

Structured questions

- 1 Explain the purpose of a statement of account.
- 2 Neither the supplier nor the customer makes entries in their accounting records when a debit note is issued. Explain why.
- 3 Tracey is a credit customer of Lydia.

The following documents are issued in February 20-8: cheque, receipt, invoice, statement of account, debit note and credit note.

Complete the table below listing the documents in the order in which they would be issued. Name the person who would issue each document.

	Document in order of issue	Name of person issuing the document
a		
b		
c		
d		
e		
f		

- 4 The following account appeared in the ledger of Simon;

Paul account							
Date	Details	Folio	\$	Date	Details	Folio	\$
20-6				20-6			
Jan 7	Purchases returns		120	Jan 4	Purchases		520
21	Bank		390				
	Discount		10				
			<u>520</u>				<u>520</u>

- a Complete the following table by placing a tick (✓) against each document that Simon would have used as a source of information in preparing the above account.

Document	✓
Cheque	
Credit note	
Debit note	
Invoice	
Statement of account	

- b Select one of the documents you have not ticked and explain why this was not used in the preparation of the ledger account.

TIP

This question requires the skill of knowledge and understanding. You need to know the purpose of each of the business documents listed. You also need to understand why some, but not all, of these documents are used to make entries in the ledger.

- 5 Study the invoice shown below and answer the questions that follow.

Sales Invoice Building Supplies Lobastse Road Francistown			
P Onamusi Mokolodi Road Kgale 13 April 20-1			
Quantity	Description	Price per unit \$	Total \$
25 metres	Floorboards	1.60 per metre	40.00
50 metres	Treated timber posts	2.20 per metre	i <input type="text"/>
6	Doors	ii <input type="text"/>	<u>300.00</u>
			iii <input type="text"/>
	Less 20% trade discount		iv <input type="text"/>
			v <input type="text"/>
Terms: 2½% cash vi <input type="text"/> if paid within 30 days			

- a State the name of the business issuing the invoice.
 b Calculate and write down the missing amounts at **i** to **v**.
 c State the word which is missing at **vi**.
 d Explain why the supplier has allowed the customer trade discount.

- e State the amount of the cheque which was sent to pay for the goods on 4 May 20-1.
- f Complete the following table to show how the invoice would be recorded in the books of both the supplier and the customer:

	Account to be debited	Account to be credited
i Supplier's books		
ii Customer's books		

- 6 Study the business document shown below and answer the questions that follow.

i..... note			
Building Supplies Lobastse Road Francistown			
J Moyo Unit 2 Industrial Estate Mahalapye		17 November 20-5	
Quantity	Description	Unit price	Total \$
40	Floor tiles Design XR234	\$2	ii <input type="text"/>
	Less 25% trade discount		iii <input type="text"/>
			iv <input type="text"/>
Reason for return – Damage			

- a State the word which is missing at **i**.
- b Calculate and write down the missing amounts at **ii** to **iv**.
- c Name the document which J Moyo may have sent to Building Supplies which resulted in the above document being issued.
- d Explain why it is necessary to deduct trade discount on the above document.
- On 1 November 20-6, J Moyo owed Building Supplies \$330. He purchased further goods, \$280, on credit on 10 November. After the above document was issued on 17 November, there were no further transactions in November. J Moyo settled his account by cheque on 30 November after deducting a cash discount of 2%.
- e Prepare the account of J Moyo for November 20-6 as it would appear in the ledger of Building Supplies.
- f i State the ledger of J Moyo in which the account of Building Supplies would appear.
ii State the ledger of Building Supplies in which the account of J Moyo would appear.

TIP

This question requires the skill of knowledge and understanding. You need to know the purpose and content of debit and credit notes. You need to understand how to record transactions in the ledger and you also need to understand the division of the ledger.

- 7 List **five** books of original entry.
- 8 State **two** advantages of maintaining a sales journal.
- 9 During October, Susie listed her credit purchases in her purchases journal and totalled the journal at the end of the month. State what entries will be made in Susie's ledgers at the end of October.
- 10 Ben is a sole trader who buys and sells on credit. He maintains a full set of accounting records. He provided the following information for May 20–2:

Date	Transaction	Supplier	\$
May 4	Goods bought	Pet Products Ltd	560
12	Goods bought	Cosy Canines	634
16	Goods returned	Cosy Canines	28
21	Goods bought	Pampered Pets & Co	422
27	Goods returned	Pampered Pets & Co	12

- a Enter the above transactions in Ben's purchases journal and purchases returns journal. Total the journals on 31 May 20–2.
- b Make the necessary entries in the following accounts in Ben's ledgers – purchases account, purchases returns account, Pet Products Ltd account, Cosy Canines account and Pampered Pets & Co account.
- c Complete the following table to indicate in which of Ben's ledgers **each** of the following accounts would appear:

Account	Ledger
Purchases account	
Purchases returns account	
Pet Products Ltd account	
Cosy Canines account	
Pampered Pets & Co account	

TIP

This question requires the skill of knowledge and understanding. You need to know the double entry system and division of the ledger. You also need to understand how to transfer information from the books of prime entry to the ledger.

11 Nahida is a trader who keeps a full set of accounting records. Her transactions for June 20-9 included the following:

Sales journal			
Date	Details	\$	\$
20-9			
June 10	London Road Stores		
	Goods		310
21	West End Fashions		
	Goods	350	
	Trade discount	70	280
30	Total for month		<u>590</u>

Sales returns journal			
Date	Details	\$	\$
20-9			
June 27	West End Fashions		
	Goods	100	
	Trade discount	20	80
30	Total for month		<u>80</u>

Cash book (debit side)				
		Discount allowed	Cash	Bank
		\$	\$	\$
20-9				
June 14	London Road Stores	6		234
28	West End Fashions	5		195
30	Sales		2 120	

On 1 June, there was a debit balance of \$240 on London Road Stores' account.

- Write up the accounts of London Road Stores and West End Fashions as they would appear in Nahida's sales ledger for the month of June 20-9. Balance or total the accounts, as necessary.
- Write up the sales account and the sales returns account as they would appear in Nahida's general ledger for the month of June 20-9.

On 29 June, an invoice was issued to London Road Stores for \$330. This was not entered in the accounting records.

- c Explain how this error would affect the current assets in Nahida's statement of financial position on 30 June 20–9.
- d Complete the following table to show the business document and the book of prime entry that would be used for the following transactions:

Transaction	Document used by Nahida	Nahida's book of prime entry	Document used by Coco	Coco's book of prime entry
Goods sold on credit by Coco to Nahida				
Goods returned by Nahida to Coco				

TIP

Parts **a**, **b** and **d** of this question require the skill of knowledge and understanding. You need to know the sources of information for the books of prime entry and how the entries in these books are recorded in the ledger. You also need to understand the double entry system of book-keeping. Part **c** requires the skill of analysis. You need to analyse the effect of the error on the current assets.

Multiple choice questions

- 1 What is the name of the document that summarises the customer's transactions for the month?
A credit note B debit note C invoice D statement of account
- 2 On 1 June, Samir sold goods on credit to Faisal. Some of the goods were returned on 8 June. In what order would Samir and Faisal exchange documents in June?
A credit note, debit note, invoice C invoice, credit note, debit note
B debit note, credit note, invoice D invoice, debit note, credit note
- 3 Which statement about a debit note is correct?
A It is sent to the supplier to request a reduction in the amount of an invoice
B It is sent to the customer to request a reduction in the amount of an invoice
C The customer records it in the purchases returns journal
D The supplier records it in the sales returns journal.
- 4 Heidi's sales returns journal shows the following:

	Goods	Trade discount	Net price
	\$	\$	\$
March 31 Total for month	<u>4400</u>	<u>880</u>	<u>3520</u>

What entry would be made in the sales returns amount on 31 March?

- A credit \$3520 B credit \$4400 C debit \$3520 D debit \$4400

5 Which document is used to write up the purchases returns journal?

A credit note issued

C debit note issued

B credit note received

D debit note received

6 Which statements about trade discount are correct?

1 It is an allowance for buying in bulk.

2 It is an allowance for prompt payment.

3 It is shown as a deduction on an invoice.

4 It is shown as an expense in an income statement.

A 1 only

B 2 only

C 1 and 3

D 2 and 4