Topic 7

Subsidiary journals and ledgers Credit transactions with debtors

After studying this chapter, you should be able to:

- enter the credit sales transactions to clients in the subsidiary journal,
- enter sales returns transactions of clients in the subsidiary journal,
- record collections from debtors in the subsidiary journal,
- understand why an accounting system is needed to record transactions with each individual customer,
- transfer information from the subsidiary journals to the separate accounts in the debtors' ledger and the general ledger.

7.1 Introduction

We have already seen that the general ledger is divided into two sections, namely the balance sheet 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.

7.1.1 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. The accounting records are kept according to the control system, which requires a debtors' control account in the general ledger.

7.1.2 Debtors' control account

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*.

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.

7.2 Credit sales

The debtors owe the money to the business until the outstanding amount is paid. Various businesses will determine different credit terms, for example the debt must be paid at the end of the month or within six months.

7.2.1 Credit sales transaction

A *credit sales transaction* is a transaction in respect of which payment by the customer is postponed because the customer/debtor has an approved account with the entity to purchase goods on credit.

7.2.2 Source documents

The source documents used to record transactions related to credit sales are:

- When a dealer sells goods on credit, he completes two or more copies of the *credit sales invoice*. The original invoice is given to the customer, and the duplicate remains in the invoice book. It is used to record credit transactions in the debtor's journal.
- When the customers pay their account, an original *receipt* is issued to the customer as proof of payment. An electronic transfer, bank deposit slip or bank statement can also be used to record payments of customers in the cash receipts journal.
- An original *credit note* is issued to a customer when goods are returned. The duplicate credit note is used to record the entry in the debtors' allowances journal.

Question 1

Explain the purpose of the following documents.

Credit sales invoice	
Credit note issued	
Bank statement	
Receipt	
Cash register roll	

7.2.3 Debtors

A d*ebtor* is a person or another enterprise who owes money to the business because goods were sold on credit.

7.2.4 Debtors journal/Sales journal (DJ)

When the number of credit transactions and debtors increase, a system is needed to record these transactions to have a proper control over the sales, returns and receipts from debtors.

The credit sales transactions are recorded daily in the debtors' journal from the invoices issued, showing both sales and cost of sales amounts. The debtors' journal is a columnar journal with columns to record the transaction.

ABC Traders
Debtors journal – May 2024

Doc no	Day	Name of debtor	Fol	Sales	Cost of sales
45	11	A Nel	D1	800	600
46	14	B Brink	D2	600	450
				1 400	1 050
				B2/N2	B3/N1

Daily credit sales are posted to the appropriate accounts of the debtors which are kept in a separate debtors' ledger. Once the amount is posted, the number of the clients account, D1, is recorded in the debtors' journal.

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

- debit the debtors control account (increase asset) with the total sales price on the invoice;
- credit the sales account (increase income) with the total of the sales column;
- debit the cost of sales account (increase expense) and credit the trading stock account (reduce asset) with the total of the cost of sales column.

Example 1

The following information was obtained from EYZ Traders.
Goods were sold on 15 June 2024 for R900 to B. Cloete. Profit of 50% on cost price.
Goods were sold on 28 June 2024 for R1 440 to S. Steyn. Profit of 80% on cost price.

EYZ Traders
Debtors journal – June 2024

Doc	Day	Name of debtor	Fol.	Sales	Cost of sales
66	5	B Cloete 900 x 100/150 = 600		900	600
67	28	S Steyn 1 440 x 100/180 = 800		1 440	800
				2 340	1 400

Question 2

The following information was obtained from Kok Traders.
Issued invoice 96 on 4 June 2024 for R1 800 to B. Lewis for inventory sold. Profit of 60% on cost.
Goods were sold on 22 June 2024 for R2 880 to S. Steyn. Profit of 80% on cost.
Goods were sold on 29 June 2024 for R2 160 to S. Steyn. Profit of 80% on cost.

Kok Traders
Debtors journal – June 2024

Doc	Day	Name of debtor	Fol.	Sales	Cost of sales

Question 3

The following information was obtained from ABC Traders.

On 1 June 2024 invoice 561 for R1 750 were issued to G. Bell. Profit of 75% is on cost.

On 5 June 2024 goods were sold to B. Cloete for R900. Profit of 50% on cost price.

On 21 June 2024 goods were sold to G. Bell for R3 500. Profit of 75% is on cost.

Record the entries in the debtor's journal.

ABC Traders
Debtors journal – June 2024

Doc.	Day	Name of debtor	Fol.	Sales	Cost of sales

Purpose of the debtors' journal:

- To record credit sales.
- To reduce entries in the general ledger because only the totals of the columns in the debtors' journal are posted to the general ledger.

7.2.5 Debtors ledger

The debtor's ledger is a separate subsidiary ledger in which a separate record of transactions with each debtor is kept in the individual personal account of the debtor. The subsidiary ledger does not form part of the double entry record keeping. The initials of the specific journal that was used for the transaction will be recorded in the folio column.

The entry in the details-column refers to the document issued and its number, e.g. invoice no. 45.

ABC Traders Debtors ledger					
A Nel					**D1**
Day	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**
2	Invoice 45	DJ	800		800
B Brink					**D2**
Day	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**
14	Invoice 46	DJ	600		600

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 owed by individual clients.

Example 2

EYZ Traders Debtors journal – June 2024					
Doc.	**Day**	**Name of debtor**	**Fol.**	**Sales**	**Cost of sales**
66	5	B Cloete 900 x 100/150 = 600		900	600
67	28	S Steyn 1 440 x 100/180 = 800		1 440	800
				2 340	1 400

Record the transactions in the debtor's ledger.

EYZ Traders Debtors ledger					
B Cloete					**D1**
Date	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**
Jun 5	Invoice 66	DJ	900		900
S Steyn					**D2**
Date	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**
Jun 28	Invoice 67	DJ	1 440		1 440

Question 4

The following information was obtained from ABC Traders.

ABC Traders Debtors journal – Junie 2024					
Doc.	**Day**	**Name of debtor**	**Fol.**	**Sales**	**Cost of sales**
66	5	B Cloete	D1	1 500	1 000
67	14	L Smit	D2	2 250	1 500
68	22	B Cloete	D1	750	500
69	24	L Smit	D2	450	300
				4 950	3 300

Record the transactions in the debtor's ledger.

ABC Traders Debtor's ledger					
B Cloete					**D1**
Date	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**
L Smit					**D2**
Date	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**

Schedule of the debtor's ledger		
B Cloete	D1	2 250
L Smit	D2	2 700
Total		4 950

Question 5

The following information was obtained from Kok Traders. The last invoice no used was 87.
Goods were sold to B. Muller on 5 June 2024 for R900. Profit of 50% on cost.
On 18 June 2024 a credit invoice was issued to L. Lubbe for R2 450. Profit of 75% on cost.
L. Lubbe purchased goods on credit on 20 June 2024 for R3 675. Profit of 75% on cost.
On 30 June a credit invoice was issued to B. Mullefor R600. Profit of 50% on cost.

Record the transactions in the debtor's journal and post to the debtor's ledger.

Kok Traders Debtors journal – June 2024					
Doc nr.	**Day**	**Name of debtor**	**Fol.**	**Sales**	**Cost of sales**

Kok Traders Debtor's ledger					
B Muller					**D1**
Date	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**
L Lubbe					**D2**
Date	**Details of document**	**Fol**	**Debit**	**Credit**	**Balance**

Schedule of the debtor's ledger		
B Cloete	D1	
L Smit	D2	
Total		

Question 6

The following information was obtained from ABC Traders. The last invoice no used was 87.
Goods were sold to B. Cloete on 5 June 2024 for R900. Profit of 50% on cost.
On 18 June 2024 a credit invoice was issued to L. Lubbe for R2 450. Profit of 75% on cost.
L. Lubbe purchased goods on credit on 20 June 2024 for R3 675. Profit of 75% on cost.

On 30 June a credit invoice was issued to B. Cloete for R600. Profit of 50% on cost.

Record the transactions in the debtor's journal and post to the debtor's ledger.

ABC Traders
Debtors journal – Junie 2024

Doc.	Day	Name of debtor	Fol.	Sales	Cost of sales

ABC Traders
Debtor's ledger

B Cloete — **D1**

Date	Details of document	Fol	Debit	Credit	Balance

L Lubbe — **D2**

Date	Details of document	Fol	Debit	Credit	Balance

Schedule of the debtor's ledger

The purpose of maintaining a debtors' ledger is as follows:

- To record details of all the transactions with individual debtors.
- To ensure that all the transactions affecting the debtors control account in the general ledger have been accurately recorded and posted, because the balance of the debtors' control must equal the total outstanding amounts of debtors according to the debtors list.
- Sent statements of accounts to debtors that shows the total outstanding amount.

7.2.6 General ledger

When the perpetual inventory system is used the revenue (sales) and the expense (cost of sales) must be recorded at the time of the sale.

The debtors control account helps to test the accuracy of the recorded transactions. If the total of all the outstanding amounts of debtors in the debtors list is not equal to the balance of the debtors control account a mistake was made.

ABC Traders
General ledger

			Debtors control				**B2**
May 31	Sales	DJ	1 400				
			Trading stock				**B3**
				May 31	Cost of sales	DJ	1 050
			Cost of sales				**N1**
May 31	Trading stock	DJ	1 050				
			Sales				**N2**
				May 31	Debtors control	DJ	1 400

Go to Index

Example 3

The following information of Scholtz Stores for May 2024.

Scholtz Stores
Debtors journal – May 2024

Doc	Day	Name of debtor	Fol.	Sales	Cost of sales
307	7	S Spring	D2	128	80
308	12	D Dawn	D1	176	110
309	16	S Spring	D2	144	90
				448	280
				B8/N1	B7/ N2

Post the transactions to the general ledger.

Scholtz Stores
General ledger
Balance sheet accounts section

Trading stock							**B7**
				May 31	Cost of sales	DJ	280
Debtors control							**B8**
May 31	Sales	DJ	448				

Nominal accounts section

Sales							**N1**
				May 31	Debtors control	DJ	448
Cost of sales							**N2**
May 31	Trading stock	DJ	280				

Question 7

The information of Wim Stores for May 2024. The business maintains a profit of 50% on cost price.

Wim Stores
Debtors journal – May 2024

Doc	Day	Name of debtor	Fol.	Sales	Cost of sales
307	7	B Blok		900	
308	12	D Dag		750	
309	16	S Scholtz		1 500	
310	24	B Blok		600	
				3 750	
				B8/N1	

Calculate the cost of sales. Post the transactions to the general ledger.

Wim Stores
General ledger
Balance sheet accounts section

Trading stock							**B7**
Debtors control							**B8**

Nominal accounts section

Sales							**N1**
Cost of sales							**N2**

Purpose of debtor's control:

- To record the totals of the debtors control column in all the subsidiary journals in one account to eliminate the number of accounts in the general ledger.
- To determine any discrepancies between the balance of the debtors control account and the total of all the closing balances of the individual accounts of debtors in the debtors' ledger. Mistakes must be corrected.

Question 8

The following information was obtained from Wentworth Enterprises for credit sales transactions during May 2024. A mark-up profit of 60% on cost price is maintained.

7 Sent merchandise sold to S. Spring on credit, R1 280; Invoice no. 307.

12 Sold goods on credit to D. Dawn. The goods were specially ordered for D. Dawn and purchased at R4 500. The goods were sold to D. Dawn at the normal profit percentage.

21 Issued a credit invoice to D. Dawn for R1 800.

28 Issued an invoice to S. Spring for goods delivered to him on credit, R1 440.

Complete the transactions in the debtors' journal and post to the ledger.

Wentworth Enterprises
Debtors' journal – May 2024

Doc	Day	Debtors	Fol.	Sales	Cost of sales

Wentworth Enterprises
Debtor's ledger

D Dawn **D1**

Date	Details/Document No.	Fol.	Debit	Credit	Balance

S Spring **D2**

Date	Details/Document No.	Fol.	Debit	Credit	Balance

Wentworth Enterprises
General ledger

Financial position accounts section

Trading stock **B7**

Debtors control **B8**

Nominal accounts section

Sales **N1**

Cost of sales **N2**

Go to Index

Schedule of balances of accounts in debtors' ledger		
D Dawn	D1	
S Spring	D2	
Total		
Debtors control		

The procedure using the debtors' journal:

- A separate line item is completed in the debtors' journal for each credit invoice that was issued.
- On the date an entry was completed the amount of each invoice is posted to the debit side of the account of the debtor in the debtors' ledger.
- At the end of the month the totals of the columns are posted to the general ledger in the following way:
  - Debit the debtors control account.
  - Credit the sales account.
  - Debit the cost of sales account.
  - Credit the trading stock account.

Question 9

9.1 On which date will the transactions in the debtor's journal be recorded in the general ledger and debtor's ledger?

Totals of the columns	Individual transactions in the sales column

9.2 Indicate the account debited and credited for credit sales of trading stock.

Account debited	
Account credited	
Account debited	
Account credited	

9.3 What is the difference between the debtors' journal and debtor's ledger?

Debtors journal	Debtor's ledger

9.4 What is the purpose of the debtor's ledger?

9.5 What is the purpose of the general ledger?

9.6 Why will the balance in the debtors control account be the same as total of all the balances in the debtor's ledger?

Question 10

The following information was obtained from Rina Stores for credit sales transactions during May 2024. Rina Stores maintains a profit of 60% on cost price.

7 Issued credit invoice 307 to S. Summer, R480.
18 Sold goods on credit to D. Spring, R176.
24 Issued a credit invoice to S. Summer for R288.
28 Goods purchased for D. Spring at R3 200 was delivered and immediately sold to D. Spring at a profit of 50% on the cost price.

Complete the transactions in the debtors' journal and post to the ledger.

Rina Stores
Debtors' journal – May 2024

Doc	Day	Debtors	Fol.	Sales	Cost of sales

Rina Stores
Debtor's ledger

D Spring — D1

Date	Details/Document No.	Fol.	Debit	Credit	Balance

S Summer — D2

Date	Details/Document No.	Fol.	Debit	Credit	Balance

Rina Stores
General ledger
Balance sheet accounts section

Trading stock — B7

Debtors control — B8

Nominal accounts section

Sales — N1

Cost of sales — N2

Schedule of balances of accounts in debtors' ledger

D Spring	D1	
S Summer	D2	
Total		
Debtors control		

7.3 Recording collection from debtors

7.3.1 Documents

Statement of account

At the end of the month a statement of account is sent to each debtor. This statement of account is a summary of all the transactions of the debtor in the debtors' ledger and indicates the amount owed to the business.

Receipts issued when debtors pay their accounts

When a debtor pays his account, a receipt is completed in duplicate. The original is usually given to the debtor, and the duplicate remains in the receipt book from where the receipts of cash are recorded in the cash receipts journal.

Payments with an EFT by debtors

When a client pays his account with an EFT, debit card or direct deposit the bank statement will be used as the source document.

7.3.2 Cash receipts journal

When cash is received from a debtor a receipt is issued to the debtor. The duplicate receipt in the business' receipt book serves as a source document for recording the cash received from the debtor in the cash receipts journal.

Amounts received from debtors are recorded in the analysis of receipts column and in the column for debtors. These amounts are deposited daily, together with other receipts in the bank, after the completion of a bank deposit slip.

ABC Traders
Cash receipt journal – June 2024

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry accounts
89	25	B Cloete	D1	600	600			600	
					B4			B5	

Example 4

Goods were sold to B. Cloete for R600 and recorded in the Debtors journal.
B. Cloete paid R300 in part settlement of his account.

Record the entries in the subsidiary journals.

ABC Traders
Debtors journal – May 2024

Doc	Day	Name of debtor	Fol	Debtors control	Cost of sales
66	15	B Cloete	D1	600	400
				B5/N2	B3/N1

ABC Traders
Cash receipt journal – May 2024

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry accounts
89	25	B Cloete	D1	300	300			300	
					B4			B5	

Question 11

The following information was obtained from LMV Traders.

May 3	Issued invoice 69 to P. Nel for trading stock sold on credit at R1 200. A profit of 60% on cost price was made.
9	Cash sales according to cash register roll, R6 000. Profit of 50% on cost price.
12	Credit sales to M. Henning at R1 520. Profit at 60% on cost price.
18	Goods sold on credit to P. Nel for R2 975. Profit of 75% on cost price.
22	Issued receipt 89 to P. Nel to pay half of the sales on 3 May 2024.
22	Cash sales according to cash register roll, R9 000. Profit of 50% on cost price.
31	M. Henning paid his outstanding debt with an EFT.

Record the entries in the subsidiary journals.

LMV Traders
Debtors journal – May 2024

Doc	Day	Name of debtor	Fol	Debtors control	Cost of sales

LMV Traders
Cash receipt journal – June 2024

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry accounts

Question 12

The following information was obtained from Loupet Traders.

Issued invoice no. 65 for R1 440 to K. Lubbe on 1 June 2024. A profit of 80% on cost price is made.
Issued invoice no. 66 for R900 to B. Cloete on 5 June 2024. A profit of 50% on cost price is made.
On 9 June 2024 receipt no. 87 was issued to K. Lubbe for R400.
Goods were sold at R1 400 to S. Kok on 10 June 2024. A profit of 25% on sales price is made.
Goods were sold at R800 to B. Cloete on 20 June 2024. A profit of 40% on sales price is made.
On 28 June 2024 receipt no. 88 was issued to S. Kok in settlement of his account.
Issued receipt no. 89 to B. Cloete on 29 June 2024 in settlement of his account.
Issued receipt no. 90 to K. Lubbe on 30 June 2024 in settlement of his account.

12.1 Calculate the cost of sales for the sales transactions.

If the profit is made on cost price, the cost price = 100%.			
Cost price	100%		
Profit	80%		
Sales price	180%		

Cost price	100%		
Profit	50%		
Sales price	150%		
If the profit is made on sales price, the sales price = 100%.			
Sales price	100%		
Profit	25%		
Cost price	75%		
Sales price	100%		
Profit	40%		
Cost price	60%		

12.2 Record the entries in the subsidiary journals.

Loupet Traders
Debtors journal – June 2024

Doc	Day	Name of debtor	Fol	Sales	Cost of sales

Loupet Traders
Cash receipt journal – June 2024

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

7.3.3 Debtors ledger

When goods were sold on credit, the debtors must pay their accounts. When the business receives money from the debtors the entry is recorded in the cash receipts journal and posted to the accounts of the debtors in the debtor's ledger to reduce the outstanding amount.

ABC Traders
Debtor's ledger

B Cloete					**D1**
Date	**Details/Document no**	**Fol**	**Debit**	**Credit**	**Balance**
June 5	Invoice 66	DJ	600		600
25	Receipt 89	CRJ		540	60

Example 5

The following information was obtained from Jan Traders for May 2024.

On 2 May 2024 invoice no. 26 for R600 for goods sold on credit to B. Winter. A profit of 50% on cost price is made.
Issued receipt no. 89 for R600 to B. Winter on 15 May 2024.

Record the entries in the subsidiary journals and post to the debtors' ledger.

Jan Traders
Debtors journal – May 2024

Doc	Day	Name of debtor	Fol	Debtors control	Cost of sales
26	2	B Winter 600 x 100/150		600	400

Jan Traders
Cash receipt journal – June 2024

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry accounts		
									Amount	Fol	Details
89	15	B Winter		600	600			600			

Jan Traders
Debtor's ledger

B Winter					D1
Date	Details/Document No.	Fol.	Debit	Credit	Balance
May 2	Invoice 26	DJ	600		600
15	Receipt 89	CRJ		600	-

Question 13

The following information was obtained from Mariaan Traders for May 2024. It is the policy of the business to allow 10% trade discount on sales higher than R15 000.

On 14 May 2024 invoice no. 72 for R14 700 was issued to P. Els for goods sold on credit. A profit of 75% on cost price is made.
Issued receipt no. 94 to P. Els on 19 May 2024 to pay half of his outstanding amount.
On 21 May 2024 goods were sold on credit to P. Els for R19 250 less 10% trade discount.
On 25 May 2024 trading stock was specially purchased for P. Els at R5 500. The goods were sold to him at the normal profit of 75% on cost price.
On 30 May 2024 P. Els paid R20 000 with an EFT.
Cash sales according to cash register roll on 31 May 2025, R42 000. (cost price R24 000)

Record the entries in the subsidiary journals and post to the debtor's ledger.

Mariaan Traders
Debtors journal – May 2024

Doc	Day	Name of debtor	Fol	Debtors control	Cost of sales

Mariaan Traders
Cash receipt journal – June 2024

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry accounts		
									Amount	Fol	Details

Mariaan Traders Debtor's ledger					
B Winter					**D1**
Date	**Details/Document No.**	**Fol.**	**Debit**	**Credit**	**Balance**

7.3.4 General ledger

Transaction recorded in the journals must be posted to the general ledger. The totals in the columns are posted on the last day of the month while the entries in the sundry accounts are posted on the date the transaction was recorded.

ABC Traders General ledger							
			Trading stock/Inventories				**B3**
				May 31	Cost of sales	DJ	400
			Bank				**B4**
May 31	Debtors control	CRJ	600				
			Debtors control				**B5**
May 31	Sales	DJ	600	May 31	Bank	CRJ	600
			Cost of sales				**N1**
May 31	Inventories	DJ	400				
			Sales				**N2**
				May 31	Debtors control	DJ	600

Example 6

The following information was obtained from Jan Traders for May 2024.The entries were recorded in the debtor's journal and cash receipts journal.

Use the entries in the subsidiary journals and post to the general ledger.

Jan Traders Debtors journal – May 2024					
Doc	**Day**	**Name of debtor**	**Fol**	**Debtors control**	**Cost of sales**
26	2	B Winter 600 x 100/150		600	400
				B5/N2	B3/N1

Jan Traders Cash receipt journal – June 2024											
Doc no	**Day**	**Details**	**Fol**	**Analysis of receipts**	**Bank**	**Sales**	**Cost of sales**	**Debtors control**	**Sundry accounts**		
									Amount	**Fol**	**Details**
89	15	B Winter		600	600			600			
CRR	21	Sales		1 200	1 200	1 200	900				
					1 800	1 200	900	600			
					B4	N2	B3/N1				

Jan Traders General ledger							
			Trading stock/Inventories				**B3**
				May 31	Cost of sales	DJ	400
					Cost of sales	CRJ	900
			Bank				**B4**
May 31	Total receipts	CRJ	1 800				
			Debtors control				**B5**
May 31	Sales	DJ	600	May 31	Bank	CRJ	600

Cost of sales							N1
May 31	Trading stock	DJ	400				
	Trading stock	CRJ	900				
Sales							**N2**
				May 31	Debtors control	DJ	600
					Bank	CRJ	1 200

Question 14

Swanevelder Stores sold goods on credit to E. Kruger at R1 600 on 2 June 2024. A profit of 25% on sales price was maintained.

Received R400 from E. Kruger on 15 June 2024 as part payment of his account.

Credit sales of R3 000 to E. Kruger on 24 June 2024.

Swanevelder stores don't use subsidiary journals. Record the entries in the general ledger.

Swanevelder Stores
General ledger

Debtors control	B3
Trading stock	**B4**
Bank	**B6**
Sales	**N1**
Cost of sales	**N2**

Question 15

15.1 What is the disadvantage when journals are not used and all the transactions are directly recorded in the general ledger?

15.2 What is the advantage when journals are used?

Question 16

The following information was obtained from Monet Traders.

Issued invoice no. 65 for R720 to K. Lubbe on 1 June 2024. A profit of 80% on cost price is made.

Issued invoice no. 66 for R900 to B. Cloete on 5 June 2024. A profit of 50% on cost price is made.

On 9 June 2024 receipt no. 87 was issued to K. Lubbe for R400.

Goods were sold at R1 400 to S. Kok on 10 June 2024. A profit of 25% on sales price is made.

Goods were sold at R800 to B. Cloete on 20 June 2024. A profit of 40% on sales price is made.

On 28 June 2024 receipt no. 88 was issued to S. Kok in settlement of his account.
Issued receipt no. 89 to B. Cloete on 29 June 2024 in settlement of his account.
Issued receipt no. 90 to K. Lubbe on 30 June 2024 in settlement of his account.

16.1 Calculate the cost of sales for the sales transactions.

If the profit is made on cost price, the cost price = 100%.			
Cost price			
Profit			
Sales price			
Cost price			
Profit			
Sales price			
If the profit is made on sales price, the sales price = 100%.			
Sales price			
Profit			
Cost price			
Sales price			
Profit			
Cost price			

16.2 Record the entries in the subsidiary journals.

Monet Traders
Debtors journal – June 2024

Doc no	Day	Name of debtor	Fol	Sales	Cost of sales

Monet Traders
Cash receipt journal – June 2024

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry accounts

16.3 Post the entries from the subsidiary journals to the general ledger.

Monet Traders
General ledger

Trading stock								**B3**
Bank								**B4**
Debtors control								**B5**
Cost of sales								**N1**
Sales								**N2**

16.4 Post the entries from the subsidiary journals to the accounts in the debtor's ledger.

Monet Traders
Debtors ledger

K Lubbe					**D1**
Date	**Details/Document No.**	**Fol.**	**Debit**	**Credit**	**Balance**
B Cloete					**D2**
Date	**Details/Document No.**	**Fol.**	**Debit**	**Credit**	**Balance**
S Kok					**D3**
Date	**Details/Document No.**	**Fol.**	**Debit**	**Credit**	**Balance**

Question 17

The following information was obtained from Busy Traders. Profit of 50% on cost maintained.

- Goods were sold on credit at R600 to B. Cloete on 15 May 2024. (invoice 66).
- On 20 May 2024 inventory was sold on credit for R900.
- Issued receipt no 89 for R300 to B. Cloete on 25 June 2024.
- 25 May 2025 cash sales according to cash register roll, R15 000.

Record the entries in the subsidiary journals and post to the ledger.

Busy Traders
Debtors journal – May 2024

Doc	**Day**	**Name of debtor**	**Fol**	**Debtors control**	**Cost of sales**

Busy Traders
Cash receipt journal – June 2024

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry accounts

Busy Traders
Debtors ledger

B Cloete					D1
Date	**Details/Document No.**	**Fol.**	**Debit**	**Credit**	**Balance**

Busy Traders
General ledger

Trading stock	B3

Bank	B4

Debtors control	B5

Cost of sales	N1

Sales	N2

Question 18

The balances were obtained from the ledger accounts of Wentworth Enterprises on 1 June 2024:

Debtors control		385
Trading stock		12 400
Bank		6 800

Schedule of balances of accounts in debtors' ledger on 1 June 2024:		
D Dawn	D1	285
S South	D2	100
Total		385

During June 2024 Wentworth Enterprises recorded the following transactions:

7 Issued receipt no. 97 to S. South in settlement of his account. Issued receipt for R380 to P. Penn for rent.

10 Issued invoice no. 314 for R270 to D Dawn for merchandise sold on credit (profit of 50% on cost price).

11 Cash sales as per cash register roll, R1 600 (profit of 25% on sales price).

21 EFT from D. Dawn, R180. Cash sales of merchandise, R1 520 (profit of 25% on sales price).

28 Issued a receipt for R100 to D. Dawn on his account. Sales as per cash register, R1 200 (profit of 25% on sales price).

30 Issued credit an invoice to S. South for merchandise sold on credit, R69 (profit of 50% on cost price).

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

Wentworth Enterprises
Cash receipts journal – June 2024 **CRJ**

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors	Sundry Accounts		
									Amount	Fol	Details

Wentworth Enterprises
Debtors journal – June 2024

Doc no.	Day	Debtors	Fol.	Sales	Cost of sales

Wentworth Enterprises
Debtors ledger

D Dawn **D1**

Date	Details/Document No.	Fol	Debit	Credit	Balance

S South **D2**

Date	Details/Document No.	Fol	Debit	Credit	Balance

Wentworth Enterprises
General ledger

Financial position accounts section

Trading stock **B7**

Debtors control account **B8**

Bank **B9**

Nominal accounts section:								
				Sales				**N1**
				Cost of sales				**N2**
				Rent income				**N3**

Schedule of balances of accounts in debtors' ledger		
D Dawn	D1	
S South	D2	
Total		
Debtors control (Dr)		

7.4 Debtors' allowances journal

The debtors' allowances journal is a subsidiary journal that is used to record entries when debtors return goods the debt of the debtor must be reduced due to mistakes or deliveries.

Debtor's allowances journal – May 2024					
Doc. no.	**Day**	**Debtors**	**Fol.**	**Debtor's allowances**	**Cost of sales**
307	7	S Spring	D1	180	135
				B8/N1	B7/N2
				Debit debtors' allowances Credit debtors control	Debit trading stock Credit cost of sales

The journal has columns to record the following:

- Debtor's allowances with the total amount on the credit note, R180;
- Cost of sales that is calculated on the amount on the credit note.

7.4.1 Debtors allowances journal

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

The debtors' allowances journal serves as a subsidiary journal to record allowances daily from the credit notes issued. Each credit note issued is entered on a separate line.

Example 7

Record the transactions of Mari Traders for May 2024 in the debtor's journal. The business maintains a profit of 50% on cost price.

May14 Issued credit note 60 for R450 to P. Pink for damaged goods returned.
May 26 Issued credit note for R300 to B. Blue for a mistake on invoice 467.

Mari Traders Debtors allowances journal – May 2024					
Doc.	**Day**	**Debtors**	**Fol.**	**Debtors allowance**	**Cost of sales**
60	14	P Pink 450 x 100/150		450	300
61	26	B Blue 300 x 100/150		300	200
				750	500

Question 19

Record the transactions in the debtor's allowances journal of Oost Stores for May 2024. The business maintains a profit of 75% op cost price.

May 10 Issued credit note 45 for R630 to P. Spring for trading stock returned.

May 18 A credit note for R315 issued to B. Brits for a mistake on invoice 289.

Oost Stores
Debtors allowances journal – May 2024

Doc	Day	Debtors	Fol.	Debtors allowances	Cost of sales

7.4.2 Debtors ledger

ABC Traders
Debtors ledger
B Cloete **D1**

Date	Details/Document no	Fol	Debit	Credit	Balance
June 5	Invoice 66	DJ	600		600
25	Receipt 89	CRJ		540	60
27	Credit note 37	DAJ		30	30

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

- Credit sales are posted daily from the debtors' journal to the debit side of the individual accounts of debtors.
- All receipts from debtors are posted daily from the cash receipts journal to the credit side of the account.
- Goods returned by debtors are posted from the debtors' allowances journal to the credit side of the account.

The balance on the account is determined on a continuous basis after each transaction and is recorded in the last column to have up-to-date information on amounts due by debtors.

Example 8

Record the transactions in the debtor's allowances journal of Marie Stores for May 2024. The business maintains a profit of 50% on cost price.

According to the records on 1 May 2024 P. Pink owes R3 600 and B. Blue R4 200.

May 10 Issued credit note 60 for R750 to P. Pink for trading stock returned.

May 26 A credit note for R600 issued to B. Blue for a mistake on invoice 780.

Marie Stores
Debtors allowances – May 2024

Doc.	Day	Debtors	Fol.	Debtors allowances	Cost of sales
60	14	P Pink 750 x 100/150		750	500
61	26	B Blue 600 x 100/150		600	400
				1 350	900

Marie Stores
Debtors ledger
P Pink

Date	Details/Document no	Fol	Debit	Credit	Balance
May 1	Balance	b/d			3 600
10	Credit note 60	DAJ		750	2 850
B Blue					**D1**
Date	**Details/Document no**	**Fol**	**Debit**	**Credit**	**Balance**
May 1	Balance	b/d			4 200
25	Credit note 61	DAJ		600	3 600

Question 20

Record the transactions in the debtor's journal and debtors allowances journal of Lara Stores for May 2024. The business maintains a profit of 75% on cost price.

According to the records on 1 May 2024 P. White owed R2 900 and B. Brown R3 200.

May 10 Issued invoice 590 for R2 450 to P. White for credit sales.

May 12 Issued credit note 60 for R875 to B. Brown for trading stock returned.

May 18 Credit sales for R4 900 to B. Brown.

May 26 A credit note for R700 issued to B. Brown for mistake on invoice 590.

May 30 Goods sold on credit to P. White for R1 575.

Lara Stores
Debtors journal – May 2024

Doc.	Day	Debtors	Fol.	Debtors allowances	Cost of sales

Lara Stores
Debtors allowances journal – May 2024

Doc.	Day	Debtors	Fol.	Debtors allowances	Cost of sales

Lara Stores
Debtors ledger

P White					**D1**
Date	**Details**	**Fol.**	**Debit**	**Credit**	**Balance**
B Brown					**D2**
Date	**Details**	**Fol.**	**Debit**	**Credit**	**Balance**

Purpose of the debtors' ledger:

- To determine the outstanding amount of a client at any point in time.
- To determine if any mistakes were made, because the balance of the debtors' control and the total of the outstanding amounts of debtors are not equal.

7.4.3 General ledger

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

- The debtors control account is debited (increase asset) with the total credit sales in the debtors' journal. Credit the sales account (increase income).
- The debtors control account is credited (reduce asset) with the total sales returns in the debtors' allowances journal and the debtors' allowances account is debited.
- The debtors control account is credited with the total of the debtors control column in the cash receipts journal (amount received). Debit the bank account (asset increase) with the amounts received from debtors because these amounts are included in the total receipts for the month.
- Debit the cost of sales account (increase expense) while the trading stock account is credited (reduce asset) with the total of the cost of sales column.

Vuma Stores
General ledger

				Trading stock				**B6**
Jul 1	Balance	b/d	4 600	Jul 31	Cost of sales	DJ	2 000
	Cost of sales	DAJ	160		Balance	c/d	2 760
			4 760				4 760
Aug 1	Balance	b/d	2 760				
				Debtors control				**B7**
Jul 1	Balance	b/d	1 900	Jul 31	Debtors allowances	DAJ	320
31	Sales	DJ	4 000		Balance	c/d	5 580
			5 900				5 900
Aug 1	Balance	b/d	5 580				
				Sales				**N1**
				Jul 31	Debtors control	DJ	4 000
				Cost of sales				**N2**
Jul 31	Trading stock	DJ	2 000	Jul 31	Trading stock	DAJ	160
				Debiteure-afslag				**N8**
Jul 31	Debtors control	DAJ	320				

Example 9

The information appeared in the journals on 31 July 2024. Post the totals to the ledger accounts.

Heloise Stores
Debtors journal – July 2024

Doc.	Day	Debtors	Fol.	Sales	Cost of sales
307	7	S Spring 400 x 75/100	D1	400	300
308	12	D Dawn 600 x 75/100	D2	600	450
				1 000	750
				B7/N1	B6/N2

Heloise Stores
Debtors allowances journal – July 2024

Doc.	Day	Debtors	Fol.	Debtors allowances	Cost of sales
60	14	D Dawn 60 x 75/100	D2	60	45
61	16	S Spring 100 x 75/100	D1	100	75
				160	120
				B7/N3	B6/N2

Heloise Stores
General ledger

				Trading stock				**B6**
Jul 1	Balance	b/d	4 600	Jul 31	Cost of sales	DJ	750
31	Cost of sales	DAJ	120		Balance	c/d	2 760
			4 760				4 760
Aug 1	Balance	b/d	2 760				

Debtors control							B7
Jul 1	Balance	b/d	1 900	Jul 31	Debtors allowances	DAJ	160
31	Sales	DJ	1 000		Balance	c/d	5 580
			5 900				5 900
Aug 1	Balance	b/d	5 580				
Sales							**N1**
				Jul 31	Debtors control	DJ	1 000
Cost of sales							**N2**
Jul 31	Trading stock	DJ	750	Jul 31	Trading stock	DAJ	120
Debiteure-afslag							**N3**
Jul 31	Debtors control	DAJ	160				

Question 21

The following information was obtained from Veline Stores for May 2024. The entity maintains a profit mark-up of 75% on cost price.

The following balances were, inter alia, obtained from the trial balance on 30 April 2024:

Details	Debit	Credit
Trading stock	22 000	
Debtors control	2 600	
Bank	18 900	
Sales		29 750
Cost of sales	21 000	
Debtor's allowances	1 750	

Balances in the debtors' ledger:

S Spring	1 600
D Dawn	1 000

Transactions during May 2024:

7 Invoice no. 307 was issued to S. Spring for goods sold on credit, R525
12 Sold goods on credit to D. Dawn, R595.
14 Issued credit note 60 for R105 to D. Dawn for goods returned.
16 Issued credit note 61 for R42 to S. Spring for goods returned.
18 Issued receipt 432 to S. Spring in settlement of his account.
Cash sales, R5 250.
31 D. Dawn paid R900 on his account.

Complete the transactions in the subsidiary journals and post to the debtor's and general ledger.

Veline Stores
Debtors journal – May 2024

Doc.	Day	Debtors	Fol.	Sales	Cost of sales

Veline Stores
Debtor's allowances journal – May 2024

Doc.	Day	Debtors	Fol.	Debtor's allowances	Cost of sales

Go to Index

Veline Stores
Cash receipts journal – May 2024 **CRJ**

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

Veline Stores
Debtor's ledger

S Spring **D1**

Date	Details	Fol.	Debit	Credit	Balance

D Dawn **D2**

Date	Details	Fol.	Debit	Credit	Balance

Schedule of balances in the debtor's ledger

D Dawn	D2	
Total		
Debtors control		

Veline Traders
General ledger

Trading stock **B7**

Debtors control **B8**

Bank **B9**

Sales **N1**

Cost of sales **N2**

Debtor's allowances **N3**

Question 22

The information was obtained from the accounting records of Blom Traders for May 2024.

The following balances appeared, inter alia, in the books on 30 April 2024:

General ledger	
Debtors control	14 800
Trading stock	42 700
Cost of sales	36 800
Sales	64 300
Debtors ledger:	
W Winter	12 400
S Summer	2 400

2. Issued invoice 423 for R11 900 to W. Winter for trading stock sold on credit. A profit of 75% on cost price is made.
10. Issued invoice 424 to S. Summer for R1 800 for trading stock sold on credit. A profit of 25% on sales price is made.
12. Sales according to cash register roll, R16 000. A profit of 25% on sales price is made.
    Issued receipt 147 to S. Summer to pay the outstanding debt on 1 May 2024.
14. Issued credit note 33 for R120 to S. Summer for trading stock returned, sold to him on 10 May 2024.
17. Issued invoice 425 to P. Herfs for R1 500 for trading stock sold on credit. A profit of 50% on cost price is made
19. Issued a receipt to W. Winter for R8 000 as part payment of his account.
24. Issued credit note 34 to P. Herfs for R300 for trading stock returned.
28. Issued receipt to P. Herfs for the payment of half of his debt.
    Cash sales, R12 400. Profit of 25% on sales price was made.

Complete the transactions in the subsidiary journals for May 2024 and post to the ledger.

Blom Traders
Debtors journal – May 2024

Doc	Day	Details	Fol	Sales	Cost of sales

Blom Traders
Debtors allowance journal– May 2024

Doc	Day	Detail	Fol	Debtors allowances	Cost of sales

Blom Traders
Cash receipts journal – May 2024

Doc no	Day	Detail	Fol	Analysis of receipt	Bank	Sales	Cost of sales	Debtors control	Sundry accounts		
									Amount	Fol	Details

Blom Traders
Debtors ledger

S Summer **D1**

Date	Details	Fol	Debit	Credit	Balance

W Winter **D2**

Date	Details	Fol	Debit	Credit	Balance

P Herfs **D3**

Date	Details	Fol	Debit	Credit	Balance

Blom Traders
General ledger

Debtors control **B1**

Trading stock **B3**

Cost of sales **N1**

Go to Index

			Sales			N2	
			Debtors allowances			**N3**	

Question 23

The following information was obtained from the accounting records of Fred Traders for May 2024. Fred Traders maintains a profit of 80% on cost price.

The following balances appeared, inter alia, in the books on 30 April 2024:

General ledger	
Bank account	61 200
Debtors control	18 900
Trading stock	89 700
Cost of sales	36 800
Sales	66 240
Debtors allowances	7 800
Debtors ledger:	
B Blue	14 500
W Pink	4 400

17. Issued invoice no. 425 to W. Pink for goods imported from China at a cost of R4 200. Fred Traders added 90% profit to the cost price, because the goods were imported for W. Pink.
19. Issued invoice 426 for R10 800 less 10% trade discount to B. Blue for trading stock sold on credit (cost price R6 000)
22. Issued credit note 34 for R144 to B. Blue for trading stock returned. (cost price R80)
29. Issued a receipt to W. Pink in settlement of his account.
29. Cash sales, R33 840.

Complete the additional transactions in the subsidiary journals for May 2024 and post to the following accounts.

Fred Traders
Debtors journal – May 2024 **DJ**

Doc no	Day	Details	Fol	Sales	Cost of sales
423	8	B Blue	D1	14 400	8 000
424	12	W Pink	D2	13 680	7 600

Fred Traders
Debtors allowance journal – May 2024 **DAJ**

Doc no	Day	Details	Fol	Debtors allowances	Cost of sales
33	14	B Blue	D1	126	70

[Go to Index]

Fred Traders
Cash receipts journal – May 2024 **CRJ**

Doc no	Day	Details	Fol	Analysis of receipt	Bank	Sales	Cost of sales	Debtors control	Sundry accounts		
									Amount	Fol	Details
	12	Sales		32 400	32 400	32 400	18 000				
147	14	B Blue	D1	10 000	10 000			10 000			

Fred Traders
Debtors ledger

B Blue **D1**

Date	Details	Fol	Debit	Credit	Balance

W Pink **D2**

Date	Details	Fol	Debit	Credit	Balance

Fred Traders
General ledger

Bank **B1**

Debtors control **B2**

Trading stock **B3**

Cost of sales **N1**

Sales **N2**

Debtors allowances **N3**

Summarising the flow of transactions

Credit sales	Receive from debtor	Returns of goods and allowances
↓	↓	↓
Invoice issued	Receipts	Credit note issued
↓	↓	↓
Debtors journal	Cash receipts journal	Debtors allowances journal
↓	↓	↓
Debtors control account	Debtors control account	Debtors control account
↓	↓	↓
Debtors ledger	Debtors ledger	Debtors ledger

Questions

1. Which ledger account is credited with the total of the debtors' column in the cash receipts journal at the end of the month?
2. How would you enter entries in the three-column accounts? What is the advantage of the three-column account?
3. Which transactions are recorded in the debtors' journal?
4. What is the purpose of a statement of account?
5. What is the purpose of a receipt?
6. What is the purpose of the debtors' journal?
7. What is the purpose of the debtors control account?
8. Why do you open a separate debtors' ledger?
9. Name the document that is completed when goods are sold for cash?
10. Name the document that is completed when goods are sold on credit?
11. Name four types of consumable stores.
12. Name three documents involved in credit transactions with debtors.
13. Name three documents involved in credit transactions with creditors.
14. Will trade discount be entered in the subsidiary journals? Give a reason for your answer.
15. To which ledger accounts are the credit purchases of inventory booked daily basis?
16. To which ledger accounts are the total credit purchases of inventories posted at the end of the month?
17. Which document is used when the account of a creditor is paid?
18. Which ledger account is debited with the total of the creditors' column in the cash payments journal at the end of the month?

Solutions for short questions

1. Debtors control account.
2. 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 on a daily basis.
3. Credit sales transactions.
4. 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.
5. A receipt is issued as proof of payment.
6. To record all the credit transactions.
7. To record the total sales, returns, payments, etc. The balance of the debtors control account must be equal to the total outstanding debts from debtors to ensure that every entry was recorded in the control account and the debtors' ledger.
8. It reduces the number of entries in the general ledger. An account is opened for every debtor to record any transactions with the debtor.
9. Cash register roll or cash invoice.
10. Credit sales invoice issued.
11. Stationery, packing material, fuel, oil, cleaning materials, refreshments.
12. Invoices issued, credit notes issued and receipts.
13. Invoices received, credit notes received and bank statement.
14. Trade discount is subtracted before the entries are completed. No entries are recorded for trade discount.
15. Individual accounts of creditors in creditors ledger.
16. Creditors control account and inventories account.
17. Bank statement.
18. Creditors control account.

Go to Index

Terms and concepts

Credit note issued:	A ***credit note*** is ***issued to a debtor*** to reduce the account on the ***credit side*** because goods were returned, mistake on invoice, damaged goods, etc.
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 sales transactions:	This is a transaction where payment by the customer is postponed, and a record must be kept in a ledger account of the amount owed by that customer.
Debtors:	A person or business that owes money to the business because merchandise was sold on credit.
Debtors control account:	This account consists of the total transactions recorded in all the separate accounts of debtors.
Debtors journal:	This is a book of first entry in which credit sales of inventories are recorded on a monthly basis, showing both sales and cost of sales amounts.
Debtor's ledger:	This is a separate ledger for keeping all the personal accounts of debtors.
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 issued:	An invoice is issued to a debtor when goods are sold on credit.
Invoice received:	An invoice is received from a creditor for credit purchases.
Receipt:	This is a document that serves as proof that an account is paid.
Statement of account:	A statement of account is sent to each Debtor at the end of the month. It is like the account of the particular Debtor in the debtors' ledger and indicates the amount owed to the business.
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.