



## Changes regarding Cheques

Accounting is a consistently evolving profession as illustrated by the recent announcement that cheques will no longer be accepted as a means of payment. It is important that the Accounting curriculum keeps abreast with the developments in the real business world. Obviously it will take time for current textbooks to be revised and updated to include the recent developments. It is for this reason that guidance is hereby provided on how the activities in the textbooks should be adjusted to cater for the withdrawal of cheques.

## Gr 10 CASH TRANSACTIONS

### Revision: GR 9 content

Transactions	Source Documents	Journals	Ledger accounts		
<b>Cash</b> received for services rendered/donations received/ commission received, etc.	Cash register roll/tape (CRR/CRT) Cash invoice	<b>CRJ</b>	Dr Bank Cr All other contra accounts, e.g. Current income/Donations income, etc.		
<b>Cash sales</b> <ul style="list-style-type: none"> <li>Customer pays cash</li> <li>Customer uses card (credit card / debit card)</li> <li>Customer paid by EFT</li> </ul>	Cash register roll/tape (CRR/CRT)  EFT reference / transaction record (supporting document)	<b>CRJ</b>	<table border="1"> <tr> <td><b>Sales</b> Dr Bank Cr Sales</td> <td><b>Cost of Sales</b> Dr Cost of Sales Cr Trading stock</td> </tr> </table>	<b>Sales</b> Dr Bank Cr Sales	<b>Cost of Sales</b> Dr Cost of Sales Cr Trading stock
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<ul style="list-style-type: none"> <li>Payments by EFT</li> <li>Drawings by EFT (transfer of funds to personal account)</li> </ul>	EFT(with reference number)	<b>CPJ</b>	Dr Relevant contra account Dr Drawings  Cr Bank		
<ul style="list-style-type: none"> <li>Petty Cash* (restore cash imprest amount)</li> <li>Cash Float</li> <li>Cash Wages</li> <li>Cash Drawings</li> </ul> <p>Cash withdrawal using bank debit card of the business</p>	BS	<b>CPJ</b>	Dr Petty cash account / Dr Cash float / Dr Wages / Dr Drawings  Cr Bank		
Small* payments from the petty cash	Petty Cash voucher	<b>PCJ</b>	Dr Relevant contra account Cr Petty Cash		
* Sole Trader is at liberty to use cash for a variety of transactions / payments, in which case, the petty cash imprest may be adjusted to a larger amount. Certain clients / service providers may prefer cash (do not have on-line facilities)					
Salaries (or wages) paid by EFT	EFT(with reference number)	<b>CPJ</b>	Dt Salaries Cr Bank		
Debit order / Stop order payments	BS	<b>CPJ</b>	Dr Contra account Cr Bank		

## ADDITIONAL CASH TRANSACTIONS

1. Credit and/or Debit Card sales / Internet or Online sales via EFT received					
Description	Source Document	Journal	Ledger accounts		
Customer pays by credit/debit card <b>OR</b> EFT via online banking	CRR/CRT  (EFTs received are confirmed on the BS; it may also be accepted as the source doc)	<b>CRJ</b>	<table border="1"> <tr> <td><b>Sales / Selling price:</b> Dr Bank; Cr Sales</td> <td><b>Cost of Sales / Cost price</b> Dr Cost of Sales; Cr Trading stock</td> </tr> </table>	<b>Sales / Selling price:</b> Dr Bank; Cr Sales	<b>Cost of Sales / Cost price</b> Dr Cost of Sales; Cr Trading stock
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2. Bank Charges			
Description	Source Document	Journal	Ledger accounts
<ul style="list-style-type: none"> <li>Costs and levies charged by the bank for services rendered</li> <li>Deductions reflected ON the bank statement; <b>NOT</b> paid by EFT (although it is a funds transfer out of the business account)</li> <li><u>ALL</u> levies and charges are <b>ADDED</b> and entered as <b>ONE</b> amount</li> <li><i>NB: INTEREST charged is NOT added to Bank charges, but recorded separately (materiality)</i></li> </ul>	BS	CPJ	Dr Bank charges Cr Bank

3. Carriage on Purchases			
Description	Source Document	Journal	Ledger accounts
Transport costs charged by suppliers to deliver trading stock at the premises Paid by EFT OR cash from the Petty Cash	EFT (with reference number)	CPJ	Dr Trading Stock; Cr Bank
	Petty Cash voucher	PCJ	Dr Trading Stock; Cr Petty Cash

4. EFT received from debtors			
Description	Source Document	Journal	Ledger accounts
<ul style="list-style-type: none"> <li>A debtor can pay his/her outstanding debt by EFT and send proof of payment to the business.</li> <li>The payment can reflect in the BS of the business immediately OR after a few days, depending on the banks used by debtors.</li> <li><b>The business ONLY records the EFT received when it is reflected in the BS or Transaction History which is continuously accessible online)</b></li> <li><b>NOTE: Reflect one date for the transaction and/or BS entry</b></li> </ul>	Receipt (online confirmation of payment received, sent) OR (EFT received is confirmed on the BS; it may also be accepted as the source doc)	CRJ	Dr Bank Cr Debtors Control Cr Debtor in the Debtors' Ledger (DL)

5. Discount allowed (to debtors)			
Description	Source Document	Journal	Ledger accounts
Debtors are allowed to pay a reduced amount on their account as an incentive to pay earlier. This discount is an expense a/c ( <b>loss</b> ) to the business.	Receipt (the same doc used for the amount received from debtors)	CRJ	Dr Discount Allowed Cr Debtors Control Cr Debtor in DL
<ul style="list-style-type: none"> <li>Discount allowed <u>cancelled</u> (NOT applicable with EFTs)</li> </ul>	<i>As the receipt will be confirmed before it is recorded, it will not be necessary to cancel any discounts allowed.</i>		

6. EFT paid to creditors			
Description	Source Document	Journal	Ledger accounts
<ul style="list-style-type: none"> <li>A creditor is paid by EFT (outstanding amount). Proof of payment is send to the creditor</li> <li>This payment will immediately reflect on the BS of the business.</li> </ul>	EFT (with reference number)	CPJ	Dr Creditors Control Dr Creditor in the Creditors' Ledger (CL) Cr Bank

7. Discount received (from creditors)			
Description	Source Document	Journal	Ledger accounts
Creditors allow discount when an outstanding account is settled earlier than agreed. This discount is an income a/c ( <b>profit</b> ) to the business. This will be negotiated before the EFT is processed.	EFT (with reference number)	<b>CPJ</b>	Dr Creditors Control Dr Creditor in CL  Cr Discount Received
<ul style="list-style-type: none"> <li>Discount received <u>cancelled</u> (NOT applicable with EFTs)</li> </ul>	<i>The payment will be confirmed on the BS, so there will not be a need to cancel any discounts received.</i>		

8. Interest on overdraft & Interest on current account			
Description	Source Document	Journal	Ledger accounts
<b>Interest on current account (Income)</b> <ul style="list-style-type: none"> <li>Earned on a positive bank balance.</li> <li>Will appear (as a receipt / credit) on the BS (<i>added to the balance</i>)</li> </ul>	BS	<b>CRJ</b>	Dr Bank (asset)  Cr Interest on current a/c (Income)
<b>Interest on overdraft (expense)</b> <ul style="list-style-type: none"> <li>Charged by the bank on a negative (overdrawn) bank balance.</li> <li>Will appear (as a payment / debit) on the bank statement (<i>subtracted from the balance</i>)</li> </ul>	BS	<b>CPJ</b>	Dr Interest on overdraft (expense)  Cr Bank (can be a liability, IF the bank balance is credit/negative)

9. Fixed Deposits & Interest on fixed deposit			
Description	Source Document	Journal	Ledger accounts
<ul style="list-style-type: none"> <li>Money deposited for a pre-determined period (usually 1 year or longer) at a higher interest rate than a current bank a/c.</li> <li>The aim is to earn a higher return on this investment.</li> <li>Gr 10 calculation of the interest: Use the '<b>simple</b>' interest method only</li> <li>A Fixed deposit is an <u>asset</u>; Interest on fixed deposit: <u>income</u></li> </ul>			
<b>Interest Calculation:</b> $P \times \frac{R}{100} \times T$	P = principal amount of the investment R = interest rate, e.g. 10% p.a.(per year) T = term of the investment, e.g. 2 years (or 24/12 months <sup>24/12</sup> )		
<b>Fixed deposit made</b> Money deposited in a Fixed Deposit a/c. <i>EFT from the current bank account to the relevant investment bank or alternative account</i>	EFT (with reference number)	<b>CPJ</b>	Dr <u>Fixed Deposit: ABC Bank</u> ( <i>add name of the bank to this a/c as each deposit is unique</i> ) Cr Bank
<b>Fixed deposit matures</b> The term of the investment has expired. The funds (amount invested) will then be transferred from the investment bank or alternative account to the current account.	BS <i>(Do not show in the Analysis of receipts column in CRJ)</i>	<b>CRJ</b>	Dr Bank Cr Fixed Deposit: ABC Bank
<b>Interest earned on the fixed deposit</b> <ul style="list-style-type: none"> <li>Interest is transferred into the current bank a/c <i>Could be included with the maturity value (see above), in which case, separate and record.</i></li> <li><b>Income earned</b> on Fixed Deposit (income)</li> </ul>	BS <i>(Do not show in the Analysis of receipts column in CRJ)</i>	<b>CRJ</b>	Dr Bank  Cr Interest on fixed deposit (no bank name, as interest from <u>all</u> deposits are credited in this a/c)

10. Loans & Interest on loans			
Description	Source Document	Journal	Ledger accounts
<ul style="list-style-type: none"> <li>• Extra capital /financing can be obtained by taking a loan from a bank / financial institution.</li> <li>• Loans are negotiated for 1 year or longer (long term) and MUST be repaid with interest.</li> <li>• <b>Non-Current Liabilities:</b> Loans</li> <li>• <b>Current Liabilities:</b> Part of the loan to be repaid in the next financial year</li> <li>• <b>Expense:</b> Interest on loan</li> </ul>			
<b>Loan received from a bank:</b> Amount is received (transferred) from the bank / financial institution granting the loan. This is the Principal amount (capital portion) of the loan.	BS	CRJ	Dr Bank Cr <u>Loan: ABC Bank</u> (add the name of the bank to distinguish from other loans)
<b>Loan repayments</b> (instalment or full amount) By EFT <b>OR</b> debit order	EFT (with reference no) BS (paid by debit order)	CPJ	Dr Loan: ABC Bank Cr Bank
<b>Interest on loan</b> (simple interest)	EFT (with reference no) BS (paid by debit order)	CPJ	Dr Interest on Loan (no bank name) Cr Bank
<b>Calculation:</b> $P \times \frac{R}{100} \times T$			
<b>Interest on loan: (capitalised)</b> Interest is calculated on the outstanding loan balance, and added to the capital amount of the loan, at regular intervals (e.g. quarterly or monthly).  <i>*Interest is calculated by the bank, and is reflected on the loan statement. Regular loan repayments will result in interest being calculated on a smaller balance each time.</i>	BS (paid by debit order) EFT (with reference number)  Payment is generally a debit order for a fixed monthly amount. (OR EFT monthly)  <i>*Interest is calculated and taken into account at intervals when financial reporting in necessary</i>	CPJ  GJ	Loan repayment with interest: Dr Loan: ABC Bank Cr Bank  Full interest amount (see calculation below): Dr Interest on Loan (no bank name) Cr Loan: ABC Bank
<b>Calculation:</b> Loan balance (beginning of year / period)      300 000 + Interest on Loan (missing amount) <b>25 000</b> (300 000 - 265 000 - 60 000) - Instalments / Repayments <u>(60 000)</u> = Loan balance (end of year / period) <u>265 000</u>			