Economic and Management Sciences

Grade 8

Term 2

2020

NOTES:

1. Overview of Term 2
2. Revision activities – Term 1
3. Overview of the accounting cycle
4. Accounting equation (receipts)
5. Cash Receipts Journal (services)
6. Factors of production
7. Markets

CAPS based notes.

**ECONOMIC AND MANAGEMENT SCIENCES**

**GRADE 8**

**TERM 2**

OVERVIEW OF TERM 2:

|  |  |  |
| --- | --- | --- |
| **DATE** | **TOPIC** | **CONTENT** |
| **Week 1:**  14 - 17 April 2020 | Revision | Revise the work covered in the first term; give learners an overview of what will be taught during the second term. |
| **Week 2:**  20 - 24 April 2020 | **Financial Literacy:** Overview of the accounting cycle | Transactions; Source documents; Subsidiary journals; General Ledger;  Trial Balance; Income Statement;  Balance Sheet;  Introduction of the Cash journals of a service business – their purpose and importance. |
| **Week 3:**  27 April – 1 May 2020 | **Financial Literacy:** Accounting equation | Effect of cash transactions on the accounting equation  Assets = Owner’s equity + Liabilities (A = OE + L) |
| **Weeks 4 – 5:**  4 – 15 May 2020 | **Financial Literacy:** Cash Receipts Journal (services) | Concept of a Cash Receipts Journal (CRJ) of a service business;  Formats and uses of the columns in the CRJ;  Source documents used to complete the CRJ;  Entering of cash transactions in the CRJ; Closing off the CRJ;  Effect of cash transactions on the accounting equation. |
| **Week 6:**  18 - 22 May 2020 | **Entrepreneurship:** Factors of production | Capital – Borrowed and Own Capital;  Labour – Unskilled, Semi-skilled and Skilled labour;  Role of workers in the business;  Fair employment practices;  Natural resources;  Entrepreneurship;  Remuneration of the factors of production |
| **Week 7 – 8:**  25 Mei – 5 Junie 2020 | **The Economy:** Markets | Types of markets:  Goods and services market;  Factor market (labour and financial markets) |
| **Week 9 – 11:**  8 – 23 Junie 2020 | June Examination | Mid-year examination based on the contents of Term 1 and 2. |

**ECONOMIC AND MANAGEMENT SCIENCES**

**GRADE 8**

**TERM 2**

REVISION – Term 1:

**Activity 1 🡺 Topic 1: Government**

1. Briefly explain what a government is.

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1. Name the three levels of government and also the political head of each level.

|  |  |
| --- | --- |
| **Level of Government:** | **Political head of each level:** |
|  |  |
|  |  |
|  |  |

1. Briefly discuss the three tiers of the national government.

* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. Name three functions which a municipality is responsible for.

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**Activity 2 🡺 Topic 2: National Budget**

1. **Indicate whether the following statements are TRUE or FALSE. Write only True or False on the spaces provided.**

|  |  |  |
| --- | --- | --- |
| **NO.** | **STATEMENT** | **ANSWER**  **(TRUE or FALSE)** |
| 1.1. | Mr Cyril Ramaphosa decides how much money should be allocated to the different departments. |  |
| 1.2. | Mr Tito Mboweni is the current Minister of Finance. |  |
| 1.3. | The main source of income of the government is from taxes. |  |
| 1.4. | Excise duty refers to the taxes that are levied on alcoholic and tobacco products. |  |
| 1.5. | The Department of Education uses part of its allocation to pay doctors in service of the government. |  |
| 1.6. | Child support grants come from the budget of the Department of Social Development. |  |
| 1.7. | A budget refers to a financial plan for a future period. In other words, how income will be generated and what it will be spent on. |  |
| 1.8. | Corporate tax is an example of indirect taxes. |  |
| 1.9. | All taxes are paid to the South African Tax Services by individuals and businesses. |  |
| 1.10. | The standard VAT rate in South Africa is 14%. |  |
| 1.11. | Economic growth occurs when a country produces and consumes more goods and services than in the past. |  |
| 1.12. | Employment creation and skills development can boost a country’s economic growth. |  |
| 1.13. | The government owns businesses, such as ESKOM, to broaden its sources of income. |  |
| 1.14. | VAT is levied on all goods and services. |  |
| 1.15. | The more income you earn, the more tax you will pay. |  |

**Activity 3 🡺 Topic 3: Standard of living**

1. Define the term “Standard of living”.

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1. Use the following statements and indicate whether they represent the modern or self-sufficient societies by making a cross (X) in the relevant column.

|  |  |  |
| --- | --- | --- |
| **STATEMENT:** | **MODERN SOCIETIES** | **SELF-SUFFICIENT SOCIETIES** |
| * 1. Society is industrialised |  |  |
| * 1. Plant their own fruit and vegetables. |  |  |
| * 1. They mainly made use of bartering. |  |  |
| * 1. They use little or no technology. |  |  |
| * 1. Mostly live in cities. |  |  |

1. Name two ways how development can have a negative impact on the environment.

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1. Name three ways how resources can be used in a positive manner to promote the environment.

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**Activity 4 🡺 Topic 4: Accounting concepts**

Match the descriptions in Column B with the correct term/s in Column A. Write down the correct letter in the Answer Column. E.g. 1.1. E.

|  |  |  |  |
| --- | --- | --- | --- |
| **NO.** | **COLUMN A** | **COLUMN B** | **ANSWER** |
| 1.1. | Liabilities | 1. The owner contributes a vehicle to the business. |  |
| 1.2. | Capital | 1. Books of first entry |  |
| 1.3. | Debit | 1. When expenses exceed income. |  |
| 1.4. | Current asset | 1. Refers to all debts of the business. |  |
| 1.5. | Assets | 1. Interest on investment. |  |
| 1.6. | Non-current liabilities | 1. The owner borrows R100 000 from the bank on behalf of the business, which will be repaid within two years. |  |
| 1.7. | Accounting equation | 1. The building and other items that belong to the business. |  |
| 1.8. | Journals | 1. Assets = Owners’ Equity + Liabilities |  |
| 1.9. | Income | 1. Left side of a general ledger account. |  |
| 1.10. | Loss | 1. A savings account is an example hereof. |  |

**Activity 5 🡺 Topic 5: Source documents**

**Use the following information to complete receipt no. 55:**

**Inligting:** Joan Adams rents a part of the building from Grace Furniture at R4 200 per month. She pays 50% of this amount by means of an electronic funds transfer. Mateo Grace issues the receipt on 20 March 2019 on behalf of Grace Furniture.

|  |  |  |
| --- | --- | --- |
| **GRACE FURNITURE**  **RECEIPT no.** \_\_\_\_\_\_  **Date**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Received from:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **An amount of:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **Rand**  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** **Cent**  **For:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Thank you**  **Signature:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **On behalf of Grace Furniture**  **Method of payment:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | **R**  \_\_\_\_\_\_\_\_\_ | **c**  00 |

**ECONOMIC AND MANAGEMENT SCIENCES**

**GRADE 8**

**TERM 2**

Financial Literacy– OVERVIEW OF THE ACCOUNTING CYCLE:

**Learners should achieve the following outcomes, as per CAPS:**

* Transactions; Source documents; Subsidiary journals; General Ledger; Trial Balance; Income Statement; balance Sheet;
* Introduction of the Cash journals of a service business – their purpose and importance.

**Accounting cycle:**

The accounting cycle starts with a transaction and ends at the point where the financial statements of a business are drawn up.

In other words, it entails the daily entering of transactions in the subsidiary journals, monthly summaries in the different ledgers and the annual calculation of profit or loss as well as the financial position of the business.

1. **Transactions:**

Transactions refer to the daily interactions between two or more parties where items are exchanged. Usually goods and services are exchanged for cash.

E.g. When you buy a can of cold drink at the local shop, you are busy engaging in a transaction. You exchange your cash for the cold drink. Both parties benefit from this transaction, because you are getting a cold drink and the business is getting money.

1. **Source documents:**

Source documents refer to the papers/documents that are generated and issued after a transaction took place. It serves as proof that a transaction occurred.

Businesses should safeguard all source documents and it should be entered into the relevant journals on a daily basis.

**Examples of Source documents:**

* **Cheque counterfoil** – a cheque counterfoil is the part that stays behind in the cheque book after a cheque has been torned out and handed over to the receiver thereof. The cheque counterfoil is used as proof that a payment has been made by cheque.
* **Credit invoice** – a credit invoice is used when goods are bought or sold on credit.

* **Cash invoice** – a cash invoice is used when a business does not have a cash register. It therefore serves the same purpose as a cash register slip – proof of a cash sale or services rendered and is used to complete the CRJ.
* **Receipt** – a business issue a receipt as proof that they received money. A receipt is issued in twofold. The business gives the original receipt to the payer and keeps the duplicate receipt in order to make the entry in the CRJ.
* **Deposit slip** – a deposit slip is completed when notes, coins, postal orders or cheques are deposited into a bank or postal account. It will be handed over to the cashier with the money. A duplicate deposit slip with the bank’s stamp will be issued to the person who deposits the money.
* **Cash register/Till slip** – most businesses uses a cash register to register cash sales. The cashier scans the barcode of each product, thus generating a till slip. After the customer paid, the till will produce a tearable slip which will be given to the customer. A copy thereof will be kept, called the cash register roll, and will be used to complete the CRJ.

* **Bank statements** – the bank sends a monthly statement to a business which includes all transactions that took place in their bank account during a specific month.

1. **Subsidiary journals:**

Subsidiary journals refer to the “books of first entry”. This means that it is the first books where transactions are documented. Source documents are used to complete the journals on a daily basis.

**Different subsidiary journals:**

* **Cash receipts journal (CRJ)** – cash receipts are recorded in the CRJ
* **Cash payments journal (CPJ)** – cash payments are recorded in the CPJ
* **Debtors journal (DJ)** – credit sales are recorded in the DJ
* **Debtors allowances journal (DAJ)** – goods returned from debtors are recorded in the DAJ
* **Creditors journal (CJ)** – purchases on credit are recorded in the CJ
* **Creditors allowances journal (CAJ)** – goods sent back to creditors are recorded in the CAJ
* **Petty cash journal (PCJ)** – cash payments from the petty cash are recorded in the PCJ
* **General journal (GJ)** – non-cash transactions are recorded in the GJ

1. **General Ledger:**

The General Ledger entails booking over the details from all the relevant subsidiary journals. The general ledger is thus a summary of all accounts in the books of the business which has a balance or total at the end of each month which will be carried over to the Trial Balance.

**The T-accounts:**

The general ledger consists of accounts that are in the form of a capital T. The name of the account is written on top and the transactions/totals are booked over to both sides of the account. The left side is the debit side and the right side is the credit side.

|  |  |
| --- | --- |
| DEBIT | CREDIT |

**Format of the general ledger:**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **DR NAME OF ACCOUNT (FOLIO NO) CR** | | | | | | | | | |
| Date | | Details | Fol. | Amount | Date | | Details | Fol. | Amount |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

**Explanation according to colour code**:

The debit and credit sides of an account look exactly the same.

The name of the account should appear on top, in the middle, as well as the folio reference of the account. Every account has a folio number. B is for Balance sheet accounts and N is for Nominal accounts. E.g. Capital’s folio reference is B1.

The date (year, month and day) on which the transaction took place should be written here. Some totals are booked over at the end of a month. Sundry accounts are booked over on the specific date when the transaction occurred.

There are two accounts involved with every transaction. The second account (contra account) should be entered in the details column. The type of transaction and account will determine whether it will be entered in the debit or credit side.

Every journal has a number. E.g. CPJ3 or CRJ3. This refers to the journal from which the total is booked over.

The monetary worth of a transaction is written in the amount column.

**Sections in the general ledger:**

**The general ledger consists of two sections, namely:**

* The **Balance sheet accounts** section – consists of all **Assets, Equity and Liabilities** accounts.
* The **Nominal accounts** section – consists of all **Income and Expenses** accounts.

You should know the classification of accounts well to complete the general ledger without difficulty.

In other words, you should know which accounts fall under assets, equity, liabilities, income and expenses.

**Examples: Classification of accounts:**

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSETS** | | **LIABILITIES** | |
| **Current assets** | **Non-current assets** | **Current Liabilities** | **Non-current liabilities** |
| Cash | Land and Buildings | Creditors | Long term loans |
| Debtors | Vehicles | Short term loans |  |
| Inventory | Equipment | Bank overdraft |  |
|  |  |  |  |
| **OWNERS EQUITY** | | **INCOME** | **EXPENSES** |
| Capital | | Sales | Cost of sales |
| Drawings | | Rent income | Rent expense |
|  | | Current income | Trading license |
| Commission income | Water and electricity |
| Interest received | Wages |
|  | Stationery |
|  | Advertisements |
|  | Interest paid |

**ADE and CIL principles:**

It is wise to follow the ADE and CIL principles to know which account to debit and which to credit.

It works as follow:

|  |  |
| --- | --- |
| **ADE** | |
|  |  |
| **+** | **–** |

**ADE 🡺 Assets, Drawings, Expenses**

All Assets, Drawings and Expenses accounts increase on the debit side and decrease on the credit side.

|  |  |
| --- | --- |
| **CIL** | |
|  |  |
| **–** | **+** |

**CIL 🡺 Capital, Income, Liabilities**

All Capital, Income and Liabilities accounts increase on the credit side and decrease on the debit side.

1. **Trial Balance:**

The trial balane is the fifth step in the accounting cycle. It is a list of all general ledger accounts, consisting of the balance sheet accounts section and the nominal accounts section.

The trial balance includes the name of the different accounts, the total/balance thereof (in Rand) as well as the folio reference.

A trial balance should always balance. In other words, the debit side should be equal to the credit side, because the trial balance tests the accuracy of the **double entry principle** (there should be a corresponding credit entry for each debit entry).

A trial balance is usually completed on a monthly basis after the general ledger is completed.

**Example of a trial balance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **TRIAL BALANCE OF ABC LAUNDROMAT FOR AUGUST 2018** | | | |
|  |  |  |  |
|  | **FOLIO** | **DEBIT** | **CREDIT** |
| **BALANCE SHEET ACCOUNTS SECTION** |  |  |  |
| Capital | B1 |  | 26 000 |
| Bank | B2 | 12 000 |  |
| Equipment | B3 | 8 000 |  |
| Vehicles | B4 | 22 000 |  |
|  |  |  |  |
| **NOMINAL ACCOUNTS SECTION** |  |  |  |
| Current income | N1 |  | 23 500 |
| Material cost | N2 | 8 500 |  |
| Rent income | N3 |  | 8 000 |
| Trading license | N4 | 750 |  |
| Water and electricity | N5 | 1 250 |  |
| Salaries and wages | N6 | 5 500 |  |
| Commission income | N7 |  | 2 500 |
| Advertisements | N8 | 2 000 |  |
|  |  | **60 000** | **60 000** |

* **Balance sheet accounts –** Assets, Equity and Liabilities
* **Nominal accounts –** Income and Expenses

**Reasons why a trial balance won’t balance:**

* When an amount is debited twice instead of debited once and credited once.
* When a figure is written incorrectly. E.g. R179 written as R197.
* When debit or credit amounts are not included. E.g. the amount of Telephone is accidentally omitted from the trial balance.

1. **Financial statements:**

The two most common financial statements are the Income statement and the Balance sheet. The financial statements are only completed after the trial balance balances.

**The Income statement shows the profit or loss** of a business. Income and expenses are used to calculate the profit or loss. (Nominal accounts in the general ledger and trial balance).

Income – Expenses = Profit

When expenses are bigger than income, the business is making a loss.

**The Balance sheet shows the financial position** of a business. Assets, Equity and Liabilities are used to calculate the financial position. (Balance sheet accounts in the general ledger and trial balance).

**INTRODUCTION TO THE CASH JOURNALS (services business):**

There are two journals in which cash transactions are entered on a daily basis:

1. **Cash Receipts Journal (CRJ)** – all cash receipts are captured in the CRJ. Examples of cash receipts are capital contributions, interest received, rent income, commission income, etc.
2. **Cash Payments Journal (CPJ)** – all cash payments are captured in the CPJ. Examples of cash payments includes stationery, telephone, wages and/or salaries, interest, rent expense, etc.

All transactions should be captured on the specific dates they occurred.

The transactions should be captured as they appear on the source documents.

**Source documents for CRJ:** Receipt, Cash register roll, cash invoice

**Source documents for CPJ:** Cheque counterfoil

**ECONOMIC AND MANAGEMENT SCIENCES**

**GRADE 8**

**TERM 2**

Financial Literacy – ACCOUNTING EQUATION (receipts):

**Learners should achieve the following outcomes, as per CAPS:**

* Effect of cash transactions (receipts) on the accounting equation
* Assets = Owner’s equity + Liabilities (A = OE + L)

**INTRODUCTION:**

In accounting there are different accounts involved with a transaction. All transactions should be recorded and there are always TWO accounts involved with the recording of that transaction.

One account should be debited whilst the other account is credited. This is known as the double entry principle.

**What is the Accounting equation?**

All accounts in accounting are classified as assets, owner’s equity or liabilities.

When transactions are recorded, there will be a change in assets, owner’s equity or liabilities – depending on which type of accounts are involved.

The accounting equation is as follows:

**Assets = Owner’s equity + Liabilities (A=OE+L)**

In an equiation the side before the equation sign (=) should be the same as the side after the equation sign.

In other words, the effect on assets should be the same as the effect on owner’s equity and liabilities.

It is very important to know the two accounts involved in a transaction as well as how these accounts will be classified.

**Examples: Classification of accounts:**

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSETS** | | **LIABILITIES** | |
| **Current assets** | **Non-current assets** | **Current liabilities** | **Non-current liabilities** |
| Cash/ Bank | Land and Buildings | Short term loans | Long term loans |
|  | Vehicles |  |  |
|  | Equipment |  |  |
|  |  |  |  |
| **OWNER’S EQUITY** | | **INCOME** | **EXPENSES** |
| Capital | | Rental income | Rent expense |
| Drawings | | Current income | Trading licence |
|  | | Commission income | Water en electricity |
| Interest received | Wages |
|  | Stationery |
|  | Advertising |
|  | Interest paid |

**EXAMPLE 1:**

Show the effect of the following transactions on the accounting equation:

* 1. **The owner deposits R25 000 directly into the business’ bank account as his capital contribution.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ASSETS** | | **OWNER’S EQUITY** | | **LIABILITIES** | |
| **Effect** | **Reason** | **Effect** | **Reason** | **Effect** | **Reason** |
| +R25 000 | Cash increases | +R25 000 | Capital increases | 0 |  |

**Explanation:**

* The business receives R25 000. Thus, cash in the bank increases. Bank is classified as an asset. If cash increases, assets also increase.
* The R25 000 that was received, was in respect of capital. The capital contribution of the owner increases. Capital is classified as an owner’s equity account. If capital increases, owner’s equity also increases.
  1. **Receive R3 000 from a tenant in respect of a part of the building he is renting.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ASSETS** | | **OWNER’S EQUITY** | | **LIABILITIES** | |
| **Effect** | **Reason** | **Effect** | **Effect** | **Reason** | **Effect** |
| +R3 000 | Cash increases | +R3 000 | Rental income- income increases | 0 |  |

**Explanation:**

* The business receives R3 000. Thus, cash in the bank increases. Bank is classified as an asset. If cash increases, assets also increase.
* The R3 000 that was received, was in respect of rental income. All income increases owner’s equity. Thus, when the business receives income, it will lead to an increase in owner’s equity.
  1. **The owner borrows R10 000 from ABC Bank for his business.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ASSETS** | | **OWNER’S EQUITY** | | **LIABILITIES** | |
| **Effect** | **Reason** | **Effect** | **Effect** | **Reason** | **Effect** |
| +R10 000 | Cash increases | 0 |  | +R10 000 | Loans increase |

**Explanation:**

* The business receives R10 000. Thus, cash in the bank increases. Bank is classified as an asset. If cash increases, assets also increase.
* The R10 000 that was received, was in respect of a loan that was granted to the business. Loans should be paid back and is regarded as debt – all debts of a business is classified as liabilities. Liabilities therefore increases with R10 000.

**ECONOMIC AND MANAGEMENT SCIENCES**

**GRADE 8**

**TERM 2**

Financial Literacy – CASH RECEIPTS JOURNAL (SERVICES):

**Learners should achieve the following outcomes, as per CAPS:**

* Concept of a Cash Receipts Journal (CRJ) of a service business;
* Formats and uses of the columns in the CRJ;
* Soure documents used to complete the CRJ;
* Entering of cash transactions in the CRJ;
* Closing off the CRJ;
* Effect of cash transactions on the accounting equation.

**INTRODUCTION:**

In this topic we are going to look at the theory as well as the transactions of a CRJ of a services business and also the impact of these transactions on the accounting equation.

**What is a services business?**

A services business is a business that render services in exchange for cash. The cash a business receives for services rendered, is called Current income and will be entered in the CRJ.

Examples of services businesses: Hair salons, Plumbers, Doctors, Lawyers, etc.

**What is a Cash Receipts Journal (CRJ)?**

A CRJ is the subsidiary journal in which all cash receipts are entered on a daily basis. Different source documents are used for the different types of receipt transactions. E.g. receipts, cash register roll, bank statement, etc.

**Sources of income of a services businesses:**

* Services rendered (Current income) – E.g. a hair salon mainly generates income by styling hair.
* Rent income – E.g. monies received by renting out a part of the building to someone else.
* Capital contributions – E.g. when the owner contributes cash to the business.
* Loans – E.g. when a business borrows money from a bank to buy a vehicle.
* Interest received – E.g. when a business receives interest on a positive bank balance or on investments.
* Profit made by selling an asset – E.g. when a business sells an obsolete asset and making a profit on this sale.

**Source documents used to complete the CRJ:**

|  |  |  |
| --- | --- | --- |
| **Source document:** | **Transactions:** | **Explanation:** |
| **Receipt** | Rent income, Capital contributions | A business issues a receipt as proof that it received money. Receipts are issued in duplicate. The original receipt is given to the payer and the duplicate is used to complete the CRJ. |
| **Cash register roll** | Services rendered (Current income) | Most businesses use a cash register to register cash sales or services rendered. A copy is kept in order to complete the CRJ. |
| **Cash invoice** | Services rendered (Current income) | A cash invoice is issued when a business does not have a cash register. It therefore serves the same purpose as a cash register roll. |
| **Bank statement** | Loans,  Interest received | A bank statement shows the monthly movements in a business’ bank account. Loans and interest received will be entered in the CRJ by using the bank statement as source document. |

**Formats and uses of the columns in a CRJ:**

1. **Cash Receipts Journal of De Bruin Stores – January 2019 CRJ1**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Doc no.  **(2)** | Day  **(3)** | Details  **(4)** | Fol **(5)** | Analysis of receipts  **(6)** | Bank  **(7)** | Current income  **(8)** | Sundry accounts **(9)** | | |
| Amount  **(10)** | Fol **(5)** | Details **(11)** |
| R01 | 1 | A De Bruin |  | 35 000 | 35 000 |  | 35 000 | B1 | Capital |
| CRR | 10 | Cash |  | 12 500 | 12 500 | 12 500 |  |  |  |
| R02 | 18 | B Botha |  | 1 800 | 1 800 |  | 1 800 | N7 | Rent income |
|  |  |  |  |  | **49 300** | **12 500** | **36 800** |  |  |

1. Journal heading.
2. The number of the source document used to enter the transaction in the CRJ.
3. Day on which the transaction occurred.
4. Details from whom the money is received.
5. Folio references of the relevant general ledger accounts.
6. Analysis of receipts – individual amounts are written in this column. At the end of each day, a line is drawn under the last receipt of that specific day and the total of that day will then be written in the bank column. Amounts deposited directly in the bank account will not be written in the analysis of receipts column.
7. Bank – The total of each day that will be deposited into the bank account.
8. Current income (Services rendered) – refers to the money that is received for services rendered.
9. Money received for an income which there is no column for, will be written under sundry accounts. It usually includes income that doesn’t occur regularly; mostly once a month. E.g. interest received.
10. The amount received for the sundry income.
11. Details of why the money was received. E.g. rent income or capital.

**ENTERING OF CASH TRANSACTIONS IN THE CRJ:**

**Example:**

Use the transactions below to complete the Cash Receipts Journal of Lottering Salon for March 2019. The journal should be closed off at the end of the month.

**Transactions:**

1. The owner, Ms Lottering, deposits R17 000 into the business’ bank account as her capital contribution. Issue receipt no. 01. .

5 Receive R500 for services rendered, as per Cash register roll (CRR 1).

10 Receive R1 500 from a tenant, Mr Leo, and issue receipt 02.

20 Receive R2 000 for services rendered, as per CRR2.

25 Receive R1 850 as commission for hair products sold. Issue receipt 03.

A tenant, Ms January, pays her rent of R1 500 for a part of the building that we are renting out to her. Issue receipt 04.

28 Receive R870 for services rendered.

**Cash Receipts Journal of Lottering Salon – March 2019 CRJ3**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Doc no. | Day | Details | Fol | Analysis of receipts | Bank | Current income | Sundry accounts | | |
| Amount | Fol | Details |
| R01 | 1 | Ms Lottering |  |  | 17 000 |  | 17 000 |  | Capital |
| CRR1 | 5 | Cash |  | 500 | 500 | 500 |  |  |  |
| R02 | 10 | Mr Leo |  | 1 500 | 1 500 |  | 1 500 |  | Rent income |
| CRR2 | 20 | Cash |  | 2 000 | 2 000 | 2 000 |  |  |  |
| R03 | 25 | Cash |  | 1 850 |  |  | 1 850 |  | Commission income |
| R04 |  | Ms January |  | 1 500 | 3 350 |  | 1 500 |  | Rent income |
| CRR3 | 28 | Cash |  | 870 | 870 | 870 |  |  |  |
|  |  |  |  |  | **25 220** | **3 370** | **21 850** |  |  |

**Closing off of a journal** means that you should calculate the totals of all columns – except the analysis of receipts column.

Lottering Salon received an amount of R25 220 for March 2019.

The total of the Bank column should be equal to the total of all other columns, because Bank is a summary of all amounts received daily.

Bank = Current income + Sundry accounts

R25 220 = R3 370 + R21 850

**Effect of cash transactions on the accounting equation:**

Assets = Owners equity + Liabilities

The accounting equation should always be in balance. In other words, the effect on assets should be equal to the effect on liabilities plus liabilities.

**Example:**

Use the transactions below to indicate the effect on the accounting equation.

**Transactions:**

1. Receive R1 800 from a tenant.
2. The owner deposits R10 000 directly into the bank account of the business as additional capital contribution.
3. Receive R2 550 for services rendered.
4. Receive R95 from AB Bank for interest on current account.
5. Receive R12 000 from Our Bank for a loan.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **ASSETS** | | **OWNERS EQUITY** | | **LIABILITIES** | |
| **Effect** | **Reason** | **Effect** | **Reason** | **Effect** | **Reason** |
| 1. | +R1800 | Cash increases | +R1800 | Rent income – income | 0 |  |
| 2. | +R10 000 | Cash increases | +R10 000 | Capital increases | 0 |  |
| 3. | +R2550 | Cash increases | +R2550 | Current income – income | 0 |  |
| 4. | +R95 | Cash increases | +R95 | Interest received – income | 0 |  |
| 5. | +R12 000 | Cash increases | 0 |  | +R12 000 | Loans increase |

**ECONOMIC AND MANAGEMENT SCIENCES**

**GRADE 8**

**TERM 2**

Entrepreneurship – FACTORS OF PRODUCTION:

**Learners should achieve the following outcomes, as per CAPS:**

* Capital – Borrowed and Own Capital;
* Labour – Unskilled, Semi-skilled and Skilled labour;
* Role of workers in the business;
* Fair employment practices;
* Natural resources;
* Entrepreneurship;
* Remuneration of the factors of production.

**INTRODUCTION:**

Raw materials (inputs) are converted to finished goods (outputs) during the production process.

Everything used in the production process is called factors of production, namely Capital, Labour, Natural resources and Entrepreneurship.

1. **CAPITAL:**

Capital refers to the money needed to start a business or to finance a new venture or to expand an existing business. It can also refer to other items/assets such as vehicles, equipment, land and buildings (capital goods) used in the process of production and to generate an income.

**There are two types of Capital:**

* 1. **Borrowed Capital:**

When an entrepreneur does not have enough money of his own, he can borrow money from a bank, a friend, family members or at any financial institution in order to start or expand a business.

Short term loans are paid back within a year – current liability.

Long term loans are paid back over a period of more than a year – non-current liability.

To borrow money can hold a great risk for a business, because if the business is unable to make the repayments, serious operational problems may arise.

Om geld te leen kan ‘n groot risiko vir die onderneming inhou, want as die

* 1. **Own Capital:**

An entrepreneur uses own capital when he/she uses cash from their own pockets to start or expand a business. This could be savings, inherited money, pension monies, etc.

1. **LABOUR:**

Labour is a very important factor of production. It refers to the human resources of a business (employees) who sells their labour in exchange for a wage or salary.

These employees do the physical as well as mental work to ensure that the production process runs smoothly.

* 1. **There are three different types of labour:**

|  |  |  |
| --- | --- | --- |
| **Unskilled Labour** | **Semi-skilled Labour** | **Skilled Labour** |
| Workers with no formal training.  They do not have to use independent judgement in excercising their duties. | Workers with an extent of formal training.  Sometimes they have to use an extent of independent judgement in excercising their duties. | Workers with a formal qualification and training.  They have to use independent judgement in excercising their duties. |
| E.g. farm workers, messengers, cleaners, etc. | E.g. cashiers, admin clerks, etc. | E.g. teacher, doctor, engineer, lawyer, etc. |

* 1. **Role of workers in the business:**
* Workers combine their mental and physical abilities to convert raw materials into finished goods.
* A business thus, cannot function without workers.
* The success of a business mainly depends on its workers.
* If workers are managed well, they can be one of the biggest assets of a business.
* Workers also bring creativity to a business because they are all unique.
* When a worker is happy and motivated within the business, he/she will be more productive.
  1. **Fair employment practices:**

Legislation is used to ensure that workers are treated fairly and equally in the workplace.

The following are pieces of legislation that regulate fair employment practices:

* + 1. **Basic Conditions of Service Act (No. 75 of 1997, amended in 2002):**

This Act enforces conditions of service and promotes a healthy working environment and also protects workers against exploitation.

**Conditions included in the Act:**

|  |  |
| --- | --- |
| Overtime | No worker may be forced to work overtime.  When a worker works overtime on a Saturday, he/she should be paid 1.5 times the normal tariff.  If it is necessary that a worker should work overtime on a Sunday and on public holidays, he/she shoud be paid 2 times the normal tariff. |
| Leave | A worker is entitled to:   * 21 days annual leave. * 4 months maternity leave. * 3 days family responsibility leave. * Up to 6 weeks paid sick leave in a 3 year cycle. |
| Working hours | Workers should get 1 hour off for lunch after working for 5 hours.  Workers may not work more than 45 hours per week. |
| Notice period: Termination of employment | A worker must give notice when he/she wants to terminate employment:   * 1 week, if in service for 4 weeks or less. * 2 weeks, if in service for more than 4 weeks, but less than a year. * 4 weeks, if in service for more than a year. |

* + 1. **Labour Relations Act (No. 66 of 1995):**

This Act regulates labour relations – in other words, it regulates the relationship between the employer and the employee as well as between the employer and the labour unions.

The Labour Relations Act promotes social justice, economic development, peace and democracy in the workplace.

**Workers have the following rights:**

* The right to work.
* The right to freedom of association.
* The right to collective bargaining.
* The right to protection.
* The right to training.
* The right to strike.
  + 1. **Employment Equity Act (No. 55 of 1998):**

The purpose of the Employment Equity Act is to promote equal opportunities and to eliminate unfair discrimination.

It also provides for the implementation of affirmative action to rectify the injustices of the past, with regards to appointments and promotions.

1. **NATURAL RESOURCES:**

Natural resources refer to the raw, unprocessed sources from nature. They are used to convert into finished goods or services.

E.g. water, trees, fish, mineral resources, oil, oxygen, etc.

Natural resources also refer to the inputs in the production process.

Without these inputs, there will be no outputs.

Outputs refer to the finished goods and services which we use to satisfy our needs and wants with.

* 1. **Characteristics of natural resources:**
* Cannot be used in their natural form, in most cases. It should first be processed.
* Most natural resources are not renewable, e.g. water. It cannot be imitated or replaced.
* Natural resources differ from area to area. Some areas are rich in mineral resources, whereas there are little or no mineral resources in other areas.

1. **ENTREPRENEURSHIP:**

An entrepreneur is someone who sees a gap in the market and who then tries to satisfy those identified needs/wants.

Entrepreneurship refers to the ability to combine the other three factors of production in such a way that good quality goods and services can be produced.

Entrepreneurs contribute to the wealth of a country as well as to economic growth by creating much needed jobs.

Without the determination and willingness to take risks by entrepreneurs, raw materials and other resources will not be converted to finished goods.

1. **REMUNERATION OF THE FACTORS OF PRODUCTION:**

**The following summary shows the remuneration of each factor of production:**

|  |  |  |
| --- | --- | --- |
| FACTOR OF PRODUCTION | REMUNERATION | EXPLANATION |
| Capital | Interest | The owner earns interest on the capital he/she invested in the business. |
| Labour | Wages/Salaries | Individuals and households sell their labour to businesses or the government in exchange for a wage or salary. |
| Natural resources | Rent | The business can rent out a part of their buildings in order to earn rent income. |
| Entrepreneurship | profit | The owner earns a part of the profit when the business’ income exceeds its expenses. |

**ECONOMIC AND MANAGEMENT SCIENCES**

**GRADE 8**

**TERM 2**

The Economy – MARKETS:

**Learners should achieve the following outcomes, as per CAPS:**

* Types of Markets:
* Goods and services markets;
* Factor market (labour and financial markets)

**What is a market?**

A market is a place where buyers and sellers meet to engage in economic transactions.

A market does not refer to a specific place or building. It can take any form.

E.g. when you buy items online at Spree, Takealot, Jetonline, etc, you are busy transacting on an online market.

World markets refer to when buyers and sellers communicate with one another by making use of technology, such as celphones, telephones, e-mail, internet, etc.

**Types of Markets:**

* + 1. **Goods and services market:**
* Refers to all places where goods and services are exchanged in economic transactions.
* E.g. Local supermarket, Online shops such as Spree and Takealot, Doctor, Hair salon, etc.
* Producers/Manufacturers put their finished goods on the goods and services market, to be purchased.
* Households buy goods and services (from businesses and the government) by using their income received from selling their labour.
* Households are the main buyers on the goods and services market.
* Businesses produced these finished goods (outputs) by making use of the factors of production (inputs).

1. **Factor market:**

* Refers to all the places where the factors of production, namely Capital, Labour, natural resources and entrepreneurship can be bought or sold.
* Businesses and the government are the main buyers on the factor market.
* The factor market can be divided into the labour market and the financial market.
  1. **Labour market:**

Households sell their labour on the labour market in exchange for a wage or salary. Employers (Businesses and Government) need labour in order to produce and deliver goods and services.

Households use their income to buy these goods and services.

* 1. **Financial market:**

The financial market refers to all places where shares, obligations and foreign currencies can be bought/sold/exchanged.

E.g. Trading in shares are freely allowed on the shares market – Johannesburg Stock Exchange.