**Foreword**

This resource material was developed to provide teachers with examples of graded assignments for reference and is by no means exhaustive. Teachers are advised to adapt the materials according to the diverse learning needs of students if deemed necessary.

Graded Assignment 1: Double Entry System

Elementary Level – Question Paper

|  |  |  |
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|  | | |
| Albert started his business on 1 November 2019. During the first month of operation, the following transactions took place: | | |
|  | | |
| Nov 1 | | Albert invested $160,000 in the business by cheque. |
| Nov 2 | | Bought goods from Susan Company on credit for $80,000. |
| Nov 4 | | Cash sales of $6,000 to ABC Company. |
| Nov 8 | | Sold goods to Eden Company on credit for $40,000. |
| Nov 10 | | Bought a piece of equipment costing $50,000 on credit. |
| Nov 15 | | Returned goods of $4,000 to Susan Company. |
| Nov 18 | | Received a debit note amounting $1,500 for goods returned from Eden Company. |
| Nov 21 | | Goods amounting $2,400 were taken away by Albert for his personal use. |
| Nov 29 | | Paid wages of $75,000 by autopay. |
| Nov 30 | | Repaid Susan Company the amount owed in full by cheque. |
| REQUIRED: | | |
| (a) | Fill in the table given to show the effects of the above transactions on the accounting equation. (9 marks) | |
|  |  | |
| (b) | Prepare relevant ledger accounts to record the above transactions. (10 marks) | |
|  |  |  |
|  |  | (Total: 19 marks) |

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| Graded Assignment 1: Double Entry System  Elementary Level – Student Worksheet | | | | | | | | | |
| (a) | Fill in the table given to show the effects of the above transactions on the accounting equation: | | | | | | | | |
| Hints: | | Accounting equation: | | | | | | | |
|  | | * *Assets = Liabilities +* ***Capital*** | | | | | | | |
|  | | * ***Capital (Closing balance)*** *=* ***Capital (Opening balance)*** *+ Revenues – Expenses – Drawings* | | | | | | | |
| Date | | | **Assets**  **(+/-)** | **=** | **Liabilities**  **(+/-)** |  | **+ Capital**  **(+/-)** | Hints |
| Nov 1 (e.g.) | | | +$160,000 |  |  |  | +$160,000 | * ***Cheque*** *means cash at bank which is an asset while* ***Albert’s investment*** *is the capital he introduced* |
| Nov 2 | | |  | |  |  | | * ***Buying goods*** *means the business is incurring costs* * *As the business* ***owed money\**** *to Susan Company, liabilities occurred* |
| Nov 4 | | |  | |  |  | | * *Cash in hand (****Cash****) is an asset while* ***Sales*** *belong to revenues* |
| Nov 8 | | |  | |  |  | | * *As Eden Company* ***owed\* the business money****, assets occurred* * ***Sales*** *belong to revenues* |
| Nov 10  \* On credit = Pay later | | |  | |  |  | | * ***Equipment*** *is an asset* * *Liabilities occurred as the company bought the equipment* ***on credit****\** |
| Nov 15 | | |  | |  |  | | * ***Returning goods to the supplier*** *(Susan Company) reduced the costs incurred by the business and the* ***amount owed to Susan Company*** *which belonged to liabilities* |
| Nov 18 | | |  | |  |  | | * ***Goods returned by the customer*** *(Eden Company) reduced the Sales revenue and* ***the amount owed by Eden Company*** *which belonged to assets* |
| Nov 21 | | |  | |  |  | | * *Drawings occurred when the owner (Albert) took away goods from the business for* ***personal use*** * ***Goods being taken away*** *from the business means the costs incurred by the business is reduced* |
| Nov 29 | | |  | |  |  | | * ***Autopay*** *means making payment by cash at bank which belongs to assets* * ***Wages*** *are expenses* |
| Nov 30 | | |  | |  |  | | * ***Susan Company*** *is a liability while* ***Cash at bank*** *is an asset* * *The amount owed to Susan Company as at 30 Nov*   *= Amount of goods bought on credit (Nov 2) – amount of goods returned (Nov 15)* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (b) | Prepare relevant ledger accounts to record the above transactions. | | | | | | | | |
| Hint: | Rules for recording transactions in the double entry system | | | | | | | | | |
|  | |  | | | | | | | | | |
|  | | Dr | **Assets** | | | | Cr | |
|  | | *+* | | | *-* | | | |
|  | | Dr | **Liabilities** | | | | Cr | |
|  | | *-* | | | *+* | | | |
|  | |  |  | | | | | |
|  | | Dr | **Capital** | | | | Cr | |
|  | | *-* | | | *+*  Drawings occur when the owner takes away assets from the business for personal use | | | |
|  | |  |  | | | | | |
|  | | Dr | **Drawings** | | | | Cr | |
|  | | *+* | | | *-*  Purchases occur when the business buys goods for resales | | | |
|  | |  |  | | | | | |
|  | | Dr | **Purchases** | | | | Cr | |
|  | | *+* | | | *-*  Returns outwards occur when the business returns goods to the suppliers | | | |
|  | |  |  | | | | | |
|  | | Dr | **Returns outwards** | | | | Cr | |
|  | | *-* | | | *+* | | | |
|  | |  |  | | | | Sales occur when the business sells goods to the customers | |
|  | | Dr | **Sales** | | | | Cr | |
|  | | *-* | | | *+* | | | |
|  | |  |  | | | |  | |
|  | | Dr | **Returns inwards** | | | | Cr  Returns inwards occur when the customers return goods to the business | |
|  | | *+* | | | *-* | | | |
|  | |  |  | | | |  | |
|  | | Dr | **Revenues** | | | | Cr | |
|  | | *-* | | | *+* | | | |
|  | |  | | | | | | | | | |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | Dr | **Expenses** | | Cr | |  | *+* | | *-* | |     Working: Before preparing the ledger accounts, which account to be debited and which account to be credited should be determined. Fill in the following table with the given account names:   |  |  |  | | --- | --- | --- | |  | | | | *Cash at bank* | *Capital* | *Purchases* | | *Susan Company* | *Cash in hand* | *Sales* | | *Eden Company* | *Equipment* | *Accounts payable* | | *Returns outwards* | *Returns inwards* | *Drawings* | | *Wages expense* |  |  | | | | | | | | | | | | |
| Date | | | | **Account to be debited** | | **Account to be credited** | | Hints | | | |
| Nov 1 (e.g.) | | | | Cash at bank | | Capital | | * ***Cash at bank*** *which is an asset increased* * ***Capital*** *increased* | | | |
| Nov 2 | | | |  | |  | | * ***Buying goods*** *means Purchases increase* * *Buying goods on credit increased* ***the amount owed to the supplier*** *(Susan Company) which belongs to liabilities* | | | |
| Nov 4 | | | |  | |  | | * ***Cash in hand*** *which is an asset increased* * ***Sales*** *increased* | | | |
| Nov 8 | | | |  | |  | | * ***Selling goods*** *means Sales increase* * *Selling goods on credit increased* ***the amount owed by the customer*** *(Eden Company) which belongs to assets* | | | |
| Nov 10 | | | |  | |  | | * ***Equipment*** *which is an asset increased* * *Buying assets on credit increased* ***the amount owed to the others*** *(accounts payable) which belongs to liabilities* | | | |
| Nov 15 | | | |  | |  | | * ***Amount owed to Susan Company*** *which is a liability decreased* * ***Returning goods to the supplier*** *(Susan Company) means Returns Outwards increase* | | | |
| Nov 18 | | | |  | |  | | * ***Amount owed by Eden Company*** *which is an asset decreased* * ***Goods being returned by the customer*** *(Eden Company) means Returns Inwards increase* | | | |
| Nov 21 | | | |  | |  | | * *Goods being taken away from the business for owner’s* ***personal use*** *means Drawings increase* * ***Purchases*** *reduced* | | | |
| Nov 29 | | | |  | |  | | * ***Wages*** *which belong to expenses increased* * ***Cash at bank*** *which is an asset decreased* | | | |
| Nov 30 | | | |  | |  | | * ***Amount owed to Susan Company*** *which is a liability decreased* * ***Cash at bank*** *which is an asset decreased* | | | |

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| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Hint: Enter the corresponding account name and the amount in the following ledger accounts for each transaction record. | | | | | | |
|  |  | | | | | | |
|  | + | Cash at bank | | | | | - |
| 2019 |  | | $ | 2019 |  | $ |
| Nov 1 | Capital **(example)** | | 160,000 | Nov 29 |  |  |
|  |  | |  | Nov 30 |  |  |
|  |  | |  |  |  |  |
|  | | | | | | | |
|  | - | Capital | | | | | + |
|  |  | |  | 2019 |  | $ |
|  |  | |  | Nov 1 | Cash at bank **(example)** | 160,000 |
|  |  | |  |  |  |  |
|  |  | |  |  |  |  |
|  | + | Purchases | | | | | - |
| 2019 |  | | $ | 2019 |  | $ |
| Nov 2 |  | |  | Nov 21 |  |  |
|  |  | |  |  |  |  |
|  |  | |  |  |  |  |
|  | - | Susan Company | | | | | + |
| 2019 |  | | $ | 2019 |  | $ |
| Nov 15 |  | |  | Nov 2 |  |  |
| Nov 30 |  | |  |  |  |  |
|  |  | |  |  |  |  |
|  | + | Cash in hand | | | | | - |
| 2019 |  | | $ |  |  |  |
| Nov 4 |  | |  |  |  |  |
|  |  | |  |  |  |  |
|  |  |  | | | | |  |
|  | - | Sales | | | | | + |
|  |  | |  | 2019 |  | $ |
|  |  | |  | Nov 4 |  |  |
|  |  | |  | Nov 8 |  |  |
|  |  | |  |  |  |  |
|  | + | Eden Company | | | | | - |
| 2019 |  | | $ | 2019 |  | $ |
| Nov 8 |  | |  | Nov 18 |  |  |
|  |  | |  |  |  |  |
|  |  | |  |  |  |  |
|  | + | Equipment | | | | | - |
| 2019 |  | | $ |  |  |  |
| Nov 10 | |  |  |  |  |  |
|  |  | |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | - | Accounts payable | | | | + |
|  |  |  | 2019 |  | $ |
|  |  |  | Nov 10 |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | - | Returns outwards | | | | + |
|  |  |  | 2019 |  | $ |
|  |  |  | Nov 15 |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | + | Returns inwards | | | | - |
| 2019 |  | $ |  |  |  |
| Nov 18 |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | + | Drawings | | | | - |
| 2019 |  | $ |  |  |  |
| Nov 21 |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | + | Wages expense | | | | - |
| 2019 |  | $ |  |  |  |
| Nov 29 |  |  |  |  |  |
|  |  |  |  |  |  |

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| Graded Assignment 1: Double Entry System  Elementary Level – Suggested Solution and Explanatory Notes | | | | | | |
| **Explanatory Notes** |  | | | | |
| Accounting equation: | *Assets = Liabilities +* ***Capital*** | | | | | |
|  | ***Capital (Closing balance) = Capital (Opening balance) + Revenues –***  ***Expenses – Drawings***  (Sales – Returns Inwards)  (Purchases – Returns Outwards) | | | | | |
| (a) |  | | | | | |
| Date | **Assets**  **(+/-)** | **= Liabilities (+/-)** | **+ Capital**  **(+/-)** | **Explanatory notes** |
| Nov 1 (e.g.) | +$160,000 |  | +$160,000 | * *Owner’s investment 🡹 =>*   *Capital 🡹* |
| Nov 2 |  | +$80,000 | ***–*** $80,000 | * *Purchase costs 🡹 => Capital 🡻* |
| Nov 4 | +$6,000 |  | +$6,000 | * *Cash Sales = Sales of goods in cash* |
| Nov 8 | +$40,000 |  | +$40,000 | * *Sales revenue 🡹 => Capital 🡹* |
| Nov 10 | +$50,000 | +$50,000 |  | * *Buying equipment is different from purchase of goods* |
| Nov 15 |  | – $4,000 | +$4,000 | * *Returning goods to suppliers reduces the purchase costs* * *Purchase costs 🡻 => Capital 🡹* |
| Nov 18 | – $1,500 |  | – $1,500 | * *Debit note – a document issued by the company when returning goods which are bought on credit previously* * *Returns inwards reduce the amount of sales revenue* * *Sales revenue 🡻 => Capital 🡻* |
| Nov 21 |  |  | +$2,400  – $2,400  (no change) | * *Drawings decrease Capital while reduction in purchase costs increases Capital* * *No change occurs* |
| Nov 29 | ***–*** $75,000 |  | ***–*** $75,000 | * *Expenses 🡹 => Capital 🡻* |
| Nov 30 | **–** $76,000 | **–** $76,000 |  | * *$80,000 (Nov 2) – $4,000 (Nov 15) = $76,000* |

Key point: The accounting equation must always remain in balance.

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| (b) *Working* | | |
|  | **Account to be debited** | **Account to be credited** |
| Nov 1 (e.g.) | Cash at bank | Capital |
| Nov 2\* | Purchases | Susan Company |
| Nov 4\*\* | Cash in hand | Sales |
| Nov 8\*\*\* | Eden Company | Sales |
| Nov 10 | Equipment | Accounts payable |
| Nov 15 | Susan Company | Returns outwards |
| Nov 18 | Returns inwards | Eden Company |
| Nov 21 | Drawings | Purchases |
| Nov 29 | Wages expense | Cash at bank |
| Nov 30 | Susan Company | Cash at bank |

|  |  |
| --- | --- |
| *\** | *A liability of trade payables (Susan Company) occurred when the business bought goods on credit.* |
| *\*\** | *When the company made cash sales, the amount was collected in cash immediately. Hence, no trade receivables (ABC Company) was recorded.* |
| *\*\*\** | *An asset of trade receivables (Eden Company) occurred when the business sold goods on credit.* |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | + | Cash at bank | | | | - |
| 2019 |  | $ | 2019 |  | $ |
| Nov 1 | Capital | 160,000 | Nov 29 | Wages expense | 75,000 |
|  |  |  | Nov 30 | Susan Company | 76,000 |
|  |  |  |  |  |  |
|  | | | | | | |
|  | - | Capital | | | | + |
|  |  |  | 2019 |  | $ |
|  |  |  | Nov 1 | Cash at bank | 160,000 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | + | Purchases | | | | - |
| 2019 |  | $ | 2019 |  | $ |
| Nov 2 | Susan Company | 80,000 | Nov 21 | Drawings | 2,400 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | - | Susan Company | | | | + |
| 2019 |  | $ | 2019 |  | $ |
| Nov 15 | Returns outwards | 4,000 | Nov 2 | Purchases | 80,000 |
| Nov 30 | Cash at bank | 76,000 |  |  |  |
|  | + | Cash in hand | | | | - |
| 2019 |  | $ |  |  |  |
| Nov 4 | Sales | 6,000 |  |  |  |
|  |  |  |  |  |  |
|  |  |  | | | |  |
|  | - | Sales | | | | + |
|  |  |  | 2019 |  | $ |
|  |  |  | Nov 4 | Cash in hand | 6,000 |
|  |  |  | Nov 8 | Eden Company | 40,000 |
|  |  |  |  |  |  |
|  | + | Eden Company | | | | - |
| 2019 |  | $ | 2019 |  | $ |
| Nov 8 | Sales | 40,000 | Nov18 | Returns inwards | 1,500 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | + | Equipment | | | | - |
| 2019 |  | $ |  |  |  |
| Nov 10 | Accounts payable | 50,000 |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | - | Accounts payable | | | | + |
|  |  |  | 2019 |  | $ |
|  |  |  | Nov 10 | Equipment | 50,000 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | - | Returns outwards | | | | + |
|  |  |  | 2019 |  | $ |
|  |  |  | Nov 15 | Susan Company | 4,000 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | + | Returns inwards | | | | - |
| 2019 |  | $ |  |  |  |
| Nov 18 | Eden Company | 1,500 |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | + | Drawings | | | | - |
| 2019 |  | $ |  |  |  |
| Nov 21 | Purchases | 2,400 |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | + | Wages expense | | | | - |
| 2019 |  | $ |  |  |  |
| Nov 29 | Cash at bank | 75,000 |  |  |  |
|  |  |  |  |  |  |

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| **Points to be noted:** |
| Definitions: |
| 1. Accounts payable – The amount owed to the suppliers by a company when the company purchases goods or other assets on credit. 2. Drawings – The withdrawal of cash or other assets by the owner from the company for personal use. 3. Returns inwards – The amount of goods returned by customers. 4. Returns outwards – The amount of goods returned to suppliers. 5. Credit note – A receipt issued by the company to a customer who has returned goods which are bought on credit previously. 6. Debit note – A document issued by the company when returning goods which are bought on credit previously. |

Steps of recording transactions in the ledger accounts:

1. Identify the accounts being affected in each transaction. (at least two accounts)
2. Determine whether an increase or a decrease should be recorded for each account.
3. Determine which account to be debited and which account to be credited according to the nature of account and their double entry rules.
4. Draw T accounts.
5. Record the transaction date, amount and corresponding account name on the side determined in Step 3.

|  |  |
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| Common mistakes: | |
| 1. | Unable to identify the accounts involved when preparing the double entries. |
| 2. | Wrong classification of returns inwards and returns outwards. |
| 3. | Mix up the credit note and debit note. |
| 4. | Fail to enter the account name of the corresponding entry. (see illustrations below) |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
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| Illustration 1:  Entering the identical account name instead of the account name of the corresponding entry. | | | | | | | | |
|  | | | | | | | | |
|  | | + | | Cash at bank | | | | - | |
| 2019 | | |  | $ | 2019 |  | $ | |
| Nov 1 | | Cash at bank | | 160,000 | Nov 29 | Cash at bank | 75,000 | |
|  | | |  |  | Nov 30 | Cash at bank | 76,000 | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Illustration 2:  Listing out the transaction details instead of writing account names in the record. | | | | | | | | |
|  | | | | | | | | |
|  | | + | | Cash at bank | | | | - | |
| 2019 | | |  | $ | 2019 |  | $ | |
| Nov 1 | | Albert invested in the business | | 160,000 | Nov 29 | Paid wages by autopay | 75,000 | |
|  | | |  |  | Nov 30 | Repaid Susan Company the amount owed | 76,000 | |

Graded Assignment 1: Double Entry System

Standard Level – Question Paper

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| --- | --- | --- |
|  | | |
| Albert started his business on 1 November 2019. During the first month of operation, the following transactions took place: | | |
| Nov 1 | | Albert invested $160,000 in the business by cheque. |
| Nov 2 | | Bought goods from Susan Company on credit for $80,000. |
| Nov 4 | | Cash sales of $6,000 to ABC Company. |
| Nov 8 | | Sold goods to Eden Company on credit for $40,000. |
| Nov 10 | | Bought a piece of equipment costing $50,000 on credit. |
| Nov 15 | | Returned goods of $4,000 to Susan Company. |
| Nov 18 | | Received a debit note amounting $1,500 for goods returned from Eden Company. |
| Nov 21 | | Goods amounting $2,400 were taken away by Albert for his personal use. |
| Nov 29 | | Paid wages of $75,000 by autopay. |
| Nov 30 | | Repaid Susan Company the amount owed in full by cheque. |
| REQUIRED: | | |
| (a) | Fill in the table given to show the effects of the above transactions on the accounting equation. (9 marks) | |
|  |  | |
| (b) | Prepare relevant ledger accounts to record the above transactions. (10 marks) | |
|  |  |  |
|  |  | (Total: 19 marks) |

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| Graded Assignment 1: Double Entry System  Standard Level – Student Worksheet | |
| (a) | Fill in the table given to show the effects of the above transactions on the accounting equation. |
|  | (Hint: You may use the key words shown in the last column to determine which items in the accounting equation being affected.) |
|  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Date | **Assets**  **(+/-)** | **=** | **Liabilities**  **(+/-)** |  | **+ Capital\***  **(+/-)** | Key words identified in each transaction |
| Nov 1 (e.g.) | +$160,000 |  |  |  | +$160,000 | * *Cheque => Assets* * *Albert (owner) invested in the business => Capital* |
| Nov 2 |  | |  |  | | * *Bought goods => Purchases => ?* * *Bought from Susan Company on credit => ?* |
| Nov 4 |  | |  |  | | * *Sales => Revenues => ?* * *Cash => ?* |
| Nov 8 |  | |  |  | | * *Sold goods => Sales => Revenues => ?* * *Sold to Eden Company on credit => ?* |
| Nov 10 |  | |  |  | | * *Equipment => ?* * *Bought on credit => ?* |
| Nov 15 |  | |  |  | | * *Returned goods => Returns outwards => ?* * *Susan Company (Nov 2) => ?* |
| Nov 18 |  | |  |  | | * *Received a debit note => Returns inwards => ?* * *Eden Company (Nov 8) => ?* |

**\* Capital (Closing balance) = Capital (Opening balance) + Revenues – Expenses – Drawings**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Nov 21 |  |  |  | * *Goods taken away => Purchases => ?* * *Taken away by Albert (owner) for his personal use => ?* |
| Nov 29 |  |  |  | * *Wages => Expenses => ?* * *Autopay => Cash at bank => ?* |
| Nov 30 |  |  |  | * *Cheque => ?* * *Susan Company (Nov 2) => ?* |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| (b) Prepare relevant ledger accounts to record the above transactions. | | | | | |
| Working 1: | Identify the double entry rules for the following types of account. | | | | |
|  | Dr | **Assets** | | Cr |  |
|  | *Increase (e.g.)* | | *Decrease (e.g.)* | |  |
|  |  |  | | |  |
|  | Dr | **Liabilities** | | Cr |  |
|  |  | |  | |  |
|  |  |  | |  |  |
|  | Dr | **Capital** | | Cr |  |
|  |  | |  | |  |
|  |  |  | |  |  |
|  | Dr | **Drawings** | | Cr |  |
|  |  | |  | |  |
|  |  |  | |  |  |
|  | Dr | **Purchases** | | Cr |  |
|  |  | |  | |  |
|  | Dr | **Returns outwards** | | Cr |  |
|  |  | |  | |  |
|  | Dr | **Sales** | | Cr |  |
|  |  | |  | |  |
|  |  |  | |  |  |
|  | Dr | **Returns inwards** | | Cr |  |
|  |  | |  | |  |
|  |  |  | |  |  |
|  | Dr | **Revenues** | | Cr |  |
|  |  | |  | |  |
|  |  |  | |  |  |
|  | Dr | **Expenses** | | Cr |  |
|  |  | |  | |  |

Working 2: Fill the accounts being affected in the following table. (Hint: Pay attention to the accuracy of the account names.)

|  |  |
| --- | --- |
| **Types of account** | **Account name** |
| Assets: | (1) Cash at bank (e.g.) |
| (2) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| (3) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| (4) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Liabilities: | (5) Accounts payable (e.g.) |
| (6) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Expenses: | (7) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Others: | (8) Capital (e.g.) |
| (9) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| (10) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| (11) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| (12) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| (13) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| Working 3: Determine which account to be debited and which account to be credited for each transaction.  (Hint: You may make reference to the key words, double entry rules and the account names in the previous workings.) | | | |
| Date | Account to be debited | Account to be credited | *Key words identified in each transaction* |
| Nov 1 (e.g.) | Cash at bank | Capital | *1. Cheque*  *2. Albert (owner) invested in the business* |
| Nov 2 |  |  | *1. Bought goods*  *2. Bought from Susan Company on credit* |
| Nov 4 |  |  | *1. Cash*  *2. Sales* |
| Nov 8 |  |  | *1. Sold goods*  *2. Sold to Eden Company on credit* |
| Nov 10 |  |  | *1. Equipment*  *2. Bought on credit* |
| Nov 15 |  |  | *1. Returned goods to ……*  *2. Susan Company* |
| Nov 18 |  |  | *1. Received a debit note*  *2. Eden Company* |
| Nov 21 |  |  | *1. Goods taken away*  *2. Taken away by Albert (owner) for his personal use* |
| Nov 29 |  |  | *1. Wages*  *2. Autopay* |
| Nov 30 |  |  | *1. Cheque*  *2. Susan Company* |

Hint: You may indicate the double entry rules of each account in the boxes provided before recording the transactions. You may refer to the example provided in the Cash at bank account.

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|  |  | － | | | | |
|  | **+** | Cash at bank | | | |  |
| 2019  Nov |  | $ | 2019  Nov |  | $ |
|  |  |  |  |  |  |
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|  |  |  |  |  |  |
|  | | | | | | |
|  |  | Capital | | | |  |
|  |  | $ | 2019  Nov |  | $ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  | Purchases | | | |  |
| 2019  Nov |  | $ | 2019  Nov |  | $ |
|  |  |  |  |  |  |
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|  |  |  |  |  |  |
|  |  | Susan Company | | | |  |
| 2019  Nov |  | $ | 2019  Nov |  | $ |
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|  |  | Cash in hand | | | |  |
| 2019  Nov |  | $ |  |  | $ |
|  |  |  |  |  |  |
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|  |  | Sales | | | |  |
|  |  | $ | 2019  Nov |  | $ |
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|  |  |  |  |  |  |
|  |  | Eden Company | | | |  |
| 2019  Nov |  | $ | 2019  Nov |  | $ |
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|  |  | Equipment | | | |  |
| 2019  Nov |  | $ |  |  | $ |
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|  |  |  |  |  |  |
|  |  | Accounts payable | | | |  |
|  |  | $ | 2019  Nov |  | $ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  | Returns outwards | | | |  |
|  |  | $ | 2019  Nov |  | $ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  | Returns inwards | | | |  |
| 2019  Nov |  | $ |  |  | $ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  | Drawings | | | |  |
| 2019  Nov |  | $ |  |  | $ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  | Wages expense | | | |  |
| 2019  Nov |  | $ |  |  | $ |
|  |  |  |  |  |  |

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| Graded Assignment 1: Double Entry System  Standard Level – Suggested Solution and Explanatory Notes |

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| (a) |  |

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| Date | **Assets**  **(+/-)** | **=** | **Liabilities**  **(+/-)** | **+** | **Capital\***  **(+/-)** | Key words identified in each transaction |
| Nov 1 (e.g.) | +$160,000 | |  | +$160,000 | | * *Cheque => Assets* * *Albert (owner) invested in the business => Capital\** |
| Nov 2 |  | | +$80,000 | ***–*** $80,000 | | * *Bought goods => Purchases => Capital\** * *Bought from Susan Company on credit => Liabilities\_* |
| Nov 4 | +$6,000 | |  | +$6,000 | | * *Sales => Revenues => Capital\*\_* * *Cash => Assets* |
| Nov 8 | +$40,000 | |  | +$40,000 | | * *Sold goods => Sales => Revenues => Capital\*\_* * *Sold to Eden Company on credit => Assets\_* |
| Nov 10 | +$50,000 | | +$50,000 |  | | * *Equipment => Assets* * *Bought on credit => Liabilities* |
| Nov 15 |  | | – $4,000 | +$4,000 | | * *Returned goods => Returns outwards => Capital\** * *Susan Company (Nov 2) => Liabilities* |
| Nov 18 | – $1,500 | |  | – $1,500 | | * *Received a debit note =>Returns inwards => Capital\** * *Eden Company (Nov 8) => Assets* |
| Nov 21 |  | |  | +$2,400  – $2,400  (no change) | | * *Goods taken away => Purchases => Capital\*\_* * *Taken away by Albert (owner) for personal use => Capital\** |

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| Nov 29 | ***–*** $75,000 |  | ***–*** $75,000 | * *Wages => Expenses => Capital\** * *Autopay =>Cash at bank => Assets* |
| Nov 30 | **–** $76,000 | **–** $76,000 |  | * *Cheque => Assets* * *Susan Company (Nov 2) => Liabilities*   *Working: $80,000 - $4,000* |

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| **Explanatory notes** | | |  |  |  |  |
|  |  | |  |  |  |  |
| Accounting equation: | | *Assets = Liabilities +* ***Capital***  (Purchases – Returns Outwards) | | | | | |
| ***\*Capital (Closing balance) = Capital (Opening balance) + Revenues – Expenses – Drawings***  (Sales – Returns Inwards) | | | | | | | |
|  | |  | | | | | |
|  | |  | | | | | |
| Examples related to how the inventory movement affecting Capital | | | | | | |
| Nov 2 | Purchases 🡹 => Capital 🡻 | | |  |  |  |
|  |  | |  |  |  |  |
| Nov 4,8 | Sales 🡹 => Capital 🡹 | |  |  |  |  |
|  |  | | | |  |  |
| Nov 15 | Returns Outwards 🡹 => Capital 🡹 | | | |  |  |
|  |  | | | |  |  |
| Nov 18 | Returns Inwards 🡹 => Capital 🡻 | | | |  |  |
|  |  | | | |  |  |
| Nov 21 | Purchases 🡻 => Capital 🡹 | | | |  |  |
|  | Drawings 🡹 => Capital 🡻 | | | |  |  |
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| (b) |  | |  | |  |  |
| Working 1 | Rules for recording transactions in the double entry system | | | | |  |

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|  | Dr | **Assets** | | Cr |
|  | *+* | | *-* | |
|  | Dr | **Liabilities** | | Cr |
|  | *-* | | *+* | |
|  |  |  | | |
|  | Dr | **Capital** | | Cr |
|  | *-* | | *+* | |
|  |  |  | | |
|  | Dr | **Drawings** | | Cr |
|  | *+* | | *-* | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | Dr | **Purchases** | | | | | | Cr |
|  | | *+* | | | | | *-* | | |
|  | |  |  | | | | | | |
|  | | Dr | **Returns outwards** | | | | | | Cr |
|  | | *-* | | | | | *+* | | |
|  | |  |  | | | | | |  |
|  | | Dr | **Sales** | | | | | | Cr |
|  | | *-* | | | | | *+* | | |
|  | |  |  | | | | | |  |
|  | | Dr | **Returns inwards** | | | | | | Cr |
|  | | *+* | | | | | *-* | | |
|  | |  |  | | | | | |  |
|  | | Dr | **Revenues** | | | | | | Cr |
|  | | *-* | | | | | *+* | | |
|  | |  | | | | | | | | | | | |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | Dr | **Expenses** | | Cr | |  | *+* | | *-* |     Working 2: Accounts being affected by the transactions   |  | | --- | |  | | | | | | | | | | | | | | |
| **Types of account** | | | | **Account name** | | | | | | | |
| Assets | | | | (1) Cash at bank (e.g.) | | | | | | | |
| (2) Cash in hand | | | | | | | |
| (3) Eden Company | | | | | | | |
| (4) Equipment | | | | | | | |
| Liabilities | | | | (5) Accounts payable (e.g.) | | | | | | | |
| (6) Susan Company | | | | | | | |
| Expenses | | | | (7) Wages expense | | | | | | | |
| Others | | | | (8) Capital (e.g.) | | | | | | | |
| (9) Purchases | | | | | | | |
| (10) Sales | | | | | | | |
| (11) Returns outwards | | | | | | | |
| (12) Returns inwards | | | | | | | |
| (13) Drawings | | | | | | | |
| Working 3: | | | | | | | | | |  |
| Date | | | | **Account to be debited** | | **Account to be credited** | | **Key words identified in each transaction** | | | |
| Nov 1  (e.g.) | | | | Cash at bank | | Capital | | *1. Cheque*  *2. Albert (owner) invested in the business* | | | |
| Nov 2 | | | | Purchases | | Susan Company | | *1. Bought goods*  *2. Bought from Susan Company on credit* | | | |
| Nov 4 | | | | Cash in hand | | Sales | | *1. Cash*  *2. Sales* | | | |
| Nov 8 | | | | Eden Company | | Sales | | *1. Sold goods*  *2. Sold to Eden Company on credit* | | | |
| Nov 10 | | | | Equipment | | Accounts payable | | *1. Equipment*  *2. Bought on credit* | | | |
| Nov 15 | | | | Susan Company | | Returns outwards | | *1. Returned goods to ……*  *2. Susan Company* | | | |
| Nov 18 | | | | Returns inwards | | Eden Company | | *1. Received a debit note*  *2. Eden Company* | | | |
| Nov 21 | | | | Drawings | | Purchases | | *1. Goods taken away*  *2. Taken away by Albert (owner) for personal use* | | | |
| Nov 29 | | | | Wages expense | | Cash at bank | | *1. Wages*  *2. Autopay* | | | |
| Nov 30 | | | | Susan Company | | Cash at bank | | *1. Cheque*  *2. Susan Company* | | | |

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|  | + | Cash at bank | | | | | | - |
| 2019 |  | $ | | | 2019 |  | $ |
| Nov 1 | Capital | 160,000 | | | Nov 29 | Wages expense | 75,000 |
|  |  |  | | | Nov 30 | Susan Company | 76,000 |
|  |  |  | | |  |  |  |
|  | | | | | | | | |
|  | - | Capital | | | | | | + |
|  |  |  | | | 2019 |  | $ |
|  |  |  | | | Nov 1 | Cash at bank | 160,000 |
|  |  |  | | |  |  |  |
|  |  |  | | |  |  |  |
|  | + | Purchases | | | | | | - |
| 2019 |  | $ | | | 2019 |  | $ |
| Nov 2 | Susan Company | 80,000 | | | Nov 21 | Drawings | 2,400 |
|  |  |  | | |  |  |  |
|  |  |  | | |  |  |  |
|  | - | Susan Company | | | | | | + |
| 2019 |  | $ | | | 2019 |  | $ |
| Nov 15 | Returns outwards | | | 4,000 | Nov 2 | Purchases | 80,000 |
| Nov 30 | Cash at bank | 76,000 | | |  |  |  |
|  |  |  | | |  |  |  |
|  | + | Cash in hand | | | | | | - |
| 2019 |  | $ | | |  |  |  |
| Nov 4 | Sales | 6,000 | | |  |  |  |
|  |  |  | | |  |  |  |
|  |  |  | | | | | |  |
|  | - | Sales | | | | | | + |
|  |  |  | | | 2019 |  | $ |
|  |  |  | | | Nov 4 | Cash in hand | 6,000 |
|  |  |  | | | Nov 8 | Eden Company | 40,000 |
|  |  |  | | |  |  |  |
|  | + | Eden Company | | | | | | - |
| 2019 |  | $ | | | 2019 |  | $ |
| Nov 8 | Sales | 40,000 | | | Nov18 | Returns inwards | 1,500 |
|  |  |  | | |  |  |  |
|  |  |  | | |  |  |  |
|  | + | Equipment | | | | | | - |
| 2019 |  | $ | | |  |  |  |
| Nov 10 | Accounts payable | | 50,000 | |  |  |  |
|  |  |  | | |  |  |  |
|  |  |  | | |  |  |  |
|  | - | Accounts payable | | | | | | + |
|  |  |  | | | 2019 |  | $ |
|  |  |  | | | Nov 10 | Equipment | 50,000 |
|  |  |  | | |  |  |  |

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|  | | |  |  |  |  |  |
|  | - | | | Returns outwards | | | | + |
|  | | |  |  | 2019 |  | $ |
|  | | |  |  | Nov 15 | Susan Company | 4,000 |
|  | | |  |  |  |  |  |
|  | | |  |  |  |  |  |
|  | + | | | Returns inwards | | | | - |
| 2019 | | |  | $ |  |  |  |
| Nov 18 | Eden Company | | | 1,500 |  |  |  |
|  | | |  |  |  |  |  |
|  | | |  |  |  |  |  |
|  | + | | | Drawings | | | | - |
| 2019 | | |  | $ |  |  |  |
| Nov 21 | | Purchases | | 2,400 |  |  |  |
|  | | |  |  |  |  |  |
|  | | |  |  |  |  |  |
|  | + | | | Wages expense | | | | - |
| 2019 | | |  | $ |  |  |  |
| Nov 29 | | | Cash at bank | 75,000 |  |  |  |
|  | | |  |  |  |  |  |

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| **Points to be noted:** |
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| Definitions: |
| 1. Returns inwards – The amount of goods returned from customers. 2. Returns outwards – The amount of goods returned to suppliers. 3. Credit note – A receipt issued by the company to a customer who has returned goods which are bought on credit previously. 4. Debit note – A document issued by the company when returning goods which are bought on credit previously. |

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| Common mistakes: | |
| 1. | Enter the wrong amount for a transaction. |
| 2. | Wrongly record an entry in the same side of the corresponding account. |
| 3.  4. | Mix up the relationships between sales, purchases, returns inwards and returns outwards.  Enter all transactions related to inventory movement in a single account (e.g. inventory account). |
| 5.  6. | Do not understand the meanings of credit note and debit note.  Using abbreviations in accounting entries. |

Graded Assignment 1: Double Entry System

Advanced Level – Question Paper

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|  | | |
| Albert started his business on 1 November 2019. During this first month of operations, the following transactions took place: | | |
| Nov 1 | | Albert invested $160,000 in the business by cheque. |
| Nov 2 | | Bought goods from Susan Company on credit for $80,000. |
| Nov 4 | | Cash sales of $6,000 to ABC Company. |
| Nov 8 | | Sold goods to Eden Company on credit for $40,000. |
| Nov 10 | | Bought a piece of equipment costing $50,000 on credit. |
| Nov 15 | | Returned goods of $4,000 to Susan Company. |
| Nov 18 | | Received a debit note amounting $1,500 for goods returned from Eden Company. |
| Nov 21 | | Goods amounting $2,400 were taken away by Albert for his personal use. |
| Nov 29 | | Paid wages of $75,000 by autopay. |
| Nov 30 | | Repaid Susan Company the amount owed in full by cheque. |
| REQUIRED: | | |
| (a) | Fill in the table given to show the effects of the above transactions on the accounting equation. (9 marks) | |
| (b) | Prepare relevant ledger accounts to record the above transactions. (10 marks) | |
|  |  |  |
|  |  | (Total: 19 marks) |
| Challenging question | | |
| On 8 December 2019, Susan Company sold goods to Albert on credit with list price of $20,000, less a 5 % trade discount, with credit period of one month given. A cash discount of 2% was allowed for early settlement within 10 days. Finally, Albert settled the amount owed by cheque on 11 December 2019. | | |
|  | | |
| (c) Prepare the journal entry to record the above transaction on 11 December 2019. Narration is not required. (3 marks) | | |

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| Graded Assignment 1: Double Entry System  Advanced Level – Student Worksheet | |
| (a) | Fill in the table given to show the effects of the above transactions on the accounting equation: | |

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| --- | --- | --- | --- | --- | --- |
| Date | **Assets =**  **(+/-)** | | **Liabilities**  **(+/-)** |  | **+ Capital**  **(+/-)** |
| Nov 1 (e.g.) | +$160,000 |  |  |  | +$160,000 |
| Nov 2 |  | |  |  | |
| Nov 4 |  | |  |  | |
| Nov 8 |  | |  |  | |
| Nov 10 |  | |  |  | |
| Nov 15 |  | |  |  | |
| Nov 18 |  | |  |  | |
| Nov 21 |  | |  |  | |
| Nov 29 |  | |  |  | |
| Nov 30 |  | |  |  | |

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| (b) |  | Prepare relevant ledger accounts to record the above transactions. | | | | |
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| Challenging question  (c) |  |  |
| General Journal | | |
|  | Dr | Cr |
|  | $ | $ |

Graded Assignment 1: Double Entry System

Advanced Level – Suggested Solution and Explanatory Notes

(a)

|  |  |  |  |
| --- | --- | --- | --- |
| Date | **Assets =**  **(+/-)** | **Liabilities**  **(+/-)** | **+ Capital**  **(+/-)** |
| Nov 1 (e.g.) | *+$160,000* |  | *+$160,000* |
| Nov 2 |  | *+$80,000* | *-$80,000* |
| Nov 4 | *+$6,000* |  | *+$6,000* |
| Nov 8 | *+$40,000* |  | *+$40,000* |
| Nov 10 | *+$50,000* | *+$50,000* |  |
| Nov 15 |  | *-$4,000* | *+$4,000* |
| Nov 18 | *-$1,500* |  | *-$1,500* |
| Nov 21 |  |  | *-$2,400*  *+$2,400*  *(no change)* |
| Nov 29 | *-$75,000* |  | *-$75,000* |
| Nov 30 | *-$76,000* | *-$76,000* |  |

(b)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| + | | Cash at bank | | | | | - | |
| 2019 | |  | $ | 2019 |  | | $ | |
| Nov 1 | | Capital | 160,000 | Nov 29 | Wages expense | | 75,000 | |
|  | |  |  | Nov 30 | Susan Company | | 76,000 | |
|  | |  |  |  |  | |  | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| - | | Capital | | | | | + | |
|  | |  |  | 2019 |  | | $ | |
|  | |  |  | Nov 1 | Cash at bank | | 160,000 | |
|  | |  |  |  |  | |  | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| + | | Purchases | | | | | - | |
| 2019 | |  | $ | 2019 |  | | $ | |
| Nov 2 | | Susan Company | 80,000 | Nov 21 | Drawings | | 2,400 | |
|  | |  |  |  |  | |  | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| - | | Susan Company | | | | | | + | |
| 2019 | | |  | $ | | 2019 |  | | $ | |
| Nov 15 | | | Returns outwards | | 4,000 | Nov 2 | Purchases | | 80,000 | |
| Nov 30 | | | Cash at bank | 76,000 | |  |  | |  | |
|  | |  |  | |  |  | |  | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| + | | Cash in hand | | | | | - | |
| 2019 | | |  | $ |  |  | |  | |
| Nov 4 | | | Sales | 6,000 |  |  | |  | |
|  | |  |  |  |  | |  | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| - | | Sales | | | | | + | |
|  | |  |  | 2019 |  | | $ | |
|  | |  |  | Nov 4 | Cash in hand | | 6,000 | |
|  | |  |  | Nov 8 | Eden Company | | 40,000 | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| + | | Eden Company | | | | | - | |
| 2019 | | |  | $ | 2019 |  | | $ | |
| Nov 8 | | | Sales | 40,000 | Nov18 | Returns inwards | | 1,500 | |
|  | |  |  |  |  | |  | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| + |  | | Equipment | | | | | | - |
| 2019 | |  | | $ | |  |  |  | | |
| Nov 10 | | Accounts payable | | | 50,000 |  |  |  | | |
|  | |  | |  | |  |  |  | | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| - | | Accounts payable | | | | | + | |
|  | |  |  | 2019 |  | | $ | |
|  | |  |  | Nov 10 | Equipment | | 50,000 | |
|  | |  |  |  |  | |  | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| - | | Returns outwards | | | | | | | | | | + | | | |
|  | | |  | |  | 2019 | | |  | | | | $ | |
|  | | |  | |  | Nov 15 | Susan Company | | | 4,000 | | | |
|  | | |  | |  |  | | |  | | | |  | |
|  | | |  | |  |  | | |  | | | |  | |
| + | | Returns inwards | | | | | | | | | | - | | | |
| 2019 | | | |  | | $ |  | | |  | | | |  | |
| Nov 18 | | Eden Company | | | 1,500 | |  | |  | | | |  | | |
|  | | |  | |  |  | | |  | | | |  | |
|  | | |  | |  |  | | |  | | | |  | |
| + | | Drawings | | | | | | | | | | - | | | |
| 2019 | | | |  | | $ |  | | |  | | | |  | |
| Nov 21 | | | Purchases | | | 2,400 |  | | |  | | | |  | |
|  | | |  | |  |  | | |  | | | |  | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  |  |  |  | |  | |
| + | | Wages expense | | | | | - | | | |
| 2019 | | |  | $ |  |  | |  |
| Nov 29 | | | Cash at bank | 75,000 |  |  | |  |
|  | |  |  |  |  | |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Challenging question  (c) | |  |  |
| General Journal | | | |
|  | | Dr | Cr |
|  | | $ | $ |
| Susan Company ($20,000 × 95%) | | 19,000 |  |
|  | Cash at bank ($19,000 × 98%) |  | 18,620 |
|  | Discounts received ($19,000 × 2%) |  | 380 |

**Explanatory notes:**

1. Trade discounts of 5% was deducted from the list price during the transaction of credit purchases on 8 December.
2. Albert was obligated to repay the amount owed ($19,000) within the credit period (i.e. one month). As Albert chose to make early repayment in the cash discount period (i.e. within 10 days), a cash discount of 2% would be received and the amount to be paid ($18,620) was reduced.
3. The discounts received account is a revenue account.

|  |
| --- |
| **Points to be noted:** |
| Definitions: |
| * Credit note – A receipt issued by the company to a customer who has returned goods which are bought on credit previously. * Debit note – A document issued by the company when returning goods which are bought on credit previously. |

Difference between trade discounts and cash discounts

|  |  |  |
| --- | --- | --- |
|  | **Trade discounts** | **Cash discounts** |
| 1. Definition: | *Discounts offered by the supplier on the list price of goods* | *Discounts offered by the supplier on the net invoice price of goods in return for an early settlement of debts* |
| 1. Purpose: | *Attract customers to buy in large quantities or buy regularly* | *Encourage customers to make earlier repayment of debt (e.g. within the cash discount period)* |
| 1. Occurrence: | *At the time of purchase* | *At the time of repayment* |
| 1. Accounting Treatment: | *No record in the ledger accounts* | *Record as ‘discounts allowed’ in the books of the supplier and ‘discounts received’ in the books of the customer* |
| 1. Formula: | *List price – Trade discounts = Net invoice price* | *Net invoice price - Cash discounts = Amount paid* |

Accounting treatment of recording cash discounts

In the books of the supplier:

*Dr Discounts allowed (expenses)*

*Cr Trade receivables*

In the books of the customer:

*Dr Trade payables*

*Cr Discounts received (revenues)*

|  |  |
| --- | --- |
| Common mistakes: | |
| 1. | Mixed up debit note and credit note. |
| 2. | Mixed up trade discount and cash discount. |

Graded Assignment 1: Double Entry System

Marking Scheme

(a)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  | | --- | --- | --- | --- | | Date | **Assets =**  **(+/-)** | **Liabilities**  **(+/-)** | **+ Capital**  **(+/-)** | | Nov 1 (e.g.) | *+$160,000* |  | *+$160,000* | | Nov 2 |  | *+$80,000* | *-$80,000* | | Nov 4 | *+$6,000* |  | *+$6,000* | | Nov 8 | *+$40,000* |  | *+$40,000* | | Nov 10 | *+$50,000* | *+$50,000* |  | | Nov 15 |  | *-$4,000* | *+$4,000* | | Nov 18 | *-$1,500* |  | *-$1,500* | | Nov 21 |  |  | *-$2,400*  *+$2,400*  *(no change)* | | Nov 29 | *-$75,000* |  | *-$75,000* | | Nov 30 | *-$76,000* | *-$76,000* |  | |  |  |

(0.5 for each correct answer, total: 9 marks)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (b) |  |  | | | | | | |
|  | + | Cash at bank | | | | | | - |
| 2019 | |  | | | $ | 2019 |  | $ |
| Nov 1 | | | Capital | 160,000 | | Nov 29 | Wages expense | 75,000 |
|  | |  | | |  | Nov 30 | Susan Company | 76,000 |
|  | |  | | |  |  |  |  |
|  | | | | | | | | |
|  | - | Capital | | | | | | + |
|  | |  | | |  | 2019 |  | $ |
|  | |  | | |  | Nov 1 | Cash at bank | 160,000 |
|  | |  | | |  |  |  |  |
|  | |  | | |  |  |  |  |
|  | + | Purchases | | | | | | - |
| 2019 | |  | | | $ | 2019 |  | $ |
| Nov 2 | | Susan Company | | | 80,000 | Nov 21 | Drawings | 2,400 |
|  | |  | | |  |  |  |  |
|  | |  | | |  |  |  |  |
|  | - | Susan Company | | | | | | + |
| 2019 | |  | | | $ | 2019 |  | $ |
| Nov 15 | | Returns outwards | | | 4,000 | Nov 2 | Purchases | 80,000 |
| Nov 30 | | Cash at bank | | | 76,000 |  |  |  |
|  | + | Cash in hand | | | | | | - |
| 2019 | |  | | | $ |  |  |  |
| Nov 4 | | Sales | | | 6,000 |  |  |  |
|  | |  | | |  |  |  |  |
|  |  |  | | | | | |  |
|  | - | Sales | | | | | | + |
|  | |  | | |  | 2019 |  | $ |
|  | |  | | |  | Nov 4 | Cash in hand | 6,000 |
|  | |  | | |  | Nov 8 | Eden Company | 40,000 |
|  | |  | | |  |  |  |  |
|  | + | Eden Company | | | | | | - |
| 2019 | |  | | | $ | 2019 |  | $ |
| Nov 8 | | Sales | | | 40,000 | Nov 18 | Returns inwards | 1,500 |
|  | |  | | |  |  |  |  |
|  | |  | | |  |  |  |  |
|  | + | Equipment | | | | | | - |
| 2019 | |  | | | $ |  |  |  |
| Nov 10 | | Accounts payable | | | 50,000 |  |  |  |
|  | |  | | |  |  |  |  |
|  | |  | | |  |  |  |  |
|  | - | Accounts payable | | | | | | + |
|  | |  | | |  | 2019 |  | $ |
|  | |  | | |  | Nov 10 | Equipment | 50,000 |
|  | |  | | |  |  |  |  |
|  | |  | | |  |  |  |  |
|  | - | Returns outwards | | | | | | + |
|  | |  | | |  | 2019 |  | $ |
|  | |  | | |  | Nov 15 | Susan Company | 4,000 |
|  | |  | | |  |  |  |  |
|  | |  | | |  |  |  |  |
|  | + | Returns inwards | | | | | | - |
| 2019 | |  | | | $ |  |  |  |
| Nov 18 | | Eden Company | | | 1,500 |  |  |  |
|  | |  | | |  |  |  |  |
|  | |  | | |  |  |  |  |
|  | + | Drawings | | | | | | - |
| 2019 | |  | | | $ |  |  |  |
| Nov 21 | | Purchases | | | 2,400 |  |  |  |
|  | |  | | |  |  |  |  |
|  | |  | | |  |  |  |  |
|  | + | Wages expense | | | | | | - |
| 2019 | |  | | | $ |  |  |  |
| Nov 29 | | Cash at bank | | | 75,000 |  |  |  |

(0.5 for each correct entry, total: 10 marks)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Challenging question  (c) | |  |  |  |
|  | |  |  | **Marks** |
| General Journal | |  |  |  |
|  | | Dr | Cr |  |
|  | | $ | $ |  |
| Susan Company | | 19,000 |  | *1* |
|  | Cash at bank |  | 18,620 | *1* |
|  | Discounts received |  | 380 | *1* |

(Total: 3 marks)