

Simplified Accounting

Workbook & Activities | Learner Book | Sample Book

Grade 8 | CAPS

Second Edition



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Simplified Accounting - Grade 8
Second Edition
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- Financial Literacy For All Grade 8 (Activities & Workbook)
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- Simplified Accounting Grade 8 (Activities & Workbook)
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Economic and Management Sciences (EMS) can be divided into three main sections: Economy, Entrepreneurship, and Financial Literacy.

Most learners tend to struggle with the Financial Literacy section. They particularly find difficulty in identifying differences between various exercise books (8 Money Column, Creditors Journal, Double Ledger, etc.) which results in transactions being incorrectly placed. These mistakes have a discouraging effect on learners and often cause them to develop a negative view of the section of finance altogether.

The **Simplified Accounting** workbook was created with guidance from EMS CAPS policy documents that focus on Accounting content, and offers the following:

- Relevance to the technological development brought about by the Fourth Industrial Revolution (4IR).
- An age-appropriate layout that is designed to attract and hold learners' interest throughout the duration of the academic year.
- Content that is applicable to both real life contexts and next-grade content that relate Finance-related matters.
- A variety of exercises that consolidate knowledge and skills, while also providing ample practise to ensure successful completion of assessment tasks.
- Appropriate language used to make content accessible and encourage independent learning and revision.
- Activities that accommodate different paces of learning, which (in addition to support from educators) aims to build confidence in learners.
- Graphics and images that serve as reminders and guidelines for important concepts, making it easier for learners to conceptualise content.
- End-of-term tests designed to prepare learners for Formal Assessment Tasks.



Table of Contents

Term 1

Accounting	6
4IR In Accounting	9
Accounting Concepts	11
Transaction	13
Sole Trader	15
Banking	21
Accounting Equation	24
Source Documents	32
Revision	38

Term 2

Accounting Cycle	42
Cash Receipts Journal	49
Revision	66

Term 3

Catch-up Activity	70
Cash Payments Journal	73
Combined Transactions	87
Revision	101

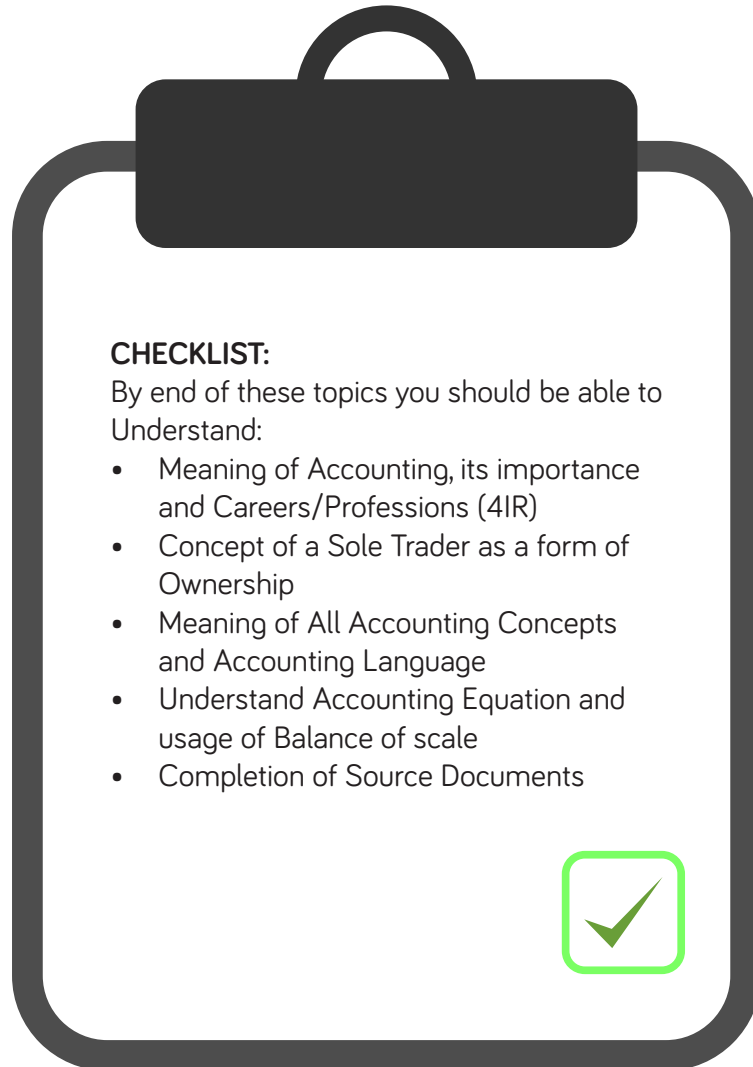
Term 4

General Ledger	103
Trial Balance	144
Revision	150

Glossary	154
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ACCOUNTING BACKGROUND



REFLECTION:

MY KEY NOTES FROM GRADE 7:

List Accounting Concept learned in grade 7 that stood out for you?



ACCOUNTING CONCEPTS

ACCOUNTING

- Accounting is systematic recording of transactions
- Accounting is the study of how to keep the financial Records of any Institution and individuals, following GAAP – Generally Accepted Accounting Principles.
- Keeping records of expenses and earnings
- Accounting is about keeping the records of Expenses and Incomes, Receipts and payments.

ACCOUNTING RELATED PROFESSIONS

Bookkeeper	Accountant	Cost & Management Accountant	Payroll Administrator
Debtors Administrator	Auditors (Internal & External)	Tax Accountant	Forensic Accountant
Creditors Administrator	Financial Manager	Budget Analyst	Stock Controller
Finance Administrator	Financial Director	Chief Finance Officer	EMS & Accounting Teacher
Accounting Lecturer			



IMPACT OF COVID-19 IN OUR EDUCATION, ECONOMY & FINANCIAL SECTORS

On the 5th of March 2020, the National Institute for Communicable Diseases confirmed the first suspected case of Covid-19. Since then, there has been a rapid increase in the number of positive cases reported in our country and globally. Number of covid-19 related deaths are been confirmed daily. Ordinary citizens, politicians, business people, doctors, nurses have lost lives due to COVID-19. Countries were forced to embark on hard lock-down regulations in response to covid-19 in trying to save lives. Businesses closed down, people lost their jobs and economic activities went down globally.



Activity A

DATE: _____

Mention as many as possible points with regard to impact of COVID-19 with reference to our Country's:

1. Education

2. Economy

3. Financial Sector





1.1 Choose any Accounting related profession that you would like to pursue and explain as per headings below:

PROFESSION	QUALIFICATIONS	ROLES AND RESPONSIBILITY



CONCEPTS OF FOURTH INDUSTRIAL REVOLUTION (4IR) in Accounting:

The impact of 4IR in the Accounting and Auditing profession

27 January 2022

4IR (**Fourth Industrial Revolution**) is upon us and we can no longer place it in the back seat. We as professionals are now being forced to embrace, adapt and adopt these changes in order to remain relevant in our ever-changing digital world. If there is one thing that the global COVID-19 pandemic has highlighted, it is just how quickly the world can transform and just how much technology is integrated in our everyday lives – both private and work life.

The pandemic has forced companies to rapidly move to remote working and often rely solely on advanced technology and digital infrastructure to keep them afloat. Professor Klaus Schwab, Founder and Executive Chairman of the World Economic Forum, said; “New technologies will dramatically change the nature of work across all industries and occupations.” This is certainly true, and the Auditing and Accounting profession is no exception.

Some emerging technologies brought forth by the 4IR are already wide-spread and fully integrated in our industry. For example, many Accounting software packages now have built-in reporting solutions that produce financial statements and perform repetitive record keeping more efficiently and accurately using Robotic Process Automation. In the Auditing profession, data analytics tools are more commonly used to extract volumes of data from the client's records and apply advanced analytical checks to provide deeper insight into trends and patterns identified and highlight exceptions uncovered using the entire population of entries as opposed to sampling.

Block-chain technology is said to be the next incredible breakthrough that will transform the Accounting and auditing profession, making financial record-keeping less costly, more reliable, and more accurate. Block-chain technology records transactions in a distributed ledger. Thus far, the technology has proven to be highly secure. The one appealing feature of block-chain technology is its ability to eliminate an intermediary, such as a bank, to verify a transaction.

Block-chain operates through a secure peer-to-peer network. When a new transaction is initiated, all participants in this network who have an identical copy and real-time access to the block-chain ledger, communicate and verify the validity of the transaction before being entered into the block-chain. Once a transaction is added, it is encrypted and cannot be deleted or modified.

To bring this back to Accounting, this technology is being explored to be used as a digital ledger whereby transactions from both buyer and seller can be recorded in real-time on one system and all the participants in the transaction have access to the ledger and can validate the details of the transaction before it is recorded. Think of it as one big spreadsheet that keeps track of a transaction from supply chain to consumer consumption in one ledger with minimal human intervention. Block-chain eliminates chances of human manipulation and reduces the need for reconciliation and third part confirmation of existence and accuracy of the transaction.

In recent years, we have seen several disheartening headlines relating to corruption in the political environment and unethical conduct within our profession. With the recent scandals such as Steinhoff and VBS, it is clear to see that there is a dire need for financial record transparency among stakeholders. This emerging technology has the potential to address the issue of trust and speed up Auditing processes.

IS THERE A NEED FOR ACCOUNTANTS AND AUDITORS IN THE NEAR FUTURE?

The emerging technologies are most certainly going to replace several repetitive tasks we now do. However, the answer to the question of whether the robots will take your job is dependent on your willingness to adapt and evolve along with the technology. I believe companies will still need CAs, however the role we play will transform. As automation becomes more and more of a reality, the role of an Accountant will transform into an advisory role which will require the competence to analyse, interpret and use the output produced by these technologies and feed into operational and strategic decisions.

Auditors will not be erased by the rise of AI and Blockchain but rather these technologies will generate opportunities to enhance audit execution and leave more time to analyse data and provide quality, value-adding feedback and recommendations to clients.



All these technological advances are still in the infant stage, however the impact it is expected to make cannot be ignored. What Accountants and auditors need to do is prepare and equip themselves for the future. In order to remain competitive, we need to evolve and adopt an innovative mindset. We need to be alert to these technological changes, invest and commit to continuous learning to improve our digital intelligence and solutions.

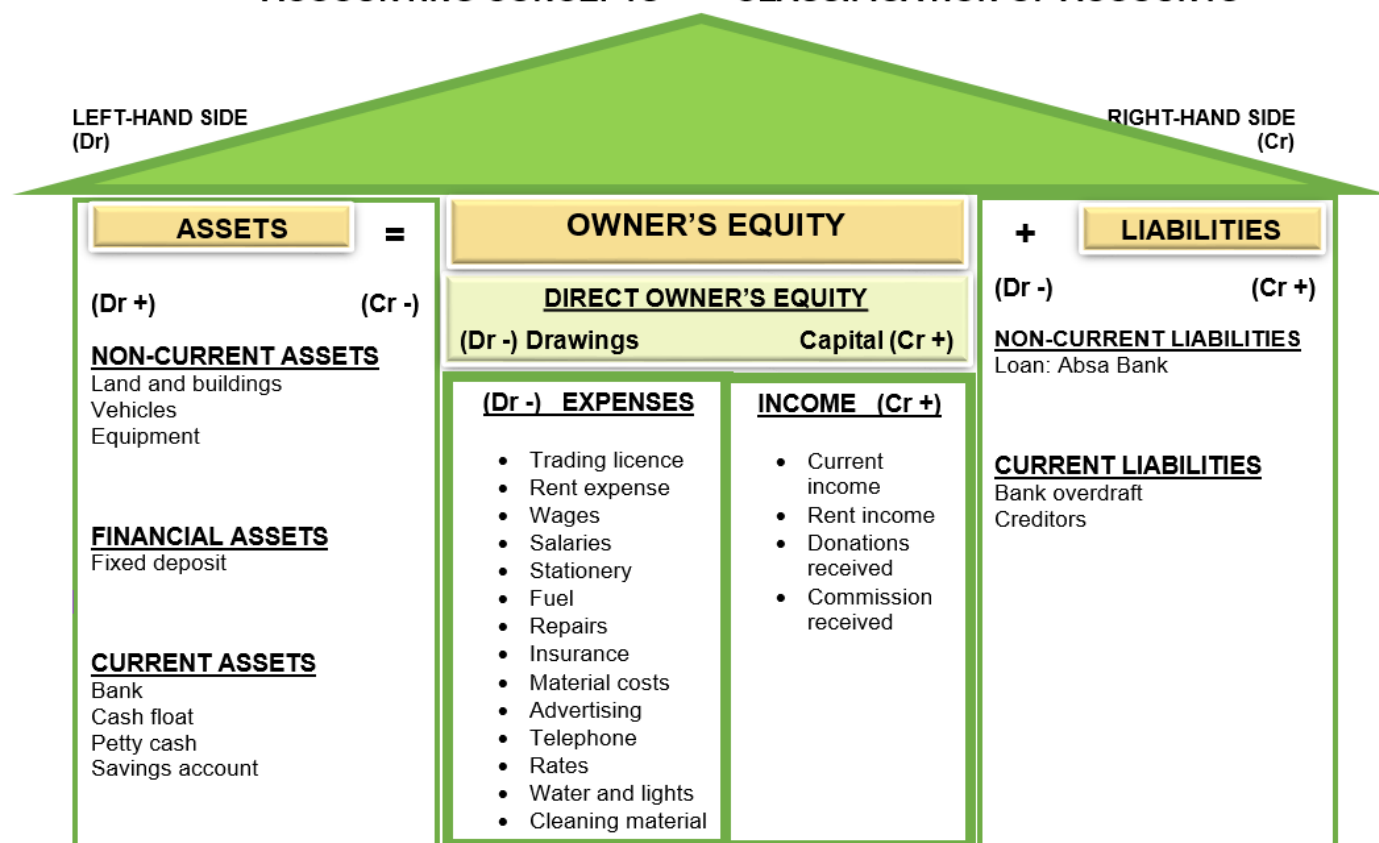
Lilly Mollel
Audit Manager, Johannesburg

The Fourth Industrial Revolution (4IR) represents a fundamental change in the way we live, WORK and relate to one another. It is a new chapter in human development, enabled by extraordinary technology advances commensurate with those of the first, second and third industrial revolutions.

- 1.1. In your own words, explain Fourth Industrial Revolution (4IR)
- _____
- _____
- _____
- 1.2. How will the Block-chain software assist the Accounting and Auditing profession?
- _____
- _____
- _____
- 1.3. Write a short paragraph about how 4IR is affecting and will affect the Accounting related professions?
- _____
- _____
- _____
- _____
- _____
- 1.4. What is your advice to existing and aspiring Accounting related professionals in order for them to remain relevant with all changes that are brought about by technological developments?
- _____
- _____
- _____

Parent/Guardian Signature





Selected - ACCOUNTING CONCEPTS

Concepts	Description
Assets	Valuable possessions of the business
Fixed Deposit	Money invested by the business for a certain period of time
Owner's Equity	The interest of the owner in the business
Capital	Money and other Assets provided by the owner to start the business
Drawings	Money or any other Assets taken by the owner from the business for person or family use.
Liabilities	All the debts of the business
Recording	Process of capturing business transactions
Financial Records	Summary of business transactions
Debit Side	Left hand side in a General Ledger



Selected - ACCOUNTING CONCEPTS

Credit Side	Right hand side in a General Ledger
Debtors	People/Institutions that Owe the business money
Creditors	People/Institutions that the business Owes money
Cash Float	Money kept in the Cash Register Till from which customers are given change.
Petty Cash	Cash used to make small payments and kept in a petty cash box
Electronic Funds Transfer - EFT Payment Advice	Is used to move money from one account to another. The transaction is completed electronically, and the two accounts can be at the same Bank or different Bank. However, the term "EFT" doesn't refer to a specific type of payment.
Debit Card Sale	A debit card is a payment card that deducts money directly from a consumer's account when it is used. Also called "check cards" or "bank cards," they can be used to buy goods or services; or to get cash from an automated teller machine or a merchant who'll let you add an extra amount onto a purchase
Bank Account	Account used to deposit money received by the business and all payment of the business
Savings Account	Account used by the business to save money for future purposes



TRANSACTIONS

1 Transactions

A Transaction is an exchange of goods or service between a seller and a buyer for Money.



ACTIVITY 1.2

DATE: _____

List any 5 methods of payments that can be used to conclude a transaction



1. _____
2. _____
3. _____
4. _____
5. _____

List any 5 payments that are normally done by your parents monthly and mention which methods of payment that they use?



1. Item: _____
Method of Payment: _____
2. Item: _____
Method of Payment: _____
3. Item: _____
Method of Payment: _____
4. Item: _____
Method of Payment: _____
5. Item: _____
Method of Payment: _____

Parent/Guardian Signature

SOLE TRADER/ SOLE PROPRIETORSHIP



TAKE NOTE

Sole Trader

- Owned by one person
- Low set up costs & small in size
- A sole trader is a self-employed person who owns and runs their own business as an individual
- Owner gets profits or liable for the losses
- Limited financial capacity
- Owner may lack some skills
- Examples: Builders, carpenters, mechanics.



ACTIVITY 1.3

DATE: _____

Identify one sole trader business in your Area and answer below questions:

1. Name of the business?

2. Location & street name?

3. When was it established?

4. Started with Own money or borrowed money?

5. Nature of business/product selling or service providing?

6. Number of employees?





Define the following concepts:

1. **Assets:**

Non-Current Assets:

Give Examples: _____

Financial Asset:

Give Examples: _____

Current Assets:

Give Examples: _____



2. Owner's Equity

Match the words in Column A with their meanings in Column B. Write the symbol for the answer next to the question number

OWNER'S EQUITY

Brief Definition:

- What the business owes the owner
- Owner's interest in the business
- The difference between the Assets and Liabilities of the Business



No.	Column A	Column B	Answer
1	Capital	A). Net worth of the business	1.
2	Expenses	B). Expenses exceed Incomes	2.
3	Drawings	C). All debts of the business	3.
4	Incomes	D). Costs of operation incurred by the business to earn income	4.
5	Owner's Equity	E). Money Earned by the business	5.
6	Profit	F). Assets or money used to start the business by the owner	6.
7	Loss	G). Owner takes cash from business for personal use	7.
		H). Incomes are more than Expenses	

Parent/Guardian Signature



3. Liabilities

Liabilities refer to ALL DEBTS of the business. They are classified into Non-Current liabilities (Long term, more than a year) and Current liabilities (short term, less than a year)

Examples of liabilities: Creditors, Bank overdraft, Mortgage bond, Long term loan, 6 months loan,

ACTIVITY 1.5

DATE: _____

Classify the examples of liabilities into Non-current and Current Liabilities:

Non-Current Liabilities	Current Liabilities

Parent/Guardian Signature



ACTIVITY 1.6

DATE: _____

Use the word bank to label the following images

Drawings

Trading Inventory

Land and Buildings

Equipment

Telephone

Vehicles

Water

Stationery



When the owner takes Cash or any other ASSET of the business for his/her personal use



Parent/Guardian Signature





TAKE NOTE

Banking

- The services provided by Banks to other businesses and individual
- Businesses and individuals safe keep their finances with banks
- Business and individuals with more money keep their money at the banks with the aim of earning interest
- Business and individual with shortage of money borrow money from banks and pay it back with interest
- Internet banking has made things easy for users of banks to complete most of banking services using internet banking.
- Some of the main Banking institutions in our country (FNB, ABSA, STD Bank, Capitec, Nedbank)

ATMs

- An automated teller machine (ATM) is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller.
- A bank card holder can complete card and card-less transactions using the ATM

Internet Banking

- Internet banking is the system that provides the facility to the customer to conduct the financial and non-financial transactions from his bank account using internet.
- The user can transfer funds from his account to other accounts of the same bank/different bank using a website or an online application.
- No need to go to the bank to complete some of the financial and non-financial transactions.

EFT – Electronic Funds Transfer

- EFT (electronic fund transfer) is used to move money from one account to another. The transaction is completed electronically, and the two accounts can be at the same financial institution or different financial institutions

Cardless Transactions:

- Cardless Cash Withdrawal is a service which enables you to transfer cash to a beneficiary who does not have any bank account. ... The payee would need to enter his/ her mobile number, 4-digit and 6-digit verification codes and the total amount on ATM to get the transaction amount in cash. E.g. eWallet, MobiMoney, Instant money, CashSend

Scheduled Payment:

- Scheduled payments are individual payments that are scheduled for a specific date prior to the bill due date. The date of a scheduled payment can be changed as long as it is adjusted before the date scheduled.



ACTIVITY 1.7

DATE: _____

A) BANKS

List services that are provided by the banking Institutions to both business and individuals?

1. _____
2. _____
3. _____
4. _____
5. _____

B) AUTOMATIC TELLER MACHINES – ATMs

List services/transactions that can be completed at the ATM machines?

1. _____
2. _____
3. _____
4. _____
5. _____

C) INTERNET/CELLPHONE BANKING

List services/transactions that can be completed using Internet/Cellphone banking?

1. _____
2. _____
3. _____
4. _____
5. _____



D) CARDLESS TRANSACTIONS

List services/transactions that can be completed using Cardless transactions:

1. _____
2. _____
3. _____
4. _____
5. _____

Parent/Guardian Signature

ACTIVITY 1.8

DATE: _____

Match the words in Column A with their meanings in Column B. Write the symbol for the answer next to the question number.

No	Column A	Column B		Answer
1	Bank Overdraft	A	People or other institutions that owes the business money	1.
2	Cash Float	B	A summary of business transactions	2.
3	Debtors	C	People or other businesses to which the business owes money	3.
4	Creditors	D	The amount owed by the business to the Bank after the business has overdrawn its Account	4.
5	Financial Records	E	Cash kept in a till or cash register to be used as change given to customers	5.

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Accounting Equation



Since Assets are financed by Owner's Equity & Liabilities, meaning the total value of **ASSETS** of the business **MUST** be equal to the sum of **OWNER'S EQUITY** plus **LIABILITIES**.

THIS CREATES THE ACCOUNTING EQUATION

Assets = Owner's Equity + Liabilities

$$\bigcirc A = \bigcirc OE + \bigcirc L$$



Accounting Equation must always Balance
Left = Right



EXPLANATION:

- Accounting Equation is the most fundamental equation of double-entry bookkeeping system; it expresses the relationship between what is owned and what is owed by a business.
- Accounting Equation states that, at any point in time, the Assets of the business are equal to the sum of its equity and Liabilities.
- The Accounting Equation is valid under all circumstances and for every type of business.
- Assets are financed by Owner's Equity and Liabilities.

ASSETS: Possessions of the business that have value. Purchase of Assets is financed by Own Capital (Owner's Capital contribution) and borrowed fund (Liabilities)

OWNER'S EQUITY: Net worth of the owner in the business



TAKE NOTE

LIABILITIES: All the debts of the business to the third party institution or individuals

The following 5 Accounting rules will always apply when you do the Accounting equation...

1. **Assets** increase on the debit side (**DR+**) and decrease on the credit side (**CR-**)
2. **Equity increases** on the credit side (**CR+**) and decrease on the debit side (**DR-**)
3. **Income** increases equity on the credit side (**CR+**)
4. **Expenses** decreases equity on the debit side (**DR-**)
5. **Liabilities** increase on the credit side (**CR+**) and decrease on the debit side (**DR-**)

Transactional Analysis

The following questions will help you to analyse the effect of a transaction on the Accounting Equation:

Which **TWO ACCOUNTS** are affected?

What **TYPE OF ACCOUNTS** are they (A or OE (Income / Expenses) or L)?

Will the account **INCREASE** or **DECREASE**?

Which account will be **DEBITED** and which will be **CREDITED**?

Are **ASSETS = OWNER'S EQUITY + LIABILITIES**?

Remember the Accounting Equation should always balance



Accounting Equation must always Balance
Left = Right



ACTIVITY 1.9

DATE: _____

Indicate whether the following concepts are Assets, Owner's equity or Liabilities.
Put an (x) in the appropriate column.

Concept	Assets	Owner`s Equity			Liability
		Direct Owner's Equity	Expenses	Income	
Example machine	x				
Motor vehicle					
Salary and Wages					
Computer					
Material costs					
Loan from bank					
Repairs					
Stationery					
Water and Electricity					
Rent Income					
Cellphone contract					
Trading License					
Bank / Cash					
Capital					
Cleaning Materials					
Drawings					
Advertising					
Rent Expense					
Insurance					



Example 1A

Mr. B. Khoza, the owner of KM Internet Services, made an electronic transfer of R 1 500 to Vodacom in payment of a business cellphone contract.

1. **Which TWO ACCOUNTS are affected?**
Bank and Telephone
2. **Classification of Accounts into Assets/Owners Equity/Liabilities**
Bank – Assets,
Telephone – Owner's equity (Expense).
3. **Will the account INCREASE or DECREASE?**
Bank will Decrease as money is going out of the business.
Telephone will decrease owners' Equity as it is an Expense.
4. **Which account will be DEBITED and which will be CREDITED?**
(Refer to the Classification of Accounts and Five Accounting rules)
Bank - Credited, Telephone - Debited
5. **Assets=OE+ Liabilities?**
Yes, Assets are equal to Owner's Equity + Liabilities

NO.	ASSETS		OWNER'S EQUITY		LIABILITIES	
	EFFECT	REASON	EFFECT	REASON	EFFECT	REASON
e.g.	-R 1 500	Bank Decrease	-R 1 500	Telephone Expense	0	

Balance of Scale

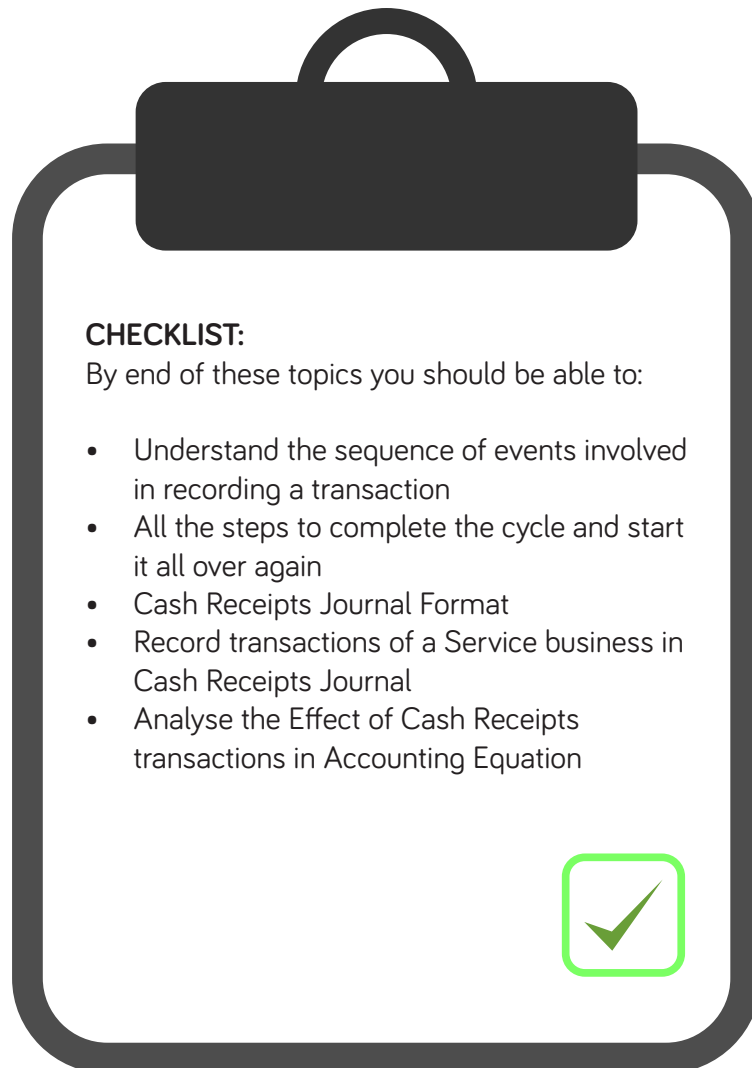
Assets = Owner's Equity + Liabilities

- R 1 500 = - R 1 500 + 0

- R 1 500 = - R 1 500

Both sides are equal



**CHECKLIST:**

By end of these topics you should be able to:

- Understand the sequence of events involved in recording a transaction
- All the steps to complete the cycle and start it all over again
- Cash Receipts Journal Format
- Record transactions of a Service business in Cash Receipts Journal
- Analyse the Effect of Cash Receipts transactions in Accounting Equation

**SERVICE BUSINESS:**

It is the business that sells/renderers its service directly to its customers.

The owner saw the need to provide the service, hence he started the business

Give 2 examples of such businesses in your area?

1. _____

2. _____



ACCOUNTING CYCLE

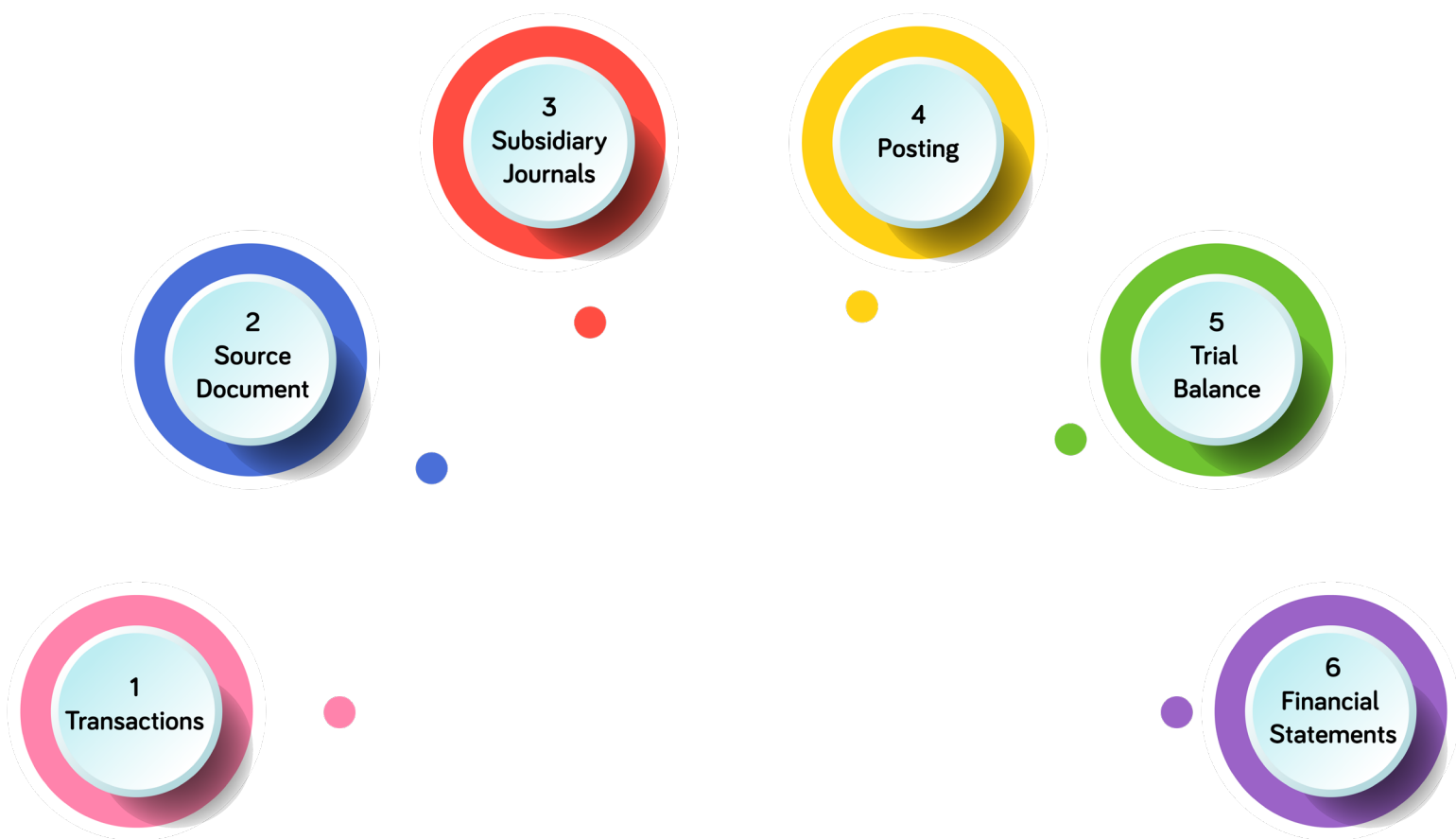
- It is the cycle that shows the life of each Accounting Transaction until it's complete stage and start all over again.
- Is the sequence of procedures used to keep track of what has happened in the business and report the financial effect those things have had on the business.

Monthly Procedure of Accounting Cycle:

- Transaction
 - Source Document
 - Subsidiary Journal
 - General Ledger
 - Trial Balance
 - Income Statement
 - Balance Sheet
- } **Financial Statements**



TAKE NOTE

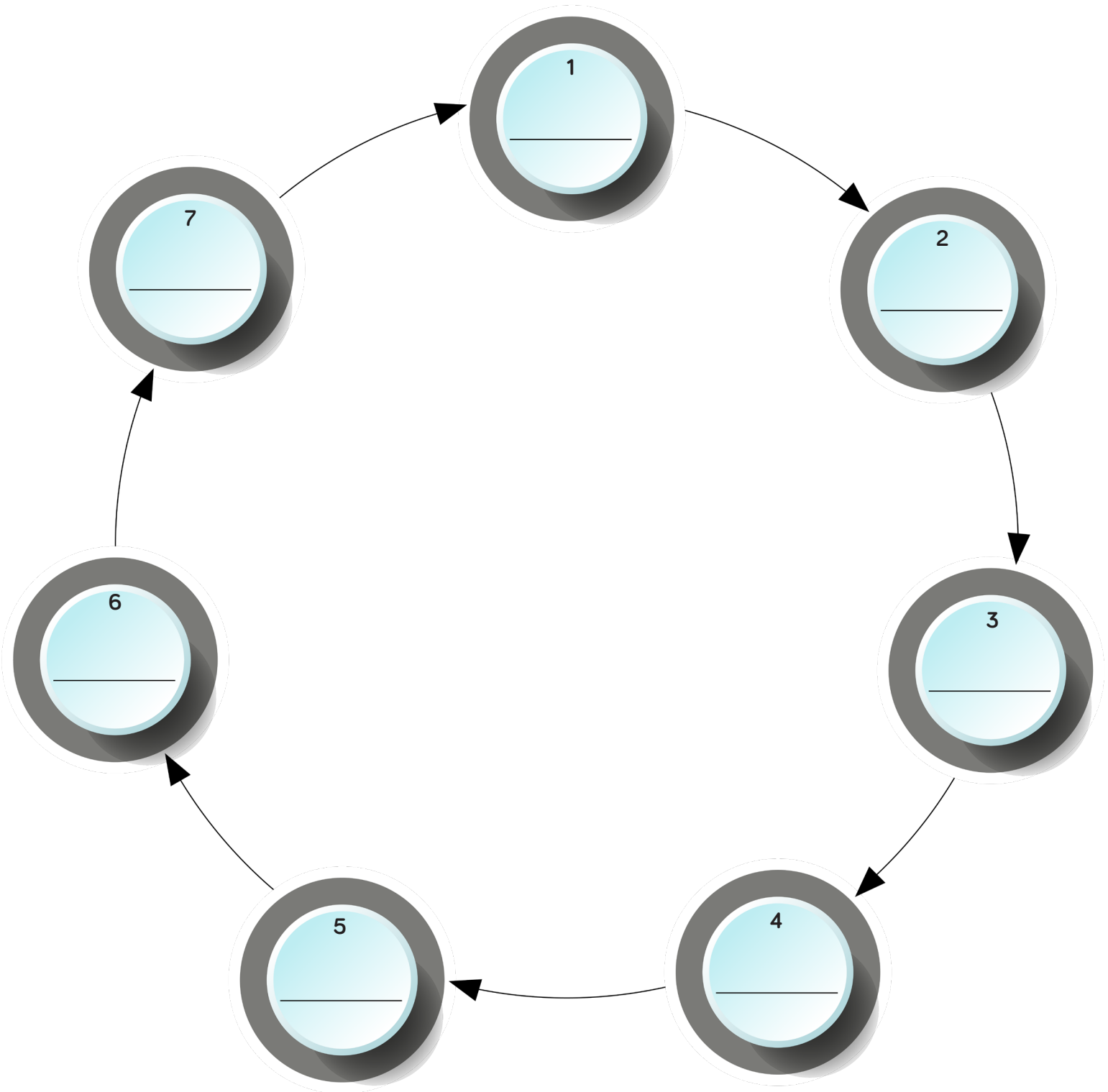


ACTIVITY 2.1

DATE: _____

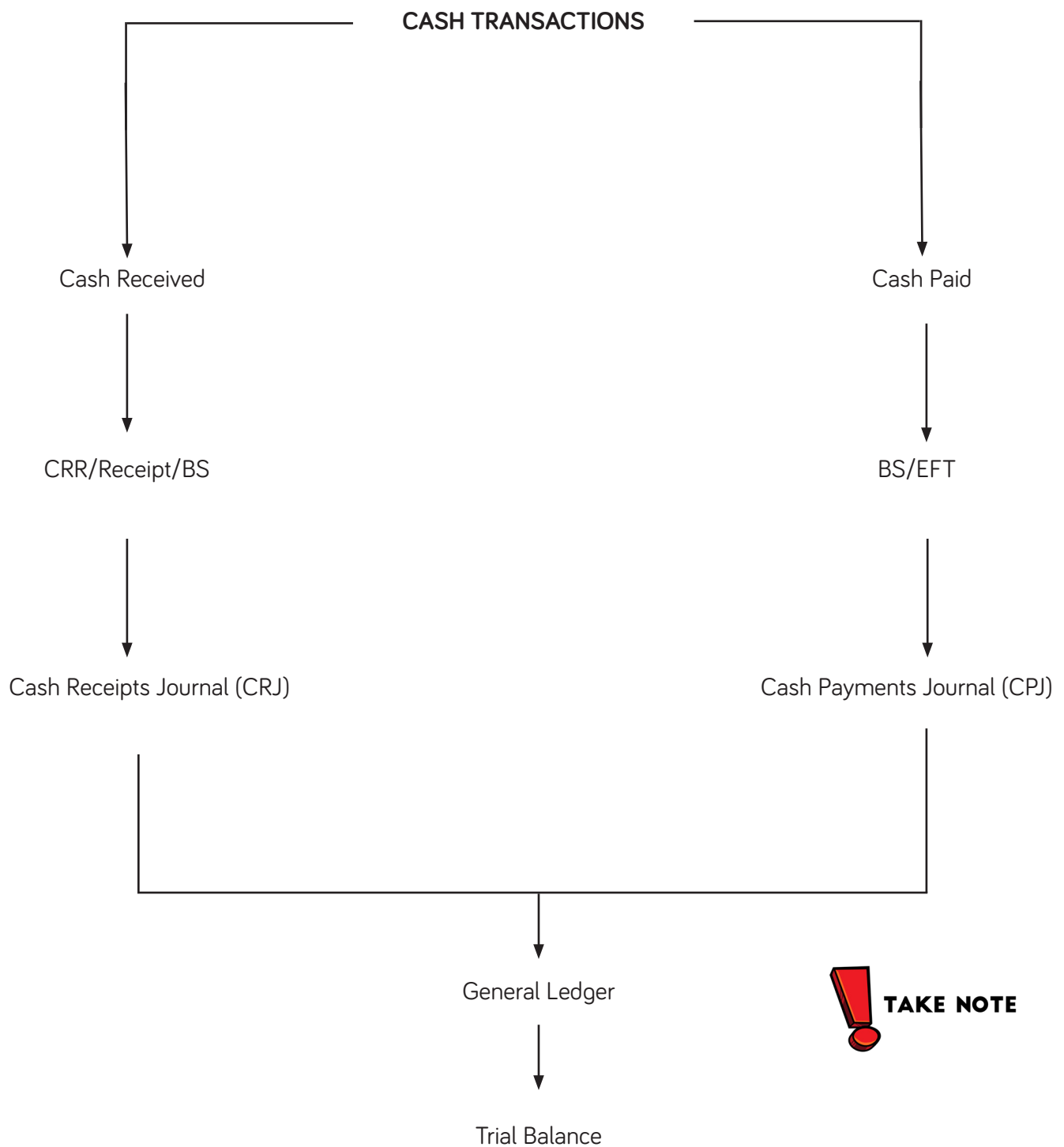
Complete the below Accounting Cycle, referring from the accounting cycle procedure:

Accounting Cycle



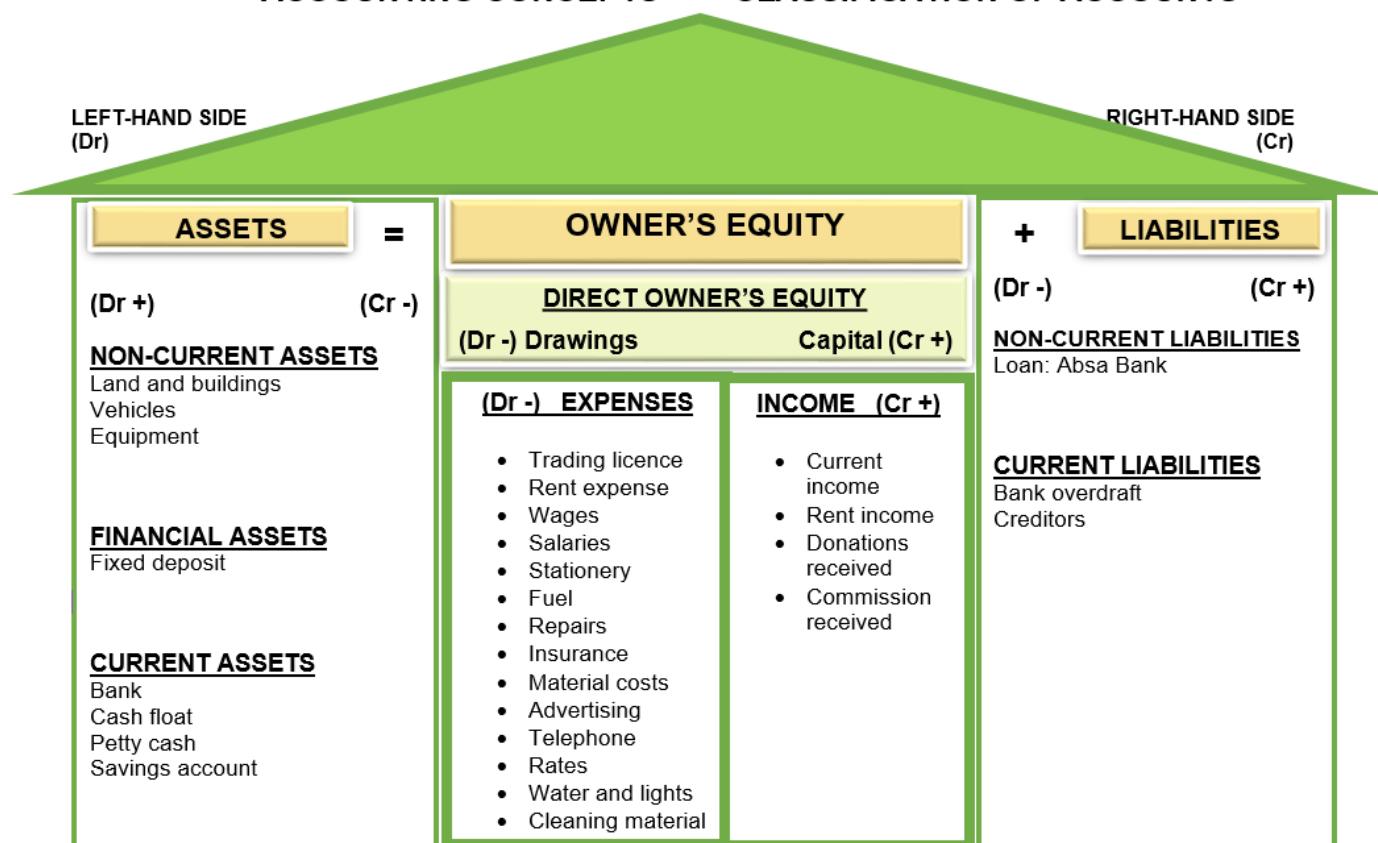
Parent/Guardian Signature





THIS CYCLE IS REPEATED EACH MONTH





Accounting Equation

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

$$A = OE + L$$

The following 5 Accounting rules will always apply when you do the Accounting equation...

1. **Assets** increase on the debit side (DR+) and decrease on the credit side (CR-)
2. **Equity increases** on the credit side (CR+) and decrease on the debit side (DR-)
3. **Income** increases equity on the credit side (CR+)
4. **Expenses** decreases equity on the debit side (DR-)
5. **Liabilities** increase on the credit side (CR+) and decrease on the debit side (DR-)



Transactional Analysis

The following questions will help you to analyse the effect of a transaction on the Accounting Equation:

Which **TWO ACCOUNTS** are affected?

What **TYPE OF ACCOUNTS** are they (A or OE (Income / Expenses) or L)?

Will the account **INCREASE** or **DECREASE**?

Which account will be **DEBITED** and which will be **CREDITED**?

Are **ASSETS = OWNER'S EQUITY + LIABILITIES**?

Remember the Accounting Equation should always balance

Example 2A

Mr. B. Khoza, the owner of KM Academics Internet Services, received R 900 from clients for services rendered.

Which **TWO ACCOUNTS** are affected?

Answer: Bank and Current income

What **TYPE OF ACCOUNTS** are they (A, OE (Income/expense) or L)?

Answer: Bank is an Asset
Current income is Owner's equity - Income

Will the account **INCREASE** and /or **DECREASE**?

Answer: Bank will Increase as money is coming into the business.
Current income will Increase Owner's equity as it is an income.

Which account will be **DEBITED** and which will be **CREDITED**?

(Refer to the Classification of Accounts and Five Accounting rules)

Answer:
Bank - Debited, Current Income - Credited

Account Debited	Account Credited	Assets	= OE	+ L
Bank	Current Income	+ 900	+ 900	0



Accounting Equation must always Balance

Left = Right



ACTIVITY 2.2

DATE: _____

Richard Farrow is the owner of Fixit Plumbers (a plumbing business) that provides plumbing services to both corporate and individual households.

1. Analyse transaction 01 using the questions below
2. Show the effect of all the transactions on the Accounting equation.

Transactions:

01. Richard Farrow made a Capital contribution of R150 000, deposited directly into the bank account of the business.

10. Services Rendered as per cash register roll, R 5 500

15. Peter Van Wyk is renting part of the building and paid his Rent of R3 000 via EFT

ANSWER 1:

1. Which **TWO ACCOUNTS** are affected?

Answer: _____ and _____

2. What **TYPE OF ACCOUNTS** are they (A, OE (Income/expense) or L?

Answer: _____

3. Will the account **INCREASE** and /or **DECREASE**?

Answer: _____

4. Which account will be **DEBITED** and which will be **CREDITED**?
(Refer to the Classification of Accounts and Five Accounting rules)

Answer: _____

Account Debited	Account Credited	Assets	= OE	+ L

Balance of Scale

--

5. Are **ASSETS = OWNER'S EQUITY + LIABILITIES**?



NO.	ASSETS		OWNER'S EQUITY		LIABILITIES	
	EFFECT	REASON	EFFECT	REASON	EFFECT	REASON



Cash Receipts Journal – is a subsidiary book used to record all the **money** received by the business

Money received by the business and paid into the business bank account. Money received will increase the amount of money in the business bank account.

A service business will receive money from:

- Capital Contribution by the owner
- Customers for Service Rendered to them
- Donations from donors/funders
- Rent Income from a tenant
- Interest Received from the Bank



TAKE NOTE

Source Document for Cash Receipts Journal Transactions

- Duplicate Receipt
- Cash Register Tape/Roll
- Bank Statement

Format of the Cash Receipts Journal

Look carefully at the following format of a Cash Receipts Journal, each column has a number which matches a note below. Study and make sure that you understand each column and how it will be used.

(1) Source document number

(2) the day on which the transaction took place.

(6) Money deposited in the Bank account of the business daily.

(7) Money for services rendered

Cash Receipts Journal of (the name of the business) (Date) Month and year CRJ1									
Doc No.	Day	Details	Fol.	Analysis of receipts	Bank	Current income	(8) Sundry Accounts		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	Amount	Fol.	Details

(3) the name of the source that money is received from

(4) For cross reference

(5) Money in the 'Till' and taken to the bank daily

(8) used to record any transaction that cannot be entered in any of the analysis columns given.



No	Transaction	Source Document	Journal
1	Capital contribution by the owner to start a business	Duplicate Receipt Bank Statement	Cash Receipts Journal (CRJ)
2	Tenants pay the rent by EFT	Bank Statement	Cash Receipts Journal (CRJ)
3	Receipts from other sources of Income (e.g. Rent Income)	Duplicate Receipts Bank Statement	Cash Receipts Journal (CRJ)
4	Close off the Journal at the end of the month by totaling each column, except for Analysis of Receipts Column in the CRJ		



TAKE NOTE

Cash Receipts Journal

- There will always be a column for Bank Account, Current Income and Sundry Account for a service rendering business
- For all Services Rendered transactions, under details PUT Services Rendered and record in the Current Income Column
- Do not repeat the date, under 'date column) if more than one transaction took place on the same day. Put a tick "✓"
- All Columns must be totaled at the end of each month, except for Analysis of Receipts Column
- To check the accuracy of your adding, the total for Bank Account must be EQUAL to total for Current Income added with total for Sundry Account, Amount column.

Analysing a transaction

The following questions will assist you to record the transactions in the Cash Receipts Journal. Use them with every transaction

READ the transaction CAREFULLY with UNDERSTANDING

1. Identify the source document and source document number.
2. Identify the journal.
3. Identify the accounts affected.
4. Provide for the relevant columns in the journal. (Format of Journals)
5. Record the transaction in the journal.
6. Check whether the concept of double entry principle is applied correctly.
7. Close off the journal at the end of the month. (Total)



Example 2B

Use the following questions to assist you to record the given transaction in the Cash Receipts Journal

Richard Farrow is the owner of Fixit Plumbers (a plumbing business) that provides plumbing services to both corporate and individual households.

Record the below transactions in the Cash Receipts Journal for May 2022.

Transactions:

01. Richard Farrow made a Capital contribution of R150 000, deposited directly into the bank account of the business.

READ the transaction CAREFULLY with UNDERSTANDING

1. Identify the Source document and Source document number.

Answer: Bank Statement 1

2. Identify the Journal.

Answer: Cash Receipts Journal

3. Identify the Accounts affected.

Answer: Bank and Capital

4. Provide for the relevant columns in the journal. (Format of Journals)

Answer:

Cash Receipts Journal of Fixit Plumbers – May 2022

CRJ 01

Doc	Day	Details	Fol.	Analysis of Receipts	Bank	Current Income	Sundry Accounts		
							Amount	Fol.	Details

5. Record the transaction in the Journal.

Answer:

Cash Receipts Journal of Fixit Plumbers – May 2022

CRJ 01

Doc	Day	Details	Fol.	Analysis of Receipts	Bank	Current Income	Sundry Accounts		
							Amount	Fol.	Details
BS	01	Richard Farrow	CRJ1		150 000		150 000	B1	Capital

6. Check whether the concept of Double entry principle is applied correctly.

Answer: Bank (Dr) = R150 000, Capital (Cr) = R150 000

(Assets = Owner's equity + Liabilities)

7. Close off the journal at the end of the month. (Total)

Cash Receipts Journal of Fixit Plumbers – May 2022

CRJ 01

Doc	Day	Details	Fol.	Analysis of Receipts	Bank	Current Income	Sundry accounts		
							Amount	Fol.	Details
BS	01	Richard Farrow	CRJ1		150 000		150 000	B1	Capital
					150 000		150 000		



Example 2B Continues

(Recording transactions in the Cash Receipts Journal)

Richard Farrow is the owner of Fixit Plumbers (a plumbing business) that provides plumbing services to both corporate and individual households.

Record the below transactions in the Cash Receipts Journal for May 2022.

Transactions:

01. Richard Farrow made a Capital contribution of R150 000, deposited directly into the bank account of the business.

10. Services Rendered as per cash register roll, R 5 500

15. Peter Van Wyk is Renting part of the building and paid his Rent of R3 000 via EFT

Cash Receipts Journal of Fixit Plumbers – May 2022

CRJ 01

Doc	Day	Details	Fol.	Analysis of Receipts	Bank	Current Income	Sundry Accounts		
							Amount	Fol.	Details
BS	01	Richard Farrow	CRJ1		150 000		150 000	B1	Capital
CRR	10	Services Rendered		5 500	5 500	5 500			
BS	15	P. Van Wyk			3 000		3 000		Rent Income
					176 500	5 500	176 500		



ACTIVITY 2.2

DATE: _____

Refer from the Cash Receipt Journal of Fixit Plumbers and answer the below questions:

1. Name of the business and type of business?

2. How much was contributed as Capital?

3. Total amount received for Services Rendered

4. Mr P Van Wyk used which method of payment for his Rent?

5. Explain why Rent Income is put under Sundry Accounts?

6. CRR stands for



ACTIVITY 2.3

DATE: _____

Miss T. Letlotlo established Accounting Services business, named it “The Fortune Bookkeepers” to provide bookkeeping services to small and medium local businesses in her area.

The Recording of Cash Receipt Journal

1. Record the following transactions of The Fortune Bookkeepers in the Cash Receipts Journal for June 2022
2. Provide analysis columns for Analysis of receipts, Bank, Current Income and Sundry accounts.
3. Close off Cash Receipts Journal at the end of the month.

Transactions: June 2022 - The Fortune Bookkeepers, Owner T Letlotlo

1. Owner, T. Letlotlo, transferred R 60 000 in the current bank account of the business, as her Capital contribution.
5. Cash received for Services Rendered as per cash register roll, R6200
10. Received R 4 500 from D. Selahli for Renting the store room. Receipt 101 was issued to her.
20. Cash received for Services Rendered as per cash register roll, R10 000
28. Received a Donation from Fasset, R5 000. Fasset directly deposited the funds into business account.



Doc No.	Day	Details	Fol.	Analysis of Receipts	Bank	Current Income	Sundry Accounts	
							Amount	Fol. Details

Don't forget to close off the Journal

Parent/Guardian Signature



ACTIVITY 2.4

Accounting Equation

DATE: _____

Required:

Use the transaction from Activity 2.3 (Fortune Bookkeepers), to record in the Accounting Equation.
Complete Accounting Equation on the table below:

Accounting Equation – June 2022: Fortune Bookkeepers

Date	SOURCE DOCUMENT	ASSETS		OWNER'S EQUITY		LIABILITIES	
		EFFECT	REASON	EFFECT	REASON	EFFECT	REASON

Use Balance of Scale to check Balance in $A=OE+L$

Parent/Guardian Signature



CHECKLIST:

By end of these topics you should be able to:

- Understand the Cash Payments Format
- Record transactions of a services business in the Cash Payments Journal
- Analyse the effect of Cash Payments transactions in the Accounting Equation
- Record combined transactions in the CRJ & CPJ respectively
- Analysis of combined transactions in the Accounting Equation



Mrs Natasha Pillay started a Salon business in her township “Lifestyle Hair Salon”. She inherited R150 000 from her parents estate and used part of the money to start her business. Her clients range from young people to working class.

Required:

1. Record the following transactions in the Cash Receipts Journal for March 2022
2. Provide analysis columns for Analysis of receipts, Bank, Current Income and Sundry accounts.
3. Close off Cash Receipts Journal at the end of the month.
4. Analyse transaction on Accounting Equation

Transactions: March 2022:

Natasha contributed 50% of the money she inherited from her parents' estate as her Capital contribution, and on the 1st of March she made a direct deposit in the bank account of the business, issued receipt no. 001. On the 4th of March she rendered a service amounting to R3 200, as per cash register roll. On the 11th of March she received a Donation from SMME of R7 000 and it was directly deposited into her business bank account. She Rented part of her building to IT Freaks for R2 800 per month, issued receipt 002 on the 25th of March. On the same day she received a total of R 3 800 as per cash register tape.



Doc No.	Day	Details	Fol.	Analysis of Receipts	Bank	Current Income	Sundry Accounts		
							Amount	Fol.	Details

Don't forget to close off the Journal



Accounting Equation – March 2022: Lifestyle Hair Salon

Date	SOURCE DOCUMENT	ASSETS		OWNER'S EQUITY		LIABILITIES	
		EFFECT	REASON	EFFECT	REASON	EFFECT	REASON

Use Balance of Scale to check Balance in $A=OE+L$

Parent/Guardian Signature



CASH PAYMENTS JOURNAL

- Cash Payments Journals is used to record **ALL PAYMENTS** made by the business.
- The journal is closed **OFF** at the **END** of each month and post ALL Accounts to the General Ledger.
- Source documents for CPJ transactions includes, EFT Payment Advice, Bank Statement (BS)

FORMAT OF A CASH PAYMENTS JOURNAL

Look carefully at the following format of a Cash Payments Journal, each column has a number which matches a note below. Study and make sure that you understand each column and how it will be used.

Heading of the journal which consists of:

- The name of the journal
- Name of the business enterprise
- Month and year
- Journal number of the journal: this is the page number of a journal, your first journal will be CPJ 1, the next will be CPJ 2, etc.

Cash Payments Journal of for							CPJ 2		
Doc	Day	Payee	Fol	Bank	Equipment	Stationery	Sundry Accounts (7)		
							Amount	Fol	Details
(1)	(2)	(3)	(4)	(5)	(6)	(6)			

(1) Doc No. - Document number; the EFT No (Numbered sequentially)

(2) Day - this column is used to write the day on which the transaction took place.

(3) Payee - Name of Payee (Person/ Institution paying).

(4) Fol - For cross reference

(5) Bank - Amount paying for each transaction

(6) Equipment and Stationery - these are analysis columns that might be given, this will vary depending on the information given for that particular business enterprise.

(7) Sundry accounts - This column is used to record any transaction incurred that cannot be entered in any of the analysis columns given. It consists of three columns for Amount, Fol and Details.

- **Amount**- the amount of the item purchased/paid for that does not have a special analysis column is recorded here.
- **Fol**- this is folio number. It is used to show cross reference, i.e. to show the number of the account in the general ledger that is **debited**. This column can only be completed after you have posted to the general ledger.
- **Details** - This column is used to write the name of the account which has no special column provided in the Cash Payments Journal.





TAKE NOTE

All the payments made by the business, are paid through the bank account of the business. All the money that is paid out of the bank account will DECREASE the bank account of the business (-).

Some of the payments made by the business on monthly basis:

- Wages and Salaries paid to employees
- Purchase of Material Cost
- Asset(s) purchased
- Payment for trading License
- Payment for Water and Electricity

Debit Order:

It is a permission given to a third party to collect money from a business/ individual bank account. Source document for a Debit order transaction is Bank Statement - BS

- There will always be a column for Bank Account and Sundry Account, but as for other columns they will differ according to the needs of the business. It will be indicated in each activity which accounts to filter in Column 6.
- Do not repeat the date, (under 'date column') if more than one transaction took place on the same day. Put a tick "✓"

All Columns must be totalled at the end of each month

To check the accuracy of your adding, the total for Bank Account must be EQUAL to total of other columns including sundry accounts

Identifying accounts

Item	Account name
Laptop, Desktop, Cupboards, Shelves, Printer, cash register, refrigerator, machinery, ... etc.	Equipment
Truck, delivery van, etc.	Vehicle
Pens, printing paper, cartridge, writing pad, ... etc.	Stationery
Petrol, diesel, oil, etc.	Fuel
Cellphone, Landline, Telkom, etc	Telephone
Car service, maintenance or service of machines. etc.	Maintenance
Fixing of machines, cars, equipment, vehicles, buildings etc.	Repairs
Hair products, soap, polish, car perfume, etc	Material Cost



Example 3A

HM Garden Services – Owner “Henry Morris”

Required:

1. Record the following transaction in the Cash Payments Journal of “HM Garden Services” for the month of February 2022. Open columns for Bank, Equipment, Wages, Material Cost and Sundry Accounts.
2. Analyse the transactions on the Accounting Equation
3. Close the Journal off at the end of the month

Transactions: February 2022

2. Paid R1 000 to the Ekurhuleni mail for payment of Advertising. EFT01
5. Purchased grass cutting machines for R9 500 from Makro and paid via EFT
7. Paid weekly Wages using EFT facility to E Khoza, R 700
14. Material Cost amounting to R 1 200 was purchased from West Pack and paid by EFT
20. Transferred weekly Wages to N Mathews, R 500
22. Owner made a cash withdrawal amounting to R 1 500 for his personal use

Cash Payments Journal of HM Garden Services - February 2022

CRJ02

Doc No.	Day	Name of Payee	Fol	Bank	Equipment	Wages	Material Cost	Sundry Accounts		
								Amount	Fol.	Details
EFT 01	02	Ekurhuleni Municipality		1 000				1 000		Advertising
EFT 02	05	Makro		9 500	9 500					
EFT 03	07	E. Khoza		700		700				
EFT 04	14	West Pack		1 200			1 200			
EFT 05	20	N. Mathews		500		500				
BS	22	Henry Morris		1 500				1 500		Drawings
				14 400	9 500	1 200	1 200	2 500		

Accounting Equation – February 2022: HM Garden Services

Date	SOURCE DOCUMENT	ASSETS		OWNER'S EQUITY		LIABILITIES	
		EFFECT	REASON	EFFECT	REASON	EFFECT	REASON
2	EFT Payment Advice	-1 000	Bank Decrease	-1 000	Advertising Expense	0	
5	EFT Payment Advice	-9 500	Bank Decrease	0		0	
		+9 500	Equipment Increase				
7	EFT Payment Advice	-700	Bank Decrease	-700	Wages Expense	0	
14	EFT Payment Advice	-1 200	Bank Decrease	-1 200	Material Cost Expense	0	
14	EFT Payment Advice	-500	Bank Decrease	-500	Wages Expense	0	
22	Bank Statement	-1 500	Bank Decrease	-1 500	Drawings	0	



ACTIVITY 3.1

DATE: _____

Steven Gleisner established a Courier service company called “Courier Champ” in the year 2000. The company provide courier services to other businesses and individual citizens worldwide.

Required:

1. Record the following transaction in the Cash Payments Journal of “Courier Champ” for the month of March 2022. Open columns for Bank, Vehicles, Wages, Material Cost and Sundry Accounts.
2. Close the Journal off at the end of the month

Transactions: March 2022

3. Paid The Star Newspaper using EFT for Advertising for the month, R 2 500.EFT1
5. Purchased a delivery Vehicle from Toyota garage for R 125 000 and paid EFT.
5. Made a payment for the wage of N Dladla the office cleaner, R 1 000
7. Stationery bought from PNA Stationers for R 800 and paid via EFT
22. Material Cost amounting to R 1 500 was purchased from West Pack and paid by EFT
Paid Telkom R1 200 for telephone bill for the month and paid through debit order



ACTIVITY 3.2

Accounting Equation

DATE: _____

Required:

Use the transaction from **Activity 3.1 [Page 75] (Courier Champ)**, to record in the Accounting Equation. Complete Accounting Equation on the table below:



Date	SOURCE DOCUMENT	ASSETS		OWNER'S EQUITY		LIABILITIES	
		EFFECT	REASON	EFFECT	REASON	EFFECT	REASON

Use Balance of Scale to check Balance in $A=OE+L$

Parent/Guardian Signature



ACTIVITY 3.3

DATE: _____

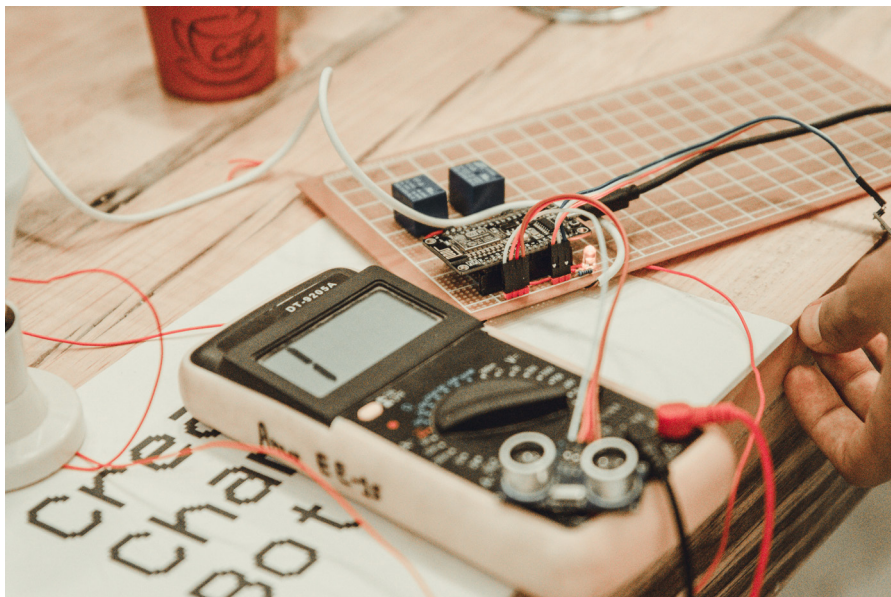
Steven Moodley started an Electrical service business “Power Plus Electrical”. The business provides electrical services to Local municipalities in Gauteng province.

Required:

1. Record the following transaction in the Cash Payments Journal of “Power Plus Electrical” for the month of April 2022. Open columns for Bank, Equipment, Wages, Material Cost and Sundry Accounts.
2. Close the Journal off at the end of the month

Transactions: April 2022

3. Paid The Star Newspaper for Advertising for the month, R 1 500. Payment was made by EFT. EFT01.
4. Purchased electric Equipment by EFT from Real Equip, R 7 500
6. Made an EFT payment of R1 200 to N Wayne for weekly Wages
12. Material Cost amounting to R 1 000 was purchased from KM Wholesalers and paid by EFT
22. Debit order to the amount of R 500 went through to pay Easy Insurers for Insurance
28. Paid local municipality for water and electricity by EFT, R 1 500



Don't forget to close off the Journal



GENERAL LEDGER AND TRIAL BALANCE

CHECKLIST:

By end of these topics you should be able to Understand:

- General Ledger Accounts and sides (Debit & Credit)
- Double Entry Principle of Accounting
- Posting of CRJ & CPJ Transactions at the end of the month and Balance General Ledger Accounts
- Prepare Trial Balance



Posting Cash Journals Entries to the General Ledger Accounts



Posting involves Copying Information from the Cash Journals to the General Ledger Accounts

GENERAL LEDGER

- A General Ledger is the master set of accounts that which summarizes all transactions occurring within a business entity.
- The General Ledger contains a debit and credit entry for every transaction recorded within it, so that the total of all debit balances in the general ledger should always match the total of all credit balances
- The General Ledger is comprised of all the individual accounts needed to record the assets, liabilities, equity, Incomes and Expenses transactions of a business
- General Ledger is prepared on monthly basis using information from Cash Journals



The General Ledger is divided into TWO Sections namely:

1. **Balance Sheet Accounts Section (shown with "B")**
 - Assets
 - Liabilities
 - Capital
 - Drawings
2. **Nominal Accounts Section (shown with "N")**
 - Income
 - Expenses



TAKE NOTE

- Transactions are recorded daily in the respective Cash Journals (CRJ & CPJ)
- Cash Journals are to be closed off at the end of each Month
- Use totals from cash journals, for each Account to post to the General Ledger
- The "B" & "N" should be assigned sequential order with Numbers.

GENERAL LEDGER PRINCIPLES

General Ledger uses **DOUBLE ENTRY SYSTEM** – that means for every Debit entry (DR) there has to be an EQUAL Credit entry (CR).

General Ledger has got Two Sides: Debit side (Left hand side) and Credit side (Right hand side).



TAKE NOTE

GENERAL LEDGER GOLDEN RULE FOR ACCOUNTS:

All Accounts will be classified as Balance Sheet Accounts and Nominal Accounts.

ALL ASSETS Accounts **Increase** on the **Debit side** and **Decrease** on **Credit side**.

ALL LIABILITIES Accounts **Increase** on the **Credit side** and **Decrease** on the **Debit side**.

OWNERS EQUITY Accounts **Increase** on the **Credit side** and **Decrease** on the **Debit Side**.

Capital and **Incomes Increase** Owners Equity on the **Credit Side**.

Drawings and **Expenses Decrease** Owners Equity on the **Debit side**.

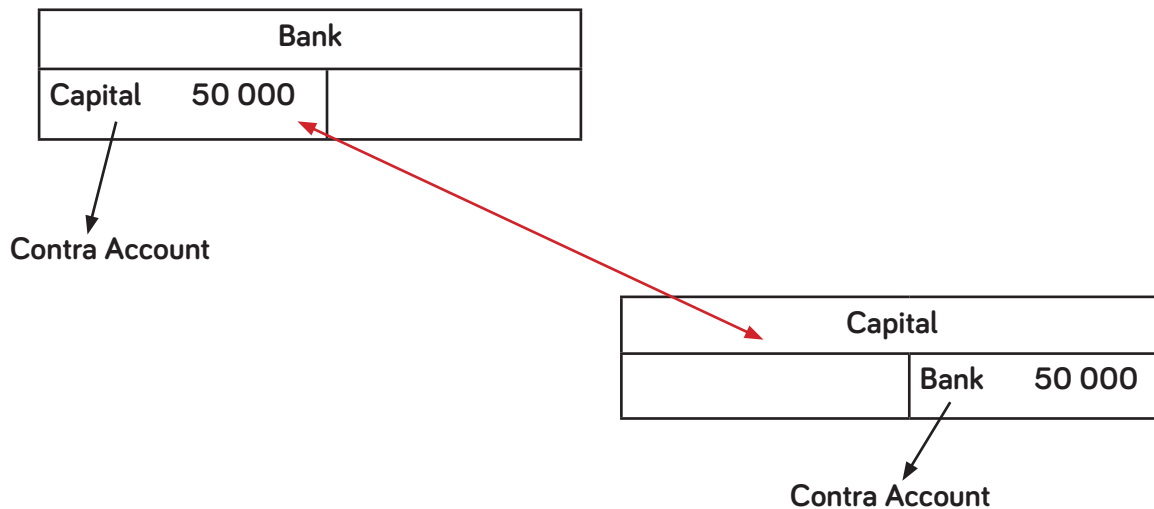
General Ledger starts with Recording of **Balance Sheet Accounts** and follow with **Nominal Accounts**.

GENERAL LEDGER COLUMNS:



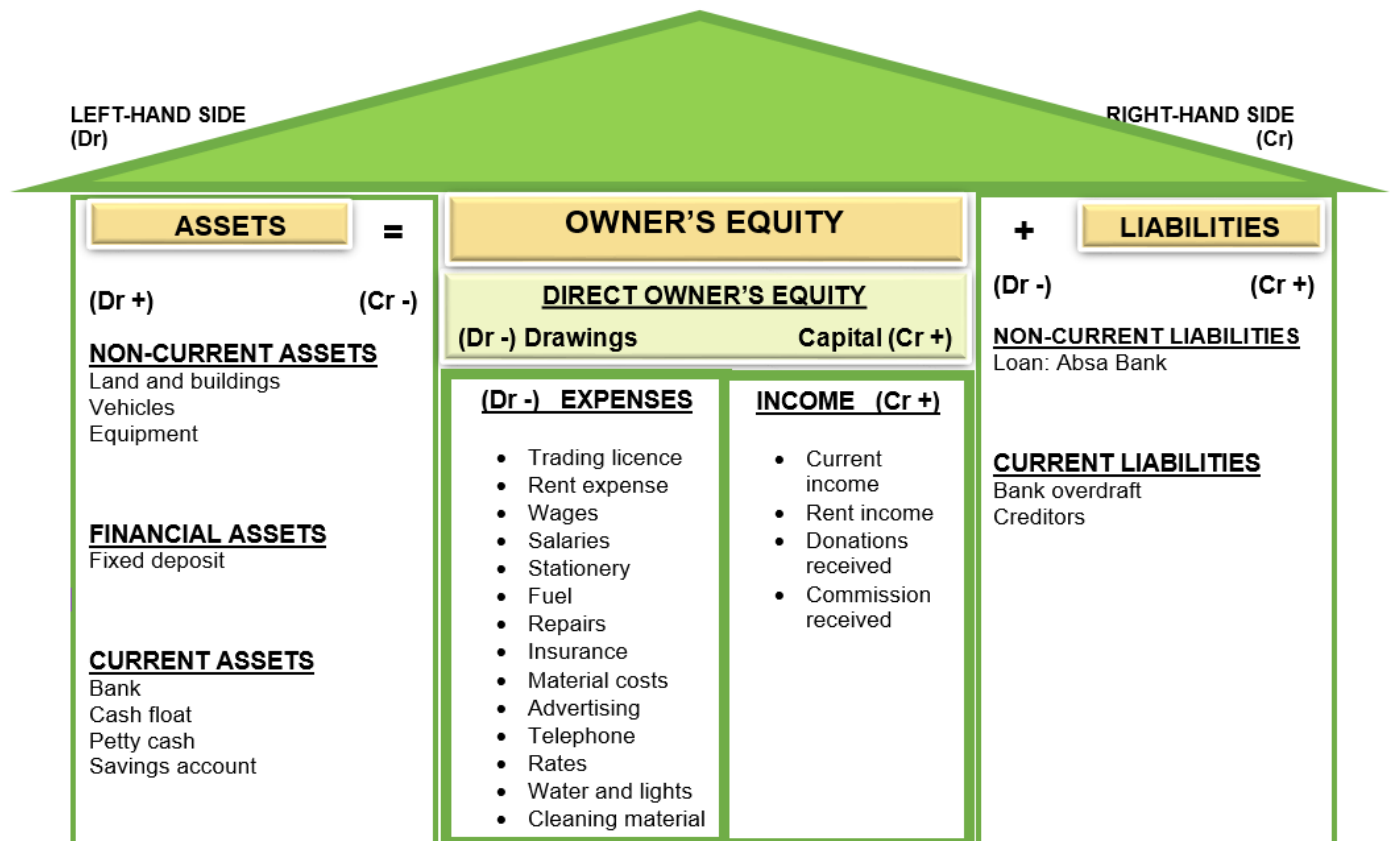
A **Contra Account** is a corresponding account to another account in application of the **double entry principle**. For every **DEBIT** entry, there must be an equal corresponding **CREDIT** entry.

Example



ACCOUNTING CONCEPTS

CLASSIFICATION OF ACCOUNTS



Bank Account will have an entry on both **Debit side (CRJ +)** and on **Credit side (CPJ -)**

Bank Account in the ledger will have to be **balanced**, this means we have to make sure that both sides are equal by **ADDING** the difference to the smaller side.

The amount added to balance Bank Account is called **balance carried down (Bal c/d)** and its double entry is called **balance brought down (Bal b/d)**

NOTE: Identify All Accounts that are Affected by a Transaction.....



GENERAL LEDGER COLUMNS:

Debit Side				GENERAL LEDGER OF >> Name of the Business<<				Credit Side			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
Dr.	Account Name						B/N	Cr.			

- **Date:** first Column is for the Year and Month, then second column for day of the month.
- **Details:** Contra Account.
- **Fol.:** Cash Journal that the transaction was Recorded in (CPJ /CRJ).
- **Amount:** Amount of Transaction(s).
- **B/N :**Balance Sheet/Nominal Accounts Section

GENERAL LEDGER

Baseline Activity

Date: _____

Answer the following questions:

- Double entry principle means?

- The left-hand side of the ledger is called the _____
- The right-hand side of the ledger is called the _____
- The Ledger is divided into two sections, namely:
_____ and _____
- What is the contra-account in the General Ledger? _____
- Indicate whether the following Accounts are Balance Sheet Accounts or Nominal Accounts:
Place an (x) in the appropriate column.

Account	Balance Sheet Account	Nominal Account
Example: Vehicle	x	
Rent Income		
Commission Received		
Bank		
Current Income		
Capital		
Donations Received		

Parent/Guardian Signature



ENTERING CASH RECEIPTS JOURNAL IN THE GENERAL LEDGER

Example 4A

Recording of transactions in the General Ledger to emphasize the concept of Double Entry Principle.

DOUBLE ENTRY PRINCIPLE: For every **DEBIT** entry, there must be an equal corresponding **CREDIT** entry.

This is demonstrated in the following example:

Instruction:

Record the following transactions in the General Ledger of Fix-it Plumbers on 31 May 2022

Transactions:

01. Richard Farrow made a Capital contribution of R150 000, deposited directly into the bank account of the business.

Debit Side				General Ledger of Fix It Plumbers								Credit Side			
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Bank								Cr.			
May	01	Capital			150 000										
Dr.				Capital								Cr.			
							May	01	Bank			150 000			

Remember:

Bank is an Asset, money in the bank account is increasing. Therefore, **Bank Account is DEBITED.**

Capital is the Owner's equity account, and increases Owner's equity. Therefore, **Capital is CREDITED.**

(Debit side is equal to Credit side)



10. Services Rendered as per cash register roll, R 5 500

Debit Side				General Ledger of Fix It Plumbers								Credit Side			
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Bank								Cr.			
May	31	Capital			5 500										
NOMINAL ACCOUNTS SECTION															
Dr.				Current Income								Cr.			
								May	31	Bank		5 500			

Remember: Current Income increases Owner's equity on the CREDIT SIDE.

15. Peter Van Wyk is Renting part of the building and paid his Rent of R3 000 via EFT

Debit Side				General Ledger of Fix It Plumbers								Credit Side			
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Bank								Cr.			
May	15	Rent Income			3 000										
NOMINAL ACCOUNTS SECTION															
Dr.				Rent Income								Cr.			
							May	15	Bank			3 000			

Remember: Rent Income increase Owner's equity on the CREDIT SIDE.



ENTERING CASH RECEIPTS TRANSACTIONS IN THE GENERAL LEDGER

Activity 4.1

Date: _____

Entering transactions in the General Ledger to emphasize the concept of Double Entry Principle.
Enter the following transactions in the General Ledger of KL Technologies.

Transactions: October 2022

01. Mr. K. Lincoln, the owner, transferred R 90 000 into the current bank account of the business, as his Capital contribution.

Debit Side				General Ledger of KL Technologies				Credit Side					
BALANCE SHEET ACCOUNTS SECTION													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
Dr.											Cr.		
Dr.											Cr.		

5. Cash received for Services Rendered as per cash register roll, R 8 400

Debit Side		General Ledger of KL Technologies						Credit Side	
BALANCE SHEET ACCOUNTS SECTION									
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		
Dr.								Cr.	
NOMINAL ACCOUNTS SECTION									
Dr.								Cr.	



10. Received R 2 700 from S. Morgan for Renting the store room. Receipt 101 was issued to her.

Debit Side		General Ledger of KL Technologies						Credit Side			
BALANCE SHEET ACCOUNTS SECTION											
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
Dr.											Cr.
NOMINAL ACCOUNTS SECTION											
Dr.											Cr.



Parent/Guardian Signature



POSTING FROM THE CASH RECEIPTS JOURNAL TO THE GENERAL LEDGER

Example 4B (continuation of Example 4A)

When posting from the Cash Receipts Journal, Debit Bank Account and Credit ALL the other Accounts.

The total of the debit side should be equal to the total of the credit side

Use the Cash Receipts Journal of Fix it Plumbers (**Example 2B on page 51**) to post to the following accounts in the General Ledger on 31 May 2022:

- Bank
- Capital
- Current income
- Rent income

Steps to follow when posting to the General Ledger:

Step 1

When posting to the General Ledger, use the SHADED INFORMATION ONLY! As shaded in the CRJ below. These are the Accounts and their totals you are going to post to the General Ledger.

Step 2

Divide the Ledger into the Balance Sheet Accounts Section and Nominal Accounts Section.

Step 3

Open the Accounts in the General Ledger (highlighted accounts only!).

Step 4

Post to the Bank Account under the Balance Sheet Accounts Section
Debit Bank Account (with the total receipts – total of the Bank column from the CRJ)

Step 5

Post to the Capital Account under the Balance Sheet Accounts Section
Credit Capital Account (from Sundry accounts column)

Step 6

Post to the Current income and Rent income under the Nominal Accounts Section
Credit the two accounts with their totals

Step 7

Check whether the Double entry principle is applied correctly.
The Debit side must be equal to the Credit side.
This means the total of Capital, Current income and Rent income must be equal to the total of the Bank Account.



Step 1

When posting from the CRJ to the General Ledger, use the **SHADED INFORMATION ONLY!**

As shaded in the CRJ below.

Your CRJ must be closed off, totalled.

These are the Accounts and their totals you are going to post to the General Ledger.

Cash Receipts Journal of Fix It Plumbers - May 2022

CRJ01

Doc No.	Day	Details	Fol	Analysis of Receipts	Bank	Current Income	Sundry Accounts		
							Amount	Fol.	Details
BS	01	Richard Farrow			150 000		150 000	B	Capital
CRR	10	Services Rendered		5 500	5 500	5 500			
BS	15	P. Van Wyk			3 000		3 000	N	Rent Income
					158 500	5 500	153 000		
					<u>B</u>	<u>N</u>			

Step 2

General Ledger FORMAT

Divide the Ledger into **Balance Sheet Accounts Section** and **Nominal Accounts Section**.

Provide enough space for relevant accounts under each section. (Refer to the CRJ for the accounts)

Each Account must have a **Dr. for Debit** on the **left-hand side** and a **Cr. For Credit** on the **right-hand side**.

'B1 and B2' is a folio cross reference number for a Balance Sheet Account.
'N1 and N2' is a folio cross reference number for a Nominal Account
(these must be the same as in the CRJ)

Debit Side				General Ledger of Fix It Plumbers				Credit Side			
BALANCE SHEET ACCOUNTS SECTION											
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
Dr.									B1		Cr.
NOMINAL ACCOUNTS SECTION											
Dr.									N1		Cr.



Step 3

Open the Accounts in the General Ledger (**highlighted accounts only from the CRJ!**).

Each Account must have a Dr. for Debit on the left-hand side and a Cr. For Credit on the right-hand side.

Debit Side				General Ledger of Fix It Plumbers				Credit Side							
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Capital				B				Cr.			
Dr.				Bank				B				Cr.			
NOMINAL ACCOUNTS SECTION															
Dr.				Current Income				N				Cr.			
Dr.				Rent Income				N				Cr.			

Step 4

Post from the CRJ to the Bank Account under the Balance Sheet Accounts Section

Debit Bank Account (with the total receipts – total of the Bank column from the CRJ)

Remember: Bank is an Asset, money is increasing. Therefore, will be DEBITED.

Debit Side				General Ledger of Fix It Plumbers				Credit Side							
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Bank				B1				Cr.			
May	31	Total Receipts		CRJ	158 500										



Step 5

Post to the Capital Account under the Balance Sheet Accounts Section

Credit Capital Account (from Sundry accounts column)

Remember: Capital is Owner's equity account, increases Owner's equity.

Therefore, will be CREDITED

Debit Side			General Ledger of Fix It Plumbers						Credit Side				
BALANCE SHEET ACCOUNTS SECTION													
Date	Details		Fol.	Amount		Date		Details		Fol.	Amount		
Dr.				Capital				B2				Cr.	
							May 01	Bank		CRJ	150 000		

Step 6

Post to the Current income and Rent income under the Nominal Accounts Section

Credit the two accounts with their totals.

Remember: The two accounts are income; they increase Owner's equity.

Therefore, will be CREDITED

Debit Side			General Ledger of Fix It Plumbers						Credit Side			
NOMINAL ACCOUNTS SECTION												
Date	Details		Fol.	Amount		Date		Details		Fol.	Amount	
Dr.			Current Income						N1		Cr.	
						May	31	Bank		CRJ	5 500	
Dr.			Rent Income						N2		Cr.	
						May	15	Bank		CRJ	3 000	



Step 7

Check whether the Double entry principle is applied correctly.

The Debit side must be equal to the Credit side.

This means that the total of Capital, Current income and Rent income must be equal to the total of the Bank Account.

(A complete General Ledger... with all the Accounts from the CRJ.)

Debit Side				General Ledger of Fix It Plumbers				Credit Side					
BALANCE SHEET ACCOUNTS SECTION													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
Dr.				Capital				B				Cr.	
							May	01	Bank	CRJ		150 000	
Dr.				Bank				B				Cr.	
May	31	Total Receipts	CRJ	158 500									
NOMINAL ACCOUNTS SECTION													
Dr.				Current Income				N				Cr.	
							May	31	Bank	CRJ		5 500	
Dr.				Rent Income				N				Cr.	
							May	15	Bank	CRJ		3 000	

Debit Side: R 158 500

=

Credit Side: R 158 500

(Debit: Bank R158 500) = (Credit: Capital R150 000 + Current income R5 500 + Rent income R3 000)
Debit side R158 500 = Credit side R158 500

The Double entry principle is applied correctly. The Debit entry has equal corresponding credit entries.



INSTRUCTIONS:

1. Use the information from Cash Receipts Journal of KL Technologies to post to the below General Ledger Accounts:

- Capital Account
- Bank Account
- Current Income
- Rent Income

Cash Receipts Journal of KL Technologies - October 2022

CRJ02

Doc No.	Day	Details	Fol	Analysis of Receipts	Bank	Current Income	Sundry Accounts		
							Amount	Fol.	Details
BS	01	K. Lincoln			90 000		90 000	B	Capital
CRR	10	Services Rendered		5 500	8 400	8 400			
BS	15	S. Morgan			2 700		2 700	N	Rent Income
					101 100	8 400	92 700		

Complete Step 2 to 7 in one format...

Step 2

General Ledger FORMAT

Step 3

Open the Accounts in the General Ledger (highlighted accounts only from the CRJ!).
(A complete General Ledger FORMAT with Accounts)

Step 4

Post to the Bank Account

Step 5

Post to the Capital Account

Step 6

Post to the Current income and Rent income

Step 7

Check whether the Double entry principle is applied correctly.
(Use diagrams and arrows to demonstrate your answer.)



Debit Side				General Ledger of_____				Credit Side					

Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	

 Parent/Guardian Signature



POSTING FROM THE CASH PAYMENTS JOURNAL TO THE GENERAL LEDGER

Activity 4.3

Date: _____

1. Indicate whether the following Accounts are Balance Sheet Accounts or Nominal Accounts:
Place an (x) in the appropriate column.

Account	Balance Sheet Account	Nominal Account
Example: Vehicle	X	
Rent Expense		
Material Costs		
Bank		
Stationery		
Water and Electricity		
Drawings		
Insurance		
Wages		
Equipment		
Repairs		
Cleaning Material		
Telephone		
Rates and Taxes		
Advertising		
Donations Expense		
Building		

Parent/Guardian Signature



ENTERING CASH PAYMENTS TRANSACTIONS IN THE GENERAL LEDGER

Example 4C

Entering transactions in the General Ledger to emphasize the concept of Double Entry Principle.

DOUBLE ENTRY PRINCIPLE: For every **DEBIT** entry, there must be an equal corresponding **CREDIT** entry.

This is demonstrated in the following example:

When posting from the CPJ to the Ledger, Bank Account will always be credited

Instruction:

Record the following transactions in the General Ledger of Fix-it Plumbers on 31 May 2022

Transactions:

12. Richard Farrow, the owner, transferred R4 500 from the business bank account into his bank account to pay for his residence water and lights account.

Debit Side				General Ledger of Fix It Plumbers				Credit Side					
BALANCE SHEET ACCOUNTS SECTION													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
Dr.				Drawings				B				Cr.	
May	12	Bank	CPJ	4 500									
Dr.				Bank				B				Cr.	
							May	12	Drawings	CPJ	4 500		

Remember: Bank is an Asset, money in the bank account is decreasing. Therefore, Bank is CREDITED.

Drawings is Owner's equity account, decreases Owner's equity. Therefore, is DEBITED

(The Debit side is equal to the Credit side)



23. Made an electronic funds transfer of R8 700 to Medi-Suppliers for plumbing materials bought.

Debit Side				General Ledger of Fix It Plumbers								Credit Side			
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Bank								B1		Cr.	
								May	23	Material Costs	CPJ	8 700			
NOMINAL ACCOUNTS SECTION															
Dr.				Material Costs								N1		Cr.	
May	23	Bank		CPJ	8 700										

Remember: Material Costs decrease Owner's equity. Therefore, is **DEBITED**

23. Made an EFT payment of R6 500 to City Properties for rent of building.

Debit Side				General Ledger of Fix It Plumbers								Credit Side			
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Bank								B1		Cr.	
								May	23	Rent Expense	CPJ		6 500		
NOMINAL ACCOUNTS SECTION															
Dr.				Rent Expense								N2		Cr.	
May	23	Bank		CPJ		6 500									

Remember: Rent Expense decrease Owner's equity. Therefore, is **DEBITED**



31. Purchased a plumbing machine from Vaal Plumbing Equipment and transferred R16 400 into their account.

Debit Side				General Ledger of Fix It Plumbers				Credit Side					
BALANCE SHEET ACCOUNTS SECTION													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
Dr.				Equipment						B		Cr.	
May	31	Bank		CPJ	16 400								
Dr.				Bank						B		Cr.	
							May	31	Equipment		CPJ	16 400	

The Double Entry Principle is applied correctly; for every Debit entry, there is equal corresponding Credit entry in all the Accounts.



ENTERING CASH PAYMENTS TRANSACTIONS IN THE GENERAL LEDGER

Activity 4.4

Date: _____

Entering transactions in the General Ledger to emphasize the concept of Double Entry Principle.

Enter the following transactions in the General Ledger of KL Technologies.

Transactions: October 2022

02. Mr. K. Lincoln, the owner, transferred R 13 000 into his bank account to pay for his daughter's graduation fees.

Debit Side				General Ledger of _____				Credit Side			
BALANCE SHEET ACCOUNTS SECTION											
Date	Details		Fol.	Amount	Date	Details		Fol.	Amount		
Dr.				_____				Cr.			
Dr.				_____				Cr.			

13. Transferred R11 300 to the bank account of Connect Icom in payment of service materials bought.

Debit Side				General Ledger of _____				Credit Side			
BALANCE SHEET ACCOUNTS SECTION											
Date	Details		Fol.	Amount	Date	Details		Fol.	Amount		
Dr.				_____				Cr.			
NOMINAL ACCOUNTS SECTION											
Dr.				_____				Cr.			



30. Made an EFT payment of R 5 500 to Telkom to pay for the business telephone contract.

Debit Side				General Ledger of _____				Credit Side				
BALANCE SHEET ACCOUNTS SECTION												
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount
Dr.				_____				Cr.				
NOMINAL ACCOUNTS SECTION												
Dr.				_____				Cr.				

31. Purchased a printer from Rotex Printers and transferred R6 400 into their account.

Debit Side				General Ledger of _____				Credit Side				
BALANCE SHEET ACCOUNTS SECTION												
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount
Dr.				_____				Cr.				
Dr.				_____				Cr.				

Is The Double Entry Principle applied correctly in all the four Accounts?

Parent/Guardian Signature



POSTING FROM THE CASH PAYMENTS JOURNAL TO THE GENERAL LEDGER

Example 4D (continuation of Example 4A)

When posting from the Cash Payments Journal, Credit Bank Account and Debit ALL the other Accounts.
The total of the debit side should always be equal to the total of the credit side

Use the Cash Payments Journal of Fixit Plumbers to post to the following accounts in the General Ledger on 31 May 2022:

- Bank
- Drawings
- Equipment
- Material Costs
- Rent expense

Steps to follow when posting to the General Ledger:

Step 1

When posting to the General Ledger, use the **SHADED INFORMATION ONLY!** As shaded in the CPJ below. These are the Accounts and their totals you are going to post to the General Ledger.

Step 2

Divide the Ledger into the Balance Sheet Accounts Section and Nominal Accounts Section.

Step 3

Open the Accounts in the General Ledger (highlighted accounts only!).

Step 4

Post to the Bank Account under the Balance Sheet Accounts Section
Credit Bank Account (with the total payments – total of the Bank column from the CPJ)

Step 5

Post to the Drawings Account and Equipment under the Balance Sheet Accounts Section
Debit Drawings Account (from Sundry accounts column)
Debit Equipment (total column)

Step 6

Post to the Material costs and Rent expense under the Nominal Accounts Section
Debit the two accounts with their totals

Step 7

Check whether the Double entry principle is applied correctly.
The Debit side must be equal to the Credit side.
This means the total of all the accounts on the debit side must be equal to the total of the Bank Account.



Step 1

When posting from the CPJ to the General Ledger, use the **SHADED INFORMATION ONLY!**

- As shaded in the CPJ below.
- Your CPJ must be closed off, totalled.
- These are the Accounts and their totals you are going to post to the General Ledger.

Cash Payments Journal of Fix It Plumbers - May 2022

CPJ01

Doc No.	Day	Details	Fol	Bank	Material Costs	Equipment	Sundry Accounts		
							Amount	Fol.	Details
EFT1	12	Richard Farrow		4 500			4 500	B	Drawings
EFT2	23	Medi-Suppliers		8 700	8 700				
EFT3	30	P. Van Wyk		6 500			6 500	N	Rent Expense
EFT4	31	Vaal Plumbers		16 400		16 400			
				36 100	8 700	16 400	11 000		
				<u>B</u>	<u>N</u>	<u>B</u>			

Step 2

General Ledger FORMAT

- Divide the Ledger into the Balance Sheet Accounts Section and Nominal Accounts Section.
- Provide enough space for relevant accounts under each section. (Refer to the CPJ for the accounts)
- Each Account must have a Dr. for Debit on the left-hand side and a Cr. For Credit on the right-hand side.

Debit Side				General Ledger of Fix It Plumbers				Credit Side			
BALANCE SHEET ACCOUNTS SECTION											
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
Dr.											Cr.
Dr.											Cr.
NOMINAL ACCOUNTS SECTION											
Dr.											Cr.
Dr.											Cr.



Step 3

Open the Accounts in the General Ledger (highlighted accounts only from the CPJ!).

Each Account must have a Dr. for Debit on the left-hand side and a Cr. For Credit on the right-hand side.

Debit Side				General Ledger of Fix It Plumbers				Credit Side							
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Bank				B1				Cr.			
Dr.				Drawings				B2				Cr.			
Dr.				Equipment				B3				Cr.			
NOMINAL ACCOUNTS SECTION															
Dr.				Material Costs				N1				Cr.			
Dr.				Rent Expense				N2				Cr.			



Step 4

- Post from the CPJ to the Bank Account under the Balance Sheet Accounts Section
- Credit Bank Account (with the total payments – total of the Bank column from the CPJ)
- **Remember: Bank is an Asset, money is decreasing. Therefore, will be CREDITED.**

Step 5

- Post to the Drawings and Equipment Accounts under the Balance Sheet Accounts Section
- Debit Drawings Account (from Sundry accounts column)
- Debit Equipment (total column)

Remember: Drawings is Owner's equity account, decreases Owner's equity. Therefore, will be DEBITED
Equipment is an Assets, is increasing. Therefore will be DEBITED

Step 6

- Post to the Material costs and Rent expense under the Nominal Accounts Section
- Debit the two accounts with their totals

Remember: The two accounts are expenses; they decrease Owner's equity. Therefore, will be DEBITED

Debit Side				General Ledger of Fix It Plumbers						Credit Side			
BALANCE SHEET ACCOUNTS SECTION													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
Dr.				Drawings						B		Cr.	
May	12	Bank		CPJ	4 500								
Dr.				Equipment						B		Cr.	
May	31	Bank		CPJ	16 400								
Dr.				Bank						B		Cr.	
							May	31	Total Payments		CPJ	36 100	
NOMINAL ACCOUNTS SECTION													
Dr.				Material Costs						N		Cr.	
May	31	Bank		CPJ	8 700								
Dr.				Rent Expense						N		Cr.	
May	30	Bank		CPJ	6 500								



Step 7

Check whether the Double entry principle is applied correctly.

The Debit side must be equal to the Credit side.

This means that the total of Capital, Current income and Rent income must be equal to the total of the Bank Account. (Let's check)

Debit Side				General Ledger of Fix It Plumbers				Credit Side							
BALANCE SHEET ACCOUNTS SECTION															
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
Dr.				Drawings				B				Cr.			
May	12	Bank	CPJ		4 500										
Dr.				Equipment				B				Cr.			
May	31	Bank	CPJ		16 400										
Dr.				Bank				B				Cr.			
							May	31	Total Payments	CPJ		36 100			
NOMINAL ACCOUNTS SECTION															
Dr.				Material Costs				N				Cr.			
May	31	Bank	CPJ		8 700										
Dr.				Rent Expense				N				Cr.			
May	30	Bank	CPJ		6 500										

Debit Side: R 36 100

=

Credit Side: R 36 100

Debit: (Drawings R4 500 + Equipment R16 400 + Material Cost R8 700 + Rent expense R6 500)

=

Credit: Bank R36 100

The Double entry principle is applied correctly. The Debit entry has equal corresponding credit entry in all the accounts.





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