**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 RichardStreet 14 Industrial Estate Midcity 07 July 2019   |
| 200 piece 80 piece | Item AItem BLess: 15% trade discountTerms: 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 |  $ |  $ |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
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|  |  |  |  |
|  |  |  |  |

 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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|  |  |  |  |  |  |
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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. |  |  |