**LEARNER GUIDE**

**67465 National Certificate**

**Business Administration Services**

**Level 3**

**Module 9 General Business Skills**

Unit Standard 11241 NQF Level: 2 Credits: 6

Perform Basic Business Calculations

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**PERSONAL INFORMATION**

|  |  |
| --- | --- |
| NAME |  |
| CONTACT ADDRESS |  |
|  |
| Code |  |
| Telephone (H) |  |
| Telephone (W) |  |
| Cellular |  |
| Learner Number |  |
| Identity Number |  |
|  |
| EMPLOYER |  |
| EMPLOYER CONTACT ADDRESS |  |
|  |
| Code |  |
| Supervisor Name |  |
| Supervisor Contact Address |  |
|  |
| Code |  |
| Telephone (H) |  |
| Telephone (W) |  |
| Cellular |  |

**INTRODUCTION**

***Welcome to the learning programme***

Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take notes and share information with your colleagues. Important and relevant information and skills are transferred by sharing!



This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you!

**Programme methodology**



The programme methodology includes facilitator presentations, readings, individual activities, group discussions and skill application exercises.

Know what you want to get out of the programme from the beginning and start applying your new skills immediately. Participate as much as possible so that the learning will be interactive and stimulating.

The following principles were applied in designing the course:

Because the course is designed to maximise interactive learning, you are encouraged and required to participate fully during the group exercises

As a learner you will be presented with numerous problems and will be required to fully apply your mind to finding solutions to problems before being presented with the course presenter’s solutions to the problems

Through participation and interaction the learners can learn as much from each other as they do from the course presenter

Although learners attending the course may have varied degrees of experience in the subject matter, the course is designed to ensure that all delegates complete the course with the same level of understanding

Because reflection forms an important component of adult learning, some learning resources will be followed by a self-assessment which is designed so that the learner will reflect on the material just completed.

This approach to course construction will ensure that learners first apply their minds to finding solutions to problems before the answers are provided, which will then maximise the learning process which is further strengthened by reflecting on the material covered by means of the self-assessments.

***Different role players in delivery process***

Learner

Facilitator

Assessor

Moderator

**What Learning Material you should have**

This learning material has also been designed to provide the learner with a comprehensive reference guide.

It is important that you take responsibility for your own learning process; this includes taking care of your learner material. You should at all times have the following material with you:

|  |  |
| --- | --- |
| **Learner Guide** | **This learner guide is your valuable possession:**This is your textbook and reference material, which provides you with all the information you will require to meet the exit level outcomes. During contact sessions, your facilitator will use this guide and will facilitate the learning process. During contact sessions a variety of activities will assist you to gain knowledge and skills. Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take and share information with your colleagues. Important and relevant information and skills are transferred by sharing!This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you! |
| **Formative Assessment Workbook** | The Formative Assessment Workbook supports the Learner Guide and assists you in applying what you have learnt. The formative assessment workbook contains classroom activities that you have to complete in the classroom, during contact sessions either in groups or individually.You are required to complete all activities in the Formative Assessment Workbook. The facilitator will assist, lead and coach you through the process.These activities ensure that you understand the content of the material and that you get an opportunity to test your understanding.  |

**Different types of activities you can expect**

To accommodate your learning preferences, a variety of different types of activities are included in the formative and summative assessments. They will assist you to achieve the outcomes (correct results) and should guide you through the learning process, making learning a positive and pleasant experience.



The table below provides you with more information related to the types of activities.

| **Types of Activities** | **Description** | **Purpose** |
| --- | --- | --- |
| **Knowledge Activities** | You are required to complete these activities on your own.  | These activities normally test your understanding and ability to apply the information. |
| **Skills Application Activities** | You need to complete these activities in the workplace  | These activities require you to apply the knowledge and skills gained in the workplace |
| **Natural Occurring Evidence** | You need to collect information and samples of documents from the workplace. | These activities ensure you get the opportunity to learn from experts in the industry.Collecting examples demonstrates how to implement knowledge and skills in a practical way |

**Learner Administration**



***Attendance Register***

You are required to sign the Attendance Register every day you attend training sessions facilitated by a facilitator.

***Programme Evaluation Form***

On completion you will be supplied with a “Learning programme Evaluation Form”. You are required to evaluate your experience in attending the programme.

Please complete the form at the end of the programme, as this will assist us in improving our service and programme material. Your assistance is highly appreciated.

**Assessments**

The only way to establish whether a learner is competent and has accomplished the specific outcomes is through the assessment process. Assessment involves collecting and interpreting evidence about the learners’ ability to perform a task.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

This programme has been aligned to registered unit standards. You will be assessed against the outcomes as stipulated in the unit standard by completing assessments and by compiling a portfolio of evidence that provides proof of your ability to apply the learning to your work situation.

****

**How will Assessments commence?**

***Formative Assessments***

The assessment process is easy to follow. You will be guided by the Facilitator. Your responsibility is to complete all the activities in the Formative Assessment Workbook and submit it to your facilitator.

***Summative Assessments***

You will be required to complete a series of summative assessments. The Summative Assessment Guide will assist you in identifying the evidence required for final assessment purposes. You will be required to complete these activities on your own time, using real life projects in your workplace or business environment in preparing evidence for your Portfolio of Evidence. Your Facilitator will provide more details in this regard.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

**Learner Support**

The responsibility of learning rests with you, so be proactive and ask questions and seek assistance and help from your facilitator, if required.



Please remember that this Skills Programme is based on outcomes based education principles which implies the following:

You are responsible for your own learning – make sure you manage your study, research and workplace time effectively.

Learning activities are learner driven – make sure you use the Learner Guide and Formative Assessment Workbook in the manner intended, and are familiar with the workplace requirements.

The Facilitator is there to reasonably assist you during contact, practical and workplace time for this programme – make sure that you have his/her contact details.

You are responsible for the safekeeping of your completed Formative Assessment Workbook and Workplace Guide

If you need assistance please contact your facilitator who will gladly assist you.

If you have any special needs please inform the facilitator

**Learner Expectations**

Please prepare the following information. You will then be asked to introduce yourself to the instructor as well as your fellow learners



|  |
| --- |
| Your name:  |
|  |
|  |
| The organisation you represent:  |
|  |
|  |
| Your position in organisation:  |
|  |
|  |
| What do you hope to achieve by attending this course / what are your course expectations? |
|  |
|  |
|  |
|  |
|  |

**UNIT STANDARD 11241**

***Unit Standard Title***

Perform Basic Business Calculations

***NQF Level***

3

***Credits***

6

***Purpose***

This Unit Standard is intended for people who are required to perform routine financial transactions and calculations

Individuals who are credited with this Unit Standard will be able to apply the processes and procedures necessary to initiate the recording of disbursements and revenues, and to understand the financial implications to the organisation of each element in the transaction

***Learning assumed to be in place***

Numeracy and Literacy at NQF level 2

INTFIN 1: Commercial Arithmetic

EUC2: Operate a Personal Computer or equivalent

***Unit standard range***

Learning accredited with this standard will reflect the ability to:

Employ a narrow range of applied knowledge, skills and basic comprehension within a limited range of predictable and structured contexts, including working with others under direct supervision, but with a very limited degree of discretion and judgement about possible action

Demonstrate the acquisition of a knowledge base without which the tasks and procedures cannot be undertaken. This knowledge base consists of a discrete and limited set of data and known responses. Learners are not expected to generate ideas from information supplied, but they are expected to make choices from a limited range of options

Learners will be expected to demonstrate applied competence within the context of a clearly defined (structured) role within a cooperative working environment

Learners should be able to operate independently in familiar contexts taking some responsibility for the tasks and procedures, with guidance, support and regular quality control. Learners are expected to recover monies timeously in accordance with company standards

***Specific Outcomes and Assessment Criteria***

**Specific Outcome 1:** The learner must demonstrate the ability to consider a range of options, make decisions about and evidence performance around each of the specific outcomes

**Assessment Criteria**

Distinguish between items of expenditure and revenue

Differentiate between fixed and variable costs

Perform invoicing operations and post amounts to the appropriate accounts

Reconcile individual transactions with statements of accounts

Identify the items disbursed on behalf of the organisation to be recovered in the invoicing process

**Specific Outcome 2**: A composite statement of outcomes which expresses applied competence in the particular component of practice

**Assessment Criteria**

From source documents, identify items of disbursement and revenue

Demonstrate an understanding of the effect of costs relative to the transaction

Identify the circumstances in which cost items can be fixed and/or variable

From source documents, allocate cost items to the appropriate accounts and apply relevant client tariffs for the calculation of revenue and prepare invoices in a predetermined format

Compare transaction amounts which have been recorded in the company’s books with those reflected on third party statements, and initiate the recovery of shortfalls and the refunding of excesses

***Unit Standard Essential Embedded Knowledge***

The learners can understand, explain and apply:

Concepts of disbursements and revenue

Principles of fixed and variable costs

Processes and procedures involved in invoicing

Processes and procedures involved in reconciliations

An appreciation of the consequences of under recovery and disbursements

***Critical Cross-field Outcomes (CCFO)***

Identify and solve problems in which responses display that responsible decisions, using critical thinking, have been made, e.g. Identify shortfalls following a detailed comparison of transaction amounts recorded in company’s books and those reflected in third party statements

Work effectively with others as a member of a team, group, organisation or community, e.g. Appreciate that since the Forwarding and Clearing Industry is practised in an international environment at the micro, meso and macro levels it operates in systems which are reliant on others and which address the processing of data, the processing systems approach as well as the productivity orientation of Forwarding and Clearing companies demands high levels of teamwork and the understanding, reaction and maintenance of team coherence and co- operation, the level of competency is largely dependent on the individual’s ability and capacity to operate effectively with peers, supervisors, internal and external customers.

Organise and manage oneself and one’s activities responsibly and effectively, e.g. The learner will be able to apply an appreciation of the importance of structured self-management in meeting the time requirements of the Forwarding and Clearing industry, and that this is a critical factor contributing to achievement of customer satisfaction

Collect, analyse, organise and critically evaluate information, e.g. the learner will be able to analyse the effect of costs relative to the transaction and use this evaluation to initiate appropriate action

Communicate effectively using visual, mathematical, and/or language skills in the modes of written and/or oral presentation, e.g. The learner will be able to communicate understanding, knowledge and application in appropriate oral and written modes

**SECTION 1: BUSINESS AND BUSINESS FINANCE**

***Outcomes***

The learner must demonstrate the ability to consider a range of options, make decisions about and evidence performance around each of the specific outcomes.

***Assessment Criteria***

Distinguish between items of expenditure and revenue

Differentiate between fixed and variable costs

***Introduction to business and business finance***

There are many types of businesses:

Manufacturing: where goods are manufactured, such as cars, washing machines, furniture, etc.

Trading: where goods are bought and resold: car dealerships, furniture stores where the washing machines and furniture are sold, supermarkets, spaza shops, etc.

Businesses that offer a service: hairdressers, training organisations, accountants, lawyers, transport companies such as taxis and buses, etc.

Agriculture where food is grown or livestock bred

The **purpose** of any business is to supply the needs and wants of the customer. They do this by supplying products and services that fill the needs of customers:

The manufacturer manufactures the car, taxi, bus, furniture, etc. The goods are then sold to the trader where the customer can buy what s/he wants or needs.

The **primary objective** of most businesses is to make a profit: i.e. to maximize the rate of return on capital (profitability) over a long period and direct all the activities of the business towards achieving this objective.

Secondary objectives could include:

Consistent provision of good quality products and good services to the customer.

Creating favourable working conditions for the employees in the business.

Maintaining good relationships with suppliers.

**Why Does A Business Need Money?**

In the past bartering or swapping of shells, beads, cigarettes, and the like, was used as a form of exchange. This may not be ideal because you may not always want what the other person has to offer in exchange for your goods. It is difficult to compare values of different things. For example, how many chickens are equal to one cow?

Money is easier to use. It acts as an accepted means of payment or exchange. It states value, and allows us to determine the prices and value of goods. We can measure the value of things in terms of money.

**Trading stock**

The business buys goods in order to sell it again. Trading stock is an asset of the business.

A hardware store sells tools such as hammers, pliers, screwdrivers, etc. This is called trading stock. Of course, a hardware store also sells different types of wood and other items. All the **stock that is purchased in order to resell is called trading stock**.

Another business, such as a manufacturing concern or a vehicle repair shop, will also buy tools, but these tools are not for resale – they are used in the manufacturing or repair process. These tools are not trading stock but **equipment**.

All businesses use stationery in order to run their business: invoices, photo copy paper, fax paper, pens, pencils, etc. Stationery is seen as an **expense** for most enterprises, but for a shop that sells stationery, it is trading stock.

***Expenditure (costs) and revenue***

**Income**

There are two basic types of income:

Income from your trading, manufacturing or service operation: sales, commissions, etc.

Income from other sources: interest received on investments, dividends, profit on sale of fixed assets, etc.

**Fixed and variable costs**

It costs you money to go to work, earn a salary, pay the rent and buy clothes and food. A business also has expenses, also called costs.

Costs are payments that have to be made while a business is in operation. It costs money to buy raw materials and stock, to manufacture products and to sell the products.

The business must know the costs to determine how much money is needed to run a business, how much money is needed through income from sales, how much the business should charge for the products/services, the budget, and the estimated cash flow.

Costs in a business are divided into fixed costs and variable costs.

***Fixed Costs***

Fixed costs are the proportion of a business expenditure which does not change in direct proportion to the quantity that is manufactured, bought or sold. No matter how many products are manufactured, the fixed costs remain the same.

COSTS

 UNITS

FIXED COSTS

VARIABLE COSTS

TOTAL COSTS

Fixed costs are also known as overhead costs or indirect costs, and can include

rent,

water and lights,

telephone

advertising,

transportation,

printing,

postage,

interest on loan repayments,

depreciation,

repairs and maintenance,

wages and salaries, and the like.

In a manufacturing business, fixed costs are calculated by dividing the total fixed cost by the number of units produced. In a trading business, divide the total fixed cost by the number of units that are sold.

As soon as the business manufactures more units or sells more items, the fixed cost per unit or item will decrease.

**Variable Costs**

Variable costs make up the proportion of the business expenditure that changes in direct relation to the number of products manufactured, bought or sold.

Variable costs are also referred to as manufacturing costs, and can include

raw materials,

petrol, oil and tyre costs

cost of goods purchased for resale,

commission

water and lights

**Total Costs**

The fixed and variable costs may be different for different types of businesses, and depends on the type of product or service offered.

Total costs are calculated by adding the total of variable and fixed costs.

The total cost for a **manufacturing business** is:

Manufacturing costs = Direct labour costs + Direct manufacturing costs + Manufacturing overheads.

The total cost for a **service business** is:

Commercial overheads = Administrative overheads + Marketing overheads.

The total cost for a **commercial business** is:

**Total costs per unit = Cost of sales per unit + Overhead per unit.**

**Profitability of the business**

We have seen that a business exists to make a profit. Without profit, there will be no business and no jobs.

The two major factors that affect the profitability of a business are costs and the buying price of raw materials or goods.

This is why businesses want to save on costs as much as possible. Any wastage in the business, be it time, stationery, raw materials or any other waste, affects the profitability of the business.

To earn a profit, a trading enterprise will buy goods at a certain price and then sell them at a higher price. The difference between the selling and the buying price is then the profit or the income of the business.

A manufacturing concern will calculate what it costs to produce an article and then sell the product at a higher price. The difference will then be the profit.

The business must make sure that the profit is enough to cover the cost price of the article as well as all the other expenses such as stationery, telephone, rental on premises, salaries and wages, water and lights, etc.

A business will determine the percentage profit that has to be earned beforehand. This is called the profit mark-up.

**Cost price, selling price, profit mark-up**

A trader will add the profit mark-up to the cost price of the article:

**Cost price + profit mark-up = selling price**

If a trader decides to make a profit of 25%, he will add 25% to the cost price of all the goods he buys:

The article costs R100

100 X 25%

=25

The trader will therefore sell the article at R125.

In business you must be able to do three very important calculations:

Calculate the selling price of trading stock: you will need the cost price and the profit mark-up

Calculate the cost price (cost of sales) of trading stock sold: you will need the selling price and profit percentage

The profit mark-up or profit percentage earned on trading stock sold: you will need the cost price and the selling price.

Exercise

Follow the steps below:

**Calculate the selling price**

The item costs R180. The profit mark-up is 30%. What must the selling price be?

=180 X 30%

= 54

Selling price is R 180 = R54 = R234

**Calculate the profit percentage**

An item costs R200 and is sold for R300. The amount of the profit is R300 – R200 = R100.

The formula is:

Profit X 100

= Profit percentage

Cost price 1

100 X 100

200 1

= 50%

**Calculate the cost price/cost of sales**

A product was sold for R240. the profit percentage was 20%

Assume the cost price is: 100%

Profit percentage is: 20%

Assume the selling price is: 120%

The formula is:

Selling price X Cost price %

 1 Selling price %

240 X 100

 1 120

=R200

***Duality in bookkeeping***

This concept is based on the fact that every business ‑ no matter how large or how small ‑ must start with borrowed money. Mr Sugar has decided to start a business. The business has now money, but Mr Sugar has R4000 with which he wants to start the business. He therefore lends his business R4000. He can only get this money back by selling the business.

This means that everything the business OWNS is equal in value to everything it OWES.

If we develop the concept of duality, it follows that every transaction has two aspects:

The giving of a value and

The receiving of an equal value.

For example, if we buy a bar of chocolate for R3.00, we give a value (R3.00 worth of money) and we receive R3.00 worth of chocolate.

The method of recording these two aspects of every transaction is known as

***Double Entry Bookkeeping***

There is nothing mysterious or difficult about double entry and it is seen in operation in all matters concerning the exchange *of* money for **things of value, like the bar of** chocolate.

In this system, the following applies:

**Source Documents**

Every transaction has an original document. These documents may be:

Receipts

Sales invoices

Delivery notes

Invoices from creditors

Delivery notes from creditors

Cash register slips

Petrol slips

Stock received notes

Stock requisition notes

Bank statements and vouchers

Cheques

Petty cash vouchers, etc.

**Journals**

These documents are then entered in the books of original entry, called journals. Transactions are entered day by day in chronological order. The most common journals are:

Purchases journal

Sales journal

Sales returns journal

Cash books

Petty cash books

**Ledgers**

These are called the secondary Books of Account and are entered from the journals. They summarise and categorise the information entered in the journals.

General Ledger

Debtors Ledger

Creditors Ledger

Fixed Assets Register

Transactions are recorded from source documents into Journals and then posted to the general ledger.

The **general ledger** consists of a number of accounts. A general ledger account makes provision for the posting of debits and the posting of credits.

In most manual accounting information systems, the general ledger account is in the form of a capital **T**, hence the name '**T**‑accounts'.

***Example:***

|  |  |
| --- | --- |
| **Debit side** | **Credit side** |
| ***1*** | ***2*** | ***3***  | **R** | **c** | ***1*** | ***2*** | ***3*** | **R** | **c** |

The debit side and the credit side each consist of the following columns:

1. Date
2. Details
3. Folio or reference
4. As well as a money column, indicated by R c (Rand and cents)

In most computerised systems, use is made of the so-called Three‑column Ledger Account.

Example of the three column ledger account:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Details** | **Folio/Ref.** | **D**ebit**C**redit**B**alance | **R** | **c** | **R** | **c** | **R** | **c** |
|  |  |  |  |  |  |  |  |  |  |

Posting to these two types of ledger accounts is explained by means of an example.

***Example:***

On 3 May EG Ltd buys 10 bicycles for R200 each cash. On 18 May they sell 4 of these for cash.

***T‑account***

**INVENTORY (STOCK) OF BICYCLES**

|  |  |
| --- | --- |
| **Debit side** | **Credit side** |
| ***Date******2007*** | ***Details*** | **Folio/Ref.**  | **R** | **c** | ***Date*** | ***Details*** | **Folio/Ref.**  | **R** | **c** |
| 3 May | Cash payment |  | 2000 | 00 | 18 May 05 | 1815 | Cash receipt | 800 | 00 |
|  | Journal |  | 2000 | 00 |  | 3115 | Journal | 1200 | 00 |
|  | Balance B/F |  | 1200 | 00 |  |  | Balance | 2000 | 00 |

Note that the balance of R 1200, 00 is brought forward (B/F) on the debit side. This means that the ledger account called 'Inventory’ has a debit balance of R 1200, 00.

***Three column account***

**INVENTORY (STOCK) OF BICYCLES**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date****2007** | **Details** | **Folio/Ref.** | **D**ebit**C**redit**B**alance | **R** | **c** | **R** | **c** | **R** | **c** |
| 3 May  | Cash payments  |  |  | 2000 | 00 |  |  |  |  |
|  | Journal |  |  |  |  |  |  | 2000 | 00 |
| 18 May  | Cash receipts  | 1815 |  |  |  | 800 | 00 |  |  |
|  | Journal | 3115 | **D** |  |  |  |  | 1200 | 00 |

The 'D' denotes a debit balance.

Note that in a T-account the balance must be calculated periodically by closing off the ledger account In the three column account the balance is shown after every posting to the account.

***Debits and credits***

The balance on a general ledger account is altered by the posting of debits and credits to that account. In the above example, a debit posting to the inventory account increased the debit balance of the account, while a credit posting decreased the debit balance on the account

Likewise, in accounts with credit balances, the balance will be decreased by debit postings and increased by credit postings.

Accountants never talk of increases or decreases in accounts. They refer to debits and credits.

**What are the basic rules of double entry?**

There are only two but they are very important.

1. For every debit entry there will be a corresponding credit entry and vice versa.
2. Debit the receiver and credit the giver.

The second rule means that

We DEBIT (by putting an entry on the left hand side) the account which is RECEIVING the result of a transaction and

We CREDIT the account GIVING the means of the transaction.

**How debits and credits are related**

By now it should be firmly in your mind that

THE DEBIT SIDE OF AN ACCOUNT RECORDS EVERYTHING

THAT HAS BEEN RECEIVED BY THE ACCOUNT

And, conversely

THE CREDITSIDE OFAN ACCOUNT RECORDS EVERYTHING

THAT HAS BEEN TAKEN OUT OF THE ACCOUNT

It follows from this that if we take the total on the credit side away from the total on the debit side, the answer must be what's left in the account.

**How the Books Work**

The books that a business uses to record its transactions are called journals.

***The Cash Journals***

Cash journals are where cash transactions are recorded. A cash journal can be seen as a diary of the cash transactions in the business. There are two kinds of cash transactions:

Cash received

Cash paid.

The journals will therefore be called Cash Receipts Journal and Cash Payments Journal.

**Important points to remember**

Write it up daily

Monitor the bank balance and cash flow daily

Reconcile your bank statement monthly

***Sales Journal***

As the name suggests this book records all the credit sales made by your business/organisation.

**Important points to remember**

Enter sales daily

Balance it monthly

Allocate tax payable to a separate column (VAT)

**Recommended Format**

Date of Sale

Invoice Number

Name of customer

Description of transaction

Quantity sold

Amount

VAT

Total

***Purchase Journal***

This is where you keep a record of all your purchases on credit.

**Important points to remember**

Write it up when purchases are made

Balance monthly

Divide it into columns appropriate to your type of business

Recommended Format

Date of purchase

Order number

Name of supplier

Description of purchase

Quantity purchased

Gross Amount

Nett Amount

VAT

Due date

**SECTION 2: PROCESS SALES TRANSACTIONS**

***Outcomes***

Process payments

***Assessment Criteria***

All relevant information is gathered for invoicing purposes

Invoice is prepared according to organisational format and procedures

Invoice is issued to customers

Follow-up of payment is undertaken and payment is insured within terms of payment time frames

Perform invoicing operations and post amounts to the appropriate accounts

Reconcile individual transactions with statements of accounts

Identify the items disbursed on behalf of the organisation to be recovered in the invoicing process

***Sales***

When trading stock is sold, there are always two amounts involved. The one is the cost price of the items (what the organisation paid for the items) and the other is the selling price of the items. The difference between the cost and selling price is the profit that the organisation makes. Of course, the expenses of running the business also have to be taken off the profit.

When you enter transactions in the general ledger, the principle of double entry must always be followed:

Remember that when goods are sold, there are two amounts involved: the cost price and the selling price. There will be two accounts in the General Ledger for each of these amounts:

***Cost price***

The Trading Stock account is credited with the amount and

The Cost of Sales account is debited.

***Selling price***

The bank is debited with the amount of the sale and

Sales is credited with the amount.

Example:

You sell goods to the value of R1000 cash. The cost price of the goods was R640.

|  |  |
| --- | --- |
| Debit | Credit |
| Cost of sales account | R640.00 | Trading stock account | R640.00 |
| Bank account | R1000.00 | Sales account | R1000.00 |

**Cash Sales**

A business sells goods either for cash or on credit. Cash sales are paid immediately, while sales made on credit can be payable after 30, 60 or even 90 days.

An invoice is not always generated for cash sales, for example in a supermarket you are issued with a cash register slip. The source documents for cash sales are:

Receipt

Cash register roll

A receipt is issued to any customer or organisation that pays cash for goods or services.

Cash sales are entered into the **Cash Receipts Journal**. The double entry also applies here and the account that is affected by cash receipts is Bank.

There must be a bank column in the CRJ (cash receipts journal). There must also be a column, called Sundry accounts, for other receipts, such as rental. In the example this is called Sundry accounts.

Two columns that need special attention are: **Analysis Of Receipts** and **Cost Of Sales**. Analysis of Receipts is found before the Bank column. All the money that is received on the same day is entered in this column and the total is then banked.

The Cost of Sales column is not really a cash item, but states the cost price of the goods that have been sold.

From the CRJ the entries are entered into the General ledger as follows:

Debit bank

Credit the other accounts

The example below shows the following cash transactions for a business we will call ABC Traders:

15th sold goods for cash R350.00 The stock price for the goods is R 200.00

25th sold trading stock to the value of R840.00 for cash, cost of sales is R180.00

30th according to the cash register roll sold goods to the value of R315.00, cost price R180.00

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Doc No | Date | Details | Fol | Analysis of receipts | Bank  | Sales | Cost of sales | Sundry accounts |
| Amount | Fol | details |
| √ | 15 | Cash |  | 350 | 00 | 350 | 00 | R50 | 00 | 200 | 00 |  |  |  |
| 31 | 25 | Cash |  | 840 | 00 | 840 | 00 | 840 | 00 | 480 | 00 |  |  |  |
| √ | 30 | Cash |  | 315 | 00 | 315 | 00 | 315 | 00 | 180 | 00 |  |  |  |
|  |  |  |  |  |  | **1505** | **00** | **1505** | **00** | **860** | **00** |  |  |  |

***Notes***

The document can be the number of the receipt that was issued, or the cash register roll, which is shown with a tick

The details describe the transaction

The folio number is the number allocated by you to the transaction, following the rules as laid down in your organisation

The analysis of receipts shows the money received that should then be deposited in the bank.

The cost of sales is the cost price of the goods that were sold

The Sundry column is used for money that was received for which there is no analysis column, such as rent.

**Balancing of accounts**

Balancing an account means that you have to calculate how much is in the account at the end of the month. If the bank account has a balance of R4000 at the end of the month, it means that this is how much money there is in the bank at the end of the month.

If an account has entries on one side of the account only, you add the entries to get the total. The total of the account is then the same as the balance of the account.

Example:

Rental income

200…

April 01 Bank R2300

 03 Bank R1950

 **R4250**

Please note that it is very important to draw only one line in this instance!

If the account has entries on the debit and credit side, they must be subtracted from one another to see what is left:

Example:

Bank

200… 200…

April 06 CPJ1 R4935 April 05 32 R3300

 12 CPJ2 R6800 11 33 R2900

 19 CPJ3 R 550 18 34 R2500

 26 CPJ4 R9350 30 35 R5000

Total receipts R21635 Total payments CPJ R13700

 Balance c/d R 7935

May 01Balance b/d R 7935

When a business has been in operation for longer than a month, you will find that the General Ledger will already contain the information from the previous months. This means that you will start each month with a balance that is carried forward. In the case of our examples, the bank has a balance of R7935 on the debit side and the Rental income account has a balance of R4250 on the credit side.

**Credit sales**

Credit sales are sales made to customers who pay at a later date. As soon as this happens, the customer is called a debtor.

The invoice is the source document for credit sales. An invoice is usually issued in three copies:

The customer gets the original

One copy is sent to finance or administration for further processing

One copy is filed in numerical order, with the smallest number at the bottom and the largest number at the top. It is very important to have a file where all the invoices are filed in numerical order. The South African Revenue Services requires that invoices be issued in numerical order so that they can ensure that VAT is paid on all the invoices and this files serves as a record of invoices.

|  |  |
| --- | --- |
| INVOICEXYZ Traders321 Church Street, Timbuktu, 12458 | No 324 |
| To:Mr C.U. Stomer25 First StreetTimbuktu 12458 | Date: 12 April 200… |
| Quantity | Description | Price | Amount Due |
| 200 | Dinner plates |  R 8 | 00 |  R 1600 | 00 |
| 200  | Cutlery sets |  R 65 | 00 |  R13000 | 00 |
| 20 | Table cloths |  R 25 | 00 |  R 500 | 00 |
| Total |  R15100 | 00 |
| Terms 30 days from date of invoice |

***Journal***

Credit sales transactions are entered in the Debtor’s Journal from the duplicate invoices. This must be done on a daily basis.

|  |
| --- |
| **Debtor’s Journal of XYZ Trading** |
| Doc no | Date | Debtor | Fol | Sales | Cost of sales |
| 324 | 12 | C.U. Stomer | D1 |  R15100 | 00 |  R10330 | 00 |
|  |  |  |  |  |  |  |  |

Posting to General Ledger and Debtor’s Ledger

A credit sales transaction is posted to four accounts in the General Ledger:

Debtor’s control and Sales are contra-entries for the selling price

Trading stock and Cost of sales are contra-entries for the cost price

|  |
| --- |
| **General Ledger of XYZ Trading** |
| **Dr Debtor’s Control Cr** |
| 2007-April | 12 | Sales | DJ1 | **15100** | **00** |  |  |  |  |  |
| **Sales** |
|  |  |  |  |  |  | 2007-April | 12 | Debtor’s control | DJ1 | **15100** | **00** |
| **Trading Stock** |
|  |  |  |  |  |  | 2007 April | 12 | Cost of sales | DJ1 | **10330** | **00** |
| **Cost of sales** |
| 2007 April | 12 | Trading Stock | DJ1 | **10330** | **00** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

|  |
| --- |
| Debtor’s ledger XYZ TradingC.U. Stomer D1 |
| Date | Details  | Fol | Debit | Credit | Balance |
| April 12 | Invoice 324 | DJ1 | 15100 | 00 |  |  | 15100 | 00 |

***Statements of accounts***

When a debtor buys on credit, a statement of account is sent to the business once a month. This statement of account will show all the purchases that were made where invoices were issued, as well as all the payments that were received from the debtor.

Different organisations have different days on which they close the books of the organisation in order to finalise the administration and sent out the statements to all their debtor. If the organisation closes its books on the 25th of each month, the statement that is sent to the debtor will show all the invoices issued and payments received from the 26th of the previous month to the 25th of the current month:

26 February to 25 March

26 march to 25 April

26 April to 25 May

If the organisation closes its books on the last day of the month, the cycle will work from the first day to the last day of the month:

1 February to 27 February

1 March to 31 March

1 April to 30 April

1 May to 30 May

The statement of account will also show amounts outstanding where payment is due or past due by the debtor:

Less than 30 days is shown as current

The next period would be 30 days where an amount is outstanding (has not been paid)for than 30 days

After that will follow 60 days where the amount is outstanding for than 60 days

All the amounts that have not been paid after 90 days will be shown as 90 days.

The next period is 120 days. Amounts that have not been paid by 90 days can be considered as bad debts – where the business will have to “write off” the amount.

At the time that the debtor entered into a credit agreement with the business, the latest payment date was agreed on between the debtor and the business, for example:

30 days from date of invoice: which means the debtor must pay the amount due on the invoice 30 days from the date of the invoice. If the invoice was issued on 12 April, the debtor must pay by 12 May.

30 days from statement date: the debtor will pay the amount shown under 30 days on receipt of the statement. If the invoice was issued on 12 April, it will show as current on the statement. The debtor must pay the amount on the invoice by the end of May.

|  |  |
| --- | --- |
| XYZ Traders321 Church Street, Timbuktu, 12458STATEMENT | 25 April 200.. |
| To: Mr C.U. Stomer25 First Street, Timbuktu 12458 |
| **Date** | **Invoice No** | **Debit** | **Credit**  | **Balance**  |
| 12 April 200… | 324 | R15100.00 |  | R15100.00 |
|  |  |  |  |  |
|  |  |  |  |  |
| Total due | R15100.00 |
| CurrentR15100.00 | 30 days | 60 days | 90 days | 120 days |

Before statements are sent out to the debtor, they must be checked to make sure that all the invoices as well as payments that were received are shown on the statement. Some organisations attach copies of the invoices to the statements, but this is not really necessary – the customer received a copy of the invoice when s/he collected the goods.

It is important that debtors pay the amounts due by them within the credit period granted to them. Amounts that remain unpaid for 60 days or longer should not be tolerated (unless this is the arrangement) and no further credit should be granted to the debtor, until the full outstanding balance has been paid.

When an account has remained unpaid for 90 to 120 days, legal action should be considered as the business now runs the risk of losing this money. The organisation you work for will have a system in place regarding payment periods and outstanding accounts. Always make sure that you follow these procedures exactly, since bad debts impact very negatively on any business.

When a debtor does not pay his/her account, the business loses money: the cost price of the goods as well as the profits.

**Payments by debtors**

As soon as the debtor receives the statement, arrangements are made for payment. The source documents for payments are:

The cheque issued by the debtor

If the debtor pays in cash a receipt is issued in duplicate. The debtor gets the original receipt and the duplicate is kept by the business so that their ledgers and journals can be updated. The transaction must be recorded in the Cash receipts journal

Electronic transfers will appear as deposits on the bank statement.

Where the debtor pays by cheque or electronic transfer, it is not necessary to issue a receipt. The cheque will be returned to the debtor and serves as proof of payment, while the debtor also receives proof of payment when electronic transfers are made. In the case of cash payments, receipts must be issued:

|  |
| --- |
| RECEIPT No 436XYZ Trading Date: 12 May 200… |
| To: | Mr C.U Stomer | R15100.00 |
| In settlement of: | Account  |
| Amount of: | Fifteen thousand one hundred rand only |
| Received by: | (signature of cashier who receives the money) |

The transaction is recorded in the Cash Receipts Journal, even if it is paid by cheque or electronic transfer. The cash books must always show what is happening in the bank and since the cheque will be deposited into the bank it must be recorder in the cash receipts journal.

Once the customer has paid his account, and the entries have been posted, it will show on his statement that is sent out once a month. In this example, the debtor did not make any other purchases on credit:

|  |  |
| --- | --- |
| XYZ Traders321 Church Street, Timbuktu, 12458STATEMENT | 25 May 200.. |
| To: Mr C.U. Stomer25 First Street, Timbuktu 12458 |
| **Date** | **Invoice No/ Details** | **Debit** | **Credit**  | **Balance**  |
| 12 April 200… | 324 | R15100.00 |  | R15100.00 |
| 12 May 200… | Cash Receipt No 436 |  | R15100.00 |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Total due | R Nil |
| Current | 30 days | 60 days | 90 days | 120 days |

In this example, the customer made some more purchases after settling the account:

|  |  |
| --- | --- |
| XYZ Traders321 Church Street, Timbuktu, 12458**STATEMENT** | 25 April 200.. |
| To: Mr C.U. Stomer25 First Street, Timbuktu 12458 |
| **Date** | **Invoice No/ Details**  | **Debit** | **Credit**  | **Balance**  |
| 12 April 200… | 324 | R15100.00 |  | R15100.00 |
| 12 May 200… | Cash receipt no 436 |  | R15100.00 |  |
| 23 May 200… | 369 | R12560 |  | R12560 |
| Total due | R12560 |
| CurrentR12560.00 | 30 days | 60 days | 90 days | 120 days |

**Posting to General Ledger and Debtor’s Ledger**

For this transaction only two accounts will be used:

Bank is debited

Debtor’s control is credited

|  |
| --- |
| **Cash receipts journal XYZ Traders – May 200…** |
| Doc No | Day | Details | Fol | Analysis of receipts | Bank | Debtors control | Sundry accounts |
| Amount | Fol | Details  |
| 324 | 12 | Cash C.U Stomer |  | 15100 | 00 | 15100 | 00 | 15100 | 00 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

|  |
| --- |
| **General Ledger of C.U. Stomer** |
| **Dr Debtor’s Control Cr** |
| 200-may | 23 | Sales | DJ1 | **12560** | **00** | 200..May | 12 | Bank | CRJ1 | **15100** | **00** |
| **Sales** |
|  |  |  |  |  |  | 200..-May | 23 | Debtor’s control | DJ2 | **12560** | **00** |
| **Trading Stock** |
|  |  |  |  |  |  | 200. May | 23 | Cost of sales | DJ2 | **8800** | **00** |
| **Cost of sales** |
| 200. May | 23 | Trading Stock | DJ2 | **8800** | **00** |  |  |  |  |  |  |
| **Bank** |
| 200..May | 12 | Debtor’s control | CRJ1 | **15100** | **00** |  |  |  |  |  |  |
| Debtor’s ledger XYZ TradingC.U. Stomer D1 |
| Date | Details  | Fol | Debit | Credit | Balance |
| April 12 | Invoice 324 | DJ1 | 15100 | 00 |  |  | 15100 | 00 |
| May 12 | Receipt 436 | CRJ1 |  |  | 15100 | 00 |  0000 | 00 |
| May 23 | Invoice 369 | DJ2 | 12560 | 00 |  |  | 12560 | 00 |

**SECTION 3: PROCESS PURCHASES**

***Outcomes***

A composite statement of outcomes which expresses applied competence in the particular component of practice

***Assessment Criteria***

From source documents, identify items of disbursement and revenue

Demonstrate an understanding of the effect of costs relative to the transaction

Identify the circumstances in which cost items can be fixed and/or variable

From source documents, allocate cost items to the appropriate accounts and apply relevant client tariffs for the calculation of revenue and prepare invoices in a predetermined format

Compare transaction amounts which have been recorded in the company’s books with those reflected on third party statements, and initiate the recovery of shortfalls and the refunding of excesses

All source documents are obtained to process banking transactions

Source documents are reconciled and any discrepancies noted, reported and rectified

Transfers, deposits and withdrawals are processed as per organisational requirements

Any suspected irregularities are reported and rectified

Security procedures relating to banking transactions are ensured

***Disbursements***

The business or enterprise has to make purchases all the time:

Trading stock

Equipment

Stationery

The telephone bill

Rental of premises

Water and lights

Hire purchase agreements on vehicles

Advertisements

Salaries

Wages

Packing material, etc

While sales are made to customers, purchases are bought from suppliers. These purchases can take the form of cash purchases or purchases on credit.

**Cash payments**

All the cash payment details for the month are entered in the cash payments journal. Bank will be credited and the other account will be debited.

As with the cash receipts journal, you will need a bank column and any other columns for Assets or Expenses that are needed by your organisation.

The cheque counterfoil is the source document for the CPJ. The counterfoil contains all the information you need:

Document number (cheque number)

Date

Amount

Payee (person or enterprise that the payment is made to)

Details of the transaction

14/03/200.

To: Classy Potteries

For: Trading stock

Amount of cheque: R1875

No: 13

In this example, goods to the value of R1875 were purchased from Classy Pottieries on 14 March. The cheq ue number was 13.

1. Issued cheque no 13 to Classy Potteries for the purchase of dinner plates for R1875.

Cash payments journal of XYZ Traders March

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Doc No | Date | Name of payee | Fol | Bank | Stationery  | Trading Stock | Sundry accounts |
| Amount | Fol | details |
| 13 | 14 | Classy Potteries |  | 1875 | 00 |  |  | 1875 | 00 |  |  |  |  |
| 14 | 14 | Business Stationers |  | 330 | 00 | 330 | 00 |  |  |  |  |  |  |
| 15 | 20 | Telkom |  | 1322 | 00 |  |  |  |  | 1322 | 00 |  | Telephone |
| 16 | 20 | Post Office |  | 350 | 00 | 125 | 00 |  |  | 225 | 00 |  | Postage |
|  |  |  |  | **3877** | **00** | **455** | **00** | **1875** | **00** | **1547** | **00** |  |  |

***Notes***

Enter the cheque number in the document column

The date the cheque is issued is entered in the date column

Enter the name of the person or business to whom the cheque is issued in the name of payee column

The amount is entered in the bank column as well as the analysis column for the specific transaction, in this example Trading Stock. It could also be stationery or anyother analysis column applicable to your organisation.

If there is no analysis column, use the sundries column and show the name of the ledger account

Sometimes one cheque is issued for more than one payment. For example, these days you can mail letters, buy stationery, send faxes and buy prepaid telephone time from the Post Office. If you send parcels by mail to the value of R225 and buy stationery for an amount of R125, the total of the cheque will be R350, but the amount of the cheque will be split in two columns.

Cash float or petty cash is cash that is kept in the business for small purchases

**Credit purchases**

Credit purchases happen when the business buys items such as trading stock, equipment, stationery, business machines such as switchboards and computers and other sundry items on an account from a supplier, who is then called a creditor. A creditor is someone to whom money is owed by you.

The source document for a credit purchase is the original invoice that was received from the creditor. Sometimes your organisation will renumber the invoices so that they can be recorded in sequence, sometimes the organisation uses the invoice number of the creditor to record the purchases.

Credit purchase transactions are recorded in the Creditor’s Journal and posting to the General Ledger will be done as follows:

Credit the Creditor’s control account

Debit the contra account, such as wages, stationery,etc.

There will be a separate account for every creditor in the creditor’s ledger:

Telephone

Postage

Stationery

Wages

Rental of premises, etc.

***Reconcile the bank account***

In order to do a bank reconciliation, you must first take note of the following points:

**Cash transactions**

All cash transactions that are entered by the business in the books should be entered by the bank in the account of the business.

Cash received is entered in the **Cash Receipts Journal** and is posted to the **debit** side of the bank account in the **General Ledger** at the end of the month. The bank should do exactly the same but the business’s account must be **credited** with the amount, since the business is a creditor of the bank.

All payments must be entered in the **Cash Payments Journal** and posted to the **credit** side of the bank account in the **General Ledger** at the end of the month. The bank should then **debit** the business’s account since the money the business has in the bank decreases.

The transactions that the bank enters in its books are shown on the bank statement. The bank sends the statement to the business at the end of the month. When you get the bank statement, remember that the entries posted by the bank will be the opposite of the entries in your General Ledger.

Should it happen that all the transactions entered by you in the organisation’s books agree with what the bank has entered in their books, the balance of the bank account in the General Ledger should be the same as the balance of the business’s account in the bank as shown on the bank statement. This does not happen often, since some cheques that were issued might not have been presented to the bank at the time the bank statement is issued.

Remember that the balance of the bank account in the General Ledger is a debit balance while the balance of the bank statement will be a credit balance.

**Difference in balances**

It is unlikely that the two balances will be the same, that is why a bank reconciliation must be done – in order to determine where the difference is.

**Procedure**

Follow this procedure when comparing the CRJ and CPJ of the organisation with the bank statement:

1. Compare the CRJ with the credit side of the bank statement and circle all the amounts that do not agree
2. Compare the CPJ with the debit side of the bank statement and circle all amounts that do not agree
3. Compare the previous month’s bank reconciliation statement with the current month’s bank statement to see whether any amounts are still outstanding (do not show in the bank statement)
4. Make the necessary entries in the CRJ, CPJ and bank reconciliation statement to reconcile the books of the enterprise with the bank statement.

**Possible differences**

This will be the amounts that were circled in the various places (CRJ, CPJ or bank statement) while you followed the procedure described on the previous page. These amounts were circled because that amount did not appear in the journal or statement as it should have. The amount is only entered once and is therefore one of the reasons that the two balances are not the same.

***Amounts circled in the CRJ***

Deposits made on the last day of the month and therefore not in the bank yet.

**Entry**: in the bank reconciliation statement:

credit deposit not yet credited by the bank (or credit outstanding deposit)

***Amounts circled in the CPJ***

Cheques not yet presented to the bank for payment. (note that cheques can be outstanding for six months before they are cancelled – this means the payee has up to six months to present the cheque for payment)

**Entry**: in the bank reconciliation statement Debit outstanding cheques

***Debit amounts circled on the bank statement***

**Interest on overdraft:**

Entry: in the CPJ Debit Interest on overdraft accounts

**Bank charges**

Service fees

Levies

Cost of cheque book / deposit book

Cash deposit fees

Credit card fees

Entry: in the CPJ Debit bank charges

**Stop orders / debit orders**

Entry: in the CPJ Debit the account mentioned, such as insurance, rental, etc.

**Dishonoured cheques**

Entry in the CPJ Debit the debtor’s control (only with the amount of the cheque. If there was discount, it must be cancelled in the General Journal)

***Credit amounts circled on the bank statement***

**Interest on current account**

Entry in the CRJ credit interest on current account

**Rent directly deposited by the tenant**

Entry in the CRJ credit rent received (income)

**Direct deposit by a debtor**

Entry in the CRJ credit the debtor’s control account

**Fixed deposit that matured and was deposited directly in the current account**

Entry in the CRJ credit the fixed deposit

**Interest on fixed deposit deposited directly in current account**

Entry in the CRJ credit interest on fixed deposit

***Amounts circled on the bank reconciliation statement of the previous month***

**Cheques still outstanding**

Entry in the bank reconciliation statement debit outstanding cheque (with the number)

The bank statement at the end of the month will be as follows:

Bank reconciliation statement

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Credit (Debit) balance as per bank statement |  | XXXXXX |
| Credit outstanding deposits |  | XXXXXX |
| Debit outstanding cheques | XXXXXX |  |
| Debit (credit) balance as per bank account | XXXXXX | XXXXXX |

***Notes***

The balance that the bank reconciliation starts with is the balance (on the last day of the month) as on the bank statement received from the bank

The balance that the bank reconciliation statement ends with, is the new balance to be calculated in the bank account in the General Ledger after the new totals of the CRJ and CPJ were posted to the account.

Amounts debited by you to the account are credited by the bank in their books: If the bank account in the General Ledger has a debit balance, the bank account will have a credit balance

**SECTION 4: PROCEDURES**

***Outcomes***

The procedures to follow are described

***Assessment Criteria***

The reasons for having cash, banking, receipt and payment procedures in place are explained to relevant individuals

The source documents for processing banking transactions are described

Different banking processes are utilised

The legal procedures pertaining to banking are explained

***Purpose of procedures***

Every organisation has administration procedures. The reasons for administration procedures are:

So that employees know what they have to do and

How they have to do it

What resources they require to do the work

To standardise procedures in the organisation – all the letters will have the same look, all statements will have the same look, etc.

It is also important that an organisation also has specific procedures in place

To control the receipt of money in the form of cash and other receipts

To control the payment of money in the form of cash and other receipts

This is done to ensure that:

Overpayments and duplicate payments are not made

To prevent fraudulent behaviour by employees

To ensure that monies received are banked as soon as possible, preferably the same day

To ensure that payments are made promptly to avoid disputes with suppliers

To prevent theft by employees

**Receiving money**

Cheques, cash and postal orders that are received must be noted in the cash book immediately.

When money is received by mail, two people must control that the remittance advice note accompanying the payment reflects the amount of money actually received.

Receipts must be issued for payments received. In a manual system, the normal procedure is to issue a receipt in triplicate: the original receipt is handed to the debtor (company or person making the payment), one copy is sent to the general ledger clerk who will note the payment against the debtor’s account and the third copy is kept by the cashier who receives the money.

In the case of a computerised system, the payment will be noted per the procedure in the organisation and the receipt will be printed automatically. The debtor’s account will also be updated automatically.

Money that is received during the day must be banked the same day or the following business day at the latest. Money in the bank is safe from theft, robberies and burglaries.

The bank statement must be reconciled with the cash book regularly.

**Making payments**

Payments to creditors must be made by cheque or Internet transfer. This ensures that the payments can be controlled against the bank statement at a later stage.

Payments should only be made against an invoice or other relevant document – proof that payment is required. The relevant document must also show who the beneficiary is and what the amount of the payment should be.

Only authorised employees may sign cheques or make electronic payments.

Two signatures are usually required on cheques

In the case of electronic payments, the clerk would access the computer system, enter the payments in the system and log off. The supervisor/manager will then access the system, using his/her password, check the payments and then process the payments.

No payments must ever be made without supporting documentation!

Always ensure that two people are involved in the processing of payments: one person to process and another to check that all the details are correct!

***Banking source documents***

Banking source documents will include the following:

**Deposit slips and deposit books**

Deposit slips are available from the bank and will usually be found in the main hall of the bank. A typical deposit slip will have three copies: two are kept by the bank for their internal procedures and the third copy will be given back to the customer, for the records of the organisation.

The deposit slip will have the details of the bank printed on it, but not the details of the branch of the bank.

When you use deposit slips to make deposits, make sure that you enter the following details:

The branch where the account of the organisation is held

The six-digit branch code number, if required by the bank

The date of the deposit

The amount of cash that is deposited

The details and the amounts of cheques that you are depositing

The name of the account that must be credited with the deposit

The account number that must be credited with the deposit

The deposit reference number, for your record purposes

Finally, the deposit must be signed.

Below is an example of a deposit slip

Your Bank

Your Bank Limited, Reg No 1999/00789/09

|  |  |  |
| --- | --- | --- |
|  |  | **Date**   |
| **Credit ­**  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Acc. no |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Instruments delivered for collection by the customer or on his behalf shall be made available as cash only after payment thereof. Any payment against uncleared effects allowed by the Bank shall be at the Bank’s discretion and no claim arising from this practice shall be brought against the Bank and furthermore the Bank shall, at it’s discretion, be entitled to debit the Customer’s account with the amount of dishonoured instruments. The Bank shall not be held responsible from errors resulting from incorrect information furnished by the customer or on his behalf. Furthermore the Bank does not accept responsibility for ensuring that the Customer has lawful title to instruments handed in for collection |  | **R** | **c** |
| Notes |  |  |
| Nickel |  |  |
| Bronze |  |  |
| MO/PW and PO |  |  |
| **Subtotal** |  |  |
| No cheque exceeding R5 million can be accepted | Drawer’s name | Bank | Branch name/code |  |  |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |
| **Details of depositor** |  |   |  |  |  |  |  |  |  |  |  |
|  |  **Total** |  |  |  |  |  |  |  |  |  |  |
| **Signature**   |  |  |  |  |  |  |  |  |  |  |  |
| **Telephone** ( )  |  |  |

You have to make sure that all the copies of the deposit slips are filed in number and date order in a safe place. A deposit slip is a very important document.

It is also normal practice, after the deposit has been made to the bank, to quote the details of the deposit on the deposit slip, e.g.

Invoice number and date

Journal details, etc.

How the deposit is referenced to the invoice or source of deposit will differ from organisation to organisation, but stating details of the deposit on the slip makes it easier to complete the journal entries.

When an organisation makes many deposits, the bank will issue a deposit book to the organisation. A deposit book will contain deposit slips that are bound. This book is kept at the organisation and completed for all deposits. This way the organisation can control all deposits made by the organisation, as the deposits will follow in order of deposit.

Normally, this will also have three copies per deposit, that are distributed the same way as a deposit slip: two copies go to the bank and one copy remains in the deposit book. A deposit book is printed by the bank and will have the following information printed on the individual deposit slips:

The name, branch and six-digit branch code of the bank

The name and the account number of the customer

Numbers for the deposit slips, starting at number 1

When you do the banking, you must enter the following details:

The date of the deposit

The amount of cash that is deposited

The details and the amounts of cheques that you are depositing

The deposit reference number, for your record purposes

Finally, the deposit must be signed.

Deposit slips and deposit books are important documents, as this is the only proof the organisation has that the deposit was made. If the bank statement does not show the deposit, the organisation will need their copy of the deposit to prove that the deposit was made. This means that you must make sure of the following:

***Date stamp***

That the bank teller put the correct date stamp on your copy of the deposit: if there is no date stamp, you cannot prove that the deposit was made. If the incorrect date is stamped on the deposit, the deposit will legally only be effective from the date that is stamped on the deposit. In other words, if you made the deposit on 8 May, but the date stamp only shows 10 May, you cannot legally force the bank to acknowledge that the deposit was made on 8 May.

***Account name and number***

Whether you use individual deposit slips or a deposit book, you must make sure that the correct account details are quoted on the deposit slip. If you quote the wrong account details, the bank cannot be legally forced to take the money out of the incorrect account and credit your account. The bank will usually accommodate their clients when such a mistake is made, but they have to first contact the other customer who received the money, get the money back from them and only then can the money be deposited into your bank account.

On the other hand, if the bank makes a mistake and your details on the deposit slip are stated correctly, the bank has to credit your bank account with the money for value the date the deposit was made. The bank is then “out of pocket” for the amount until they can recover the amount from the other customer.

A note of caution: if an incorrect deposit is made into your account (in other words, someone else’s money has been paid into your account), do not think that you can spend it and not pay it back. Unfortunately, you will have to prove that you were expecting this amount to be paid into your account. If you cannot prove this, you will have to repay the money to the bank.

So, if you check your bank statement and a deposit appears, notify the bank immediately so that they can sort out the error and at the same time make sure that you don’t spend this money.

***Deposit amount***

When you complete deposit slips, make sure that you complete the amounts of cash and cheques correctly.

The bank will check the amounts, but cannot be held responsible for errors on your part. In other words, if you deposit an amount of R6480 in cash and you enter R4680 on the deposit slip, the bank teller should check the amount and then ask you to correct the amount of the deposit. However, not all people are honest and, if the bank teller marks the deposit as correct and then takes the balance of R1800 for him/herself, there is nothing you can do.

Of course, you will report the matter to the bank, but there is nothing the bank can do without proof. The bank will then surely watch that specific teller and note any other complaints, but the money will be lost.

The bank only verifies (checks) your deposit. The money belongs to your organisation and you should make sure that you do your work correctly.

**Cheque deposits**

You have to take note of the following:

When cheques are deposited to your account, the bank will usually only make the money available for use after a period of five to seven days. (This period is different for different banks). The banks do this to make sure that the cheque will be paid before they make money available to you.

If you have an arrangement with the bank to make the money available before the time, be aware that, if the cheque should be unpaid, the bank will immediately take the money out of your bank account and levy a charge for doing this.

It is also not the bank’s job to make sure that the cheque must be paid to your organisation, although they do make certain checks to ensure that fraud does not take place. They cannot, however, be held legally responsible if one of your employees pays a cheque due to the company into his/her own account.

Legally, the following rules regarding cheques apply:

***Cash cheques***

A cheque make out to cash or to a beneficiary or order can be paid out in cash. This can usually only be done at the branch on which the cheque is drawn. The bank will make the following checks before paying out the cheque:

That the date is valid: cheques become dated after six months and cannot be paid out any more

That there are funds available for the cheque to be paid out

That the signatures on the cheque are valid signatures

If the amount of the cheque is large, the bank will phone their customer to confirm that the payment is valid.

If you issue a check to cash and then cross the cheque, the cheque is irregularly drawn and cannot be processed by the bank.

You will find that banks follow a specific procedure in order to try to limit fraud:

The first thing they do is put a date stamp on the cheque

Then they check if the check is drawn correctly

Then they do the other checks for signatures, funds, etc.

This means that, if anything is wrong with the cheque it already has a date stamp on it and no other bank or branch will accept it, you will have to get a new cheque.

The cheque below is irregularly drawn

Cash

Two thousand rand only

R2000

***Cheques that are crossed***

When the words “Not Negotiable” are written between the crossing lines, it means that the cheque cannot be paid out in cash but has to be deposited into a banking account. The cheque can basically be paid into any banking account.

***Not transferable cheques***

When the words “Not Transferable” are written between the crossing lines, it means that the cheque can only be paid into the account name that matches the beneficiary (drawee) of the cheque.

**Cheque Account**

With this account, you are given a cheque book. With a cheque book, you can make withdrawals without going to the bank or the ATM. You can also pay for goods you are buying by writing out a cheque.

The main advantage of a cheque account is that money is safe and can be quickly paid to other people. The interest banks pay on credit balances varies. Some pay on daily balances (in most cases daily balances over R500) while others pay on a minimum daily basis.

Understandably, when you go into overdraft, you pay interest on that money, because you are borrowing money from them.

Most banks nowadays guarantee cheques up to a certain limit. Depending on the credit rating of the client, this varies from R100 to R5000.

***What is a cheque?***

A cheque is a written instruction from you to your bank to pay an amount of money from your cheque account.

There are many services related to cheque accounts. For example, you can place a stop order on your cheque account in favour of your savings account, should you wish to save a fixed amount every month.

***How To Fill In A Cheque Correctly***

Seven easy steps to make sure that your cheque is as clear as possible:

1. First fill in the counterfoil, as this is the only record you will have of this transaction until you get your bank statement.
2. Write the date in the space provided for the date.
3. If you want to cash a cheque, write the word “cash”. Now the cheque reads “pay cash or bearer”. Do not leave cheques made out like this lying around as they could easily be cashed by anyone.
4. Write the amount that the cheque must be for in words Immediately after the printed words “the sum of”. You do this so that no one can insert any word or words to make the amount of the cheque more than it is, and so commit fraud. To protect yourself again against fraudulent additions, fill in any unused space with a line.

Then write the amount in figures starting as closely to the “R” sign as possible. Make sure that the amount in words and in figures are the same.

1. You must sign the cheque only after all the other parts of the cheque (1-5 above) have been carefully completed. Blank signed cheques should never be left lying around.
2. Always write your cheques in ink. Pencil or ink that can be erased could cause you to lose money due to fraudulent use of a cheque or cheques.

When you open a cheque account, the bank takes a specimen (example) of your signature and places it on record – they keep the example of your signature to check the signature when cheques are presented. You must make sure when you sign cheques that your signature on the cheque looks like the sample the bank has on record. You might want to give someone else the authority to sign cheques on your behalf. For this, you have to go to the bank and sign an authority at your branch.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** |  | **Your Bank****YOUR BANK Limited**Main Street Branch, 100 Main Road, JHB | Date |   |
| **To** |  |  |
| Balance b/f: | **Pay** **or Bearer** |
| Amount paid in: |   | **R** |
|   |
|  |  |   |
| Cheque number 001 | “.99979 :999999: 99999999999”. 99 | Joe Smith |

The picture above shows a counterfoil and the cheque.

**Credit Cards**

Credit cards are most probably the easiest way to get horribly into debt. You simply present your card, sign the voucher and the goods are yours.

However, the pain does come later, at the end of the month. In fact, the term credit card is actually a misnomer; it should be called a debt card.

But seriously, used correctly, a credit card can be a wonderful tool in someone’s financial life. It enables you to pay for goods and services without needing to have any cash on hand. In today’s crime-ridden world, that is quite reassuring.

You can also withdraw cash from automatic teller machines (ATMs) and bank branches.

Once a month a cardholder receives a statement detailing all the transactions. The account must be paid by a certain date, usually 25 days from date of statement.

Used correctly, a credit card can provide you with up to 55 days worth of free credit. For instance, purchases made on the 1st day of the month only need to be repaid by the 25th of the following month. However, should you miss that cut-off date, the interest is calculated right back to the date that the purchase was made. The majority of credit card issuers offer a budget system that allows larger purchases to be made with repayment structured over a certain period of time.

Interest is charged monthly on the outstanding amount on both the revolving credit and the budget facilities.

The main benefits of credit cards are:

The ability to purchase goods and services wherever you please, even when you are travelling or on holiday.

The facility to make multiple purchases and settle them by cheque or even a monthly debit order.

You establish your credit rating once with the card issuer and not with each individual merchant.

You have the benefit of participating in a worldwide payment network.

Interest free credit of up to 55 days from date of purchase.

***Financial Accounting Terminologies***

1. Accounting: Is the art of recording transactions of the business into books of accounts
2. Purchases journal :Is a book where a business records all goods purchased on credit
3. Sales journal :Is a book where a business records all goods sold on credit
4. Petty cash float :Is the money which is kept for small things i.e. milk, news paper and stationary
5. Cash book :Is a book where businesses record all monies received or banked and all monies paid out
6. Ledger :Is a principal book where we summarize all what we have done in books of prime entry
7. Bad debt: A debt which cannot be collected
8. Overdraft :Is when a business has written out more cheques than the money it has in the bank
9. Discount allowed: Is the discount by the trader to customer
10. Discount received: Is the discount received by the trader from the supplier
11. Credit transaction: Are transactions which are not involving money immediately
12. Balance: Is the remaining money (Remainder)
13. Cash transaction: Are transactions which involve money immediately
14. Capital: Is money invested to start a business
15. Salary: Monthly earnings
16. Wage: Weekly earnings
17. Creditor: Someone whom the business owes money
18. Debtor: Someone who owes business money
19. Liabilities: Owings of the business/what the business owes
20. Assets: Belongings of the business
21. Current assets: those assets which can be changed into cash immediately, e.g. stock
22. Fixed assets: Those assets which cannot be changed in to cash immediately
23. Purchases: To by in bulk in order to sell
24. Bookkeeping: Is the recording of data
25. Balance sheet: Is the statement reflecting the assets, capital and liabilities of the business
26. Gen.journal: It`s a book of original entry for all items other than those for cash or goods
27. Bank statement: Copy of our current account given to us by the bank
28. Folio columns: Columns used for entries are shown in numbers
29. Contra: Is where both debit and credit entries are shown in cashbook (debit and credit). The opposite entry.
30. Double entry bookkeeping: System where each transaction is entered twice
31. Account: Part of double entry record containing details of transaction for specific item
32. Equity: Another name for the capital of the owner
33. Trading Stock: Goods bought in order to be sold
34. Sales Invoice: A document showing details of goods sold and the prices of those goods
35. Depletion: The wasting away of an asset as it is used up
36. Stock: Unsold goods
37. Sales: Goods sold by the business (Whether cash or credit)
38. Return Inwards: Goods returned to the business by its customers
39. Return Outwards: Goods returned by the business to its suppliers
40. Profit: Results of selling goods for more than what they cost
41. Gross profit: Is an excess of gross profit over operating expenses
42. Trading and profit and loss account: Combined accounts where both Gross and Net profit are shown
43. Expenses: Cost of operating the business/operating expenses
44. Drawing: Cash or goods taken by the owner for private use
45. Cheque: Written instruction by the drawer instructing the drawee to pay the payee a certain amount of money
46. Current account: Bank account used for regular payments in and out of the bank. Usually no interest is paid. Can be overdrawn
47. Deposit account: Bank account for money to be kept for a long time. Interest given for the money deposited
48. Overheads: Indirect expenses
49. Balancing the account: Finding and entering the difference between two sides of the account
50. Income statement: It`s a trading profit and loss statement
51. Trial balance: List of various balances taken out from the ledger
52. Long term liabilities: Are those liabilities that can be paid in the long period of time
53. Carriage inwards: Cost of transporting the goods from the supplier to the business
54. Carriage outwards: Cost of transporting the goods from the business to its customers
55. Books of original entry: Books where the first entry of the transaction is made
56. General ledger: Ledger containing all accounts other than those of debtors and creditors
57. Personal account: Account of both debtors and creditors
58. Private ledger: Ledger for capital and drawings
59. Normal ledger: Another name for general ledger
60. Drawer: One who signs out cheque
61. Payee: One to be paid
62. Budget: A plan in money terms
63. Trading account: Account in which gross profit is calculated
64. Debit: The left hand side of the account in double entry
65. Credit: The right hand side of the account in double entry
66. Paying- in slips: Form used to paying money in to a bank account. Deposit slip
67. Direct debit: Payment made out of payer’s bank, direct to payee’s bank on payees instructions
68. Standing order: Payments made out of payers bank account direct to payee’s bank on payer’s instructions
69. Cheque book: Book containing forms (cheque) used to pay money out of a current account
70. Credit note: A document sent to a customer showing allowance given by suppliers in respect of unsatisfactory goods. For returns inwards.
71. Debit note: A document sent to a supplier for unsatisfactory goods. For returns outwards.
72. Impersonal accounts: All accounts other than debtors and creditors
73. Nominal accounts: Accounts in which expenses and revenue are recorded
74. Purchases day book: Book of original entry for credit purchases
75. Real accounts: Accounts in which property of all kinds is recorded
76. Imprest system: A system used for controlling expenditure of small cash items which are recorded in the cash book
77. Capital expenditure: Where a firm spends money to buy or add value to a fixed asset
78. Revenue expenditure: Expenses needed for the day to day running of the business
79. Depreciation: The part of the cost of the fixed asset consumed during its period of use by the firm
80. Obsolescence: Becoming out of date
81. Advice note: A note sent to a customer by the supplier prior to goods being dispatched, advising of the goods to be dispatched and the estimated date of delivery
82. Delivery note: A note which accompanies goods being dispatched enabling the customer to check what goods have been received.
83. Statement: A copy of a customer’s personal account taken from the supplier’s books
84. Exempted firms: Firms which do not have to add VAT to the price of goods and services supplied by them and which cannot obtain a refund of VAT paid on goods and services supplied by them
85. Zero- rated firms: Firms which do not have to add VAT to goods and services supplied by them, and which receive a refund of VAT paid on goods and services purchased by them
86. Inputs: The value of goods and services purchased by a business
87. Input tax: The VAT charged to a business on its purchases and expenses (inputs)
88. Outputs: The value of goods and services sold to a business
89. Output tax: The VAT charged by a business on its suppliers
90. Value Added Tax (VAT): A tax charged on the supply of most goods and services. The tax is borne by the final consumer of the goods and services, not by the business selling to the consumer.

**FORMATIVE ASSESSMENT WORKBOOK**

Formative assessment

1. Identify fixed and variable costs for a trading business by placing a tick in the box

|  |  |  |
| --- | --- | --- |
|  | **Variable costs** | **Fixed costs** |
| Rental of premises |  |  |
| Water and lights |  |  |
| Telephone |  |  |
| Advertising  |  |  |
| Insurance  |  |  |
| Stationery |  |  |
| Salaries and wages |  |  |
| Cost of goods purchased for resale |  |  |
| Raw materials |  |  |
| Commission |  |  |

1. Calculate the cost of sales in each of the following cases:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No**  | **Selling price** | **Profit %** | **Calculation** | **Cost price** |
| **Example**  | **280** | **40%** | **280 X 100** **140** | **200** |
| 1 | 600 |  |  |  |
| 2 | 750 |  |  |  |
| 3 | 240 |  |  |  |

Formative assessment

1. You sold goods to the value of R540.00. The cost price was R164.00
2. Then you sold trading stock to the value of R6540.00 and the cost price was R1935.00. show the accounts that have to be debited with the relevant amounts

|  |
| --- |
| General Ledger |
| No | Account Debited | Account Credited |
| 1 | Cost of sales |  | Trading stock account | R640.00 |
|  | Bank account |  | Sales Account | R540.00 |
| 2 | Cost of sales |  | Trading stock account | R1935.00 |
|  | Bank account |  | Sales account | R6540.00 |

Formative assessment

XYZ Traders had the following transactions during April. Complete the Cash Receipts Journal for April. An example of a journal is shown on the next page.

1. P Mathebula paid R2300 for rental of an office. Receipt No 32 was issued.
2. Cash sales according to the cash register roll of R315.00. The cost price of the goods is R215.00
3. Cash sales of R870.00 according to the cash register roll. Cost price R600.00
4. Cash sales of R1450.00, cost price R1000.00

Then enter the details into the General Ledger:

|  |
| --- |
| **Cash Receipts Journal XYZ Trading April 200…** |
| Doc No | Date | Details | Fol | Analysis of receipts | Bank  | Sales | Cost of sales | Sundry accounts |
| Amount | Fol | Details |
| 32 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |
| --- |
| **General Ledger XYZ Trading**  |
| **Dr Bank Cr** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Sales** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Trading Stock** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Cost of sales** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Rental Income** |
|  |  |  |  |  |  |  |  |  |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- |
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Formative Assessment

XYZ Trading sold the following goods on credit on 14 April:

To Mrs C.A. Terer 5 table cloths at R25.00 each (cost of sales R16.5); and 50 white dinner plates at R8.00 each (cost of sales R5.60 each). Next invoice number 325.

To P. Khoza 12 serving dishes and cutlery combo sets at R112 each (cost of sales R79). Next invoice number 326.

Do the following:

* Draw up the invoices
* Complete the details in the Debtor’s journal
* Post the necessary entries to the General ledger
* Post the relevant accounts in the debtor’s ledger.

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| Debtor’s ledger XYZ TradingC.A. Terer D1 |
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| Debtor’s ledger XYZ TradingP. Khoza D1 |
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| **General Ledger of XYZ Trading** |
| **Dr Debtor’s Control Cr** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Sales** |
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| **Trading Stock** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Cost of sales** |
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Formative assessment

Record the following transactions in the cash payments journal for May:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Transaction no | Cheque no | Date  | Payee | Purpose | Amount  |
| 01 | 25 | 02 | Cash | Petty cash | 2500 | 00 |
| 02 | 26 | 02 | Cash | Wages | 5400 | 00 |
| 03 | 27 | 05 | Funky Interiors | Trade Stock | 6800 | 00 |
| 04 | 28 | 08 | Business stationers | Stationery | 680 | 00 |
| 05 | 29 | 09 | Telkom | Telephone | 1300 | 00 |
| 06 | 30 | 09 | Cash | Wages | 5400 | 00 |
| 07 | 31 | 13 | Classy Potteries | Trading Stock | 13800 | 00 |
| 08 | 32 | 17 | National Cutlery | Trading Stock | 8700 | 00 |
| 09 | 33 | 17 | Cash | Wages | 5400 | 00 |
| 10 | 34 | 24 | Cash | Wages | 5400 | 00 |
| 11 | 35 | 31 | Cash | Wages | 5400 | 00 |
| 12 | 36 | 31 | Rental Specialists | Rental of premises | 6800 | 00 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Doc No | Date  | Name of payee | Fol | Bank | Wages | Trading stock | Sundry accounts |
| Amount | Fol | Details |
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Formative assessment

Record the following source documents in the Creditor’s Journal for XYZ Trading:

|  |  |
| --- | --- |
| INVOICENationwide Catering SuppliesTimbuktu | No 1092Renumbered to 01 |
| To:XYZ Traders321 Church StreetTimbuktu 12458 | Date: 12 May 200… |
| Quantity | Description | Price | Amount Due |
| 500 | Dinner plates |  R 5 | 60 |  R2800 | 00 |
| 500  | Cutlery sets |  R 40 | 00 |  R20000 | 00 |
| 50 | Table cloths |  R 17 | 50 |  R875 | 00 |
| Total |  R23675 | 00 |
| Terms 30 days from date of invoice |

|  |  |
| --- | --- |
| INVOICEBusiness Stationery SuppliesTimbuktu | No 448Renumbered to 02 |
| To:XYZ Traders321 Church StreetTimbuktu, 12458 | Date: 22 May 200… |
| Quantity | Description | Price | Amount Due |
| 20 | Reams photocopy paper |  R 25 | 00 |  R 1250 | 00 |
| 20  | Rols fax paper |  R 15 | 00 |  R 300 | 00 |
| 20 | Black bic pens |  R 8 | 00 |  R 160 | 00 |
| Total |  R 1710 | 00 |
| Terms 30 days from statement |

|  |  |
| --- | --- |
| INVOICEReliable ComputersTimbuktu | No 99Renumbered to 03 |
| To:XYZ Traders321 Church StreetTimbuktu, 12458 | Date: 23 May 200… |
| Quantity | Description | Price | Amount Due |
| 2 | Computer systems |  R 6999 | 00 |  R 13998 | 00 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Total |  R 13998 | 00 |
| Terms 30 days from statement |

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Post the transactions to the relevant accounts in the General and Creditor’s Ledger. Please note that the contra entry now is Creditor’s control.

|  |
| --- |
| **General Ledger of XYZ Trading** |
| **Dr Creditor’s Control Cr** |
|  |  |  |  |  |  | 200...May | 31 | Sundry purchases | CJ1 | **39383** | **00** |
| **Equipment** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Trading Stock** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Stationery** |
|  |  |  |  |  |  |  |  |  |  |  |  |

Creditors’ journal of XYZ Traders May 200…

|  |
| --- |
| Nationwide Catering Supplies |
| Date | Details | Fol | Debit | Credit | Balance |
|  |  |  |  |  |  |  |  |  |
| Business Stationery Supplies |
| Date | Details | Fol | Debit | Credit | Balance |
|  |  |  |  |  |  |  |  |  |
| Reliable Computers |
| Date | details | Fol | Debit | Credit | Balance  |
|  |  |  |  |  |  |  |  |  |

Formative assessment

Compare the bank statement with the cash journals and make the necessary supplementary entries in the CRJ and CPJ.

Post it to the bank account in the general ledger

Prepare the bank reconciliation statement.

Note: Only the bank columns of the CRJ and CPJ are given.

Cash receipts journal of In Touch Stores May 200…:

|  |  |  |  |
| --- | --- | --- | --- |
| Doc No | Day | Details | Bank |
|  | 02 |  | 520 |
|  | 05 |  | 784 |
|  | 08 |  | 643 |
|  | 15 |  | 705 |
|  | 21 |  | 684 |
|  | 30 |  | 741 |
|  |  |  | 3577 |

Cash payments journal of In Touch Stores May 200…

|  |  |  |  |
| --- | --- | --- | --- |
| Doc no | Day | Payee | Bank |
| 130 | 03 | M. Midas | 263 |
| 131 | 06 | P. Gould | 600 |
| 132 | 09 | Sanders & Co | 325 |
| 133 | 12 | S. Sebastian | 182 |
| 134 | 19 | P. Pam | 324 |
| 135 | 21 | B. Sutton | 240 |
| 136 | 24 | M. Midas | 161 |
| 137 | 28 | Cash | 361 |
|  |  |  | 2456 |

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| --- |
| MY BANKBank statement In Touch Stores 01 April 200... to 30 April 200… |
| Date | Details | Amount | Balance  | Reference |
| 01 April  | Balance B/F |  | 1000 |  |
| 03 April | Deposit | 520 cr | 1520 | Your branch |
| 05 April | Cheque | 263 | 1257 | 130 |
| 08 April | Cheque | 600 | 657 | 131 |
| 08 April | Deposit | 284 cr | 641 | Your branch |
| 08 April | DO | 280 | 661 | Sanlam 3156685XYZ |
| 10 April | Deposit | 643 cr | 1304 | Your branch |
| 12 April | Cheque | 182 | 1122 | 133 |
| 12 April | Deposit | 705 cr | 1827 | Your branch |
| 12 April | Cheque | 325 | 1502 | 132 |
| 14 April | Cheque | 324 | 1178 | 134 |
| 16 April | Cheque | 240 | 938 | 135 |
| 18 April | CU | 300 | 638 |  |
| 18 April | LV | 6 | 632 |  |
| 18 April | LF | 15 | 617 |  |
| 22 April | Deposit | 684 cr | 1301 | Your branch |
| 25 April | SF | 120 | 1181 |  |
| 30 April | Deposit | 800 cr | 1981 | A. Sithole |
|  |  |  |  |  |

**Notes:**

The bank statement shows all the amounts in one column, where credits to the bank account are indicated with a cr. All other amounts are debits to the account.

**Abbreviations:**

* DO debit order
* LV Government Levy
* LF ledger fees
* CU cheque unpaid
* SF service fees
* IN Interest

The stop order in favour of Sanlam is for insurance

The unpaid (dishonoured) cheque was received from A. Small

A. Sithole made a deposit of R800 for rent

The account balance at the beginning of the month was R1000

* As explained above, compare the CRJ with the credits and the CPJ with the debits of the bank statement.
* Circle all amounts that do not agree
* Make supplementary entries in the CRJ and the CPJ for the circled amounts
* Draw up the bank account in the general ledger with the new totals from the CRJ and CPJ
* Prepare the bank reconciliation statement from the circled amounts in the CRJ and CPJ

|  |
| --- |
| Cash Receipts Journal April 200… CRJ |
| Doc No | Day | Details | Bank  |  | Sundries | details |
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| Cash Payments Journal April 2000 CPJ |
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| Dr | Bank  | B8 | Cr |
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| **Bank reconciliation statement on 30 April 200…** |
|  |  **Debit**  |  **Credit** |
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Formative assessment

On 1 July 200… the bank account in the general ledger of Hewlett Stores had a debit balance of R3460. The CRJ and CPJ (bank columns only) and the bank statement for July 200… are as follows.

Make the necessary supplementary entries in the CRJ and CPJ.

Post to the bank account in the general ledger

Prepare the bank reconciliation statement on 31 July 200…

|  |
| --- |
| Hewlett Stores CRJ July 200… |
| Doc No | Day | Details |  Bank  |
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| --- |
| Hewlett Stores CPJ JULY 200… |
| DocNo | Day | Details | Bank  |
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| **Bank statement Hewlett Stores July 200** |
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CB = cheque book

The SO is in favour of insurance at Old Mutual

The unpaid cheque was received from a debtor S. Sun in settlement of his debt of R45

The deposit of R200 is from Bo Bank for interest on a fixed deposit

Formative assessment

After the cash journals of Shape Shops were compared to the bank statement for August 200… the following differences were found.

Instructions:

Take the differences into account and make the necessary entries in the cash journals

Draw up the bank account in the general ledger

Prepare the bank reconciliation statement on 31 August 200

**Information:**

1. On a August the bank account in the general ledger had a favourable balance of R1031
2. The total deposits for the month were R4108
3. The total payments for the month were R4705
4. The bank statement showed a favourable balance of R718 on 31 August
5. A deposit of R598 appears in the CRJ, but not on the bank statement
6. The following cheques appear in the CPJ but not on the bank statement:
* No 244 R90
* No 245 R236
* No 247 R188
1. The following debits appear on the bank statement but not in the cash journals:
* Ledger fees R28
* Cheque book R12
* Deposit fees R48
* Unpaid cheque R74 (received from B. Buddy)
1. The following credits appear on the bank statement but not in the cash journals:
* Interest on credit balances R 40 (Wen Bank)
* Deposit for rent R500 (received from Hire-It)