Chapter 4

1) Given the following information, you are to
   a) Prepare journal entries to record the following transactions
   b) Prepare the ledger accounts of cash at bank and bank loan.

   1 Apr Maggie Veg set up a business with $15,000 with personal funds.
   2 Apr The business took a bank loan of $10,000
   5 Apr The business bought goods worth $1,000 using a cheque
   8 Apr The business sold goods costing $400 at a price of $2000 on credit
   10 Apr The business received a cheque of $4,000 from his credit customer

2) State which accounts will be debited/credited and the amounts involved.

   Joon started the business with $10,000 cash
   Joon bought a Motor Vehicle for her business using cheque of $3,000
   A cash sales of $4,000 was made in the first week of business
   Joon issued a cheque of $120 to pay for rent
   A credit customer bought goods of $5,000 from Joon which cost $1,000.
   Joon took a bank loan of $8,000
   Joon repaid part of the loan using a cheque of $2,000

3) How does a trade discount work and how do we record it in a ledger?

4) A credit customer bought goods from us at a discount of 5% off the list price of $120. A week later, to entice him to pay early, we have decided to give a discount of 10%.

   a) What was the selling price of the goods and the double entries to record the sale of goods to this customer.
   b) What is the amount we can expect to receive from this customer for full settlement?
   c) State the double entries to record the discount given and the payment once received

Answers

1)

Journal

Date	Particulars	Dr	Cr
1-Apr	Cash at Bank	15,000.00	
	Capital		15,000.00
2-Apr	Cash at Bank	10,000.00	
	Bank Loan		10,000.00
5-Apr	Inventory	1,000.00	
	Cash at Bank		1,000.00
8-Apr	Trade Receivable	2,000.00	
	Sales Revenue		2,000.00
	Cost of Sales	400.00	
	Inventory		400.00
10-Apr	Cash at Bank	4,000.00	
	Trade Receivable		4,000.00

Cash at Bank

Date	Particulars	Dr (+)	Cr (-)	Bal
2020		$	$	$
1-Apr	Capital	15,000.00		15,000.00
2-Apr	Bank Loan	10,000.00		25,000.00
5-Apr	Inventory		1,000.00	24,000.00
10-Apr	Trade Receivable	4,000.00		28,000.00
1-May	Bal b/d			28,000.00

Bank Loan

Date	Particulars	Dr (+)	Cr (-)	Bal
2-Apr	Cash at Bank		10,000.00	10,000.00
1-May	Bal b/d			10,000.00

2)

Account to be debited	Account to be credited	Amount
Cash at Bank	Capital	10,000.00
Motor Vehicle	Cash at Bank	3,000.00
Cash at Bank	Sales Revenue	4,000.00
Rent	Cash at Bank	120.00
Trade Receivable	Sales Revenue	5,000.00
Cost of Sales	Inventory	1,000.00
Cash at Bank	Bank Loan	8,000.00
Bank Loan	Cash at Bank	2,000.00

3) Trade discounts are given by suppliers to encourage customers to buy in bulk. Trade discounts are not recorded in ledgers.

4)   a) $114. Debit Trade Receivables, Credit Sales Revenue

b) full settlement amount = $114 X 90% = $102.60.

c)   Debit Discount Allowed Credit Trade Receivable, Debit Cash at Bank, Credit Trade Receivable