ2	238
29	Creditors control	CJ2	6 700		Cost of sales	CB2	53 430
	Bank	CB2	14 530		Cost of sales	DJ2	7 452
	Cost of sales	DAJ2	1 802		Balance	c/d	121 078
			182 198				182 198

Debtors control				B6			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	21 050	20.7 Dec. 31	Bank & discount allowed	CB12	7 991
31	Bank	CB12	1 050		Debtors allowances	DAJ12	805
	Journal debits	GJ12	21		Balance	c/d	20 304
	Sales	DJ12	6 979				
			29 100				29 100
20.8 Jan. 1	Balance	b/d	20 304	20.8 Jan. 31	Bank & discount allowed	CB1	3 574
31	Sales	DJ1	2 555		Debtors allowances	DAJ1	462
	Journal debits	GJ1	940		Balance	c/d	19 763
			23 799				23 799
20.8 Feb. 1	Balance	b/d	19 763	20.8 Feb. 29	Bank & discount allowed	CB2	7 169
29	Bank	CB2	120		Debtors allowances	DAJ2	2 523
	Journal debits	GJ2	76		Journal credits	GJ2	4 907
	Sales	DJ2	10 435		Balance	c/d	15 795
			30 394				30 394
Cash float				B7			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	500				
Jan. 31	Bank	CB1	100				
Loan: Stratus Bank				B8			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 15	Bank	CB12	5 000	20.7 Dec. 1	Balance	b/d	130 000
	Balance	c/d	125 000				
			130 000				130 000
20.8 Jan. 15	Bank	CB12	5 000	20.8 Jan. 1	Balance	b/d	125 000
31	Balance	c/d	120 000				
			125 000				125 000
20.8 Feb. 15	Bank	CB12	5 000	20.8 Feb. 1	Balance	b/d	120 000
29	Balance	c/d	115 000				
			120 000				120 000

Creditors control				B9			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 31	Bank & Discount received	CB12	12 167	20.7 Dec. 1	Balance	b/d	39 950
	Total allowances	CAJ12	402	31	Total purchases	CJ12	10 700
	Balance	c/d	38 081				
			50 650				50 650
20.8 Jan. 31	Bank & Discount received	CB1	9 799	20.8 Jan. 1	Balance	b/d	38 081
	Total allowances	CAJ1	914	31	Total purchases	CJ1	14 689
	Balance	c/d	42 057				
			52 770				52 770
20.8 Feb. 29	Total allowances	CAJ2	270	20.8 Feb. 1	Balance	b/d	42 057
	Bank & Discount received	CB2	12 205	29	Total purchases	CJ2	8 396
	Balance	c/d	37 978				
			50 453				50 453
Nominal accounts section							
Cost of sales				N1			
Date	Details	Fol.	Amount		Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	1 609 586		Trading inventory	DAJ12	575
31	Trading inventory	CB12	56 320		Balance	c/d	1 670 316
	Trading inventory	DJ12	4 985				
			1 670 891				1 670 891
20.8 Jan. 1	Balance	b/d	1 670 316		Trading inventory	DAJ1	330
31	Trading inventory	CB1	29 460		Balance	c/d	1 701 271
	Trading inventory	DJ1	1 825				
			1 701 601				1 701 601
20.8 Feb. 1	Balance	b/d	1 701 271		Trading inventory	DAJ2	1 802
29	Trading inventory	CB2	53 430		Trading account	GL2	1 760 351
	Trading inventory	DJ2	7 452				
			1 762 153				1 762 153

Sales				N2			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Debtors allowances	GL2	3 790	20.7 Dec. 1	Balance	b/d	2 253 421
	Trading account	GL2	2 464 493	31	Bank	CB12	78 848
				31	Debtors control	DJ12	6 979
				Jan. 31	Bank	CB1	41 243
				31	Debtors control	DJ1	2 555
				Feb. 29	Bank	CB2	74 802
					Debtors control	DJ2	10 435
			2468283				2 468 283

Current income				N3			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Profit and loss	GL2	171 567	20.7 Dec. 1	Balance	b/d	132 887
				31	Bank	CB12	13 955
				Jan. 12	Debtors control	GJ1	520
					Bank	CB1	6 818
				Feb. 29	Bank	CB2	17 387
			171 567				171 567

Advertising				N4			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	28 500	20.8 Jan. 12	Creditors allowances	CAJ1	80
11	Creditors control	CJ12	170	31	Balance	c/d	29 376
23	Bank	CB12	250				
Jan. 7	Creditors control	CJ1	536				
			29 456				29 456
20.8 Jan. 1	Balance	b/d	29 376	20.8 Feb. 29	Profit and loss	GL2	29 376
			29 376				29 376

Discount received				N5			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Profit and loss	GL2	3 928	20.7 Dec. 1	Balance	b/d	2 880
				31	Creditors control	CB12	92
				Jan. 31	Creditors control	CB1	634
				Feb. 29	Creditors control	CB2	322
			3 928				3 928



Bad debts				N6			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	700	20.8 Feb. 29	Profit and loss	GL2	5 607
Feb. 28	Debtors control	GL2	4 907				
			5 607				5 607

Bank charges				N7			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	1 244	20.8 Feb. 29	Profit and loss	GL2	1 835
31	Bank	CB12	191				
Jan. 31	Bank	CB1	186				
Feb. 29	Bank	CB2	214				
			1 835				1 835

Building rent expense				N8			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	56 000	20.8 Feb. 29	Profit and loss	GL2	75 288
25	Bank	CB12	6 222				
Jan. 29	Bank	CB1	6 533				
Feb. 29	Bank	CB2	6 533				
			75 288				75 288

Material costs				N9			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	23 125	20.8 Feb. 29	Profit and loss	GL2	23 525
31	Bank	CB12	400				
			23 525				23 525

Discount allowed				N10			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	875	20.7 Dec. 1	Debtors control	GJ12	21
15	Creditors control	CJ12	180	31	Balance	c/d	1 358
31	Debtors control	CB12	324				
			1 379				1 379
20.8 Jan. 1	Balance	b/d	1 358	20.8 Feb. 29	Profit and loss	GL2	1 853
31	Debtors control	CB1	116				
20.8 Feb. 29	Debtors control	CB2	379				
			1 853				1 853

Salaries				N11			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	520 400	20.8 Feb. 29	Profit and loss	GL2	658 100
31	Bank	CB12	45 900				
Jan. 31	Bank	CB1	45 900				
Feb. 29	Bank	CB2	45 900				
			658 100				658 100

Stationery				N12			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	1 200	20.8 Feb. 28	Creditors control	CAJ2	32
7	Bank	CB12	200		Profit and loss	GL2	2 104
30	Creditors control	CJ12	240				
20.8 Feb. 27	Creditors control	CJ2	496				
			2 136				2 136

Telephone				N13			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	11 721	20.8 Jan. 1	Drawings	GL1	450
25	Bank	CB12	1 300	Feb. 29	Profit and loss	GL2	14 738
Jan. 29	Bank	CB1	956				
Feb. 29	Bank	CB2	1 211				
			15 188				15 188

Vehicle expense				N14			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	27 325	20.8 Feb. 29	Profit and loss	GL2	34 463
20	Bank	CB12	1 850				
Jan. 20	Bank	CB1	1 988				
Feb. 8	Creditors control	CJ2	1 200				
20	Bank	CB1	2 100				
			34 463				34 463

Water and electricity				N15			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	18 200	20.8 Feb. 29	Profit and loss	GL2	23 740
30	Bank	CB12	2 100				
Jan. 31	Bank	CB1	1 870				
Feb. 29	Bank	CB2	1 570				
			23 740				23 740

Website rent expense				N16			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 1	Balance	b/d	3 300	20.8 Feb. 29	Profit and loss	GL2	4 401
30	Bank	CB12	367				
Jan. 31	Bank	CB1	367				
Feb. 29	Bank	CB2	367				
			4 401				4 401

Debtors allowances				N17			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.7 Dec. 31	Debtors control	DAJ12	805	20.8 Feb. 29	Sales	GL2	3 790
Jan. 31	Debtors control	DAJ1	462				
Feb. 29	Debtors control	DAJ2	2 523				
			3 790				3 790

Donation				N18			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Jan. 8	Bank	CB1	100	20.8 Feb. 29	Profit and loss	GL2	100

Bad debts recovered				N19			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Profit and loss	GL2	200	20.8 Jan. 3	Bank	CB1	200

Interest income				N20			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Profit and loss	GL2	496	20.8 Jan. 14	Debtors control	GJ1	420
				Feb. 25	Debtors control	GJ2	76
			496				496

Wages				N21			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Bank	CB2	450	20.8 Feb. 29	Profit and loss	GL2	450

Final accounts section							
Trading account				F1			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Cost of sales	GJ2	176 0351	20.8 Feb. 29	Sales	GJ2	2 464 493
	Profit and loss account	GJ2	704 142				
			2 464 493				2 464 493

Profit and loss account							
				F2			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
20.8 Feb. 29	Advertising	GJ2	29 376	20.8 Feb. 29	Trading account	GJ2	704 140
	Bad debts	GJ2	5 607		Current income	GJ2	171 567
	Bank charges	GJ2	1 835		Discount received	GJ2	3 928
	Building rent expense	GJ2	75 288		Bad debts recovered	GJ2	200
	Material costs	GJ2	23 525		Interest income	GJ2	496
	Discount allowed	GJ2	1 853				
	Salaries	GJ2	658 100				
	Stationery	GJ2	2 104				
	Telephone	GJ2	14 738				
	Vehicle expense	GJ2	34 463				
	Water and electricity	GJ2	23 740				
	Website rent expense	GJ2	4 401				
	Donation	GJ2	100				
	Wages	GJ2	450				
	Capital	GJ2	4 753				
			880 333				880 333

MusicMakers					
Trial balance on 31 December 20.8					
			Fol.	Debit	Credit
	<b>Balance sheet section</b>				
	Capital		B1		262 000
	Drawings		B2	31 200	
	Equipment		B3	94 300	
	Vehicle		B4	130 000	
	Trading inventory		B5	178 288	
	Bank		CB1	36 167	
	Debtors control		B6	20 304	
	Cash float		B7	500	
	Loan: Stratus Bank		B8		125 000
	Creditors control		B9		38 081

		<b>Nominal accounts section</b>			
		Cost of sales	N1	1 670 316	
		Sales	N2		2 339 248
		Current income	N3		146 842
		Advertising	N4	28 920	
		Discount received	N5		2 972
		Bad debts	N6	700	
		Bank charges	N7	1 435	
		Building rent expense	N8	62 222	
		Material costs	N9	23 525	
		Discount allowed	N10	1 358	
		Salaries	N11	566 300	
		Stationery	N12	1 640	
		Telephone	N13	13 021	
		Vehicle expense	N14	29 175	
		Water and electricity	N15	20 300	
		Website rent expense	N16	3 667	
		Debtors allowances	N17	805	
				2 914 143	2 914 143

<b>MusicMakers</b>					
<b>Trial Balance on 31 January 20.8</b>					
			<i>Fol.</i>	<i>Debit</i>	<i>Credit</i>
		<b>Balance sheet section</b>			
		Capital	B1		262 000
		Drawings	B2	39 700	
		Equipment	B3	114 758	
		Vehicle	B4	130 000	
		Trading inventory	B5	159 166	
		Bank	CB1		11 301
		Debtors control	B6	19 763	
		Cash float	B7	600	
		Loan: Stratus Bank	B8		120 000
		Creditors control	B9		42 057

		Nominal accounts section			
		Cost of sales	N1	1 701 271	
		Sales	N2		2 383 046
		Current income	N3		154 180
		Advertising	N4	29 376	
		Discount received	N5		3 606
		Bad debts	N6	700	
		Bank charges	N7	1 621	
		Building rent expense	N8	68 755	
		Material costs	N9	23 525	
		Discount allowed	N10	1 474	
		Salaries	N11	612 200	
		Stationery	N12	1 640	
		Telephone	N13	13 527	
		Vehicle expense	N14	31 163	
		Water and electricity	N15	22 170	
		Website rent expense	N16	4 034	
		Debtors allowances	N17	1 267	
		Donation	N18	100	
		Bad debts recovered	N19		200
		Interest income	N20		420
				2 976 810	2 976 810

MusicMakers					
Trial balance on 29 February 20.8					
			Fol	Debit	Credit
		Balance sheet section			
		Capital	B1		312 000
		Drawings	B2	49 100	
		Equipment	B3	124 258	
		Vehicle	B4	130 000	
		Trading inventory	B5	121 078	
		Bank	CB1	28 900	
		Debtors control	B6	15 795	
		Cash float	B7	600	
		Loan: Stratus Bank	B8		115 000
		Creditors control	B9		37 978

		<b>Nominal accounts section</b>			
		Cost of sales	N1	1 760 351	
		Sales	N2		2 468 283
		Current income	N3		171 567
		Advertising	N4	29 376	
		Discount received	N5		3 928
		Bad debts	N6	5 607	
		Bank charges	N7	1 835	
		Building rent expense	N8	75 288	
		Material costs	N9	23 525	
		Discount allowed	N10	1 853	
		Salaries	N11	658 100	
		Stationery	N12	2 104	
		Telephone	N13	14 738	
		Vehicle expense	N14	34 463	
		Water and electricity	N15	23 740	
		Website rent expense	N16	4 401	
		Debtors allowances	N17	3 790	
		Donation	N18	100	
		Bad debts recovered	N19		200
		Interest Income	N20		496
		Wages	N21	450	
				3 109 452	3 109 452

<b>MusicMakers</b>					
<b>Post-closing trial balance on 29 February 20.8</b>					
			<i>Fol</i>	<i>Debit</i>	<i>Credit</i>
		<b>Balance sheet section</b>			
		Capital	B1		267 653
		Equipment	B3	124 258	
		Vehicle	B4	130 000	
		Trading inventory	B5	121 078	
		Bank	CB1	28 900	
		Debtors control	B6	15 795	
		Cash float	B7	600	
		Loan: Stratus Bank	B8		115 000
		Creditors control	B9		37 978
				420 631	420 631

MusicMakers Balance sheet as at 29 February 20.8		
ASSETS	Note	
<b>Non-current assets</b>		254 258
Fixed/Tangible assets	1	254 258
Financial assets		
Fixed deposit		-
<b>Current assets</b>		166 372
Trading inventory		121 078
Trade debtors		15 795
Cash and cash equivalents	2	29 500
<b>TOTAL ASSETS</b>		420 631
<b>EQUITY AND LIABILITIES</b>		
<b>Owner's equity</b>	3	267 653
<b>Non-current liabilities</b>		115 000
Loan: Stratus Bank		115 000
<b>Current liabilities</b>		37 978
Trade creditors		37 978
Bank overdraft		
<b>TOTAL EQUITY AND LIABILITIES</b>		420 631

## Notes to financial statements for the year ended 28 February 20.8

1. Fixed/Tangible assets			
	Vehicles	Equipment	Total
Cost at beginning of the year	130 000	94 300	224 300
Movements/additional cost	0	29 958	29 958
Cost at the end of the year	130 000	124 258	254 258

<b>2. Cash and cash equivalents</b>	Bank	28 900
	Cash float	600
		29 500

<b>3. Owner's equity</b>	Capital Balance – 1 March 20.7	250 000
	Net Profit	4 753
	Additional contributions	62 000
	Drawings	49 100
	Capital Balance – 29 February 20.8	267 653