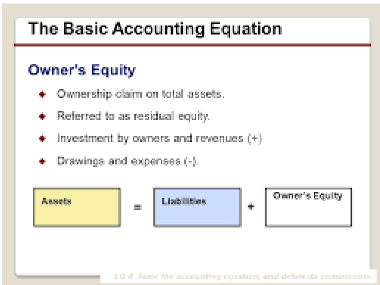
<table>
<tr><td>:</td><td colspan="3">GRADE:</td><td>DATE:</td><td>WEEK:</td><td>CAPS SECTION:</td></tr>
<tr><td>EMS</td><td>7</td><td>8</td><td>☑9</td><td>Term 1: Lesson 2</td><td>Term 1: Lesson 2</td><td>Financial Literacy</td></tr>
<tr><td>AIMS OF LESSON:</td><td colspan="6"><u>Learners must be able to understand:</u>
1. Calculation of cost prices, selling prices and profit mark-up %
2. The effect of cash transactions (trading business) on the accounting equation
3. The cash journals of a trading business</td></tr>
<tr><td>RESOURCES</td><td colspan="4"><u>PAPER BASED RESOURCES:</u>
• Textbooks</td><td colspan="2">:
•
•
•</td></tr>
<tr><td>INTRODUCTION</td><td colspan="6">Prior content knowledge: The effect of cash transactions (service business) on the accounting equation and the CRJ and CPJ of a service business
Link with the next lesson: General Ledger of a sole trader
By the end of the lesson learners will be able to:
• Show the effect of cash transactions (trading business) on the accounting equation
• Enter transactions in the CRJ and CPJ of a sole trader</td></tr>
<tr><td>TERMINOLOGY</td><td colspan="6">Any terms that appear in the topic that do not form part of the learner's normal vocabulary.
• Accounting equation
• Assets
• Liabilities
• Owners' equity
• Income
• Expenses
• Cash register roll
• Duplicate receipt
• Electronic Fund Transfers (EFTs)
• Selling price

</td></tr>
</table>

- Cost price
- Profit mark-up %
- Trading stock/goods/merchandise
- Sales
- Cost of sales

CONTENT: CONCEPTS and/or SKILLS

Introduction

ACCOUNTING EQUATION

ASSETS (A) = EQUITY (E) + LIABILITY (L)

CLASSIFICATION OF ACCOUNTS

<table>
<tr><th colspan="3">ASSETS</th></tr>
<tr><th colspan="2">Non-current Assets</th><th rowspan="2">Current assets</th></tr>
<tr><th>Tangible/Fixed assets</th><th>Financial assets</th></tr>
<tr><td>▪ Land & Buildings
▪ Equipment
▪ Vehicles</td><td>▪ Fixed Deposit</td><td>▪ Trading Stock
▪ Debtors Control
▪ Bank
▪ Cash Float
▪ Petty Cash</td></tr>
</table>

<table>
<tr><th colspan="2">LIABILITIES</th></tr>
<tr><th>Non-current liabilities</th><th>Current liabilities</th></tr>
<tr><td>▪ Loan</td><td>▪ Creditors Control
▪ Bank Overdraft</td></tr>
</table>

OWNER'S EQUITY/ EQUITY (Net Worth)	
• Drawings	• Capital
Expenses/Losses	**Income/Profit**
• Cost of Sales • Rent Expense • Salaries & Wages • Stationery • Rates • Insurance • Water & Electricity • Advertising • Bank Charges • Telephone • Repairs • Packing Material • Donations	• Sales • Current Income • Rent Income • Commission (income) • Donations (income)

ACCOUNTING PRINCIPLES

Dr	ASSETS	Cr
+		-

Dr	LIABILITIES	Cr
-		+

Dr	OWNER'S EQUITY	Cr
-		+
(Drawings decreases Owners' Equity) (Expenses decreases Owner's Equity)		(Capital increases Owner's Equity) (Income increases Owner's Equity)

TRADING BUSINESSES:

A business generating income by buying goods/merchandise and selling it at a higher price.

CALCULATION OF COST OF SALES
Selling price minus the Cost price = Gross profit
SP – CP = GP

The percentage mark-up is on the cost price. Accept/Assume that the Cost price is ALWAYS 100 %. Example: Calculate the cost of sales if the profit mark-up is 25 % and the selling price is R4 000.

CP = 100 %
\+ GP = 25 %
SP = 125 %

IT IS ALWAYS THE UNKNOWN DIVIDED BY THE KNOWN

$$\frac{100}{125} \times \frac{4\,000}{1} = R3\,200$$

CALCULATION OF SALES
Selling price minus the Cost price = Gross profit

SP – CP = GP

The percentage mark-up is on the cost price. Accept/Assume that the Cost price is ALWAYS 100 %. Example: Calculate the selling price if the profit mark-up is 50 % and the selling price is RR2 000.

CP = 100 %
\+ GP = 50 %
SP = 150 %

IT IS ALWAYS THE UNKNOWN DIVIDED BY THE KNOWN

$$\frac{150}{100} \times \frac{2\,000}{1} = R3\,000$$

CALCULATION OF PROFIT MARK-UP /PROFIT PERCENTAGE

Selling price – Cost price = Profit

Profit percentage = $\frac{\textbf{Profit}}{\textbf{Cost of sales}} \times \frac{\textbf{100}}{\textbf{1}}$

Selling price – Cost price = Profit

10 000 – 5 000 = 5 000

$$\frac{5\,000}{5\,000} \times \frac{100}{1} = 100\ \%$$

Source documents used to record cash transactions in the books of the business:

- **Duplicate receipt:** to record **cash received**
- **Electronic Fund Transfers (EFT reference number):** to record **cash payments**
- **Cash register roll:** to record **cash sales**

CASH TRANSACTIONS OF A TRADING BUSINESS (EXAMPLE):
Analyse the transactions according to the answer sheets. The business sells goods with a profit mark-up of 50 % on cost price.

TRANSACTIONS:
1. Bought goods from L Manas and paid by EFT no 1, R3 600.
2. Sold goods of R4 050 according to the cash register roll.

	ASSETS		OWNERS' EQUITY		SOURCE DOCUMENT	JOURNAL
No	Effect	Reason	Effect	Reason		
1	+ 3 600	Trading stock increases			EFT reference number	CPJ
	- 3 600	Cash decreases				
2	+ 4 050	Cash increases	+ 1 350	Profit	Cash register roll	CRJ
	- 2 700	Trading stock decreases				

Calculation of cost of price:

CP = 100 %
GP = 50 %
SP = 150 %

100/150 x R4 050 = R2 700

Trading business (sells goods/products for cash)

Cash Receipts Journal of Talitha Traders – January 2019 **CRJ1**

Doc No	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of Sales	Sundry Accounts		
								Amount	Fol	Details

The cost price of goods sold

The selling price of goods sold
(cost price + profit)

Trading business (payments by EFTs)

Cash payments journal of Talitha Traders – January 2019 **CPJ1**

Doc No	Day	Details	Fol	Bank	**Trading Stock**	Stationery	Wages	Sundry Accounts		
								Amount	Fol	Details

Amount paid for **goods** purchased (for re-selling)

TRANSACTIONS:

2020 JANUARY

20 Purchased trading stock for R5 500 from Makro Wholesalers and paid by EFT, 01.

ACCOUNTING EQUATION

A		= E	
Effect	**Reason**	**Effect**	**Reason**
-5 500	Cash/Bank decreases		
+5 500	Trading stock increases		

Cash Payments Journal of Talitha Traders – January 2020 CPJ1

Doc No	Day	Details	Fol	Bank	**Trading stock**		Sundry accounts		
							Amount	Fol	Details
EFT 01	20	Makro Wholesalers		5 500	5 500				

2020 JANUARY

31 Sold goods for cash, R4 500. The cost price was R3 000.

ACCOUNTING EQUATION

A		= E	
Effect	**Reason**	**Effect**	**Reason**
+ 4 500	Cash/Bank increases	+1 500	Profit earned/ Profit
- 3 000	Trading stock decreases		

Cash Receipts Journal of Talitha Traders – January 2020 CRJ1

Doc no	Day	Details	Fol	Analysis of receipts	Bank	**Sales**	**Cost of sales**	Sundry accounts		
								Amount	Fol	Details
CRR	31	Sales		4 500	4 500	4 500	3 000			

CONSOLIDATION ACTIVITIES

Activity 1

Analyse the transactions according to the answer sheets. The business sells goods with a profit mark-up of 100 % on cost price.

TRANSACTIONS:

1. The owner increased his capital contribution from R100 000 to R150 000 by depositing it directly in the bank account of the business
2. Bought stationery per EFT (no 1), R1 800.
3. Bought trading stock, paid the amount of R5 000 by EFT (no 2).
4. Bought equipment for R15 000 and paid by EFT (no 3).
5. Received payment for rent from our tenant, R12 000.
6. Sold stock with a cost price of R200 according to the cash register roll.
7. Salaries paid for the month by EFT, R75 000.
8. Cash sales for the day amounted to R12 000.

	ASSETS		OWNERS' EQUITY		SOURCE DOCUMENTS	JOURNAL
No	Effect	Reason	Effect	Reason		
1.						
2.						
3.						
4.						
5.						

	ASSETS		OWNERS' EQUITY		SOURCE DOCUMENT	JOURNAL
No	**Effect**	**Reason**	**Effect**	**Reason**		
6.						
7.						
8.						

Informal assessment:

Thandi Kumalo owns a hairdressing salon called Thandi's Styles. She provides a hairdressing service and sells various hair products, such as shampoos, combs and hair extensions. Thandi uses a mark-up of 25 % on cost**. NOTE: All payments are made via EFT**. Analyse the transactions according to the answer sheets.

TRANSACTIONS:

1. The owner, Thandi deposited R500 000 in the current bank account of the business, Thandi Styles as capital contribution.
2. Purchased shampoos and combs as trading stock and paid by EFT (no 1), R5 000.
3. Sold goods according to cash register roll, R3 900.
4. Paid the water and electricity account to the municipality, R4 900.
5. Paid the wages, R8 500.
6. Paid the telephone account to Telkom, R1 200.
7. Bought hairdryers from LDT Ltd and paid R13 500.
8. Received R3 000 for services rendered.
9. Purchased shampoo and conditioner to use in the salon and paid R2 500.

	ASSETS		OWNERS' EQUITY		SOURCE DOCUMENTS	JOURNAL
No	Effect	Reason	Effect	Reason		
1.						
2.						
3.						
4.						

No	ASSETS		OWNERS' EQUITY		SOURCE DOCUMENTS	JOURNAL
5.						
6.						
7.						
8.						
9.						

Activity 2

James Traders is owned by A James. The business uses a mark-up of 100% on cost.

Required:

1. Record the following transactions in the:

1.1 Cash Receipts Journal
1.2 Cash Payments Journal

NB: DO NOT CLOSE OFF THE JOURNALS.

Transactions: March 2020

1 Bought a vehicle from Baron Motors and paid by EFT, no. 34, R280 000.

4 Cash sales according to cash register roll 5 amounted to R8 000.

6 The owner, A James, deposited R25 000 directly into the current bank account of the business as a capital contribution.

7 Received R6 000 from a tenant, A. Arries for the monthly rent.

Paid the weekly wages, R3 000.

8 Bought merchandise from Mel Stores for R2 400 and paid by EFT.

Sold goods for cash. Cost price, R7 000.

12 Paid R1 900 by EFT to Old Mutual to pay the insurance of the business, R1 300 and the rest to pay the personal insurance of the owner.

CASH RECEIPTS JOURNAL OF JAMES TRADERS – MARCH 2020 CRJ 2

Doc	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Sundry accounts		
								Amount	Fol	Details

CASH PAYMENTS JOURNAL OF JAMES TRADERS – MARCH 2020 CPJ 2

Doc	Day	Details	Fol	Bank	Trading stock	Wages	Creditors control		Sundry accounts		
									Amount	Fol	Details