



EFFINGHAM SECONDARY SCHOOL ECONOMIC MANAGEMENT SCIENCE GRADE 9 - WORKBOOK 2022



ANALYSIS OF TRANSACTIONS

PRIOR KNOWLEDGE REQUIRED: CLASSIFICATION OF ACCOUNTS

Remember:

No.	TYPE OF ACCOUNT	INCREASE (+)	DECREASE (-)
1	Assets (Items we own)	Debit	Credit
2	Liabilities (Accounts we owe)	Credit	Debit
3	Owner's Equity	Credit (Capital)	Debit (Increase)
4	Income	Capital	Debit
5	Expense	Debit	Credit

Example:

- a. Paid wages – R5000
- b. Sold goods on credit to V. Naidoo (R6000) N.B Cost of Sales mark-up is 50% on cost.

No	ACCOUNT DEBIT	ACCOUNT CREDIT	ASSET	OWNERS EQUITY	LIABILITIES
a	Wages	Bank	+ 5000	- 5000	0
B	Debtors Control	Sales	+ 6000	+ 6000	0
	Cost of Sales	Trading Stock	- 4000	- 4000	0

Task One

1. Received rent from tenant P.King – R 900
2. Paid for repairs as per cheque no. 71 – R 300
3. Sold goods on credit to G. Paull – R 1 500
4. Sold goods for cash – R 2 400
5. Issued cheque to pay for owner's personal telephone – R 700

No	ACCOUNT DEBIT	ACCOUNT CREDIT	ASSET	OWNERS EQUITY	LIABILITIES
1					
2					
3					
4					
5					

Task Two

1. Received interest on Fixed Deposit from ABSA Bank – R 300
2. Paid for fuel for delivery vehicle – R 700
3. Goods sold for cash (R4000) . N.B Cost of Sales 33 1.3 % on cost.
4. Debtor V.N Ogle settled his account R 800.
5. Debtor J. Kin returned unsatisfactory goods. – R 1 200

No	ACCOUNT DEBIT	ACCOUNT CREDIT	ASSET	OWNERS EQUITY	LIABILITIES
1					
2					
3					
4					
5					

Task Three

1. Debtor I.M Soni complained of an overcharge of R200. His account was reduced by R200.
2. Paid telephone account from R 900
3. Received commission of sales – R 300
4. Issued cheque to pay for repairs to owner's personal vehicle – R 2 000
5. Purchased trading Stock worth R 15 000 and received 20% trade discount.

No	ACCOUNT DEBIT	ACCOUNT CREDIT	ASSET	OWNERS EQUITY	LIABILITIES
1					
2					
3					
4					
5					

THE ECONOMY – PRICE THEORY

DEMAND

Definition

- Demand is defined as the quantity of a good or service that consumers willing and able to purchase different price.

Factors affecting the demand of a product

- The price of a product – if the price of a product is low, consumers will buy more of the product and if its high they will buy fewer products.
- The amount of money consumers have (Income) – If the consumers income is high consumers will buy more of the product and vice versa.
- Advertising – If advertising is effective, consumers demand more of the product.
- The price of other products – If the price of butter increases, the demand will drop but the demand for margarine will increase.
- Weather conditions – Cold weathers the demand for warm clothing will increase.
- Fashion – Will influence how much a consumer will spend on a product.
- Tastes and habits.

Law of Demand

- The law of demand states that at a higher price of a good or service, the quantity demanded by consumers will be low.

SUPPLY

Definition

- Supply is defined as the quantity of a good or service that suppliers are will and able to produce at different price levels.

Factors affecting the supply for a product

- Price of a product – High prices – supplier will supply more
- Cost of production – if the good or service is cheap to produce, suppliers will supply a large quantity of goods.
- Method of production – Technological improvements will enable a greater quantity to be produced and the supply will increase.
- Number of producers -Competitors – More producers, supply will increase and vice versa.

Law of Supply

The law of supply states that as the prices increases the quantity supplied will increase.

Illustrative Example**DEMAND AND SUPPLY SCHEDULE OF SWEETS**

PRICE (R PER BAG)	QUANTITY DEMANDED	QUANTITY SUPPLIED
5	900	1800
4	1000	1600
3	1200	1200
2	1500	700
1	2000	0

USING THE INFORMATION ABOVE, DRAW A DEMAND AND SUPPLY CURVE

EXERCISE ONE :**DEMAND AND SUPPLY SCHEDULE OF PENS**

PRICE (R PER BOX)	QUANTITY DEMANDED	QUANTITY SUPPLIED
25	1800	3600
20	2000	3200
15	2400	2400
10	3000	1400
5	4000	700

USING THE INFORMATION ABOVE, DRAW A DEMAND AND SUPPLY CURVE

EXERCISE TWO :**DEMAND AND SUPPLY SCHEDULE OF T-SHIRTS**

PRICE (R PER BAG)	QUANTITY DEMANDED	QUANTITY SUPPLIED
250	900	1800
200	1000	1600
150	1200	1200
100	1500	700
50	2000	0

USING THE INFORMATION ABOVE, DRAW A DEMAND AND SUPPLY CURVE

EXERCISE THREE :**DEMAND AND SUPPLY SCHEDULE OF SWEETS**

PRICE (R PER BAG)	QUANTITY DEMANDED	QUANTITY SUPPLIED
5	450	900
4	500	800
3	600	600
2	750	700
1	1000	350

USING THE INFORMATION ABOVE, DRAW A DEMAND AND SUPPLY CURVE

EXERCISE FOUR :

Complete Activity 3 from textbook from pages 82/83

CREDIT SALES

DEFINITIONS

1. Credit Sales

- It is when goods and services are purchased now and paid for at a later date.

2. Debtor

- A person who owes the business money because goods and services were supplied to them on credit.

3. Debtors Journal

- Subsidiary book recording credit sales of trading stock.

ADVANTAGES OF CREDIT TRADING

- The business benefits from higher sales than if he sells goods for cash only.
- The business is able to purchase goods on credit, resell them at a higher price and only pay the supplier once they have received the cash from customers.
- The business has a larger customer base than the cash trader.

DISADVANTAGES OF CREDIT TRADING

- Administrative work increase – accounts have to be serviced, monthly statements have to be sent, telephone calls to collect outstanding accounts.
- Salary expenses of the business will increase as they have to employ more people in the administration department.
- Businesses have to find suppliers who are willing to sell to them on credit as they have to wait for money to come in from debtors.
- Businesses have to check the creditworthiness of customers which is time consuming.
- Businesses have to follow the conditions laid down in the National Credit Act or they may be penalized.

THE NATIONAL CREDIT ACT (NCA)

NATURE OF THE ACT

- It is a South African law that aims to provide for greater consumer protection in transactions where consumers apply for and are granted credit.
- The NCA applies to all business credit agreements including microloans, furniture finance, home loans, etc.

ADVANTAGES OF THE NCA

- It prevents the reckless granting of credit
- It prevents people from becoming financially overcommitted
- The business has to keep a careful record of every credit sale

DISADVANTAGES OF THE NCA

- There is a lot of administrative work in providing credit.
- Credit which is granted recklessly cannot be recovered.
- Consumers have to budget more carefully as it is difficult to gain access to credit.

RIGHTS AND RESPONSIBILITIES OF THE CONSUMER

THE NCA GIVER THE CONSUMER THE FOLLOWING RIGHTS:

- The right not be discriminated against in the granting of credit.
- The right to be informed of the reasons why an application for credit is not granted.
- The right to receive a credit agreement in plain understandable language.

RESPONSIBILITIES OF THE CONSUMER

- Consumers are expected to be honest when completing credit applications
- Consumers must not give false information to secure credit.

Journals you have completed in Term 1

JOURNAL	SOURCE DOCUMENT	TRANSACTIONS
Cash Receipts Journal (CRJ)	Duplicate Receipt Cash Register Tape Bank Statement	Money received by the business : cash sales, rent income, capital, interest income paid. Payment from debtor (new)
Cash Payments Journal (CPJ)	Cheque counterfoil Bank Statement	Money paid by the business for items bought for cash. Eg: Trading stock, Vehicles

Journals in Term 2 (NEW)

JOURNAL	SOURCE DOCUMENT	TRANSACTIONS
Debtors Journal (DJ)	Duplicate credit sales invoice	When goods are sold to a customer on credit (to take the goods now and pay the business later)
Debtors Allowance Journal (DAJ)	Duplicate credit note	When a customer is unhappy with the goods he bought (refer to conversation in the textbook on page 59, between unhappy customer and supplier. NB: If goods are returned – is recorded in the Debtors Allowance Journal and Cost Sales in the CRJ. If goods are not returned , transaction is recorded only the Debtors Allowance Journal.

CYCLE OF BUSINESS ACTIVITIES AND POSTING TO THE LEDGER

Source Document

Subsidiary Journal

Ledger

General Ledger – Done in a Dr Cr form.

- Example of accounts you have already done in the General Ledger :
Bank, Trading Stock, Sales, Cost of Sales etc.

Subsidiary Ledger (Debtors Ledger) – This ledger has the specific transactions of each debtor . Each debtor has a unique account number (e.g. DL1, DL2, DL3) .

Debtors Ledger has THREE money column format.

Date	Details	Fol	Debit (+)	Credit (-)	Balance
1/6/2020	Balance	b/d			5000 (A)

When a debtor buys goods on credit , he owes you the money. Therefore the amount owing will reflect in the Debit (+) column.

When a debtor pays you he is reducing his account. Therefore the amount is received from the debtor reflects in the Credit (-) column.

The difference between the debit and credit column is the balance owing. (A) is the balance owing from the previous month.

(Refer to pages 104 to 115 of the textbook for further explanation.)

At the end of the month the final amount owing in each Debtors account is added up to give you a total (**Debtors List**. This Debtors List must correspond with the amount at the end of the month in the **Debtors Control** account in the **General Ledger**.