

Financial Accounting



Workbook

M Richards

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**Financial Accounting N4
Workbook**

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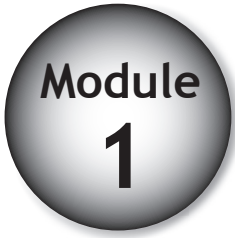
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Introduction

PART 1: ACCOUNTING THEORY, PRINCIPLES AND CONCEPTS

Starter activity

Profit motive
Raising capital
Sole proprietorship
Accounting records

Identify the accounting concept, principle or term in Column B that is illustrated by each example in Column A.

Column A: Example	Column B: Accounting . . . ?
Ms Tam must not record the costs of her personal groceries together with the ingredients she buys for Tamboti Bakery's bread.	concept
If Mr Bao and Mr Bab buy enough furniture varnish to last them for two years, they must split the cost over two financial time periods.	concept
Ms Tam must keep and file every invoice she receives from her suppliers of flour and other ingredients.	principle
If Mr Bao and Mr Bab buy varnish this year, but only use it on furniture that is sold next year, they must ensure the expense of the varnish is only included in next year's accounting reports too.	principle
If Ms Tam buys flour to use this year, but only pays for it next year, she must ensure that the expense of the flour is included in this year's accounting reports too.	concept
Mr Bao and Mr Bab once bought a small quantity of purple glitter varnish for a customer who wanted a funky desk. They do not need to show this expense separately in their accounting records - they can add the amount in with their regular varnish costs.	principle
Ms Tam used her savings to start Tamboti Bakery.	Accounting term -
Mr Bao helped to start Baobab Furniture by putting his woodworking equipment into the business.	Accounting term -
Tamboti Bakery bought a second-hand van to use to deliver bread to customers.	Accounting term -
Mr Bab's grandmother lent Baobab Furniture some money to help the business buy more woodworking equipment.	Accounting term -

[10 marks]

Mr Bao and Mr Bab are equal partners in Baobab Furniture, a profitable business that builds all types of furniture in its factory in Kokstad. They have some questions they would like you to answer. Please provide a reason for each answer:

1. What will happen to Baobab Furniture if Mr Bao dies?

2. Can Mr Bao and Mr Bab protect the existence of Baobab Furniture by registering it as a Close Corporation?

3. If Baobab Furniture is registered as a personal liability company, what will happen to the business if Mr Bab dies?

4. If Baobab Furniture was registered as a private company, who would the owners of the company be?

5. Can Mr Bao and Mr Bab register Baobab Furniture as a non-profit organisation?

[10 marks]

Activity 1.1.3

Pairs/Individual

Match every business in Column A with an activity type in Column B.

Column A: Business	Column B: Main activity
African Bank Ltd	
iTunes	
Baobab Furnitures	
Crossfit Gym	
Dr Williams, dentist	
KFC	
Nelson Mandela Foundation	
rapecrisis.org.za	
Shoprite/Checkers	
Tamboti Bakery	

[10 marks]

Complete the table below to test your understanding of the concepts revised in this unit.

Transaction	General ledger account		Accounting equation A = OE + L		
	Debited	Credited	Assets	Owner's equity	Liabilities
Ms Tam buys R10 000 of ingredients on credit to bake bread for Tamboti Bakery.					
Mr Bao and Mr Bab buy furniture varnish using a cheque.					
Ms Tam pays for R10 000 of ingredients she bought on credit.					
Baobab Furniture sells a set of garden furniture on credit.					
Ms Tam sells bread to a customer for R300 cash.					
Baobab Furniture is paid for the garden furniture it sold on credit.					
Ms Tam used her savings of R150 000 to start Tamboti Bakery.					
Mr Bao helped to start Baobab Furniture by putting his woodworking equipment into the business.					
Tamboti Bakery bought a second-hand van on credit to deliver bread: R75 000.					
Mr Bab's grandmother lent Baobab Furniture money to buy more woodworking equipment.					

[40 marks]

SUMMATIVE ASSESSMENT FOR MODULE 1, PART 1

QUESTION 1

Match the example in Column A with the correct accounting concept, principle or term in Column B.

Column A	Column B
1. Ms Tam must not record the value of her baking expertise in the accounting records of Tamboti Bakery's bread.	
2. Mr Bao has been too sick to work for many months, and he may have to retire from Baobab Furniture. Mr Bab must ensure this is noted in the financial reports of the business.	
3. Every time Ms Tam buys an asset on credit for her business, the business will also incur a liability for the exact same amount.	
4. Mr Bao and Mr Bab buy enough varnish to last the business for two years. In the second year, the price of varnish is double that which they paid for it, but the business does not adjust its records to show.	
5. Ms Tam lands a three-year contract to supply bread to a restaurant. She will record the income from this contract spread over each of the three years.	
6. Mr Bao had a car accident and will not be able to work for many months, but he hopes to make a full recovery within a year or two. Mr Bab must ensure this is noted in the financial reports of the business.	
7. All the assets of Tamboti Bakery, less all the liabilities of the business.	
8. Baobab Furniture made its first sale of garden furniture.	
9. Tamboti Bakery paid the wages of Ms Tam's assistant baker.	
10. Mr Bab's grandmother lent Baobab Furniture some money but she wants the loan to be repaid before the end of the year.	

[10 marks]

QUESTION 2

Choose the correct answer from the given options below. Write only the answer letter (A, B, C, or D) next to the question number (2.1–2.10) on your answer paper.

Question	Answer
2.1	
2.2	
2.3	
2.4	
2.5	
2.6	
2.7	
2.8	
2.9	
2.10	

[10 marks]

QUESTION 3

Analyse the following transactions according to the headings that appear in the table below.

Transaction	General ledger account		Accounting equation A = OE + L		
	Debited	Credited	Assets	Owner's equity	Liabilities
1.					
2.					
3.					
4.					
5.					

[20 marks]

TOTAL: [40]

PART 2: ACCOUNTING TRANSACTIONS AND HOW TO RECORD THEM

- Type of business organisation
- Type of business activity
- Non-current assets
- Running expenses

Starter activity

Business organisation
Business activity
Non-current assets
Running expenses

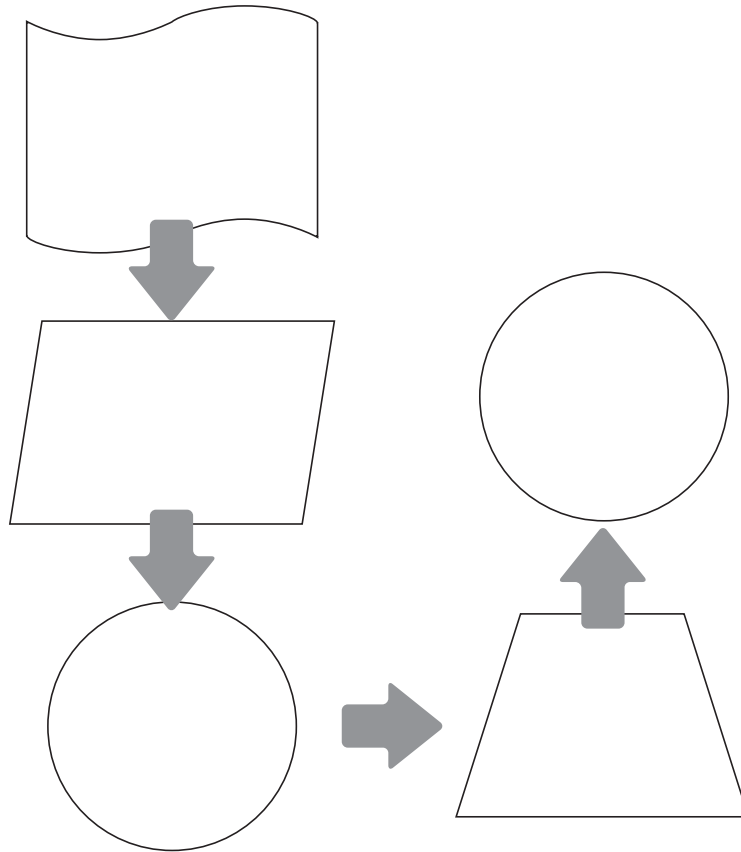
Activity 1.2.1

Pairs/Individual

Complete the accounting cycle below, using only the following five steps:

- Financial statements
- Journal records
- Ledger postings
- Source documents
- Trial balance

The accounting cycle



Activity 1.2.2

Pairs/Individual

Complete the table below to test your understanding of the concepts revised in this unit as follows:

- Write the name of the source document in Column A.
- Place an X in either Column B or Column C.
- Place another X in either Column D or Column E.

Transaction	Source document				
	A	B Original	C Duplicate	D Internal	E External
Ms Tam buys R10 000 of ingredients on credit to bake bread for Tamboti Bakery.					
Mr Bao and Mr Bab buy furniture varnish using a cheque.					
Baobab Furniture sells a set of garden furniture on credit.					
Ms Tam sells bread to a customer for R300 cash.					
Baobab Furniture is paid for the garden furniture it sold on credit.					

[15 marks]

Complete the table below to test your understanding of the concepts you have revised so far by inserting:

- The relevant source document that proves each transaction.
- The relevant journal into which each transaction is entered.

Transaction	Source document	Journal	General ledger account	
			Debited	Credited
Capital contribution from owner via EFT			Bank	Capital
Purchase of non-current asset by cheque			Asset	Bank
Payment of operating expense			Expense	Bank
Cash drawn by owner			Drawings	Bank
Cash purchase of inventory			Purchases expense	Bank
Cash sale of inventory			Bank	Sales
Other income received			Bank	Income
Payment to petty cash float			Petty cash	Bank
Expenses paid from petty cash			Expense	Petty cash
Bank charges, interest, and other debits			Expense	Bank

[20 marks]

Complete the table below to test your understanding of the concepts you have revised so far by inserting:

- The relevant source document that proves each transaction.
- The relevant journal into which each transaction is entered.
- The general ledger account that is debited.
- The general ledger account that is credited.

Transaction	Source document	Journal	General ledger account	
			Debited	Credited
Capital contribution of R150 000 cash by owner	Duplicate receipt			
Credit purchase of non-current asset R75 000		Purchases journal		
Credit purchase of R10 000 inventory				
Return of R2 000 of credit purchase				
Payment of trade payable R8 000				
Credit sale R15 000 of inventory				
Goods returned by trade receivable R1 000				
Cash received from trade receivable R14 000				

[30 marks]

Activity 1.2.5

Pairs/Individual

Tamboti Bakery Trial Balance 31 December 2021		
	R	R
Capital		150 000
Non-current liability		75 000
Non-current asset	75 000	
Trade receivables	0	
Bank	156 000	
Trade payables		0
Sales		15 000
Sales returns	1 000	
Purchases	10 000	
Purchases returns		2000

SUMMATIVE ASSESSMENT FOR MODULE 1, PART 2

QUESTION 1

Complete the table below by inserting:

- The relevant journal into which each transaction is entered.
- The general ledger account that is debited.
- The general ledger account that is credited.

Transaction	Journal	General ledger account	
		Debited	Credited
Ms Tam buys R10 000 of ingredients on credit to bake bread for Tamboti Bakery.			
Mr Bao and Mr Bab buy furniture varnish using a cheque.			
Ms Tam pays for R10 000 of ingredients she bought on credit.			
Baobab Furniture sells a set of garden furniture on credit.			
Ms Tam sells bread to a customer for R300 cash.			
Baobab Furniture is paid for the garden furniture it sold on credit.			
Ms Tam used her savings of R150 000 to start Tamboti Bakery.			
Mr Bao helped to start Baobab Furniture by putting his woodworking equipment into the business.			
Tamboti Bakery bought a second-hand van on credit to deliver bread: R75 000.			
Mr Bab's grandmother sold Baobab Furniture equipment that must be paid for within five years.			

[30 marks]

QUESTION 2

1. Analyse the following transactions and post them to the correct general ledger accounts provided.

[10 marks]

2. Draw up a trial balance for Baobab Furniture.

[10 marks]

Transactions:

1. Mr Bao helped to start Baobab Furniture by putting his woodworking equipment valued at R30 000 into the business.
2. Mr Bab's grandmother lent Baobab Furniture R50 000 money to buy more woodworking equipment.
3. Baobab Furniture sells a set of garden furniture on credit: R5 000.
4. Baobab Furniture is paid for the garden furniture it sold on credit.
5. Baobab Furniture buys furniture varnish using a cheque: R2 000.

Capital Mr Bao							
Non-current liability: Loan Grandma							
Non-current asset: Woodworking equipment							
Bank							
Trade receivables							
Sales							
Purchases							

Baobab Furniture Trial Balance 31 December 2021		
	R	R
Capital		
Non-current liability		
Non-current assets		
Trade receivables		
Bank		
Sales		
Purchases		

[20 marks]

TOTAL: [50]

PART 3: BANK RECONCILIATIONS

Starter activity

Activity 1.3.1

Pairs/Individual

Test your understanding of bank reconciliation concepts by matching each concept in Column A with the best description in Column B.

Column A: Concept	Column B: Description
Bank charges	A cheque that is dated more than six months ago.
Bank interest paid/ Interest on overdraft	A cheque that the bank will not make payment on due to insufficient funds.
Debit order	Permission given to someone to withdraw money from your account.
Direct deposit	A cheque with a date sometime in the future
Outstanding cheque	A payment made into your bank account by a customer.
Outstanding deposit	Amount paid to the bank when you have an overdrawn balance.
Post-dated cheque	An amount written in the CPJ that the bank has not yet received and debited to your account.
R/D cheque	An amount written in the CRJ that the bank has not yet received and credited to your account.
Stale cheque	An instruction you give to your bank to deduct an amount from your bank account.
Stop order	Costs charged by the bank to operate your bank account.

[10 marks]

Activity 1.3.2
Pairs/Individual

Test your understanding of how to treat differences between the records of a business and its bank statement by completing the table below.

	Adjusting or timing difference? (A or T)	BRS entry? (Yes or No)	Journal entry? (None or CRJ or CPJ)	Effect on Bank account in GL? (None or Dr or Cr)
Interest on positive bank balance				
Stop/debit orders				
Post-dated cheque received				
Outstanding deposits				
Outstanding cheques				
Interest on bank overdraft				
Error on bank statement				
Direct deposits				
Stopped debit orders				
Bank charges				

[40 marks]

Activity 1.3.3
Pairs/Individual

Test your understanding of the bank reconciliation statement by calculating the missing amount in each column.

	Recon. Statement A	Recon. Statement B	Recon. Statement C	Recon. Statement D	Recon. Statement E
Balance per bank statement	1 920 dr	55 260 cr	31 920 cr	?	?
Outstanding deposits	None	57 000	39 000	36 000	None
Outstanding cheques	17 000	41 000	28 000	42 000	83 000
Bank error	24 000 cr	None	45 000 dr	23 000 dr	64 000 cr
Post-dated cheques issued	36 000	66 000	None	None	75 000
Bank balance per general ledger	?	?	?	50 092 dr	105 260 cr

[5 marks]

Test your understanding of the bank reconciliation procedure by checking the bank reconciliation statement below. Calculate the correct balance for the bank account in the general ledger, and draw up a corrected and balanced reconciliation statement.

Bank Reconciliation Statement of Baobab Furniture 31 December 2021		
	Debit	Credit
Balance on the bank statement	43 000	
Cheque 123 dated 19 December 2021 not presented	73 000	
Direct deposit		47 000
Bank error		3 300
Cheque 456 dated 18 January 2022 not presented	24 000	
Outstanding deposit	156 000	
Cheque 789 dated 17 July 2021 cancelled	82 000	
Bank interest paid/Interest on overdraft	3 000	
Cheque 890 dated 16 May 2021 not presented	91 000	
Bank charges	2 000	
Debit order	4 400	
Balance in the general ledger		191 300
	478 400	241 600

[15 marks]

Workings

SUMMATIVE ASSESSMENT FOR MODULE 1, PART 3

QUESTION 1

Tamboti Bakery								
Cash Payments Journal December 2021								
Doc.	Date	Details	Fol.	Bank	Purchases	Trade payables control	Sundry accounts	
							Amount	Details
54	5	Payee A		11 250				
55	8	Payee B		3 950				
56	11	Payee C		6 313				
57	14	Payee D		10 000				
58	18	Payee E		36 150				
59	21	Payee F		19 725				
60	25	Payee G		15 953				
61	29	Payee H		19 725				
62	31	Payee I		16 875				
				139 941				

Tamboti Bakery
Cash Receipts Journal December 2021

Doc.	Date	Details	Fol.	Bank	Sales	Trade receivables control	Sundry accounts	
							Amount	Details
65	1	Receipts		4 313				
66	5	Receipts		11 625				
67	10	Receipts		1 575				
68	16	Receipts		8 700				
69	26	Receipts		750				
70	31	Receipts		155 475				
				182 438				

Bank								

Tamboti Bakery
Bank Reconciliation Statement at 31 December 2021

	Debit	Credit

[30 marks]

QUESTION 2

Baobab Furniture Cash Book - Credit side June 2021								
Doc.	Date	Details	Fol.	Bank	Purchases	Trade payables control	Sundry accounts	
							Amount	Details

PART 4: CONTROL ACCOUNTS

Starter activity

Activity 1.4.1

Pairs/Individual

Post the relevant entries from the journals above to complete and balance the account. The opening and closing balances have been inserted so you can check that your work is correct.

Trade receivables control account							
1	Balance	b/d	25 276				
1	Balance	b/d	47 012				

[9 marks]

In your workbook, you will find the unposted trade payables accounts for Supplier B, Supplier C, Supplier D, Supplier E, and Supplier F in Bushwillow Traders' trade payables ledger at the end of July 2021.

Post the relevant entries from the journals above to complete and balance all five accounts. The opening and closing balances have been inserted so you can check that your work is correct.

Supplier A					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			6 905
5	Supplier invoice 123	PJ		4776	11 681
25	Supplier credit note 16	PRJ	967		10 714

Supplier B					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			2 734
					10 396

Supplier C					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			3 005
					4 181

Supplier D					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			7 536
					12 729

Supplier E					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			4 513
					6 996

Supplier F					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			2 141
					9 101

[15 marks]

Activity 1.4.3

Pairs/Individual

In your workbook, you will find the unposted trade receivables accounts for Customer H, Customer I, Customer J, Customer K and Customer L in Bushwillow Traders' trade receivables ledger at the end of July 2021.

Post the relevant entries from the journals above to complete and balance all five accounts. The opening and closing balances have been inserted so you can check that your work is correct.

Customer G					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			2 507
6	Sales invoice 45	SJ	3 037		5 544
15	GJ 67 Correction	GJ		657	4 887

Customer H					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			2 906
					7 702

Customer I					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			4 014
					7 913

Customer J					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			3 913
					6 765

Customer K					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			5 269
					6 191

Customer L					
	Details	Fol	Debits	Credits	Balance
1	Balance	b/d			6 667
					13 554

[17 marks]

Activity 1.4.4**Pairs/Individual**

Below is the uncompleted trade payables list drawn up from the accounts in Bushwillow Traders' trade payables ledger at the end of June 2021. Draw up the list of opening balances and reconcile it with the opening balance in the trade payables control account in the general ledger.

Bushwillow Traders List of trade payables at 30 June 2021		
	Debit	Credit
Supplier A		
Supplier B		
Supplier C		
Supplier D		
Supplier E		
Supplier F		
Balance per trade payables control account		

[7 marks]

Activity 1.4.5**Pairs/Individual**

Below is the uncompleted trade receivables list drawn up from the accounts in Bushwillow Traders' trade receivables ledger at the end of July 2021. Draw up the list of opening balances and reconcile it with the opening balance in the trade receivables control account in the general ledger.

Bushwillow Traders List of trade receivables at 31 July 2021		
	Debit	Credit
Customer G		
Customer H		
Customer I		
Customer J		
Customer K		
Customer L		
Balance per trade receivables control account		

[7 marks]

Balance per trade payables control account:

Trade payable	Balance
Supplier V	
Supplier W	
Supplier X	
Supplier Y	
Supplier Z	

[10 marks]

Trade receivables control account							

[10 marks]