

CREDIT TRADING

Creditor – Person/Business owes money to when we purchase trading stock (or services on credit.

Source Document – Original credit purchase invoice.

Subsidiary Book

Creditors Journal (CJ)

Creditors Allowance Journal (CAJ) – used when we return unsatisfactory goods/services to the creditor.

- Source document in the CAJ is the debit note.

Advantages of Credit Purchases

1. Business can buy a wider range of trading stock to attract customers.
2. The business has more time to pay.
3. Early payment to creditors can be rewarded and discount received.

Disadvantage of Credit Purchases

1. Creditor can charge us interest on creditor's overdue account.

**EFFINGHAM SECONDARY SCHOOL
ECONOMIC MANAGEMENT SCIENCES
CREDITORS AND CASH JOURNALS**

Exercise 1:

The following information was extracted from the accounting records of JoJo Stores for May 2021.

REQUIRED: Prepare the Cash Payments Journal and the Creditors Journal. Cast the journals properly at the end of the month.

Balance on 1 May 2021

Will Traders	-	R 1 400
Grace Stores	-	R 2 100
Frasier Wholesalers	-	R 4 300

Transactions – May 2021

- 1 Purchased goods on credit from Will Traders as per invoice no. W345 less 3% trader discount R 600.
- 2 Issued cheque no 678 to Frasier Wholesalers to settle account as at 1 May
- 7 Bean Traders by cheque for merchandise – R 1 600
- 10 Bought on credit from Grace Stores as per inv no. GS122:

Office desk	-	R 3 200
Pens, pencils & envelopes	-	R 800
Goods	-	R 2 900
- 13 Took delivery of merchandise bought on credit from Frasier Wholesalers as per invoice no. F890 – R 3 600
- 18 Issued cheque to Grace Stores for the following :

Part payment of account	– R 1900
Wrapping materials & detergents	– R 400
Adding machine	– R 1 700
- 23 Received invoice no S455 from Sunday Times for advertising – R 6 000
- 25 Received account from Grace Stores for general repairs to building as per invoice no. GS 324 – R 900
- 28 Purchased delivery van from Nissan on credit as per inv N654 – R 200 000
- 29 Issued chq to Grace Stores in full settlement of account
Paid manager J.Jack his salary R 7 500
- 30 Received chq on account from L.Laurel. Issued receipt – R 1 650.

Exercise 2:

REQUIRED: Prepare the Cash Payments Journal and the Creditors Journal. Cast the journals properly at the end of the month.

The following balances, amongst others, appeared in the books of Beauty Traders at 1 June 2021.

Chanel Traders	R 1 300
Aramis Stores	R 2 900

Transactions

- 4 Purchased the following from Chanel Traders on credit as per inv CT 101
Merchandise - R 2 500, less 4% trade discount
Pens, pencils and computer paper – R 900
- 5 Returned unsatisfactory goods to Chanel Traders R 200
- 7 Issued cheque no B97 to Aramis Stores to settle account as at 1 June
- 9 Sent a cheque to Cell C to settle owner's cell phone account R 1 600
- 10 Received a new delivery vehicle from Toyota T786 - R 70 000
- 15 Bought packing and wrapping materials from Chanel Traders and received
inv o. CT 156 – R 3 800

Received an account – inv no BR 657 from Boss Repairs for general repairs
to building – R 2 700
- 16 Issued debit note to Chanel Traders for unsatisfactory goods (as per 15
June) – R 1 300
- 17 Issued chq to Chanel Traders in full settlement of their account ..?
- 23 Forwarded cheq to Revlon Stores for goods purchased R 5 600

Exercise 3:**CJ & CPJ Posting to the Ledger**

Use the following information and post to the :

General Ledger – Creditors Control

Creditors Ledger - Rose Traders

- Jack Traders

NB: Cast the Journals

Information

Creditors List – 1 May 2021

Rose Traders	R 7 900
Jack Stores	R 4 500

CASH PAYMENT JOURNAL OF TITANIC TRADERS FOR MAY 2021 CPJ 6

DOC NO	DATE	PAYEE	FOL	BANK	CREDITORS CONTROL	TRADING STOCK
90	1	Jack Stores		7 000	3 200	?
91	9	Petal Traders		5 000		5 000
92	15	Jack Stores		2 200	2 200	
93	21	Rose Traders		3 400	3 400	

CREDITORS JOURNAL OF TITANIC TRADERS FOR MAY 2021 CJ 6

INV NO	DATE	CREDITOR	FOL	CREDITORS CONTROL	STATIONERY	TRADING STOCK
J56	4	Jack Stores		?	300	4 700
J87	10	Jack Stores		5 600		5 600
R90	18	Rose Traders		1 200	1 200	
R101	24	Rose Traders		6 300	700	?

