Tutorial letter 103/3/2018

FAC1602

Elementary Financial Accounting and Reporting

Semesters 1 and 2

Department of Financial Accounting

IMPORTANT INFORMATION:
This tutorial letter contains important information about your module.

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INTRODUCTION

Dear Student

Find herewith assignment 04. The solution thereto is included in this tutorial letter to ensure that you have sufficient opportunity to work through all your study material before the examination date.

As far as administrative enquiries are concerned, we would again like to emphasize paragraph 3 of Tutorial Letter 101/3/2018.

We would like to emphasise that all of the study material is important and *everything* must be studied for examination purposes. You are also reminded that UNISA lecturers will not supply students with previous examination papers or solutions.

With kind regards,

Mr S Mnguni
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NOT TO BE SUBMITTED

ANNEXURE A: ASSIGNMENT 04

QUESTION 1 (36 minutes)

The following information pertains to a partnership, trading as Do Di Traders:

1. Balances as at 31 March 20.2:

	R
Capital: D Do (1 April 20.1)	300 000
Capital: D Di (1 April 20.1)	250 000
Current account: D Do (Dr) (1 April 20.1)	27 500
Current account: D Di (Cr) (1 April 20.1)	15 000
Drawings: D Do (cash)	65 000
Drawings: D Di (cash)	55 000
Office furniture at cost	190 000
Vehicles at cost	200 000
Accumulated depreciation: Office furniture (30 September 20.1)	73 200
Accumulated depreciation: Vehicles (31 March 20.1)	10 800
Long-term loan (unsecured)	125 000
Trade receivables control	100 000
Trade payables control	74 000
Bank (overdraft)	9 800
Allowance for credit losses	2 550
Stationery inventory (31 March 20.1)	3 250
Sales	462 800
Inventory (31 March 20.1)	42 500
Profit on sale of office furniture	3 480
Delivery expenses (in respect of sales)	3 450
Settlement discount granted	5 620
Purchases	391 643
Delivery expenses (in respect of purchases)	6 500
Sales returns	7 000
Purchases returns	2 585
Settlement discount received	1 523
Rent expense	27 000
Bank charges	1 475
Depreciation (office furniture)	1 280
Interest expense (paid on long-term loan)	21 250
Salaries and wages	155 000
Telephone expenses	3 620
Maintenance and repairs (office furniture)	1 250
Fuel and sundry vehicle expenses	14 400
Stationery (purchased)	2 540
Marketing fees	5 460

2. Additional information

2.1 Stationery on hand at 31 March 20.2 - R450.

2.2 Inventory on hand at 31 March 20.2 - R39 700.

2.3 On 30 September 20.1 office furniture with a cost price of R20 000 was sold for R15 000. On the same date office furniture to the amount of R40 000 was purchased on credit, in order to replace furniture that was sold. All the necessary accounting entries in respect of these transactions were done correctly.

<u>QUESTION 1</u> (continued)

2.4 The following (outstanding) amounts have not yet been provided for:

2.4.1 Depreciation

- On the office furniture – at 20% per annum on the diminishing balance method.
- On the vehicles – according to the straight-line method. The expected lifespan of each vehicle is estimated to be 10 years. The residual value thereof is estimated at R20 000. No vehicles were acquired or disposed of during the year.

2.5 The long-term loan was acquired from ABA Bank on 1 April 20.1 at 18% interest per annum. The loan is unsecured and is repayable in 10 equal annual instalments from 1 April 20.2.

2.6 Credit losses of R5 000 must be written off. The closing balance of the allowance for credit losses account must be increased with R2 200.

2.7 The partnership agreement stipulates that:

2.7.1 The partnership must create separate drawings and current accounts for each partner.

2.7.2 Interest on capital must be calculated at 8,5% per annum on the opening balances of the capital accounts.

2.7.3 Interest on current accounts must be calculated at 15% per annum on the opening balances of the current accounts.

2.7.4 A salary of R15 000 per annum must be paid to D Di. The salary has been paid and is included in the salaries and wages account.

2.8 Drawings still to be accounted for:

- D Do – trading inventory, R2 500
- D Di – stationery inventory, R235

At the end of each financial year the drawings accounts must be closed off against the applicable current accounts.

REQUIRED:

Prepare the statement of profit or loss and other comprehensive income of Do Di Traders for the year ended 31 March 20.2 in compliance with International Financial Reporting Standards (IFRS), appropriate to the business of the partnership.

Notes and comparative figures are **NOT** required.

QUESTION 2 (52 minutes)

John and Shoes were in a partnership and traded as JS Traders. John and Shoes shared in the profits or losses of JS Traders in the ratio of 5:3 respectively. John and Shoes decided to admit Mosheu to the partnership. Before any valuation-adjustments and goodwill were recorded. The following statement of financial position was prepared (in preparation of the change in the ownership structure) at 28 February 20.1, the financial year-end of JS Traders:

Balances as at 28 February 20.1

	R
Capital: John	87 500
Capital: Shoes	52 500
Furniture and equipment	80 000
Inventories	30 000
Trade receivables control	20 000
Trade payables control	15 000
Bank (Dr)	25 000

In the preparation of the change in the ownership structure of JS Traders, John and Shoes obtained the following appraisals on 28 February 20.1:

1. Trade receivables control - R19 000. (Create an allowance for credit losses to the amount of R1 000.)
2. Inventories - R35 000.
3. Furniture and equipment at market (fair) value - R100 000.

After the valuation adjustments and goodwill were recorded, Mosheu was admitted to the partnership on 1 March 20.1. The new partnership trades as JSM Traders and the profit sharing ratio between John, Shoes and Mosheu is 5:3:2 respectively. On 1 March 20.1, Mosheu paid R50 000 into the bank account of the partnership for a 20% interest in the net assets (equity) of the new partnership.

REQUIRED:

2.1 Prepare the journal entries in the general journal of JSM Traders on 28 February 20.1 to prepare for the admission of Mosheu as a partner, and to record the dissolution of the partnership. Apply the accounting procedure which is based on the legal perspective. Narrations are **NOT** required.

2.2 Prepare the journal entries in the general journal of JSM Traders on 1 March 20.1 to record its formation. Apply the accounting procedure which is based on the legal perspective.

Narrations are **NOT** required.

ANNEXURE B: SOLUTION TO ASSIGNMENT 04

QUESTION 1

DO DI TRADERS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 20.2

		R
Revenue①		450 180
Cost of sales		(394 335)
Opening: inventory (1 April 20.1)	42 500	
Purchases ②	385 035	
Delivery expenses	6 500	
	434 035	
Closing: inventory (31 March 20.2)	(39 700)	
Gross profit		55 845
Other income		3 480
Profit on sale of office furniture	3 480	
		59 325
Distribution, administrative and other expenses		(247 600)
Delivery expenses	3 450	
Rent expense	27 000	
Bank charges	1 475	
Salaries and wages R(155 000 - 15 000)	140 000	
Telephone expenses	3 620	
Maintenance and repairs: Office furniture	1 250	
Fuel and sundry vehicle expenses	14 400	
Marketing fees	5 460	
Stationery consumed ③	5 105	
Depreciation ④ & ⑤	38 640	
Credit losses ⑥	7 200	
Finance costs		(22 500)
Interest on long-term loan ⑦	22 500	
Loss for the year		(210 775)
Other comprehensive income for the year		-
Total comprehensive loss for the year		(210 775)

(30)

QUESTION 1 (continued)

Calculations

① **Revenue**

	R
Sales	462 800
Sales returns	(7 000)
Settlement discount granted	(5 620)
	450 180

② **Purchases**

Purchases	R
Purchases returns	391 643
Drawings: D Do	(2 585)
Settlement discount received	(2 500)
	(1 523)
	385 035

③ **Stationery consumed**

	R
Opening inventory	3 250
Purchases	2 540
Closing inventory	(450)
Drawings: D Di	(235)
	5 105

④ **Depreciation (office furniture)**

- Cost price of the office furniture at the beginning of the year:

	R
Cost price at the end of the year	190 000
Office furniture sold – 30/9/20.1	20 000
	210 000
Office furniture purchased – 30/9/20.1	(40 000)
Cost price at the beginning of the year	170 000

OR

(Reconstructed for calculation purposes)

Dr Office furniture Cr

20.1			R	20.1			R
Apr 1	Balance *	b/d	170 000	Sep 30	Realisation		20 000
Sep 30	Trade payables control		40 000	20.2			
				Mar 31	Balance **	c/d	190 000
			210 000				210 000
20.2							
Apr 1	Balance **	b/d	190 000				

* Balancing entry
** Given in list of balances

- Office furniture in possession for the whole year (opening balance minus office furniture sold during the year):

  (170 000 – 20 000) = 150 000

  Depreciation on the office furniture in possession for the whole year:

  (150 000 – 73 200) = 76 800^ (carrying amount)
  76 800 x 20%^ = 15 360^

  Comment

  The accumulated depreciation pertaining to the sold office furniture was journalised out of the books at on the date of sale. Therefore, the amount of R73 200 at 30 September 20.1 pertains only to the office furniture that Do Di Traders had in its possession for the full year, namely R150 000.

- **Total amount of depreciation on office furniture:**

	R
Depreciation on the office furniture that was sold during the year (given)	1 280
Depreciation on the office furniture that was purchased during the year R40 000 x 20% x $^{6}/_{12}$	4 000
Depreciation on the office furniture in possession for the full year	15 360
	20 640

⑤ **Depreciation (vehicles)**

R(200 000 – 20 000) ÷ 10 = R18 000

There is only one depreciation account in the general ledger. The amount that must be disclosed in the statement of comprehensive income is R(20 640 + 18 000) = R38 640.

⑥ **Credit losses**

The credit loss that must be disclosed in the statement profit or loss and other comprehensive income is equal to:

Credit loss (list of balances) + increase in the allowance for credit losses (additional information 2.5):
= R (5 000 + 2 200) = R7 200

The closing balance of the allowance for credit losses account on 31 March 20.2 must be:
R (2 550 + 2 200) = R4 750

⑦ **Interest on long-term loan**

	R
R125 000 x 18%	22 500 *
Less: amount already paid (from list of balances)	(21 250) **
Amount still payable	1 250

<u>Comments</u>:

* Expense for the year that must be disclosed in the statement of profit or loss and other comprehensive income.

** R1 250 is included in the "Trade and other payables" amount on the statement of financial position as at 31 March 20.2.

<u>QUESTION 1</u> (continued)

The statements of changes in equity, financial position and the notes to the financial statements were not required, but in order to give a complete picture of the disclosure requirements in terms of International Financial Reporting Standards (IFRS).

DO DI TRADERS
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 20.2

	Capital		**Current accounts**		**Appro-priation**	**Total equity**
	D Do	**D Di**	**D Do**	**D Di**		
	R	**R**	**R**	**R**	**R**	**R**
Balances at 1 April 20.1	300 000	250 000	(27 500)	15 000	-	537 500
Total comprehensive loss for the year					(210 775)	(210 775)
Salary to partner				15 000	(15 000)	-
Interest on capital ①			25 500	21 250	(46 750)	-
Interest on current accounts ②			(4 125)	2 250	1 875	-
Partners' share of total comprehensive loss ③			(147 627)	(123 023)	270 650	-
Drawings ④			(67 500)	(70 235)		(137 735)
Balances at 31 March 20.2	300 000	250 000	(221 252)	(139 758)	-	188 990

Calculations

① **Interest on capital**

D Do: R300 000 x 8,5% = R25 500
D Di: R250 000 x 8,5% = R21 250

② **Interest on current accounts**

D Do: R27 500 (Dr) x 15% = R4 125 (receivable)
D Di: R15 000 (Cr) x 15% = R2 250 (payable)

③ **Partners' share of total comprehensive loss**

Calculation of loss to be appropriated:

	R
Total comprehensive loss for the year	(210 775)
Salary to D Di	(15 000)
Interest on capital	(46 750)
Interest on current accounts	1 875
Total comprehensive loss to be appropriated	(270 650)

When the ratio according to which the profits/losses between the partners must be appropriated is not given, then the partners' capital contributions are used to calculate the ratio:

Therefore: Capital: D Do : Capital: D Di
R300 000 : R250 000

R (300 000 + 250 000) = R550 000

D Do's share is:

$$\frac{R300\ 000}{R550\ 000} \times R270\ 650$$

= R147 627 (rounded)

D Di's share is:

$$\frac{R250\ 000}{R550\ 000} \times R270\ 650$$

= R123 023 (rounded)

④ **Drawings**

	D Do R	D Di R
Balance (from the list of balances)	65 000	55 000
Salary: D Di		15 000
Trading inventory/stationery inventory	2 500	235
	67 500	70 235

DO DI TRADERS
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 20.2

	Note	R
ASSETS		
Non-current assets		268 640
Property, plant and equipment	2,3	268 640
Current assets		130 400
Inventories R(39 700 + 450)	2	40 150
Trade and other receivables R(100 000 – 5 000 – 4 750)	2,4	90 250
Total assets		399 040
EQUITY AND LIABILITIES		
Total equity		188 990
Capital* R(300 000 + 250 000)		550 000
Current accounts* R(221 252 + 139 758)		(361 010)
Total liabilities		210 050
Non-current liabilities		112 500
Long-term borrowings	2,5	112 500
Current liabilities		97 550
Trade and other payables R(74 000 + 1 250)	2,5	75 250
Current portion of long-term borrowings	2,5	12 500
Bank overdraft	2,5	9 800
Total equity and liabilities		399 040

* See statement of changes in equity.

DO DI TRADERS
NOTES FOR THE YEAR ENDED 31 MARCH 20.2

Accounting policy

1. Basis of presentation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) appropriate to the business of the partnership. The annual financial statements have been prepared on the historical cost basis, modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

2. Summary of significant accounting policies

2.1 Property, plant and equipment

Property, plant and equipment are initially recognised at cost price. The office furniture and vehicles are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation on office furniture and vehicles are provided for at a rate deemed to be sufficient to reduce the carrying amount of the assets over their estimated useful lives to their estimated residual values. The depreciation rates are as follows:

Office furniture: 20% per annum according to the diminishing-balance method.
Vehicles: 10% per annum according to the straight line method.

Depreciation is charged to the profit or loss for the period. Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. The net amount is included in the profit or loss for the period.

2.2 Financial instruments

Financial instruments are recognised in the entity’s statement of financial position when the entity becomes a party to the contractual provisions of an instrument.

Financial instruments are initially measured at the transaction price, which is fair value plus transaction costs, except for “Financial assets at fair value through profit or loss” which is measured at fair value, transaction costs excluded. The classification depends on the purpose for which the entity acquired the financial assets. Financial instruments are subsequently measured at fair value unless it is measured at amortised cost as required by International Financial Reporting Standards (IFRS). Cash and cash equivalents are classified as "Financial assets at fair value through profit or loss". Cash and cash equivalents consists of cash in bank and short-term deposits.

Financial instruments that are subsequently measured at amortised cost are done so using the effective interest rate method.

Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

2.3 Inventories

Inventories are initially measured at cost and subsequently valued at the lower of cost or net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less any costs of completion and disposal.

2.4 Financial liabilities

Financial liabilities are recognised in the partnership's statement of financial position when the partnership becomes a party to the contractual provisions of the instrument. The classification depends on the purpose for which the financial liabilities were obtained.

2.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods consists of the total net invoiced sales, excluding value added tax and settlement discount granted. The revenue from sales is recognised when the risk and rewards of ownership is transferred to the customer.

3. Property, plant and equipment

	Office furniture	**Vehicles**	**Total**
	R	**R**	**R**
Carrying amount at 1 April 20.1	89 600	189 200	278 800
Cost	170 000	200 000	370 000
Accumulated depreciation	① (80 400)	(10 800)	(91 200)
Additions	40 000	-	40 000
Disposals	❶ (11 520)	-	(11 520)
Depreciation for the year	(20 640)	(18 000)	(38 640)
Carrying amount at 31 March 20.2	97 440	171 200	268 640
Cost	190 000	200 000	390 000
Accumulated depreciation	② (92 560)	(28 800)	(121 360)

4. Financial assets

Current financial assets	**R**
Trade and other receivables:	90 250
Trade receivables control R(100 000 – 5 000)	95 000
Allowance for credit losses R(2 550 + 2 200)	(4 750)

5. Financial liabilities

	20.0 **R**
Non-current financial liabilities at amortised cost	112 500
Long-term borrowings: Mortgage	112 500
The mortgage was acquired from ABA Bank on 1 April 20.1 at an interest rate of 18% per annum. This loan is unsecured and repayable in 10 equal annual instalments from 1 April 20.2	
Total loan	125 000
Current portion of loan	(12 500)
Current financial liabilities	
Trade and other payables:	97 550
Trade payables control	74 000
Accrued expenses:	
Interest payable (refer to calculation ⑦ i.r.o statement of profit or loss and other comprehensive income)	1 250
Current portion of long-term borrowings at amortised cost	12 500
Bank overdraft	9 800

Calculations

① **Accumulated depreciation: office furniture (beginning of year)**

Accumulated depreciation: Office furniture
(reconstructed for calculation purposes)

Dr	R		R Cr
Realisation account (Total amount of depreciation written back) ❶	8 480	Balance* b/d	80 400
Balance c/d	73 200	Depreciation (sold office furniture)	1 280
	81 680		81 680

* Balancing entry

❶ **Total amount of depreciation written back (in respect of sold office furniture)**

Carrying amount of sold office furniture + Profit on sale of office furniture = Selling price
Carrying amount + R3 480 = **R15 000**
Carrying amount = R(15 000 – 3 480) = **R11 520**
Accumulated depreciation = cost price – carrying amount
Accumulated depreciation = R(20 000 – 11 520) = **R8 480**

OR

Cost price – Accumulated depreciation (AD)	= Carrying amount
R20 000 – Accumulated Depreciation	= R11 520
– Accumulated Depreciation	= R(11 520 – 20 000)
– Accumulated Depreciation	= – R8 480
Accumulated Depreciation	= R8 480

OR

Realisation account
(reconstructed for calculation purposes)

Dr	R		R Cr
Office furniture at cost	20 000	Accumulated depreciation *	8 480
Profit on sale of office furniture	3 480	Bank	15 000
	23 480		23 480

* Balancing entry

__Comment__:

All the accumulated depreciation pertaining to the sold office furniture, namely R8 480, was eliminated by debiting the accumulated depreciation account with R8 480, and crediting the realisation account with R8 480. The closing balance of the accumulated depreciation account, namely R73 200 thus pertains only to the office furniture in possession for the whole financial year, namely the office furniture with a cost price of R150 000.

② **Accumulated depreciation: Office furniture (end of year)**
R(80 400 + 20 640 – 8 480) = R92 560

OR

	R
Balance from list of balances	73 200
Depreciation on office furniture in possession – refer calculation ④ i.r.o. statement of profit or loss and other comprehensive income	15 360
Depreciation on office furniture purchased – refer calculation ④i.r.o. statement of profit or loss and other comprehensive income	4 000
	92 560

QUESTION 2

2.1

JS TRADERS
GENERAL JOURNAL

		Debit	Credit
20.1		R	R
Feb 28	Furniture and equipment R(100 000 – 80 000)	20 000	
	Inventories R(35 000 – 30 000)	5 000	
	Valuation account		25 000
	Recording of the valuation adjustments		
	Valuation account	1 000	
	Allowance for credit losses		1 000
	Creation of an allowance for credit losses in preparation of the change in the ownership structure of the partnership		
	Valuation account	24 000	
	Capital: John R($^5/_8$ x 24 000)		15 000
	Capital: Shoes R($^3/_8$ x 24 000)		9 000
	Closing off the balancing amount in the valuation account to the capital accounts of John and Shoes according to their profit-sharing ratio		
	Goodwill	①36 000	
	Capital: John ($^5/_8$ x R36 000)		22 500
	Capital: Shoes ($^3/_8$ x R36 000)		13 500
	Recording of goodwill in preparation for the admission of Mosheu		
	Transferral account	216 000	
	Furniture and equipment		100 000
	Goodwill		36 000
	Inventories		35 000
	Trade receivables control		20 000
	Bank		25 000
	Transfer closing off the balances of the assets accounts to the transferral account to record the dissolution of the partnership		
	Capital: John R(87 500 + 15 000 + 22 500)	125 000	
	Capital: Shoes R(52 500 + 9 000 + 13 500)	75 000	
	Trade payables control	15 000	
	Allowance for credit losses	1 000	
	Transferral account		216 000
	Transfer closing off the balances of the equity, liability and allowance accounts to the transferral account to record the dissolution of the partnership		

Comment:

Alternatively, the first two (2) journal entries can be shown as one entry.

		Debit	Credit
20.1		R	R
Feb 28	Furniture and equipment R(100 000 – 80 000)	20 000	
	Inventories R(35 000 – 30 000)	5 000	
	Allowance for credit losses		1 000
	Valuation account		24 000
	Recording the valuation adjustments in preparation of the change in ownership structure of the partnership		

Calculation

① Goodwill acquired

Fair value of the equity (net assets) of the new partnership – Equity of the new partnership
R(250 000❶ – 214 000❷)
= R36 000

❶ Fair value of the equity (net assets) of the new partnership

Capital contribution of Mosheu x the inverse of Mosheu's share in the fair value of the equity (net assets) of the new partnership
R50 000 x 5 = R250 000

Comment:

The share of Mosheu = 20%. The inverse thereof is $^{100}/_{20}$ = 5.

❷ Equity of the new partnership

R[(87 500 + 15 000) + R(52 500 + 9 000) + R50 000]
= R214 000

The following general ledger was not required but is shown for explanatory purposes:

JS TRADERS
GENERAL LEDGER

Dr Furniture and equipment Cr

20.1		R	20.1		R
Feb 28	Balance	80 000	Feb 28	Transferral account	100 000
	b/d	20 000			
	Valuation account				
		100 000			100 000

Dr Inventories Cr

20.1		R	20.1		R
Feb 28	Balance	30 000	Feb 28	Transferral account	35 000
	b/d	5 000			
	Valuation account				
		35 000			35 000

Dr — Trade receivables control — Cr

		R			R
20.1 Feb 28	Balance b/d	20 000	20.1 Feb 28	Transferral account	20 000

Dr — Allowance for credit losses — Cr

		R			R
20.1 Feb 28	Transferral account	1 000	20.1 Feb 28	Valuation account	1 000

Dr — Goodwill — Cr

		R			R
20.1 Feb 28	Capital: John ($^5/_8$ x R36 000)	22 500	20.1 Feb 28	Transferral account	36 000
	Capital: Shoes ($^3/_8$ x R36 000)	13 500			
		36 000			36 000

Dr — Bank — Cr

		R			R
20.1 Feb 28	Balance b/d	25 000	20.1 Feb 28	Transferral account	25 000

Dr — Capital: John — Cr

		R			R
20.1 Feb 28	Transferral account	125 000	20.1 Feb 28	Balance b/d	87 500
				Valuation account	15 000
				Goodwill①	22 500
		125 000			125 000

Dr — Capital: Shoes — Cr

		R			R
20.1 Feb 28	Transferral account	75 000	20.1 Feb 28	Balance	52 500
				b/d	9 000
				Valuation account	13 500
				Goodwill①	
		75 000			75 000

Dr — Trade payables control — Cr

		R			R
20.1 Feb 28	Transferral account	15 000	20.1 Feb 28	Balance b/d	15 000

Dr — Valuation account — Cr

		R			R
20.1 Feb 28	Allowance for credit losses	1 000	20.1 Feb 28	Inventories	
	Capital: John ($^5/_8$ x R24 000)	15 000		R(35 000 – 30 000)	5 000
	Capital: Shoes			Furniture and equipment	
	($^3/_8$ x R24 000)	9 000		R(100 000 – 80 000)	20 000
		25 000			25 000

Dr		Transferral account			Cr
20.1		R	20.1		R
Feb 28	Furniture and equipment	100 000	Feb 28	Capital: John	125 000
	Goodwill	36 000		Capital: Shoes	75 000
	Inventories	35 000		Trade payables control	15 000
	Trade receivables control	20 000		Allowance for credit losses	1 000
	Bank	25 000			
		216 000			216 000

2.2

JSM TRADERS
GENERAL JOURNAL

		Debit	Credit
20.1		R	R
Mar 1	Furniture and equipment ($^{R125\ 000}/_{R200\ 000}$ x R100 000)	62 500	
	Goodwill ($^{R125\ 000}/_{R200\ 000}$ x R36 000)	22 500	
	Inventories ($^{R125\ 000}/_{R200\ 000}$ x 35 000)	21 875	
	Trade receivables control ($^{R125\ 000}/_{R\ 200\ 000}$ x R20 000)	12 500	
	Bank ($^{R125\ 000}/_{R200\ 000}$ x 25 000)	15 625	
	Trade payables control ($^{R125\ 000}/_{R200\ 000}$ x R15 000)		9 375
	Allowance for credit losses ($^{R125\ 000}/_{R200\ 000}$ x R1 000)		625
	Capital: John		125 000
	Recording the capital contribution of John		
	Furniture and equipment ($^{R75\ 000}/_{R200\ 000}$ x R100 000)	37 500	
	Goodwill ($^{R75\ 000}/_{R200\ 000}$ x R36 000)	13 500	
	Inventories ($^{R75\ 000}/_{R200\ 000}$ x R35 000)	13 125	
	Trade receivables control ($^{R75\ 000}/_{R200\ 000}$ x R20 000)	7 500	
	Bank ($^{R75\ 000}/_{R200\ 000}$ x R25 000)	9 375	
	Trade payables control ($^{R\ 75\ 000}/_{R200\ 000}$ x R15 000)		5 625
	Allowance for credit losses ($^{R75\ 000}/_{R200\ 000}$ x R1 000)		375
	Capital: Shoes		75 000
	Recording the capital contribution of Shoes		
	Bank	50 000	
	Capital: Mosheu		50 000
	Recording the capital contribution of Mosheu		

(18)

The following general ledger was not required but is shown for explanatory purposes.

JSM TRADERS
GENERAL LEDGER

Dr Furniture and equipment Cr

20.1		**R**			
Mar 1	Capital: John	62 500			
	Capital: Shoes	37 500			
		100 000			

Dr Goodwill Cr

20.1		**R**			
Mar 1	Capital: John	22 500			
	Capital: Shoes	13 500			
		36 000			

Dr Inventories Cr

20.1		**R**			
Mar 1	Capital: John	21 875			
	Capital: Shoes	13 125			
		35 000			

Dr Trade receivables control Cr

20.1		**R**			
Mar 1	Capital: John	12 500			
	Capital: Shoes	7 500			
		20 000			

Dr Allowance for credit losses Cr

			20.1		**R**
			Mar 1	Capital: John	625
				Capital: Shoes	375
					1 000

Dr Bank Cr

20.1		**R**			
Mar 1	Capital: John	15 625			
	Capital: Shoes	9 375			
	Capital: Mosheu	50 000			
		75 000			

Dr | Capital: John | Cr

Date	Details		R	Date	Details		R
20.1				20.1			
Mar 1	Trade payables control		9 375	Mar 1	Furniture and equipment		62 500
	Allowance for credit losses		625		Goodwill		22 500
	Balance	c/d	125 000		Inventories		21 875
					Trade receivables control		12 500
					Bank		15 625
			135 000				135 000
				20.1			
				Mar 1	Balance	b/d	125 000

Dr | Capital: Shoes | Cr

Date	Details		R	Date	Details		R
20.1				20.1			
Mar 1	Trade payables control		5 625	Mar 1	Furniture and equipment		37 500
	Allowance for credit losses		375		Goodwill		13 500
	Balance	c/d	75 000		Inventories		13 125
					Trade receivables control		7 500
					Bank		9 375
			81 000				81 000
				20.1			
				Mar 1	Balance	b/d	75 000

Dr | Capital: Mosheu | Cr

Date	Details	R	Date	Details	R
			20.1		
			Mar 1	Bank	50 000

Dr | Trade payables control | Cr

Date	Details	R	Date	Details	R
			20.1		
			Mar 1	Capital: John	9 375
				Capital: Shoes	5 625
					15 000