

GR. 9 EMS – FINANCIAL LITERACY EXTRA ACTIVITIES FOR TERM 3

CREDITORS ALLOWANCES (Insert before Activity 3.11 on page 122)

When a retailer returns the goods purchased on account to the creditor (supplier), the purchase of the returned goods needs to be cancelled. The business will issue a debit note to the creditor and the creditor will reply with a credit note. After receipt of the credit note, the return is recorded in the CREDITORS ALLOWANCES JOURNAL.

Before we actually make entries, let us look at the possible reasons for creditors allowances:

1. The goods are not as ordered or there are too many of an item. These goods will then be returned to the creditor (supplier).
2. The goods delivered may have been damaged or are not exactly as ordered, e.g. wrong colour or size. But the retailer decides to keep it, but wants a discount because the retailer is not completely satisfied with the goods.
3. The agreed trade discount was not given or subtracted on the invoice.

What is trade discount?

When a retailer buys in bulk from the creditor (supplier - e.g. Wholesaler) the creditor (supplier) may give a discount because of the large quantity ordered. In this case the Trade discount will be subtracted on the invoice issued by the supplier (creditor) and the amount owed by the retailer will decrease with the trade discount amount.

INVOICE			
To: JJ's Electricals P.O. Box 10 889 Johannesburg 0001		No. 6434 10 December 2014	
Bought from:		ELECTRIC SUPPLIERS BENONI	
Quantity	Description	Unit price	Amount
3	Washing machines	R 3 950	11 850 00
2	Dishwashers	R4 679	9 358 00
			21 208 00
	Less 5% Trade discount		1 060 40
			20 147 60
E. & O. E.			

The total amount of R20 1047,60, after the 5% trade discount was subtracted, will be recorded in the Creditors journal.

Example 3.4A (Insert after Example 3.4, LB p. 122)

Record the given transactions of Joy Traders in the following journals:

- a) Creditors journal, with analysis columns for Creditors control; Trading inventory; Packing material and Sundry accounts.
- b) Creditors allowances journal, with analysis columns for Creditors control; Trading inventory; Packing material and Sundry accounts.

TRANSACTIONS - July 20.6

- 5 Bought merchandise on credit from GM Suppliers, R 8 790. Received their invoice 334 and renumbered it as no. 101.
- 8 Received a delivery of stationery purchased on credit from Pen Pals Stationers, R850, together with invoice 214. Re-number the invoice as no. 102 for filing purposes.
- 11 Returned some of the merchandise to GM Suppliers, R540. Issued debit note 21. Received a credit note as confirmation of the return.
- 14 Issued debit note 22 to Pen Pals Stationers, R155, for incorrect invoice books. Received a credit note from Pen Pals Stationers for the amount.
- 20 Credit purchases of trading stock, R7 500, less 2% trade discount from GM Suppliers. Received invoice 355.
- 23 Received invoice 110 from Office Supplies for two desks at R2 500 each and a shelf at R1 350 bought on account.
- 25 Issued a debit note 23 to Office Supplies, as a 10% trade discount on the equipment purchased on 23 July was not given.

Solution to Example 3.4A:

CREDITORS JOURNAL OF JOY TRADERS - JULY 20.6

CJ6

Doc. no.	Day	Creditor	Fol.	Creditors control		Trading stock		Packing material		Sundry accounts		
										Amount	Fol.	Detail
101	5	GM Suppliers		8 790	00	8 790	00					
102	8	Pen Pals Stationers		850	00					850	00	Stationery
103	20	GM Suppliers	①	7 350	00	7 350	00					
104	23	Office Supplies	②	6 350	00					6 350	00	Equipment
				23 340	00	16 140	00			7 200	00	

① $7\,500 \times 2/100 = 150$ therefore $7\,500 - 150 = 7\,350$

② $2 \times 2\,500 = 5\,000 + 1\,350 = 6\,350$

CREDITORS ALLOWANCES JOURNAL OF JOY TRADERS - JULY 20.6

CAJ6

Doc. no.	Day	Creditor	Fol.	Creditors control		Trading stock		Packing material		Sundry accounts		
										Amount	Fol.	Detail
21	11	GM Suppliers		540	00	540	00					
22	14	Pen Pals Stationers		155	00					155	00	Stationery
23	25	Office Supplies		③ 635	00					635	00	Equipment
				1 330	00	540	00			790	00	

③ $6\,350 \times 10/100 = 635$

Activity 3.11A (Add after Activity 3.11, LB p. 122)

As the bookkeeper of Slick and Shick, you are required to record the following transactions:

- in the Creditors journal for May 2014
- and the Creditors allowances journal for May 2014.

Provide the following columns for both the Creditors journal and the Creditors allowances journal:

Creditors control; Trading stock; Packing material and Sundry accounts.

TRANSACTIONS - MAY 2014

- 5 Credit purchases made from:
 - Boutique Suppliers, R8 000, for merchandise. Renumbered invoice received 551.
 - Cargo Wholesalers, R450, for packing material, invoice renumbered 552
- 7 Received invoice 324 from Cargo Wholesalers, R565, for stationery ordered. Renumber the invoice.
- 9 Returned damaged stationery to Cargo Wholesalers, R149. Issued debit note no. 11.
- 17 Bought trading stock from Boutique Suppliers, R9 768. Renumber the invoice.
- 18 Trading stock, valued at R1 257, received from Boutique Suppliers on 15 May 20.4 was not as ordered. It was returned and Debit note no. 12 was issued.

See answer sheets for Activity 3.11 on page 11.

Answer sheets for Activity 3.11A:

CREDITORS JOURNAL OF SLICK AND SHICK - MAY 2014

CJ2

Doc. no.	Day	Creditor	Fol.	Creditors control	Trading stock	Packing material	Sundry accounts		
							Amount	Fol.	Detail

CREDITORS ALLOWANCES JOURNAL OF SLICK AND SHICK - MAY 2014

CAJ2

Doc. no.	Day	Creditor	Fol.	Creditors control	Trading stock	Packing material	Sundry accounts		
							Amount	Fol.	Detail

Answer sheets for Activity 3.17A: (See p. 16 – instruction b)

b) CASH PAYMENTS JOURNAL OF SLICK AND SHICK - MAY 2014

CPJ4

Doc. no.	Day	Name of payee	Fol.	Bank	Trading stock	Wages	Creditors control	Sundry accounts		
								Amount	Fol	Detail

Credit transactions in the Creditors Journal and payments to creditors in the CPJ

Larger businesses seldom pay cash for the goods they buy for re-sell to consumers. Their office equipment, machinery and motor vehicles are further examples of goods bought on credit from other businesses. They will record payments to creditors in the Cash Payments Journal and record transactions of items bought on credit in the Creditors' Journal.

Example 3.5A (Add to LB p. 139)

B. Brooks started a bookshop with the name of "Incredible books".

Some of the transactions for January 2014 :

- 1 Bought books (trading stock) from ABC Publishers on credit, R12 500 and receive their invoice no. Z132. Re-number this external invoice to C 01 for filing purposes.
- 6 Bought books, R5 100 and stationery for office use, R340 from Dladla Wholesale Stationers and receive their credit invoice, no. RR128 for the total amount. Re-number this external invoice to C 02 for filing purposes.
- 10 Repaired the business vehicle on credit at Pit Stop Garage and received their credit invoice, nr. PS139 for R2 700. Re-number this external invoice to C 03 for filing purposes.
- 18 Bought the following on credit from "Books for Africa":
 - Goods for re-sale, R5 700
 - Stationery for office use, R310
 - One shelf, R1 200Received their invoice no. AA2034 and re-number it to C 04.
- 20 Bought Trading Stock from ABC Publishers and issued cheque no. 220 for the amount of R2 300.
- 23 Bought books from Dladla Wholesalers on credit:
 - For re-sale, R8 300
 - For the owner's children, R290Receive invoice no. RR239 for the total amount and re-number it.
- 30 Issued cheque no 221 to pay ABC Publishers for the purchases made on 1 January.
- 31 Issued cheque no 222 to pay Dladla Wholesalers for the purchases made on 6 January.
Issued cheque no. 223 to pay the amount owed to Pit Stop Garage for repairs.

Cash Payments Journal of Incredible Books for January 2014 CPJ 5

Doc	Day	Name of payee	Fol	BANK	Trading Stock	Creditors Control	Sundry Accounts		
							Amount	Fol	Details
220	20	ABC Publishers		2 300	2 300				
221	30	ABC Publishers	C1	12 500		12 500			
222	31	Dladla Wholesalers	C2	5 540		5 540			
223	31	Pit Stop Garage	C3	2 700		2 700			
				23 040	2 300	20 740			
				B6	B4	B5			

Creditors' Journal of Incredible Books for January 2014 CJ 5

Doc	Day	Creditors	Fol	Creditors control	Trading Stock	Stationery	Sundry Accounts		
							Amount	Fol	Details
C 01	1	ABC Publishers	C1	12 500	12 500				
C 02	6	Dladla Wholesalers	C2	5 540	5 100	340			
C 03	10	Pit Stop Garage	C3	2 700			2 700	N5	Vehicle repairs
C 04	18	Books for Africa	C4	7 210	5 700	310	1 200	B3	Equipment
C 05	23	Dladla Wholesalers	C2	8 590	8 300		290	B2	Drawings
				36 540	31 600	650	4 190		
				B5	B4	N4			

These journals will be posted to the ledgers as follows:

General Ledger of Incredible Books

Balance Sheet Section

Dr	Drawings						B2	Cr
2014 Jan	23	Creditor's control	CJ5	290	00			

Dr	Equipment						B3	Cr
2014 Jan	18	Creditor's control	CJ5	1 200	00			

Dr		Trading Stock				B4				Cr
2014 Jan	31	Bank	CPJ5	2 300	00					
	31	Creditor's control	CJ 5	31 600	00					
				33 900	00					

Trading stock bought cash: R2 300

Trading stock bought on credit: R 31 600

Dr		Creditors Control				B5				Cr	
2014 Jan	31	Bank	CPJ5	20 740	00	2014 Jan	31	Sundry purchases	CJ5	36 540	00
	31	Balance	c/d	15 800	00						
				36 540	00					36 540	00
						Feb	1	Balance	b/d	15 800	00

Amount owed to creditors for items bought on credit: R36 540

Amounts paid up to date: R20 740

Amount owed to creditors at the beginning of Febr: R15 800

Dr		Bank				B6				Cr	
						2014 Jan	31	Total payments	CPJ5	23 040	00

Nominal Section

Dr		Stationery				N4				Cr
2014 Jan	31	Creditor's control	CJ5	650	00					

Dr		Vehicle repairs				N5				Cr
2014 Jan	10	Creditor's control	CJ5	2 700	00					

Creditors' Ledger of Incredible Books

(Creditors ledger account no. 1)

ABC Publishers

C1

Date		Details	Fol	Debit		Credit		Balance	
2014									
Jan	1	Invoice no. C01	CJ5			12 500	00	12 500	00
	30	Cheque no. 221	CPJ5	12 500	00			-	-

The credit entry was made when the business bought on credit from ABC Publishers (a liability was created or increased of R12 500).

When the business paid this amount a debit entry was made (a liability decreased)

(Creditors ledger account no. 2)

Dladla Wholesalers

C2

Date		Details	Fol	Debit		Credit		Balance	
2014									
Jan	6	Invoice no. C02	CJ5			5 540	00	5 540	00
	23	Invoice no. C05	CJ5			8 590	00	14 130	00
	31	Cheque no. 222	CPJ5	5 540				8 590	00

Pit Stop Garage

C3

Date		Details	Fol	Debit		Credit		Balance	
2014									
Jan	10	Invoice no. C03	CJ5			2 700	00	2 700	00
	31	Cheque no. 223	CPJ5	2 700	00			-	-

Books for Africa

C4

Date		Details	Fol	Debit		Credit		Balance	
2014									
Jan	18	Invoice no. C04	CJ5			7 210	00	7 210	00

Note that the final balances of the creditors' accounts should add up to the same total as the final balance of the Creditor's control account = R15 800.

Creditor's list of Incredible Books on 31 January 2014 :

ABC Publishers	C1	-	-
Dladla Wholesalers	C2	8 590	00
Pit Stop Garage	C3	-	-
Books for Africa	C4	7 210	00
		15 800	00

The total amount owed to Creditors on 31 January 2014 = R15 800

Activity 3.16A (Add to LB p. 139)

Use the information to complete the following in the books of “Sweets for all”:

Use the provided answer sheets.

1. The Creditors’ Journal (CJ4) with columns for Creditors’ Control, Trading Stock, Packing material and Sundry Accounts.
2. The Cash Payments Journal (CPJ4) with columns for Bank, Trading Stock, Creditors Control and Sundry Accounts.

Some of the transactions for April 2014 :

- 1 Bought sweets (trading stock) from “Beacon Wholesalers” on credit, R15 200 and receive their invoice no. BW234. Re-number this external invoice to C 01 for filing purposes.
- 9 Bought sweets (trading stock), R4 300 and packing material, R240 from “Metro Wholesalers” and receive their credit invoice, no. MW658 for the total amount. Re-number this external invoice to C 02 for filing purposes.
- 10 Bought office furniture from “Office Suppliers” and received their credit invoice, nr. DD139 for R3 800. Re-number this external invoice for filing purposes.
- 18 Bought the following on credit from “Metro Wholesalers”:
 - Goods for re-sale, R6 100
 - Stationery for office use, R110
 - Packing material, R850Received their invoice no. MW734 and re-number it.
- 20 Bought Trading Stock from “Beacon Wholesalers” and issued cheque no. 138 for the amount of R6 400.
- 21 Issued cheque no. 139 to Office Suppliers to pay half of the money owed to them.
- 23 Bought sweets from Metro Wholesalers” on credit:
 - For re-sale, R5 100
 - For the owner’s children, R160Received invoice no. MW959 for the total amount and re-numbered it.
- 29 Issued a cheque to pay Beacon Wholesalers for the purchases made on 1 April.
- 30 Issued a cheque to pay Metro Wholesalers for the purchases made on 9 April.
Issued a cheque to finally settle the account of Office Suppliers.

ANSWER SHEETS FOR ACTIVITY 3.16A (Page 6)

Example 3.5A (insert after Example 3.5, LB p. 139)

- a) Use the completed Creditors journal and Creditors allowances journal of Joy Traders (completed in Example 3.4A) to post the transactions to the General ledger and Creditors ledger of Joy Traders.

The following balances / totals appeared, amongst others, in the General Ledger on 1 July 20.6:

Trading stock	R11 445
Equipment	R 4 566
Bank	R19 345
Stationery	R 500

- b) Record the following transactions in the Cash payments journal of Joy Traders for July 20.6.

Provide for the following analysis columns:

Bank; Trading stock; Wages; Creditors control and Sundry accounts.

TRANSACTIONS - July 20.6

- 27 Issued cheque no 445 to Office Supplies, R5 715 in payment of our account.
29 Received a statement from GM Suppliers, R10 000. Issued cheque 446 in settlement of our account.

- c) Post the Cash payments journal to the General ledger and Creditors ledger of Joy Traders. Balance / total the accounts in the general ledger on 31 July 20.6.

See next page for the completed Creditors journal and Creditors allowances journal for instruction (a).

Note that folio numbers are added when posting to the ledger accounts.

Solution to Example 3.5A:

CREDITORS JOURNAL OF JOY TRADERS - JULY 20.6

CJ6

Doc. no.	Day	Creditor	Fol.	Creditors control		Trading stock		Packing material		Sundry accounts		
										Amount	Fol.	Detail
101	5	GM Suppliers	C1	8 790	00	8 790	00					
102	8	Pen Pals Stationers	C2	850	00					③850	00	N3 Stationery
103	20	GM Suppliers	C1	7 350	00	7 350	00					
104	23	Office Supplies	C3	6 350	00					④6 350	00	B5 Equipment
				23 340	00	16 140	00			7 200	00	
				①B7		②B6						

CREDITORS ALLOWANCES JOURNAL OF JOY TRADERS - JULY 20.6

CAJ6

Doc. no.	Day	Creditor	Fol.	Creditors control		Trading stock		Packing material		Sundry accounts		
										Amount	Fol.	Detail
21	11	GM Suppliers	C1	540	00	540	00					
22	14	Pen Pals Stationers	C2	155	00					⑤155	00	N3 Stationery
23	25	Office Supplies	C3	635	00					④635	00	B5 Equipment
				1 330	00	540	00			790	00	
				①B7		②B6						

b) CASH PAYMENTS JOURNAL OF JOY TRADERS - JULY 20.6

CPJ6

Doc. no.	Day	Name of payee	Fol.	Bank		Trading stock		Wages		Creditors control		Sundry accounts		
												Amount	Fol.	Detail
445	27	Office Supplies	C3	5 715	00					5 715	00			
446	29	GM Suppliers	C1	10 000	00					10 000	00			
				15 715	00					15 715	00			
				●B8						■B7				

Solution to Example 3.5A:

(Instructions a + c) **CREDITORS LEDGER OF JOY TRADERS**

GM SUPPLIERS

C1

Date		Details	Fol.	Debit		Credit		Balance	
20.6 July	5	Invoice 101	CJ6			8 790	00	8 790	00
	11	Debit note 21	CAJ6	540	00			8 250	00
	20	Invoice 103	CJ6			7 350	00	15 600	00
	29	Cheque 446	CPJ6	10 000	00			5 600	00

PEN PALS STATIONERS

C2

Date		Details	Fol.	Debit		Credit		Balance	
20.6 July	8	Invoice 102	CJ6			850	00	850	00
	14	Debit note 22	CAJ6	155	00			695	00

OFFICE SUPPLIES

C3

Date		Details	Fol.	Debit		Credit		Balance	
20.6 July	23	Invoice 104	CJ6			6 350	00	6 350	00
	25	Debit note 23	CAJ6	635	00			5 715	00
	27	Cheque 447	CPJ6	5 715	00			-	-

Creditors list on 31 July 20.6

GM Suppliers	C1	5 600	00
Pen Pals Stationers	C2	695	00
Office Supplies	C3	-	-
		6 295	00

GENERAL LEDGER OF JOY TRADERS

BALANCE SHEET ACCOUNT SECTION

Dr		EQUIPMENT				B5		Cr			
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount			
20.6 July	1	Balance	b/d	4 566	00	20.6 July	25	Creditors control	CAJ6	635	00
	23	Creditors control	CJ6	6 350	00		31	Balance	c/d	10 281	00
				<u>10 916</u>	<u>00</u>					<u>10 916</u>	<u>00</u>
20.6 Aug	1	Balance	b/d	10 281	00						

Dr						TRADING STOCK						B6		Cr	
Date		Details		Fol.		Amount		Date		Details		Fol.		Amount	
20.6	1	Balance	b/d	11 445	00	20.6	31	Creditors control	CAJ6	2540	00				
	31	Creditors control	CJ6	16 140	00			Balance	c/d	27 045	00				
				27 585	00					27 585	00				
20.6	1	Balance	b/d	27 045	00										

Dr						CREDITORS CONTROL						B7		Cr	
Date		Details		Fol.		Amount		Date		Details		Fol.		Amount	
20.6	31	Creditors allowances	CAJ6	1 330	00	20.6	31	Sundry purchases	CJ6	23 340	00				
		Bank	CPJ6	15 715	00										
		Balance	c/d	6 295	00										
				23 340	00					23 340	00				
						20.6	1	Balance	b/d	6 295	00				

Dt						BANK						B8		Cr	
Date		Details		Fol.		Amount		Date		Details		Fol.		Amount	
20.6	1	Balance	b/d	19 345	00	20.6	31	Total payments	CPJ6	15 715	00				
								Balance	c/d	3 630	00				
				19 345	00					19 345	00				
20.6	1	Balance	b/d	3 630	00										

NOMINAL ACCOUNT SECTION

Dr						STATIONERY						N3		Cr	
Date		Details		Fol.		Amount		Date		Details		Fol.		Amount	
20.6	1	Balance	b/d	500	00	20.6	14	Creditors control	CAJ6	155	00				
	8	Creditors control	CJ6	850	00			Balance	c/d	1 195	00				
				1 350	00					1 350	00				
20.6	1	Balance	b/d	1 195	00										

Activity 3.17A (continues from Activity 3.11A)

- a) Use the completed Creditors journal and Creditors allowances journal of Slick and Shick (completed in Activity 3.11A, page 5) and post the transactions to the General Ledger and Creditors Ledger of Slick and Shick.

The following balances/totals appeared, amongst others, in the General Ledger on 1 May 2014:

Trading stock	R 9 888
Bank	R20 500
Stationery	R435
Packing material	R234

- b) Record the following transactions in the Cash Payments Journal of Slick and Shick for May 2014. Provide for the following analysis columns: Bank; Trading stock; Wages; Creditors control and Sundry accounts.
Use the answer sheet for the CPJ on page 5.

TRANSACTIONS - May 2014	
25	Settled our account with Boutique Suppliers, R16 511. Cheque 743.
30	Paid off R400 on our account with Cargo Wholesalers. Cheque 744.

- c) Post the Cash Payments Journal to the General Ledger and Creditors Ledger of Slick and Shick. Balance / total the accounts in the General Ledger on 31 May 2014.

Answer sheets for Activity 3.17A (Instruction a + c)

CREDITORS LEDGER OF SLICK AND SHICK

BOUTIQUE SUPPLIERS

C1

Date	Details	Fol.	Debit	Credit	Balance

CARGO WHOLESALERS

C2

Date	Details	Fol.	Debit	Credit	Balance

Creditors list on 31 May 20.4

Answer sheets for Activity 3.17A

GENERAL LEDGER OF SLICK AND SHICK
BALANCE SHEET ACCOUNT SECTION

Dr				TRADING STOCK				B6		Cr
Date	Details	Fol	Amount	Date	Details	Fol	Amount			

Dr				CREDITORS CONTROL				B7		Cr
Date	Details	Fol	Amount	Date	Details	Fol	Amount			

Dr				BANK				B8		Cr
Date	Details	Fol	Amount	Date	Details	Fol	Amount			

GENERAL LEDGER OF SLICK AND SHICK
NOMINAL ACCOUNT SECTION

Dr				STATIONERY				N3		Cr
Date	Details	Fol	Amount	Date	Details	Fol	Amount			

Dr				PACKING MATERIAL				N4		Cr
Date	Details	Fol	Amount	Date	Details	Fol	Amount			

Activity 3.18A (Posting journals of Activity 3.16A)

Use the journals of Activity 3.16A (page 11) and post to the following accounts in the General Ledger and Creditors' Ledger of "Sweets for all".

General Ledger of "Sweets for all"

Balance Sheet Section

Dr	Drawings								B2	Cr

Dr	Equipment								B3	Cr

Dr	Trading Stock								B4	Cr

Dr	Creditor's Control								B5	Cr

Amount owed to creditors for items bought on credit:

Amounts paid up to date:

Amount owed to creditors at the beginning of May:

Dr	Bank								B6	Cr

Nominal Account Section

Dr	Packing material								N3	Cr

Dr	Stationery								N4	Cr

Activity 3.18A (continued)

Creditors' Ledger of "Sweets for all"

Beacon Wholesalers

C1

Date	Details	Fol	Debit	Credit	Balance

Metro Wholesalers

C2

Date	Details	Fol	Debit	Credit	Balance

Office Suppliers

C3

Date	Details	Fol	Debit	Credit	Balance

Creditor's list of Sweets for all" on 30 April 2014:

The total amount owed to Creditors on 30 April 2014 =

CREDITORS ALLOWANCES AND THE ACCOUNTING EQUATION:

Example 3.7A (Add to LB p. 144)

Transaction 4: Issued Debit note 31, R320, to Ghani & Co, for trading stock returned to them. Receive a credit note from Ghani & Co for the amount.

How do we reason this? We look at what happened:

The business returned Trading stock to the creditor. The Trading stock is an asset, therefore the assets decrease when we send it back. Because the assets decrease, the Trading stock account is credited.

At the same time the debt at a creditor decreases, because the business owes less money. But a creditor is a liability, therefore the liabilities decrease. Because the liabilities decrease, the Creditors Control account in the General Ledger, as well as Ghani & Co's account in the Creditors Ledger, will be debited.

In the GENERAL LEDGER:

ASSET (decreases on credit side)			LIABILITY (decreases on debit side)		
Dr(+)	TRADING STOCK	Cr(-)	Dr (-)	CREDITORS CONTROL	Cr (+)
	320			320	

In the CREDITORS LEDGER:

CREDITOR		
Dr (-)	GHANI & CO.	Cr (+)
	320	

Transaction 5: Returned damaged stationery, previously bought on credit from PNA, R30,00. Issued Debit note 32. Received a credit note for the amount from PNA.

How do we reason this? We look at what happened:

The business returned stationery. Stationery is an expense that we now partly cancel, so owners' equity (the owner's profit) will now increase again. Therefore the Stationery account is credited (O/E +).

At the same time the debt at a creditor decreases. But a creditor is a liability, therefore the liabilities decrease. Because the liabilities decrease, the Creditors Control account in the General Ledger as well as PNA 's account in the Creditors Ledger will be debited.

In the GENERAL LEDGER:

OWNERS' EQUITY			LIABILITY		
Dr(-)	STATIONERY	Cr(+)	Dr (-)	CREDITORS CONTROL	Cr (+)
	30			30	
	(cancel an expense, O/E+)			(owes less to creditors)	

In the CREDITORS LEDGER:

CREDITOR		
Dr (-)	PNA	Cr (+)
	30	
	(owes less to PNA)	

Solution to Example 3.7A:

No	Source doc.	Journal	General Ledger		Creditors Ledger		A	O/E	L
			Account debited	Account credited	Account debited	Account credited			
4.	Duplicate debit note	CAJ	Creditors control (L-)	Trading stock (A-)	Ghani & Co (Liability -)		-320	0	-320
5.	Duplicate debit note	CAJ	Creditors control (L-)	Stationery (O/E +) (expense – then profit+)	PNA (Liability -)		0	+30	-30

Activity 3.20 (Add after Activity 3.19, LB p. 145)

Analyse the following transactions in the table below:

Example: Pay the telephone account per cheque, R590.

- Bought stationery on credit from CNA for R240.
- Send a debit note to CNA for 10% trade discount that was not subtracted from the amount of R240 on the source document as promised.
- Bought office furniture from Grand Furnishers on credit, R8 500.
- Returned a desk, R1200 to Grand Furnishers. Issued debit note 44 and receive a credit note from them for the amount.
- Issued debit note 45 to PM Motors, R450, for repairs. The original invoice received was overcharged by this amount. Receive a credit note from PM Motors for R450.

No	Source doc.	Journal	General Ledger		Creditors Ledger		A	O/E	L
			Account debited	Account credited	Account debited	Account credited			
E.g.	Cheque counterfoil	CPJ	Telephone	Bank	----	----	- 590	- 590	0
1.									
2.									
3.									
4.									
5.									

Adapted from VIVA EMS, Vivlia Publishers and Booksellers: www.vivlia.co.za