Go to Index

Topic 6

Subsidiary journals and ledgers Credit transactions with creditors

After studying this chapter, you should be able to:

- understand why an entity would purchase goods on credit,
- enter the credit purchase transactions with suppliers in the subsidiary journal,
- enter the purchases returns transactions in the subsidiary journal,
- record payments to creditors in the subsidiary journal,
- understand why an accounting system is needed to record transactions with each individual supplier,
- transfer information from the subsidiary journals to the separate accounts in the creditors ledger and the general ledger,
- understand the relationship between the creditor's account in the creditors ledger and the creditors control account,

6.1 Introduction

Businesses can decide to purchase some or all their inventory on credit to prevent cash flow problems until the inventory is sold. To increase sales businesses can decide to sell goods on credit or for cash.

Businesses that buy and sell on a credit basis keep two more ledgers, namely:

- the debtors' ledger for credit sales and
- the creditors' ledger for credit purchases.

6.1.1 Credit purchases from creditors

A business can buy goods for cash or on credit. The suppliers that provide goods to a business with whom a delay in cash payment has been negotiated are called *creditors*.

Why will a business buy goods on credit?

- Negotiating credit is cheaper than borrowing money to pay cash for the goods.
- Suppliers can only charge interest after the specified credit period that was granted to the business is has expired.
- The credit period gives the business time to sell the goods and use the cash from sales to pay for purchases.

Go to Index

6.1.2 Credit sales to debtors

A retail entity earns revenue by selling goods for cash or on credit to *debtors*. Why will a business sell goods on credit?

- The business sells on credit to increase its sales, because most people will buy more goods if they can pay for it later.
- Customers that can't afford to pay cash can buy goods and pay it over the required time.
- Customers that don't carry large amounts of cash with them will be able to buy more goods on credit.
- The business can increase income by charging interest to customers who do not pay their debts within the agreed time.

Why will a customer buy on credit?

- The customer can buy on credit without paying interest if the account is settled before the due date.
- The customer can invest his money and earn interest until the account must be paid.
- Customers that can't afford to pay cash can buy goods and pay it over the required time.

Question 1

1.1 Name three advantages for a business to buy goods on credit

1.2 Why will the business sell on credit?

1.3 Why will clients buy on credit?

1.4 What is the difference between the creditors and debtors.

Creditors	Debtors

6.1.3 Ledgers

We have already seen that the general ledger is divided into two sections, namely the financial position accounts section and the nominal accounts section.

Businesses that buy and sell on a credit basis keep two more ledgers, namely:

- the debtors' ledger for credit sales and
- the creditors' ledger for credit purchases.

6.1.3.1 Debtors' ledger

The individual transaction of a person/entity is recorded in their individual account in the debtors' ledger for example credit sales, returns of merchandise, payments, etc.

6.1.3.2 General ledger - Debtors' control account

The accounting records are kept according to the control system, which requires a debtors' control account in the general ledger in the balance sheet accounts section. Considerable time can be saved when only the balance in the debtors control account is used when a trial balance is drawn up.

A summary of all the transactions recorded in the individual accounts of all the debtors in the *debtor ledger* will be found in the debtors control account. The total credit sales, total returns and total payments by debtors are recorded in the *debtors control account*.

It is possible to check the accuracy of the accounting as the total of all the balances of the debtor's accounts in the debtor ledger must be equal to the balance of the debtors control account in the general ledger.

6.1.3.3 Creditors' ledger

The individual transaction of a supplier is recorded in the individual account in the creditors' ledger for example credit purchases, returns of merchandise, payments, etc.

6.1.3.4 General ledger - creditors control account

A summary of all the transactions recorded in the accounts of all the creditors in the creditor's ledger will be found in the creditors control account in the general ledger. The total credit purchases, total returns and total payments to creditors are recorded in the creditors control account.

The total of all the balances of the accounts in the *creditors' ledger* must be equal to the balance of the *creditors control account* in the general ledger.

6.1.3.5 Summary

The separate debtors' ledger and creditors ledger is not part of the general ledger because it does not form part of the double entry system. The debtors' ledger represents the details in the debtors control account while the creditors' ledger represents the details in the creditors control account. The debtors' control and creditors control accounts are recorded in the general ledger to complete the double entry for credit transactions.

Question 2

2.1 Explain the difference between the debtors' ledger and the debtors' control.

Debtors control	Debtor's ledger

2.2 Explain the difference between the creditors' ledger and the creditors' control.

Creditors control	Creditors ledger

2.3 What is the advantage of the creditors control system?

Go to Index

6.2 Credit purchases

6.2.1 Credit purchases from creditors

Entities often buy merchandise on credit from factories or wholesalers for resale purposes at a profit. At times, traders also buy non-current assets, services and consumable stores, such as petrol, stationery, packing material and cleaning material on credit to use in the business. The entities that provide these assets, services and consumable stores on credit become ***creditors*** of the entity.

6.2.2 Source documents

The source documents used to record credit transactions are:

- Original credit ***invoices received*** for credit purchase transactions are used to record credit purchases in the creditor's journal.
- A ***debit note*** *is* ***issued*** when goods are returned to the supplier. The supplier needs to give his consent with a credit note.
- A ***credit note received*** from the supplier for goods returned or allowances for damaged goods, are used to record entries in the creditor's allowances journal.
- A ***bank statement*** is used to record payments with an electronic fund transfer (EFT) and debit card payments to creditors in the cash payments journal.
- A ***statement of account*** is received from the supplier at the end of the month to indicate the total outstanding amount. This statement of account is compared with the account in the creditors ledger to determine if there are any mistakes or omissions that must be corrected.

Question 3

What is the purpose of the following source documents?

Original credit invoice received.	
Debit note issued	
Original credit note received	
Bank statement	

6.2.3 Creditors

A *creditor* is a supplier to whom the entity owes money for goods or services purchased on credit. The outstanding amount will be paid to the creditor in the future. Creditors are liabilities because it will an outflow of money in the future when the creditor is paid.

6.2.4 Creditors journal/Purchases journal (CJ)

The creditors journal serves as a subsidiary journal (book of first entry) in which credit purchase transactions are recorded daily from the *credit invoices* (source documents) *received*. The name of the business and the month for which the transactions are recorded will be written as a heading. Each invoice received from a creditor is entered on a separate line in the journal.

ABC Traders
Creditors journal – May 2024 **CJ**

Doc no	Day	Name of supplier	Fol	Creditors control	Inventories	Sundry accounts		
						Amount	Fol	Details
1	5	DE Traders	C1	5 400	5 000	400	N6	Stationery
2	10	Hatfield Traders	C2	3 400	2 800	600	B5	Equipment
				8 800	7 800	1 000		
				B4	B3			

The journal has columns to record the following:

- Supplier's invoice number that is renumbered;
- Date;
- Name of the supplier;
- Folio-posting reference number of the creditor in the creditors ledger;
- Creditors control – the total amount of the purchase transaction on the invoice;
- Additional columns that will vary from one entity to another entity, depending on the items that are purchased regularly on credit.
- Sundry accounts.

The numbers on the invoices received from the various suppliers will vary, therefore the accountant will renumber them consecutively from no 1, 2, etc. and file them numerically.

Credit purchases are posted *daily* to the appropriate account of a creditor. The number of the account in the creditors' ledger is entered under the folio-posting reference column in the creditors' journal as proof that the posting had been completed, for example C1, C2.

The totals of the columns of the creditors' journal are posted to the general ledger on the *last day of the month* which involves the following:

- Credit the creditors control account with the total in the creditors control column, R8 800;
- Debit the trading stock account with the total of the trading stock column, R7 800;
- The totals of all the other columns are debited to the appropriate accounts at the end of the month to increase the assets or expenses.

As evidence of the posting to the general ledger the folio numbers must be recorded below the totals of the columns in the creditors' journal, B4, B3, etc.

The *sundry accounts column* is used for credit transactions that occur rarely and therefore do not need their own column. The amounts that appear in the sundry account column must be analysed and posted to the debit side of the relevant accounts on the date that the transaction was recorded. The folio numbers must be recorded in the sundry account column next to the appropriate entry in the creditors' journal as proof that the posting was completed, for example N6, B6.

Example 1

Tom Stores made the following credit purchases during July 2024:

8 Purchase equipment for R1 300 and stationery for R300 on credit from Quality Traders, renumber invoice to no. 73.

15 Purchase trading stock for R1 400 on credit form Fast Supplies.

21 Purchase trading stock for R4 000 and stationery for R200 on credit from Pretoria Suppliers.

29 Quick Printers delivered advertising pamphlets, R400 and receipt books for R180. Quick Printers will be paid on 1 August 2024.

Tom Stores
Creditors Journal – May 2024 **KJ**

Inv no	Day	Creditors	Fol	Creditors control	Trading stock	Sundry accounts		
						Amount	Fol	Details
73	8	Quality Traders		1 600		1 300		Equipment
						300	N6	Stationery
74	15	Fast Supplies		1 400	1 400			
75	21	Pretoria Suppliers		4 200	4 000	200	B5	Stationery
76	29	Quick Printers		580		400		Advertising
						180		Stationery
				7 780	5 400	2 380		
				B4	B3			

Go to Index

Question 4

Credit purchases of Botha Stores during July 2024:

3 Received invoice no. 116 for trading stock purchased on credit from Sentra Stores for R2 900 less 20% trade discount. Renumber invoice to no. 153.
4 Received an invoice for R4 800 for trading stock, R4 500 and stationery, R300 purchased on credit from Buck Stores.
21 Purchased trading stock, R1 200 and equipment, R5 200 on credit from Sentra Stores.

Record the transactions of Botha Stores in the creditor's ledger.

Botha Stores
Creditors journal– July 2024 **CJ**

Doc no.	Day	Creditors	Fol.	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol.	Details

Question 5

Speedy Deliveries had the following credit purchase transactions during July 2024:
3 Purchased merchandises on credit from Sentra Stores for R290, Invoice renumbered to no. 59.
4 Bought stationeries on credit from Buck Stationers for R97.
21 Bought merchandises on credit from Sentra Traders, R540 less 10% trade discount.
29 Buck Stationers delivered advertising pamphlets, R210 and invoice books, R120.

Record the transactions of Speedy Deliveries in the creditors' journal.

Speedy Deliveries
Creditors journal – July 2024 **CJ**

Inv no	Day	Creditors	Fol	Creditors control	Inventory	Stationery	Sundry accounts		
							Amount	Fol	Details

Question 6

The following information was obtained from the accounting records of Kok Traders.

Transactions during August 2024:

9. Received invoice nr. 78 from Temba Stores for R11 800 for goods purchased renumber to no. 109.
13. Received invoice nr. 890 for R21 800 from Temba Stores for equipment, R16 000 and goods for R5 800 purchased.
24. Received invoice nr. 969 for R14 480 from Quality Stores for trading stock, R14 000 and stationery for R480 purchased.

Complete the transactions in the creditors journal.

Kok Traders
Creditors journal – August 2024

Inv no	Day	Creditors	Fol	Creditors control	Inventory	Stationery	Sundry accounts		
							Amount	Fol	Details

Purpose of the creditors journal:

- To record credit purchases from invoices received.
- To reduce entries in the general ledger because only the totals of the columns are posted to the general ledger.
- The entries with creditors are recorded in the individual accounts of creditors in the creditors' ledger.
- To keep a proper record of credit transactions.

6.2.4.1 Trade discount

To encourage potential buyers to buy in bulk wholesalers/suppliers offer trade discount.
The trade discount, usually stated as a percentage of the selling price, is shown as a deduction on the invoice. The trade discount is, however, not entered in the accounting records of the entity. The actual purchase price (normal purchase price less trade discount) is recorded because that is the cost price paid for the goods and the amount that is owed to the creditor.

Normal price	100%		8 000
Trade discount	10%	8 000 x 10%	800
Purchase price	90%	8 000 x 90%	7 200

Example 2

Walters Stores purchased goods on credit from Schalk Stores on 6 June 2024 at R14 000 less 20% trade discount.

1. Determine the amount that must be recorded as the purchase price.
2. Record the entries in the general ledger.

The trade discount is calculated on the purchase price (R14 000 x 20% = R2 800).
The trade discount is deducted from the purchase price (R14 000 – 2 800 = R11 200).
The inventory account is debited, and the creditors control account credited with the R11 200.
The actual cost of the inventories is the amount owed to the creditors. No entry is completed for the trade discount.

Walters Stores
General ledger

Trading stock/Inventory							
Jun 6	Creditors control	CJ	11 200				
Creditors control							
				Jun 6	Trading stock	CJ	11 200

Trade discount is deducted from the purchase price to determine the cost price of the goods purchased. No entry is completed for the trade discount.

Cash discount is deducted from the purchase price to determine the cost price of the goods purchased. No entry is completed for the cash discount.

Question 7

7.1 Purchase trading stock from Smit Stores for R4 000 less 20% trade discount.

Normal price	100%		
Trade discount	20%		
Purchase price	80%		

7.2 Why is trade discount not recorded?

7.3 Why is cash discount not recorded?

6.2.5 Creditors ledger

A creditors' ledger is a separate subsidiary ledger in which a record of transactions with each creditor are kept in the individual account of the creditor.

Posting is done from the journals ***daily*** to keep the individual suppliers' accounts up to date to ensure that suppliers' credit limits are not exceeded and to take advantage of discounts offered.

The entry in the detail column refers to the document received and its number. The details column does not refer to the contra account because double entries are not completed.

ABC Dealers Creditors ledger					
DE Traders					**D1**
Day	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**
5	Invoice 1	CJ		5 400	5 400
Hatfield Traders					**D2**
Day	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**
10	Invoice 2	CJ		3 400	3 400

Amounts for debit entries are entered in the first amount column and those for credit entries in the second amount column. A continuous balance is recorded in the last column to have up-to-date information on amounts due to individual suppliers.

The initials of the specific journal used for the transaction will be recorded in the folio column.

Example 3

Christa Stores had the following credit transactions for purchases during July 2024.

3 Purchase trading stock for R1 800 and equipment for R3 000 on credit from Quality Traders. (Invoice number renumbered to 45)

22 Purchase trading stock for R7 400 on credit from Quality Traders.

Record the transactions in the creditor's ledger or Christa Stores.

Christa Stores Creditors Ledger					
Quality Traders					
Day	**Details**	**Fol.**	**Debit**	**Credit**	**Balance**
Jul 3	Invoice 45	CJ		4 800	4 800
22	Invoice 46	CJ		7 400	12 200

Question 8

Speedy Deliveries had the following credit transactions for purchases during July 2024:

3 Purchase trading stock on credit from Sentra Traders for R290, renumber to 59.

21 Purchase trading stock on credit from Sentra Traders for R299.

29 Buck Stationery delivered advertising pamphlets, R210 and invoice books, R120.

Go to Index

Record the transactions in the creditor's ledger of Speedy Deliveries.

Speedy Deliveries
Creditors ledger

Buck Stationery					**C1**
Day	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**

Sentra Traders					**C2**
Day	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**

Schedule of balances of accounts in creditors ledger (creditors list)		
Buck Stationery	C1	
Sentra Traders	C2	
Total		

Question 9

Flower Suppliers recorded the following credit transactions in the creditors journal.

Flower Suppliers
Creditors journal – July 2024 **CJ**

Inv no	Day	Creditors	Fol	Creditors control	Inventory	Stationery	Sundry accounts		
							Amount	Fol	Details
59	3	Sentra Traders	C2	290	290				
60	4	Buck Stationers	C1	97		97			
61	21	Sentra Traders 540 x 90%	C2	486	486				
62	29	Buck Stationers	C1	330		120	210	N2	Advertising
				1 203	776	217	210		
				B7 Credit	B6 Debit	N3 Debit			Debit

Post to the creditors' ledger. Folio numbers must be shown.

Flower Suppliers
Creditors ledger

Buck Stationers					**C1**
Date	**Details/Document No.**	**Fol**	**Debit**	**Credit**	**Balance**

Sentra Traders					**C2**
Date	**Details/Document No.**	**Fol**	**Debit**	**Credit**	**Balance**

Schedule of balances of accounts in creditors ledger		
John Buck Stationers	C1	
Sentra Traders	C2	
Total		

Question 10

Sarita Stores had the following transactions for credit purchases during 2024.

3 Purchased R1 800 and equipment for R3 000 on credit from Quality Traders. Renumber invoice to no. 89.
12 Purchased a delivery bicycle for R7 400 on credit from Menlyn Bicycles.
24 Purchased trading stock for R4 000 less 20% trade discount on credit from Quality Traders.
30 Quick Printing provided invoice book, R600 and receipt books, R280 on credit.

Record the transactions in the creditors ledger and post the transactions to the creditor's ledger.

Sarita Stores Creditors journal – July 2024									CJ
Inv no	Day	Creditors	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol	Details

Sarita Stores Creditors ledger					
Quality Traders					C1
Date	Details/Document No.	Fol	Debit	Credit	Balance
Menlyn Bicycles					C2
Date	Details/Document No.	Fol	Debit	Credit	Balance
Quick Printing					C3
Date	Details/Document No.	Fol	Debit	Credit	Balance

Question 11

Match the description in column 2 with the concept in column 1. Only write the letter of alphabet in the answer column.

COLOMN 1		ANSWER	COLOMN 2	
1	Creditor		A	A summary of the transactions in the accounts of creditors in the creditor's ledger
2	Cash transaction		B	A ledger where transactions are written in T-accounts. A double entry is completed for each transaction.
3	Credit transaction		C	A transaction with a supplier is recorded in the individual account of the supplier.
4	General ledger		D	Transaction when goods and services are delivered for cash.
5	Creditors control account		E	Supplier of goods and services that the business owes money too.
6	Creditors ledger		F	Transaction when goods and services are rendered on credit.

Question 12

12.1 On which date will the entries in the creditors journal be posted to the general ledger?

Totals of the column	Individual transaction in the sundry account column

12.2 Indicate the account debited and account credited for the purchase of inventory.

Account debited:
Account credited:

Go to Index

Question 13

Credit purchases of Botha Stores during July 2024:

3 Received invoice no. 116 from Sentra Stores for trading stock purchased for R2 900 and stationery for R180 on credit less 20% trade discount. Renumber invoice to no. 153.

11 Received a credit invoice from Sentra Stores for R11 200 for trading stock, R4 500 and stationery, R300 and a computer for R6 400 for the owner's son's birthday.

24 Purchased trading stock, R6 200 and equipment, R5 300 on credit from Buck Stores.

Record the transactions of Botha Stores in the creditors journal and creditors ledger.

Botha Stores
Creditors journal– July 2024 **CJ**

Doc no.	Day	Creditors	Fol.	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol.	Details

Botha Stores
Creditors ledger

Buck Stores **C1**

Date	Details/Document and number	Fol.	Debit	Credit	Balance

Sentra Stores **C2**

Date	Details/Document and number	Fol.	Debit	Credit	Balance

Schedule of balances of accounts in the creditors ledger (creditors list)	
Buck Stores	
Sentra Stores	
Total	

Purpose of the creditor's ledger:

- Record of transactions with each creditor.
- To determine the amount owing to a particular supplier at any point in time.
- To determine if the statement of account received from creditor is correct.
- To ensure the outstanding amount is paid in time to prevent interest.
- To prepare a creditors reconciliation statement.

6.2.6 General ledger

A creditor's control account is opened in the general ledger to record entries with creditors. The creditors control account is a summary of all the transactions made in the individual accounts of the creditors in the creditors' ledger and reflects the total balance owing to creditors.

ABC Stores
General ledger

Dr **Cr**

Inventory/Trading stock **B3**

May 31	Creditors control	CJ	7 800				

Creditors control **B4**

				May 31	Total purchases	CJ	8 800

Equipment **B5**

Go to Index

May 10	Creditors control	CJ	600				
			Stationery				**N6**
May 5	Creditors control	CJ	400				

Because the accounts in the creditors' ledger are debited and credited with the same entries as the entries in the creditors control account, the total of all the outstanding amounts of creditors in the creditors' ledger is equal to the balance of the creditors control account.

Example 4

Speedy Deliveries had the following credit purchase transactions during July 2024:

3 Credit purchases of goods from Sentra Stores for R290. Invoice renumbered to no. 59.
4 Bought stationery on credit from Buck Stationers for R97.
21 Bought trading stock on credit from Sentra Traders, R486.
29 Buck Stationers delivered advertising pamphlets, R210 and invoice books, R120.

Record the transactions of Speedy Deliveries in the creditors' journal and post the entries to the accounts in the general ledger.

Speedy Deliveries
Creditors journal – July 2024 **CJ**

Doc	Day	Creditors	Fol	Creditors control	Inventory	Stationery	Sundry accounts: Amount	Sundry accounts: Fol	Sundry accounts: Details
59	3	Sentra Traders	C2	290	290				
60	4	Buck Stationers	C1	97		97			
61	21	Sentra Traders 540 x 90%	C2	486	486				
62	29	Buck Stationers	C1	330		120	210	N2	Advertising
				1 203	776	217	210		
				B7	B6	N3			

2. Post to the general ledger. Folio numbers must be shown.

Speedy Deliveries
General ledger

Balance sheet accounts section							
			Inventory/Trading stock				**B6**
Jul 31	Creditors control	CJ	776				
			Creditors control				**B7**
				Jul 31	Total purchases	CJ	1 203
Nominal accounts section							
			Advertising				**N2**
Jul 29	Creditors control	CJ	210				
			Stationery				**N3**
Jul 31	Creditors control	CJ	217				

Question 14

The following information was obtained from the accounting records of Kok Traders.

Transactions during July 2024:

10. Received invoice nr. 78 from Temba Stores for R11 800 for goods purchased. Renumber to 109.
14. Received invoice nr. 890 for R21 800 from Temba Stores for equipment, R16 000 and goods, R5 800 purchased.
25. Received invoice nr. 969 for R14 480 from Quality Stores for trading stock, R14 000 and stationery for R480 purchased.

Complete the transactions in the accounts in the general ledger.

Go to Index

Kok Traders
General ledger
Balance sheet accounts section

			Equipment				**B6**

			Trading stock				**B6**

			Creditors control				**B7**

Nominal accounts section

			Stationery				**N3**

Question 15

Compare the entries in the ledger in example 4 with the entries in question 14. What is the advantage to record the transactions in the creditors journal with the general ledger?

Question 16

Robbie Stores made the following credit purchases during July 2024.

3 Purchase inventory on credit from Sentra Traders for R500. Renumber to 59.

25 Purchase inventory on credit R3 400, advertising pamphlets R200 and stationery for R170 from Sentra Traders.

29 Menlyn stationery delivered stationery used by the owner's children, R240 and stationery for use in the business, R120.

Complete the transactions in the accounts in the creditors journal and general ledger.

Robbie Stores
Creditors journal – Julie 2024 **KJ**

Doc	Day	Creditors	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol	Details

Robbie Stores
General ledger
Balance sheet accounts section

			Drawings				**B5**

			Trading stock				**B6**

			Creditors control				**B7**

Nominal accounts section								
				Advertising				**N2**
				Stationery				**N3**

Question 17

Speedy Deliveries made the following credit purchases during July 2024:

3 Purchase inventory on credit from Sentra Traders for R290. Renumber to nr. 59.
21 Purchase inventory on credit from Sentra Traders, R299.
29 Buck Stationery delivered advertising pamphlets, R210 and invoice book, R120.

Complete the transactions in the accounts in the creditors journal and ledger.

Speedy Deliveries
Creditors journal – July 2024 **CJ**

Doc	Day	Creditors	Fol	Creditors control	Inventory	Stationery	Sundry accounts		
							Amount	Fol	Details

Speedy Deliveries
Creditors ledger

Buck Stationery					***C1***
Date	***Details/Document and number***	***Fol.***	***Debit***	***Credit***	***Balance***

Sentra Stores					***C2***
Date	***Details/Document and number***	***Fol.***	***Debit***	***Credit***	***Balance***

Schedule of balances of accounts in the creditors ledger (creditors list)	
Buck Stationery	
Sentra Stores	
Total	
Creditors control (balance)	

Speedy Deliveries
General ledger

Balance sheet accounts section								
				Trading stock				**B6**
				Creditors control				**B7**
Nominal accounts section								
				Advertising				**N2**
				Stationery				**N3**

Question 18

18.1 On which date will the entries in the creditors journal be posted to the general ledger and creditors ledger?

Total of the columns	Individual transactions in sundry accounts column

18.2 Indicate the account debited and credited for the credit purchases of trading stock.

Account debited	
Account credited	

18.3 What is the purpose of the creditors' ledger?

18.4 What is the purpose of the general ledger?

18.5 What is the difference between die creditors ledger and the general ledger?

Creditors ledger	**General ledger**

18.6 What is the difference between the creditors journal and the creditors ledger.

Creditors journal	**Creditors ledger**

18.7 When is a transaction recorded in the creditors journal?

18.8 Explain the difference between the creditor's ledger and creditors control.

Creditors ledger	**Creditors control**

18.9 What is the advantage of the creditors control system?

18.10 Why will the balance in the creditors control account be the same as the outstanding balances in the creditors' ledger?

Question 19

Brown Dealers had the following credit purchase transactions during July 2024:

6 Purchased goods on credit from Box Stores for R6 900 less 20% trade discount. Invoice renumbered to no. 82.

11 Received invoice 642 from Buck for stationery R90 and equipment R2 560 less 10% trade discount.

24 Bought merchandise R4 200 and packing material R240 less 20% trade discount on credit from Box Traders.

29 Bought advertising pamphlets, R390 and invoice books, R240 from John Buck.

Record the transactions of Speedy Deliveries in the creditors' journal. Post to the creditors' ledger

Brown Dealers
Creditors journal – July 2024 **CJ**

Doc	**Day**	**Creditors**	**Fol**	**Creditors control**	**Inventory**	**Stationery**	**Sundry accounts**		
							Amount	**Fol**	**Details**

Go to Index

Brown Dealers **Creditors ledger**					
Buck					**C1**
Date	**Details/Document No.**	**Fol**	**Debit**	**Credit**	**Balance**
Box Stores					**C2**
Date	**Details/Document No.**	**Fol**	**Debit**	**Credit**	**Balance**

Schedule of balances of accounts in creditors ledger		
Buck	C1	
Box Stores	C2	
Total		
Balance of the creditors control account		

Brown Dealers **General ledger**							
Balance sheet accounts section							
			Equipment				**B5**
			Trading stock				**B6**
			Creditors control				**B7**
Nominal accounts section							
			Advertising				**N2**
			Stationery				**N3**
			Packing material				**N4**

Purpose of the creditors control account:

- To summarise the entries in the subsidiary journals to reduce the number of entries in the general ledger.
- To record the total of the creditors control column in the subsidiary journals in the creditors control account. These totals are a summary of all transactions that was completed in the individual accounts of creditors.
- To determine if the total of the creditors list (totals of all the creditors accounts) are equal to the balance of the creditors control account. To correct the mistakes and omissions if there are any discrepancies.

Question 20

Quality Bicycles made the following credit purchases during July 2024:

3 Purchase trading stock for R8 000 and stationery for R240 on credit from Quality Traders. Renumber the invoice to nr. 59.

21 Purchase trading stock on credit from Parts Traders, R3 600 and equipment R7 200.

29 Quality Traders delivered advertising pamphlets, R430 and invoice books, R220.

Record the transactions in the creditors journal. Post to the creditor's ledger and the general ledger.

Go to Index

Quality Bicycles
Creditors journal – July 2024 **KJ**

Doc	Day	Creditors	Fol	Creditors control	Inventory	Stationery	Sundry accounts		
							Amount	Fol	Details

Quality Bicycles
Creditors ledger

Quality Traders **C1**

Date	Details/Document and number	Fol.	Debit	Credit	Balance

Parts Traders **C2**

Date	Details/Document and number	Fol.	Debit	Credit	Balance

Schedule of balances of accounts in the creditors ledger (creditors list)	
Quality Traders	
Parts Traders	
Total	
Creditors control (balance)	

Quality Bicycles
General ledger

Balance sheet accounts section

Trading stock **B6**

Equipment **B7**

Creditors control **B8**

Nominal accounts section

Advertising **N2**

Stationery **N3**

5.3 Recording payment to a creditor

5.3.1 Documents

Statement of account

At the end of the month the retailer receives a statement of account from the creditor. The statement of account is a summary of all the transactions and the outstanding amount. The statement is compared with the account of the creditor in the creditors' ledger. When the entity is satisfied that the goods were received and the amount on the statement is correct the account is paid.

Debit card or electronic transfer

If the statement of account is correct, an EFT is issued to pay the account of the creditor. The bank statement is used as source document to pay the creditor.

Question 21

Name and explain the documents used when a creditor is paid.

Document	Use

5.3.2 Cash payments journal

When a creditors' account is paid, the amount is entered in both the bank column and a column for creditors' control.
At the end of the month, the entries in the various columns are added and posted to the appropriate ledger accounts.

Brown Traders
Cash payments journal – August 2024 **CPJ**

Doc nr.	Day	Name of payee	Fol	Bank	Creditors control	Trading stock	Sundry account		
							Amount	**Fol**	**Details**
BS	3	OK Traders		2 700		2 200	500		Stationery
BS	19	Cash		95			95	N1	Petrol
BS	25	Sentra Traders		3 000	3 000				
				5 795	3 000	2 200	595		

Example 5

The following information was obtained from the accounting records of Brown Traders.

Transactions during August 2024:

6 EFT to OK Traders for trading stock purchased, R4 000 less 10% cash discount.
8 EFT to Temba Stores to settle the outstanding account of R7 900.
15 EFT to White Traders for trading stock purchased, R6 300 less 10% cash discount.
25 Withdraw R 4 600 to pay wages R4 000 and the personal use of the owner, R600.
26 EFT for R4 700 to Sentra Traders for trading stock purchased for cash.

Complete the entries in the cash payments journal of Brown Traders.

Brown Traders
Cash payments journal – August 2024 **CPJ**

Doc nr.	Day	Name of payee	Fol	Bank	Creditors control	Trading stock	Sundry account		
							Amount	**Fol**	**Details**
BS	6	OK Traders		3 600		3 600			
BS	8	Temba Stores		7 900	7 900				
BS	15	White Traders		5 670	5 670				
BS	19	Cash		4 600			4 000		Wages
							600		Drawings
BS	26	Sentra Traders		4 700		4 700			
				26 470	13 570	8 300	4 600		

Question 22

The following information was obtained from the accounting records of Speedy Deliveries.

Transactions during August 2024:

3 EFT to Tradewind Traders for trading stock purchased at R400 less 5% cash discount.
6 EFT R200 to Sentra Traders as part payment of the account.
Withdraw money at the ATM R95 for fuel.
10 Paid Sentra Traders R300 as part payment of the account.
25 EFT for R2 830 to Sentra Traders as part payment of the account.
31 EFO to Sentra Traders for cash purchases R600, less 10% cash discount.

Speedy Deliveries Cash payments journal – August 2024									CPJ
Doc nr.	Day	Name of payee	Fol	Bank	Creditors control	Trading stock	Sundry accounts		
							Amount	Fol	Details

5.3.3 Creditors ledger

When a creditor is paid the amount is recorded in the bank column and creditors control account. The same amount paid to the creditor is recorded in the CPJ and creditors ledger to indicate the amount owed to the creditor.

Speedy Deliveries Creditors ledger					
Buck Stationery				C1	
Date	Details/Document number	Fol.	Debit	Credit	Balance
Aug 09	Invoice 33	CJ		1 270	1 270
14	Bank statement	CPJ	800		870

Example 6

The information was obtained from the accounting records of Speedy Deliveries.

Transactions during August 2024:

1 Purchase goods on credit from Sentra Traders for R1 480. Renumber to 32.
6 EFT R740 to Sentra Traders as part payment of the account.
9 Purchase stationery, R80 and equipment, R970 on credit from Buck Stationers.
10 Paid Sentra Traders R300 as part payment of the account.
11 Purchase inventory on credit from Sentra Traders for R3 300 less R300 trade discount.
25 EFT for R2 440 to Sentra Traders as part payment of the account.
31 EFT to Sentra Traders for inventory purchased for cash, R600 less 10% cash discount.

Speedy Deliveries Creditors ledger					
Buck Stationery				C1	
Date	Details/Document number	Fol.	Debit	Credit	Balance
Aug 09	Invoice 33	CJ		1 050	1 050
Sentra Traders				K2	
Date	Details/Document number	Fol.	Debit	Credit	Balance
Aug 1	Invoice 32	CJ		1 480	1 480
6	Bank statement	CPJ	740		740
10	Bank statement	CPJ	300		440
11	Invoice 34	CJ		3 000	3 440
25	Bank statement	CPJ	2 440		1 000

Schedule for balances of the accounts in the creditor's ledger		
Buck Stationery	C1	1 050
Sentra Traders	C2	1 000
Total		2 050

Question 23

The following information was obtained out of the accounting records of Winnie Traders. On 1 August 2024 the bank had an unfavourable bank balance of R23 890.

Transactions during August 2024:

1 Purchase goods on credit from Sentra traders for R580. Renumber invoice to number 32.

3 EFT to Tradewind Traders for inventory purchased at R800 less 10% cash discount.
6 EFT R200 to Sentra Traders as part payment of the account.
9 Purchase stationery, R130 and equipment, R670 on credit from Buck Stationery.
11 Purchase inventory on credit from Sentra Traders for R3 300 less R300 trade discount.
25 EFT for R2 830 to Sentra Traders as part payment of the account.
31 EFT to Sentra Traders for inventory purchased for R1 400, less 10% cash discount.

Complete the transactions in the creditors journal and cash payments journal. Post the transactions to the creditor's ledger.

Winnie Traders
Cash payments journal – August 2024 **CPJ**

Doc nr.	Day	Name of payee	Fol	Bank	Creditors control	Trading stock	Sundry accounts		
							Amount	Fol	Details

Winnie Traders
Creditors journal – August 2024 **CJ**

Doc	Day	Creditors	Fol.	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol.	Details

Winnie Traders
Creditors ledger

Buck Stationery **K1**

Date	Details/Document and number	Fol.	Debit	Credit	Balance

Sentra Traders **K2**

Date	Details/Document and number	Fol.	Debit	Credit	Balance

Schedule for balances of accounts in the creditor's ledger

Buck Stationery		
Sentra Traders		
Total		

5.3.4 General ledger

The transactions in the journals must be posted to the general ledger.

Speedy Deliveries
General ledger
Balance sheet accounts section

Equipment **B4**

Aug	9	Creditors control	CJ	99				

Trading stock **B5**

July	31	Creditors control	CJ	3 580				
		Bank	CPJ	920				

Go to Index

			Creditors control				**B6**
Aug 31	Bank	CPJ	3 330	Aug 31	Total purchases	CJ	3 758
	Balance	c/d	428				
			3 758				3 758
				Sep 1	Balance	b/d	428
			Bank				**B7**
Aug 1	Balance	b/d	23 890	Aug 31	Total payments	CPJ	4 345
					Balance	c/d	19 545
			23 890				23 890
Sep 1	Balance	b/d	19 545				
Nominal accounts section:							
			Fuel				**N1**
Aug 9	Bank	CPJ	95				
			Stationery				**N2**
Aug 31	Creditors	CJ	79				

Example 7

The following information was obtained from the accounting records of Speedy Deliveries. The bank had a favourable balance of R23 890 on 1 August 2024.

Transactions during August 2024:

1 Purchased goods on credit from Sentra Traders for R4 200 less 20% trade discount. Renumber invoice to no. 32.
3 EFT to Will Traders for merchandise purchased at R400 less 5% cash discount.
9 Bought stationery R79 and equipment R99 on credit from John Buck Stationers. Withdraw R95 for fuel.
10 EFT R470 to Sentra Traders as part payment of account.
11 Credit purchases of inventory from Sentra Traders for R3 000 less R300 trade discount.
25 EFT Sentra Traders in settlement of their account.
31 EFT Sentra Traders for merchandise purchased for cash R600 less 10% cash discount.

Complete the transactions in the creditors journal and cash payments journal. Post the entries to the creditor's ledger and general ledger.

Speedy Deliveries
Cash payments journal – August 2024 **CPJ**

Doc	Day	Name of payee	Fol	Bank	Creditors control	Trading stock	Sundry accounts		
							Amount	Fol	Details
BS	3	Will Traders 400 x 95%		380		380			
BS	9	Cash		95			95	N1	Fuel
BS	10	Sentra Traders	C2	470	470				
BS	25	Sentra Traders 3 360 + 2 700 - 470	C2	5 590	5 590				
BS	31	Sentra Traders 600 x 90%		540		540			
				7 075	6 060	920	95		
				B7	B6	B5			

Speedy Deliveries
Creditors journal – August 2024 **CJ**

Doc	Day	Creditors	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol	Details
32	1	Sentra Traders	C2	3 360	3 360				
33	9	Buck Stores	C1	178		79	99	B4	Equipment
34	11	Sentra Traders	C2	2 700	2 700				
				6 238	6 060	79	99		
				B6	B5	N2			

Speedy Deliveries
Creditors ledger

Buck Stationers					**C1**
Date	**Details/Document No.**	**Fol.**	**Debit**	**Credit**	**Balance**
Aug 9	Invoice 33	CJ		178	178

Sentra Traders					**C2**
Date	**Detail/Document No.**	**Fol.**	**Debit**	**Credit**	**Balance**
Aug 1	Invoice 32	CJ		3 360	3 360
10	Bank statement	CPJ	470		2 890
11	Invoice 34	CJ		2 700	5 590
25	Bank statement	CPJ	5 590		-

Speedy Deliveries
General ledger

Equipment — **B4**

Aug 9	Creditors control	CJ	99				

Trading stock — **B5**

July 31	Creditors control	CJ	6 060				
	Bank	CPJ	920				

Creditors control — **B6**

Aug 31	Bank	CPJ	6 060	Aug 31	Total purchases	CJ	6 238
	Balance	c/d	178				
			6 238				6 238
				Sep 1	Balance	b/d	178

Bank — **B7**

Aug 1	Balance	b/d	23 890	Aug 31	Total payments	CPJ	7 075
					Balance	c/d	16 815
			23 890				23 890
Sep 1	Balance	b/d	16 815				

Fuel — **N1**

Aug 9	Bank	CPJ	95				

Stationery — **N2**

Aug 31	Creditors	CJ	79				

Schedule of balances of accounts in creditors ledger		
John Buck Stationers	C1	178
Total		178
Balance in creditors control		178

Question 24

The bank account of Lorraine Stores had a favourable balance of R64 890 on 1 August 2024.

Transactions during August 2024:

1 Received invoice no. 889 for goods purchased on credit from Sentra Traders for R6 600 less 10% trade discount. Renumber invoice to no. 89.
1 Purchased trading stock, R7 200 and equipment, R2 400 op credit from Dolf Stores.
2 EFT payment to Sentra Traders in settlement of their account.
3 EFT to Will Traders for merchandise purchased at R1 600 less 10% cash discount.
4 Withdraw R1 200 to pay wages, R800 and for the personal use of the owner, R400.
18 Credit purchases of inventory, R2 300 and stationery, R140 from Sentra Traders.
31 EFT to Sentra Traders for merchandise purchased for cash R2 600 less 10% cash discount.

Complete the following journals and ledger accounts.

Go to Index

Lorraine Stores
Creditors journal – August 2024 **CJ**

Inv no	Day	Creditors	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol	Details

Lorraine Stores
Cash payments journal – August 2024 **CPJ**

Doc	Day	Name of payee	Fol	Bank	Creditors control	Trading stock	Sundry accounts		
							Amount	Fol	Details

Lorraine Stores
Creditors ledger

Dolf Stores **C1**

Date	Details/Document No.	Fol.	Debit	Credit	Balance

Sentra Traders **C2**

Date	Detail/Document No.	Fol.	Debit	Credit	Balance

Lorraine Stores
General ledger
Balance sheet accounts section

Drawings **B3**

Equipment **B4**

Trading stock **B5**

Creditors control **B6**

Bank **B7**

Nominal accounts section:							
			Wages				**N1**
			Stationery				**N2**

Schedule of balances of accounts in creditors ledger		
Dolf Stores	C1	
Sentra Traders	C2	
Total		
Balance in creditors control		

6.4 Creditors allowances journal

The creditors' allowances journal is a subsidiary journal in which returns to creditors are recorded. A debit note is issued when the goods are returned. The supplier will issue a credit note as proof of the reduction.

6.4.1 Creditors' allowances journal

The format of the creditors' allowances journal is the same as the creditors' journal.

The creditors' allowances journal serves as a subsidiary journal (book of first entry) in which allowances are recorded daily from the credit notes (source documents) received. Each credit note received from a creditor is entered on a separate line. The accountant will renumber the credit notes received from the various suppliers consecutively and file them numerically so that they can be easily used for recording these transactions.

Creditors allowances journal									
Doc no	**Day**	**Name of supplier**	**Fol**	**Creditors control**	**Inventory/ Trading stock**	**Stationery**	**Sundry accounts**		
							Amount	**Fol**	**Details**
44	10	AB Stores	C1	400	360	40			
				B6 Debit	B7 Credit	B8 Credit			

The journal has columns to record the following:

- supplier's credit note number that was renumbered to number 44,
- the date,
- the name of the supplier,
- folio-posting reference number,
- creditors control with total amount on credit note, R400,
- additional columns that will vary from one entity to another entity, depending on items that are purchased regularly on credit.

The total of the creditors control column in the creditors' allowances journal is debited to the creditors control account at the end of the month to reduce the liability. Once the amount has been posted to the debit side of the account of a creditor, the number of the account in the creditors' ledger, C1, is entered under the folio-posting reference column in the creditors' journal as proof of the posting.

The accounts that appear in the sundry account column must be analysed and posted to the credit side of the relevant accounts on the date that the transaction was recorded. The folio numbers must be recorded in the sundry account column next to the appropriate entry in the creditors' allowances journal as proof that the posting was completed.

The totals of the columns are posted to the appropriate accounts in the general ledger on the last day of the month. The folio numbers are recorded below the totals of the columns in the creditors'

Go to Index

allowances journal. The creditors control account is debited to reduce the liability (B6) and the other accounts are credited to reduce the expenses or assets.

Example 8

The following information was obtained from the accounting records of Blom Traders.

Transactions during August 2024:

9. Issued debit note no. 134 to Blue Stores for R1 800 for goods delivered not according to the order form.
15. Received credit note nr. 890 for R1 800 from Blue Stores for goods returned not according to order form. Renumber to no. 90.
26. Received credit note nr. 676 from Sentra Traders for R600 for trading stock, R570 and stationery, R30 returned.

Blom Traders
Creditors allowances journal

Doc	Day	Name of supplier	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol.	Details
90	15	Blue Stores		1 800	1 800				
91	25	Sentra Traders		600	570	30			
				2 400	2 370	30			

Question 25

The information was obtained from the accounting records of Brown Traders.

Transactions during August 2024:

11. Issued debit note no 78 to Temba Stores for R2 300 for goods returned due to bad quality.
16. Receive credit note nr. 676 from Sentra Traders for R1 300 for goods R660, stationery, R30 and trading stock R610 returned. Renumber to 89.
21. Receive credit note nr. 890 for R2 300 from Temba Stores for goods returned due to bad quality. Renumber to nr. 90.
27. Receive credit note nr. 969 for R480 from Temba Stores for a mistake on the invoice issued during July 2024. The credit note is for trading stock, R400 and equipment, R80.

Complete the transactions in the creditor's allowances journal.

Brown Traders
Creditors allowances journal

Doc	Day	Name of supplier	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol	Details

Question 26

The following information was obtained from Lee Stores for April 2024.

5 Receive invoice no. 22 from Kok Traders for inventory purchased on credit, R1 800 and equipment R2 200, less 20% trade discount. (Renumber to 188)

13 Receive invoice no. 601 from Adams Bazaars for inventory at R800 and stationery at R100 less 10% trade discount.

16 Sent a debit note to Adams Bazaars for damaged goods returned (see 13 April). Receive credit note no. 87 from Adams Bazaars for R60 (renumber 16).

28 Receive a credit note for R200 from Kok Traders for a mistake made on inventory purchased on 5 April 2024.

Complete the entries in the journals and post to the ledger.

Lee Traders
Creditors journal – April 2024

Doc	Day	Name of supplier	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol	Details

Lee Traders
Creditors allowances journal – April 2024

Doc	Day	Name of supplier	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol	Details

6.4.2 Creditors ledger

The entry in the detail's column refers to the document received and its number, for example credit note no. 03 was renumbered to 44. The details column does not refer to the contra account because double entries are not completed in the creditors' ledger.

ABC Dealers
Creditors ledger
DE Traders

Day	Details of document and number	Fol	Debit	Credit	Balance
5	Invoice 1	CJ		5 400	5 400
10	Credit note 44	CAJ	400		5 000

Amounts for debit entries are entered in the first column and credit entries in the second column.

The following entries are recorded in the individual accounts of creditors:

- Credit purchases are posted from the creditors' journal to the credit side of the account.
- All payments made to creditors are posted from the cash payments journal to the debit side of the account.
- Goods returned to creditors are posted from the creditors' allowances journal to the debit side of the individual creditors' account.

The balance of the account is determined on a continuous basis after each entry.

Example 9

The following information about transactions of Lewis Stores for April 2024.

5 Receive invoice no 22 (renumber to 680) from Pan Traders for inventory purchased on credit, R1 800 and equipment, R2 200 less 20% trade discount.

13 Receive invoice no. 601 from Adams Bazaars for inventory R800 and stationery at R100 less 10% trade discount.

16 Sent a debit note to Adams Bazaars for damaged goods returned (see 13 April). Receive credit note no 87 from Adams Bazaars for R60 (renumber to 16)

Go to Index

28 Receive a credit note for R200 from Pan Traders for a mistake made on purchases of inventory on 5 April 2024.

Complete the entries in the creditor's ledger.

Lewis Stores Creditors ledger					
Pan Traders					**K1**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**
April 5	Invoice 680 (4 000 x 80%)	CJ		3 200	3 200
28	Credit note 17	CAJ	200		3 000
Adams Bazaars					**K2**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**
April 13	Invoice 681	CJ		810	810
16	Credit note 16	CAJ	60		750

Question 27

The following information was obtained from Atlas Stores for transactions during April 2024.

9 Receive invoice no. 46 (Renumber to 96) from Ottawa Traders for inventory, R3 200 and equipment, R8 800 purchased on credit.

13 Orlando Bazaars provide inventory at R4 800 and stationery at R120 less 10% trade discount.

16 Sent a debit note to Orlando Bazaars for damaged goods returned (see 13 April). Receive credit note no 87 from Orlando Bazaars for R60. (renumber to 16).

28 Received a credit note for R200 from Ottawa Traders for a mistake made on the inventory purchased on 5 April 2024.

Atlas Stores Creditors ledger					
Ottawa Traders					**C1**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**
Orlando Bazaars					**C2**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**

Question 28

The information was obtained from the accounting records of Lewis Traders.

Transactions during August 2024:

1. The outstanding amount owed to Temba Stores on 1 August 2024 was R8 200.
2. Issued debit note no 78 to Temba Stores for R1 800 for goods returned due to inferior quality.
16. Receive credit note no. 890 for R1 800 from Temba stores for goods returned not according to the order form. (renumber to no. 90)
17. Receive credit note nr. 969 for R480 from Temba Stores for a mistake on the invoice during July 2024. Trade discount was not deducted. The credit note is for trading stock, R400 and equipment, R80.

Complete the creditors allowances journal and post to the creditor's ledger.

Lewis Traders Creditors allowances journal – April 2024									
Doc	**Day**	**Name of supplier**	**Fol**	**Creditors control**	**Trading stock**	**Stationery**	**Sundry accounts**		
							Amount	**Fol**	**Details**

Lewis Traders Creditors ledger					
Temba Winkels					**C1**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**

Purpose of the creditor's ledger:

- To determine the amount owing to a particular supplier at any point in time.
- To determine if the statement of account received from creditor is correct so that corrections and omissions can be recorded.

Question 29

The following information was obtained from the accounting records of Flower Traders.

Transactions during August 2024:

1. Receive invoice nr. 569 from Springs Stores for R9 800 for trading stock, R9 200 and stationery R600 purchased on credit. (Renumber to R321)
2. Receive credit invoice nr. 812 from Boksburg Suppliers for equipment, R6 400 less 20% trade discount.
13. Sent debit note nr. 67 to Springs Stores for R1 100 for goods returned not according to the order form.
16. Received credit invoice nr. 621 from Springs Stores for trading stock, R2 300 and cleaning materials for R280.
18. Receive credit note nr. 130 for R1 100 from Springs Stores for goods returned not according to the order form. Renumber to nr. 74.
25. Received credit note nr. 196 from Springs Stores for R450 for trading stock, R420 and stationery, R30 returned.
26. Received invoice nr. 943 from Boksburg Suppliers for trading stock, R2 700 and equipment, R1 600.
27. Received credit note nr. 139 from Boksburg Suppliers for 20% trade discount not deducted from invoice 943.

Complete the transactions in the journals and post to the creditor's ledger.

Flower Traders **Creditors journal – August 2024**									
Doc	**Day**	**Name of supplier**	**Fol**	**Creditors control**	**Trading stock**	**Stationery**	**Sundry accounts**		
							Amount	**Fol**	**Details**

Flower Traders **Creditors allowances journal – August 2024**									
Doc	**Day**	**Name of supplier**	**Fol**	**Creditors control**	**Trading stock**	**Stationery**	**Sundry accounts**		
							Amount	**Fol**	**Details**

Flower Traders
Creditors ledger

Springs Stores					**C1**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**

Boksburg Suppliers					**C2**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**

5.4.3 General ledger

A creditors' control account is opened in the general ledger to record entries with creditors. At the end of the month entries are recorded from the totals obtained in the subsidiary journals as follows:

- The creditors control account is credited with the total credit purchases in the creditor's journal.
- The creditors control account is debited with the total purchase returns.
- The creditors control account is debited with the total of the creditors control column in the cash payments journal.

The creditors control account is a summary of all the transactions made in the individual accounts of the creditors in the creditors' ledger and reflects the total balance owing to creditors.

ABC Stores
General ledger

			Creditors control				
May 31	Creditors allowances	CAJ	2 400	May 1	Balance	b/d	6 000
	Bank	CPJ	18 000	31	Total purchases	CJ	24 000
	Balance	c/d	9 620		Interest	GJ	20
			30 020				30 020
				June 1	Balance	a/b	9 620

Example 10

The following information of transactions of Lee Stores for April 2024 is provided.

5 Received invoice no. 22 from Kok Traders for trading stock purchased on credit, R1 800 and equipment R2 200, less 20% trade discount. (Renumber to 188)

13 Received invoice no. 601 from Adams Bazaars for inventory, R800 stationery, R100 less 10% trade discount.

16 Sent a debit note to Adams Bazaars for damaged goods returned (see 13 April). Received credit note nr. 87 from Orlando Bazaars for R60 (renumber to 16).

28 Received a credit note for R200 from Kok Traders to correct a mistake on the inventory provided on 5 April 2024.

Complete the entries in the journals and post to the ledger.

Lee Stores
Creditors journal – April 2024

Doc	**Day**	**Name of supplier**	**Fol**	**Creditors control**	**Trading stock**	**Stationery**	**Sundry accounts**		
							Amount	**Fol**	**Details**
188	5	Kok Traders	C1	3 200	1 440		1 760	B1	Equipment
189	13	Adams Bazaars	C2	810	720	90			
				4 010	2 160	90	1 760		
				B2	B3	N2			

Lee Stores
Creditors allowances journal – April 2024

Doc	Day	Name of supplier	Fol	Creditors control	Trading stock	Stationery	Sundry accounts		
							Amount	Fol	Details
16	16	Adams Bazaars	C2	60	60				
17	28	Kok Traders	C1	200	200				
				260	260				
				B2	B3				

Lee Stores
General ledger

Equipment							**B4**
Apr 5	Creditors control	CJ	1 760				
Trading stock							**B5**
Apr 30	Creditors control	CJ	2 160	Apr 30	Creditors control	CAJ	260
Creditors control							**B6**
Apr 30	Sundry accounts	CPJ	260	Apr 30	Sundry accounts	CJ	4 010
	Balance	c/d	3 750				
			4 010				4 010
				May 1	Balance	b/d	3 750
Stationery							
Apr 30	Creditors control	CJ	90				

Lee Stores
Creditors ledger

Kok Stores					**C1**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**
April 5	Invoice 188	CJ		3 200	3 200
28	Credit note 17	CAJ	200		3 000
Adams Bazaars					**C2**
Day	**Details of document and number**	**Fol**	**Debit**	**Credit**	**Balance**
April 13	Invoice 189	CJ		810	810
16	Credit note 16	CAJ	60		750

Schedule for balances of accounts in the creditor's ledger		
Kok Stores	C1	3 000
Adam Bazaars	C2	750
Total outstanding according to creditors ledger		3 750
Balance in creditors control		3 750

Question 30

The following information was obtained from the accounting records of Alfie Stores.

Transactions during August 2024:

1 Received invoice no. 717 from ABC Stores for goods purchased on credit for R3 600 less 10% trade discount. Renumber invoice to number 68.
8 Purchased trading stock, R9 000 and equipment, R5 400 on credit from Blom Stores.
9 Received credit note no. 177 from ABC Stores for goods returned, R600. Renumber to no. 36.
13 Purchased trading stock on credit from Blom Stores for R2 400.
20 Received credit note 347 from Blom Stores for trading stock, R1 200 and equipment R960 returned.

Complete the transactions in the journals and post to the ledger.

Alfie Stores
Creditors journal – August 2024 **CJ**

No	Day	Creditors	Fol.	Creditors control	Trading stock	Sundry accounts		
						Amount	Fol.	Details

Alfie Stores
Creditors allowances journal – August 2024 **CAJ**

No	Day	Creditors	Fol.	Creditors control	Trading stock	Sundry accounts		
						Amount	Fol.	Details

Alfie Stores
Creditors ledger

ABC Stores **C1**

Date	Details/Document number	Fol.	Debit	Credit	Balance

Blom Stores **C2**

Date	Details/Document number	Fol.	Debit	Credit	Balance

Alfie Stores
General ledger
Balance sheet accounts section

Equipment **B4**

Trading stock **B5**

Creditors control **B6**

Schedule for balances of accounts in the creditor's ledger

Doel van die krediteuregrootboek:

- Om die bedrag verskuldig aan 'n spesifieke verskaffer op enige tydstip te bepaal.
- Om te bepaal of die rekeningstaat wat vanaf die verskaffer ontvang is, korrek is.

Question 31

31.1 Name and explain the documents used for transactions with a creditor.

Document	Use

31.2 Which total must be the same as the balance in the creditors control account?

31.3 When is the creditors allowances journal used?

31.4 What is the difference between the creditors journal and the creditors allowances journal?

Creditors journal	Creditors allowances journal

31.5 When is an invoice and credit note received and issued?

Creditors control	
Returns	Purchases
Debtors control	
Sales	Returns

Creditors	Debtors

31.6 The creditors ledger has a debit column, credit column and balance column. Indicate which entries will appear in the debit column and the credit column. Explain why it appears in a specific column.

Credit:	
Debit:	

Question 32

The information concerning the transactions of Atlas Stores is provided for April 2024.

5 Received invoice no. 46 from Ottawa Traders for merchandise supplied on credit, R1 800 and equipment R2 200 less 20% trade discount.

13 Orlando Traders supplied merchandise at R800 and stationery at R100 less 10% trade discount.

16 Send a debit note to Orlando Traders in respect of damaged merchandise returned, (see 13 April). Receive a credit note no. 87 from Orlando Traders for R60. Renumber to no 16.

26 EFT to Orlando Traders R500.

28 Received credit note for R200 from Ottawa Traders to correct an overcharge in respect of merchandise supplied on 5 April 2024.

30 EFT to Ottawa Traders in settlement of the account.

Complete the entries in the journals and post to the ledger.

Atlas Stores
Creditors journal – April 2024

Inv no	Day	Creditors	Fol	Creditors control	Inventory	Stationery	Sundry accounts		
							Amount	Fol	Details

Atlas Stores
Creditors allowances journal – April 2024

C/N	Day	Creditors	Fol	Creditors control	Inventory	Stationery	Sundry accounts		
							Amount	Fol	Details

Atlas Stores
Cash payments journal – April 2024

Doc No	Day	Name of payee	Fol	Bank	Creditors control		Sundry Accounts		
							Amount	Fol	Details

Atlas Stores
General ledger
Balance sheet accounts section

Equipment **B1**

Creditors control **B2**

Inventory **B3**

Bank **B4**

Nominal account section

Stationery **N2**

Atlas Stores
Creditors ledger

Ottawa Traders **C1**

Date	Details/Document No.	Fol.	Debit	Credit	Balance

Orlando Traders **C2**

Date	Details/Doc. No.	Fol.	Debit	Credit	Balance

Schedule of balances of accounts in the creditor's ledger		
Ottawa Traders	C1	
Orlando Traders	C2	
Total		
Balance in creditors control		

Question 33

The balances appeared, inter alia, in the accounting records of Bronwin Stores on 1 July 2024:

Trading stock	B6	6 200
Creditors control	B10	9 930
Bank	B11	6 720
Creditors: Flower Stores	C1	6 500
Grass Stores	C2	3 430

Transactions during July 2024:

2 EFT for R21 750 to Charles Stores for cash purchases of trading stock, R17 250 and equipment, R4 500.
6 Withdraw R1 160 to pay wages, R160 and R1 000 for the personal use of the owner.
9 Received invoice no. 829 for R2 900 less 20% trade discount from Flower Stores for goods purchased on credit. Renumber invoice no. to 85.
13 Received credit note no. 47 for R400 from Flower Stores for goods returned. Renumber credit note to number 70.
16 Received invoice no. 414 from Grass Stores for goods purchased, R3 600 and stationery, R400.
19 Received credit note no. 189 for R240 from Grass Stores for goods returned, R200 and stationery R40.
20 EFT R2 360 to Pretor for the rent of the business.
22 Withdraw R280 for stationery, R120 and wages, R160.
25 EFT R3 000 to Flower Stores as part payment of the account.
26 EFT to Grass Stores in settlement of the account.
27 EFT to Avoca Traders for goods purchased for R2 800 less 10% cash discount.
Paid Midrand Transport R45 for delivery of inventory purchased.

Record the transactions in the subsidiary journals and transfer amounts to the relevant general ledger accounts.

Bronwin Stores **Cash payments journal – July 2024**										**CPJ**
Doc no	**Day**	**Name of beneficiary**	**Fol.**	**Bank**	**Wages**	**Trading stock**	**Creditors**	**Sundry accounts**		

Go to Index

Bronwin Stores
Creditors journal- July 2024 **CJ**

Doc no.	Day	Details	Fol	Creditors control	Trading stock	Sundries account		
						Amount	Fol	Details

Bronwin Stores
Creditors allowances journal- July 2024 **CAJ**

Doc no.	Day	Details	Fol	Creditors control	Trading stock	Sundries account		
						Amount	Fol	Details

Bronwin Stores
Creditors ledger

C1 Flower Stores

Date	Details/ doc no.	Fol.	Debit	Credit	Balance

C2 Grass Stores

Date	Details/ doc no.	Fol.	Debit	Credit	Balance

Creditors list	
Flower Stores	

Bronwin Stores
General ledger

Drawings **B4**

Equipment **B5**

Trading stock **B6**

Creditors control **B7**

Bank **B8**

Wages **N3**

Go to Index

			Rent				**N4**
			Stationery				**N5**

Summarising the flow of transactions

Credit purchases	Payment to creditor	Returns of goods and allowances
↓	↓	↓
Invoice received	EFT/Bank statement	Credit note received
↓	↓	↓
Creditors journal	Cash payments journal	Creditors allowances journal
↓	↓	↓
Creditors control account	Creditors control account	Creditors control account
↓	↓	↓
Creditors ledger	Creditors ledger	Creditors ledger

Summary of the procedure when the creditors journal is used:

- Identify the credit purchases and record it in the creditors journal.
- Post from the creditors journal to the ledger accounts in the general ledger:
  - Debit to all the accounts in the sundry account column on the date that the transaction was recorded.
  - Credit the creditors control account on the last day of the month.
  - Debit the totals in the inventory and stationery account on the last day of the month.

Summary of the procedure when the cash payments journal is used:

- Record all the cash payments in the cash payments journal.
- Post from the cash payments journal to the ledger accounts in the general ledger:
  - Debit all the accounts in the sundry account column on the date that the transaction was recorded.
  - Credit the bank account on the last day of the month.
  - Debit the creditors control and inventory on the last day of the month.

Summary of the procedure when the creditors allowances journal is used:

- Record the credit notes received in the creditors, allowances journal.
- Post from the creditors' allowances to the ledger accounts in the general ledger:
  - Credit all the accounts in the sundry account column on the date the transaction was recorded.
  - The total of the creditors control column in the creditors' allowances journal is debited in the creditors control account.
  - The totals of the columns must be posted to the credit side of the appropriate accounts in the general ledger on the last day of the month.

Go to Index

Questions

1. How would you enter entries in the three-column accounts? What is the advantage of the three-column account?
2. What is the purpose of a statement of account?
3. Name four types of consumable stores.
4. Name three documents involved in credit transactions with creditors.
5. Will trade discount be entered in the subsidiary journals?
6. To which ledger accounts are the credit purchases of inventory booked daily?
7. To which ledger accounts are the total credit purchases of inventories posted at the end of the month?
8. Which document is completed when the account of a creditor is paid?
9. Which ledger account is debited with the total of the creditors' column in the cash payments journal at the end of the month?

Solutions

1. Debit entries will be recorded in the debit column. A new balance will be determined and recorded in the balance column.

   Credit entries will be recorded in the credit column. A new balance will be determined and recorded in the balance column.

   The advantage is that the outstanding debt is available daily.
2. To remind customers that they must pay their account. All the entries are recorded on the statement of account so that the customer can determine if the outstanding amount and all the entries are correct.
3. Stationery, packing material, fuel, oil, cleaning materials, refreshments.
4. Invoices received, credit notes received and bank statements/EFT.
5. Trade discount is subtracted before the entries are completed. No entries are recorded for trade discount.
6. Individual accounts of creditors in creditors ledger.
7. Creditors control account and inventories account.
8. EFT, debit card/bank statement.
9. Creditors control account.

Terms and concepts

Consumable stores:	Goods such as fuel, stationery, packing materials and cleaning materials which are not bought for resale but to use in the business.
Credit limit:	The maximum amount of credit allowed to a client. When the client reaches the maximum limit, no more credit will be allowed before the outstanding credit is paid.
Credit note received:	A ***credit note*** is ***received from a creditor*** to reduce the account on the ***debit side*** because goods were returned, mistake on invoice, damaged goods, etc.
Credit purchase transaction:	A transaction when goods for resale, assets, services and consumable stores are purchased on credit. A record of the amount due to the creditor must be recorded in a ledger account.
Creditor:	The trader who sells on credit becomes a creditor of the enterprise who bought goods on credit.
Creditors control account:	An account in the general ledger that consists of a summary of all the transactions recorded in all the separate accounts of the creditors.
Creditors journal:	This is a book of first entry in which credit purchases of fixed assets, inventories and consumable stores are entered from invoices received for original credit purchases.
Creditors ledger:	This is a separate ledger for keeping all the individual accounts of creditors.
Credit purchases transactions:	Goods for resale, assets, services and consumable stores bought on credit. A record of the amount owing to the creditor must be kept in a ledger account.
Debit card:	A debit card is linked to the bank account. When the debit card is used, the money is transferred from the bank account to the bank account of the supplier.
Debit note issued:	A ***debit note*** is ***issued to a creditor*** to reduce the account on the ***debit side*** because goods were returned, mistake on invoice, damaged goods, etc. If the creditor is satisfied a ***credit note*** is ***received*** from the ***creditor***.
Electronic Fund Transfer:	Payments are done by paying money with an electronic payment (EFT).

General ledger:	This ledger consists of all the separate ledger accounts except for the individual accounts of debtors and creditors, which are entered in the debtors' ledger and the creditors' ledger.
Invoice received:	An invoice is received from a creditor when goods are purchased on credit.
Three-column account:	An alternative form in which the accounts of debtors and creditors are recorded indicating a continuous balance.
Trade discount:	This is a deduction on the invoice. It is usually stated as a percentage of the selling price.