



Economics and Management Sciences: EMSC4

LESSON 18

Unit Standard: 13999

TOPIC: EXPLAIN THE PURPOSE OF EACH SUBSIDIARY JOURNAL.

NB: At the end of this lesson you must be able to:

1. Explain the concept of subsidiary journals
2. Identify and describe subsidiary journals
3. Justify the use of each subsidiary journal

1. SUBSIDIARY JOURNALS ARE EXPLAINED

All transactions of the business are organised into categories and a **subsidiary journal** (subsidiary means helpful) is kept for each. The subsidiary journals are written up daily and the information that is recorded is obtained from **source documents** which are referred to as the first record of transaction.

2. TYPES OF SUBSIDIARY JOURNALS ARE EXPLAINED (cash receipt, cash payments, creditor's journal, debtor's journal)

Cash Payments Journal (CPJ) is a journal that records all cash (cheques, coins, bank notes, credit cards, debit cards, EFT) payments that a business pays. The following information must be included in a cash payments journal:

- Cheque number in sequence
- Date of transaction
- Name of payee (business being paid/individual)
- Sundry column that deals with transactions that happens once after a long period e.g. paying for a trading licence.
- Bank account is used for all payments that are made.



Illustrative example of a cash payments journal

Transactions of Jelly Tots on 31 May 2019

1. Sent cheque no. 11 for R890 to City council to pay rates for January.

- Cheque 11 must be entered into the document column (step 1)
- Date 01 must be entered into the day column (step 2)
- the money was paid to City council enter this into details column (step 3)
- R890 is entered into bank column (step 4)
- R890 is entered into the rates column or sundry if we do not have a rates column and we enter the amount (R890) and under details we enter rates.(step 5)

2. Bought trading stock from Macro and Co for R3620 and received a 15 % discount and paid by cheque 12.

- Cheque number must be entered into document column (step1)
- Date of transaction which is 05 may must be entered (step 2)
- Macro and Co must be entered under name of payee (step 3)
- R3077 ($R3620 \times 15 / 100 = R543$ then $R3620 - R543 = R3077$) must be entered into the bank column (step 4)
- R3077 must be entered into the trading stock column (step 5)
- R543 must be entered into the sundry amount (step 6)
- Discount received must be entered into the details of sundry.(step 7)

3. The business electronically transferred R1200 into the bank account of MR Yacoob Amla as wages. (EFT 1)

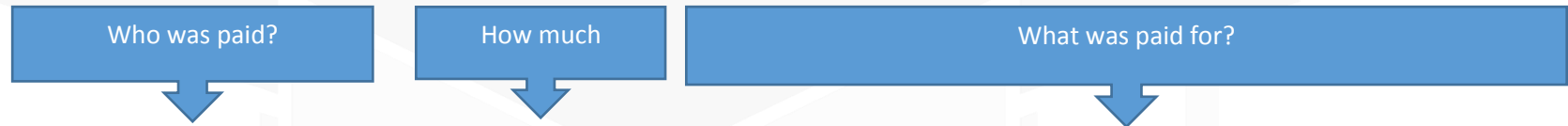
- EFT1 must be entered into the document column (step 1)
- day 07 must be entered into the date column (step 2)
- Cash/wages must be entered into the payee column (step 3)
- R1200 must be entered into the bank column (step 4)
- R1200 must be entered into the wages column (step 5)



4. The bank statement indicates that our bank Capitec charged us R95 for bank charges (EFT 2)

- EFT 2 must be entered into the document column (step 1)
- Day 8 must be entered into date column (step 2)
- Capitec must be entered into the details column (step 3)
- R95 must be entered into the bank column (step 4)
- R95 must be entered into the sundry amount (step 5)
- bank charges must be entered into sundry details (step 6)

THE CASH PAYMENT JOURNAL OF JELLY TOTS-31MAY 2019 -SOLUTION



Doc	Day	Name of payee	Bank	Wages	Trading Stock	Sundry Amount	Details
11	1	City Council	R890			R890	rates
12	5	Macro and Co.	R3077		R3077	R543	Discount received
EFT 1	7	Cash/Wages	R1200	R1200			
EFT 2	8	Capitec Bank	R95			R95	Bank charges
			R5262	R1200	R3077	R1528	



Cash Receipts Journal (CRJ) is a journal that records all cash (cheques, coins, bank notes, credit cards, debit cards, EFT) receipts that a business is paid by third parties. The following information must be included in a cash receipts journal:

- receipt number in sequence
- Date of transaction
- Details (business paying)
- Analysis of receipt is a column used to add all daily transactions before posting to the bank column
- Sundry column that deals with transactions that happens once after a long period e.g paying for a trading licence.
- Bank account is used for all payments that are made
- Sales column for all the cash sales received
- Cost of sales column for all the cash cost of stock that was sold.

Illustrative example of cash receipt journal

Transactions of Tiny Tots -31 May 2019

1. T Tania deposited R40 00 as capital as capital directly into the business account (rec.001 issued)
 - 001 must be entered into the document number (step 1)
 - Date 1 must be entered into the day column (step 2)
 - T.Tania must be entered into the details column because the money was received from him.(step 3)
 - under analysis there is no amount as the money was directly deposited (step 4)
 - R40 00 is entered into the bank column (step 5)
 - R40 000 is entered into the sundry amount (capital contribution does not happen frequently) (step 6)
 - capital is entered into the sundry details (step 7)
2. M Boucher rents a garage from Jelly Tots and paid R150 cash. (rec 002)
 - 002 must be entered into the document number (step 1)
 - Date 1 must be entered into the day column (step 2)
 - M. Boucher must be entered into details (step 3)



- R150 must be entered into analysis of receipts (step 4)
- R150 must be entered into the sundry amount column (step 5)
- no entry in the bank column as there is another transaction on the same day(step 6)
- rent income must be entered into the sundry details column (step 7)

3. M.Ntini sent a cheque of R250 for part payment of his account. (rec 003)

- 003 is entered in the document column (step 1)
- nothing is entered on day as this is the second transaction on this date (step 2)
- M. Ntini is entered in the details column (step 3)
- R250 must be entered into the analysis of receipts (step 4)
- R400 (R150 + R250) must be entered into the bank column (step 5)
- R250 must be entered into the debtors control column (step 5)

4. Cash sale of R4 000 was received and the mark up is 25 % on sales.

- CRR is the document number (step 1)
- 5 is the date (step 2)
- Cash is entered into the details column (step 3)
- R4 000 is entered into analysis of receipts (step 4)
- R4 000 is entered into the bank column (step 5)
- R4 000 is entered into the sales column (step 6)
- R3 200 (sale R4 000/125 x 100) is entered into cost of sales (step 7)



Cash Receipts Journal of Jelly Tots-31 May 2019-SOLUTION

Doc	Day	Details	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry Amount	Details
001	1	T.Tania		R40 000				R40 000	capital
002	2	M. Boucher	R150					R150	Rent income
003		M. Ntini	<u>R250</u>	R400			R250		
CRR	5	Cash	R4000	R4000	R4 000	R3200			
				R44 400	R4000	R3200	R250	R40 150	

Petty cash Journal (PCJ)

- Petty (small) cash is kept in the office by the receptionist or secretary on items that have to be paid in cash e.g casual wages, donations, stamps etc. When the petty cashier takes money out of the petty cash box he/she puts in a document, called a voucher, explaining what the money will be used for. The receipt, cash invoice, or signature of the person who received the money will be attached to the voucher as proof of payment.
- A petty cash journal should show: to **who** was the money was paid (Details column): **How much** was paid for (Total column):What was it paid **for** (Analysis column):

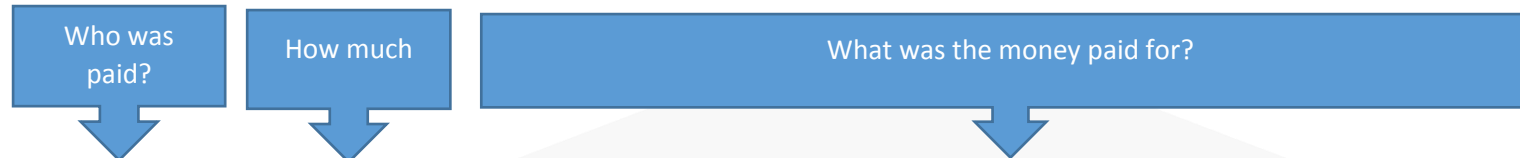
Illustrative example of Petty Cash Journal

Transactions of Jelly Tots on 31 May 2019

- May 31 Bought stationery from CNA and paid out of petty cash R21.(Voucher 54) paid casual wages out of petty cash, R28.
- T. Tania the owner took R60 cash for personal use.
- Bought merchandise to sell in the shop from a craftsman called Mazwi and gave him R58 cash.
- Bought milk from Shoprite for staff tea and paid R13 cash.
- Bought stamps from the Post Office and paid R60



PETTY CASH JOURNAL OF JELLY TOTS-31 MAY 2019 -SOLUTION



Doc	Day	Details	Total	Trading stock	Wages	Postage	Stationery	Drawings	Sundry Amount	Details
	30	Totals	R400	R100	R25	R140	R15	R120		
54	31	CNA	R21				R21			
55		Wages	R28		R28					
56		T.Tania	R60					R60		
57		Mazwi	R58	R58						
58		Shoprite	R13						R13	Tea for staff
60		Post office	R60			R60				
			R640	R158	R53	R200	R36	R180	R13	

Debtors Journal (DJ)

This journal records transactions that the business did not receive cash payment for goods sold i.e. goods are sold on credit. Although no cash is received a debtor has been created and this must be recorded immediately. The source document for debtor's journal is called a duplicate invoice.



Illustrative example of Debtors Journal

Transactions for May 2019

Note: Goods are sold at a mark-up of 20% on cost.

1. Sold goods on credit to Mfana Kalo and issued invoice 466 (R1200)

- 466 is entered into the Invoice number column (step 1)
- 1 will be entered into the day column (step 2)-Mfana Kalo is entered into the Debtor column as the person we sold goods to.(step 3)
- R1200 is entered into the sales column as the amount that was charged to the customer.(step 4)
- R1000 ($R1200/120 \times 100 = R1000$) is entered into the cost of sales column (step 5)

2. Sold goods on credit to Toie Tonder and issued invoice 467 at cost price of R2400

- 466 is entered into the invoice column (step 1)
- 2 is entered into day column indicating the date the transaction happened (step 2)
- R2880 ($R2400/120 \times 100 = R2880$) is entered into the sales column. (Step 3)
- R2400 is entered into the cost of sales column. (Step 4)

Debtors Journal of Jelly Tots -31 May 2019 (DJ 1) SOLUTION

INV	DAY	DEBTOR	SALES	COST OF SALES
466	1	Mfana Kalo	R1200	R1000
467	2	Toie Tonder	R2880	R2400
			R4080	R3400

Debtors Allowances Journal (DAJ)

- This journal records all the returns of stock by customers. The source document used is called a credit note.

Illustrative example of a Debtors Allowance Journal



Transactions of Jelly Tots -31 May 2019

4. Mr Mfana Kalo returned stock to the value of R240 and a credit note c/n 561 was issued.

- 561 is entered into the credit note column (step 1)
- 4 is entered into the day column (step 2)
- Mfana Kalo is entered into the debtor column (step 3)
- R240 is entered into the Debtors allowances column.(step 4)
- R200 ($R240/120 \times 100 = R200$) is entered into the Cost of sales column. (step 5)

Debtors Allowances Journal of Jelly Tots -31 May 2019 (DAJ 1) SOLUTION

C/N	DAY	DEBTOR	DEBTORS ALLOWANCES	COST OF SALES
561	4	Mfana Kalo	R240	R200
			R240	R200

Creditors Journal (CJ)

This journal deals with transactions that the business did not make cash payment for goods bought (creditors) i.e. goods are bought on credit. Although no cash is received a creditor has been created and this must be recorded immediately. The source document for creditor's journal is called an original invoice.

Illustrative example Creditors Journal

Transactions for May 2019

1. Bought goods on credit from Mfana Kalo & Co. R1200 (invoice 466)
 - 466 is entered into the Invoice number column (step 1)



- 1 will be entered into the day column (step 2)-Mfana Kalo & Co. is entered into the Creditors column as the person/business we bought goods from. (step 3)
- R1200 is entered into the creditors control column as the amount that was charged by our creditor (Mfana Kalo). (step 4)
- R1200 is entered into the trading stock column (step 5)

Creditors Journal of Jelly Tots -31 May 2019 (CJ 1) SOLUTION

INV	DAY	CREDITOR	CREDITORS CONTROL	TRADING STOCK	REPAIRS	SUNDRY AMOUNT	DETAILS
466	1	Mfana Kalo	R1200	R1200			
			R1200	R1200			

Creditors Allowances Journal (CAJ)

This journal deals with transactions of goods that were bought on credit and returned back to the seller because of wrong pricing, damage, etc. The source document for creditor's allowances journal is called a duplicate debit note.

Illustrative example Creditors Allowances Journal

Transactions for May 2019

1. Some of the goods worth R220 that were bought from Mfana Kalo & Co. had an inferior quality and they were returned.
 - 466 is entered into the debit note column (step 1)
 - 1 will be entered into the day column (step 2)
 - Mfana Kalo & Co. is entered into the Creditors column as the person/business we bought goods from. (step 3)
 - R220 is entered into the creditors control column as the amount that was charged by our creditor (Mfana Kalo). (step 4)
 - R220 is entered into the repairs column (step 5).



Creditors Allowances Journal of Jelly Tots -31 May 2019 (CAJ 1) SOLUTION

D/N	DAY	CREDITOR	CREDITORS CONTROL	TRADING STOCK	REPAIRS	SUNDRY AMOUNT	DETAILS
466	1	Mfana Kalo & Co.	R220		R220		
			R220		R220		

Activity 18

Use the information below to prepare, Cash Receipts, Cash Payments, Petty Cash, Debtors Journal, Debtors Allowances Journal, Creditors Journal and Creditors Allowances Journal for Funga Macho Traders on 31 December 2019. **40 marks**

Information:

CRJ-Bank, Sales, Cost of Sales, Debtors Control. (8)

CPJ-Bank, Trading stock, Wages (4)

PCJ-Total, Trading stock, Wages, Drawings (16)

DJ-Sales, Cost of sales (4) and DAJ (2)

CJ-Creditors control, Trading stock, Packing material (4) CAJ (2)

Transactions

1. Owner L. Martins deposited R65 000 as capital contribution (rec.001).
2. Paid Telkom R530 for telephone account and cheque 561 was used to pay. Received R1200 as rent from I. Patel and issued receipt 002.
3. Sold goods on credit to R.Red R1200 (mark up is 20 % on cost) issued invoice 521.P. Ramotswe paid his account, R 420 (rec 003).Paid VBS bank R318 for bank charges (electronically debited).



4. Used petty cash to pay Old John R150 wage for a one day garden service.(voucher 020).R Red returned some of the goods which were not according to order, and credit note 72 was issued for R480.
5. Paid City council by cheque 562 R1030 (R820 is water and electricity and R210 is for rates). Bought stamps R15 used petty cash (voucher 021).
6. Cash sales of R2400 made and receipt 004 issued. Received an invoice from Tasman Traders for goods R12 000 that were bought on credit (invoice 004).Used petty cash to pay Mr Malatji R250 (trading stock) used voucher 022 and bought coffee at Checkers for R47 for the staff members and voucher 023 was issued. Sold goods on credit to Timor for R900 and invoice 522 issued.
7. Returned unsatisfactory packing material to Tasman Traders R182 (debit note 001)
8. The owner L. Martins took R100 from petty cash and used it for personal use and voucher 022 was issued.

NB: The answer sheets are provided in the next pages.

Answer book

Doc	Day	Name of payee	Bank	Wages	Trading Stock	Sundry Amount	Details



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



GAUTENG

Community Education and Training
CET COLLEGE

Doc	Day	Details	Total	Trading stock	Wages	Postage	Stationery	Drawings	Sundry Amount	Details

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

Answer book

INV	DAY	DEBTOR	SALES	COST OF SALES



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



GAUTENG
Community Education and Training
CET COLLEGE

C/N	DAY	DEBTOR	DEBTORS ALLOWANCES	COST OF SALES

INV	DAY	CREDITOR	CREDITORS CONTROL	TRADING STOCK	REPAIRS	SUNDRY AMOUNT	DETAILS

D/N	DAY	CREDITOR	CREDITORS CONTROL	TRADING STOCK	REPAIRS	SUNDRY AMOUNT	DETAILS