**01** Richard opened a wholesale business on 01 July 2019. He buys and sell on credit basis.

**REQUIRED**

(a) State the purpose of a debit note received by Richard from John, a credit customer.

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\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Complete the following table by placing a tick to indicate how Richard would record this

debit note in the account of John.

|  |  |  |
| --- | --- | --- |
| credit John account | debit John account | no entry |
|  |  |  |

(b) State the purpose of a statement of account issued by Richard to John.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

State why Richard did not record this in his ledger.

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Richard received the following invoice from Martin, a credit supplier.

|  |  |  |  |
| --- | --- | --- | --- |
| Invoice  Martin  Hill Street  Sommerset  Richard  Street 14 Industrial Estate  Midcity 07 July 2019 | | | |
| 200 piece  80 piece | Item A  Item B  Less: 15% trade discount  Terms: 2% discount for payment in 30 days. | $ per unit  20  15 | $  4 000  1 200  5 200  780  4 420 |

**REQUIRED**

(c) State one reason why Martin allowed Richard trade discount.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

State one reason why Martin offered cash discount.

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Calculate the amount of the cheque Richard gave to Martin on 02 August 2019 to settle

the account.

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Name the ledger in which Richard would maintain Martin account.

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In addition to the invoice received from Martin on 07 July 2019, Richard received the

following documents.

July 15 Invoice received from Harry, a new supplier for goods S3 200 less 10% trade

discount.

July 20 Credit note received from Harry for goods returned, list price $400.

On 25 July 2019 Richard paid Harry the amount owing by cheque less 3% cash discount.

(d) **REQUIRED**

Prepare Richard’s purchases journal and purchase returns journal for the month of July

2019. Total each journal and indicate the ledger account to which the total would be

transferred.

Richard

Purchases Journal

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Details | $ | $ |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

Richard

Purchases Returns Journal

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Details | $ | $ |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

(e) Prepare the following accounts in Richard’s ledger for the month of July 2019. It is not

necessary to balance any of the accounts.

Richard

Purchases Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | $ | Date | Details | $ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

Richard

Purchases Returns Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | $ | Date | Details | $ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

Richard

Harry Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | $ | Date | Details | $ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
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|  |  |  |  |  |  |

(f) Name the accounting principle which Richard did not apply in each of the following.

|  |  |
| --- | --- |
|  | Principle |
| Richard credited the loan account when he invested further $10 000 into the business by cheque. |  |
| Richard valued his closing inventory at cost $12 200 whereas the inventory has a net realizable value of $11 600. |  |
| Richard debited the purchases account by $4 100 which he plans to purchase after two months. |  |
| Richard did not recorded depreciation for the year of $1 600 in his books at the year-end. |  |
| Richard recorded the skills of qualified workers by $7 500 as other expenses. |  |

(g) Name the source document and book of original entry for the following transactions.

|  |  |  |
| --- | --- | --- |
|  | Document | Book of original entry |
| Bought goods on credit from Watson $8 300. |  |  |
| Issued a cheque of 2 100 to Charles, a credit supplier |  |  |
| David, a credit customer, returned goods at an invoice price of $300. |  |  |
| Received a cheque of $500 for the overpayment made to a suppler. |  |  |
| Received a record of transaction from the bank for the month of June 2019. |  |  |