Foreword

This resource material was developed to provide teachers with examples of graded assignments for reference and is by no means exhaustive. Teachers are advised to adapt the materials according to the diverse learning needs of students if deemed necessary.

Graded Assignment 1: Double Entry System
Elementary Level – Question Paper

Albert started his business on 1 November 2019. During the first month of operation, the following transactions took place:

Nov 1   Albert invested $160,000 in the business by cheque.
Nov 2   Bought goods from Susan Company on credit for $80,000.
Nov 4   Cash sales of $6,000 to ABC Company.
Nov 8   Sold goods to Eden Company on credit for $40,000.
Nov 10   Bought a piece of equipment costing $50,000 on credit.
Nov 15   Returned goods of $4,000 to Susan Company.
Nov 18   Received a debit note amounting $1,500 for goods returned from Eden Company.
Nov 21   Goods amounting $2,400 were taken away by Albert for his personal use.
Nov 29   Paid wages of $75,000 by autopay.
Nov 30   Repaid Susan Company the amount owed in full by cheque.

REQUIRED:

(a)   Fill in the table given to show the effects of the above transactions on the accounting equation.
                                                                                              (9 marks)

(b)   Prepare relevant ledger accounts to record the above transactions.   (10 marks)

                                                                                   (Total: 19 marks)

Graded Assignment 1: Double Entry System
Elementary Level – Student Worksheet

(a)   Fill in the table given to show the effects of the above transactions on the accounting equation:

Hints: Accounting equation:
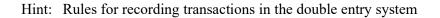
➢ *Assets = Liabilities +* **Capital**

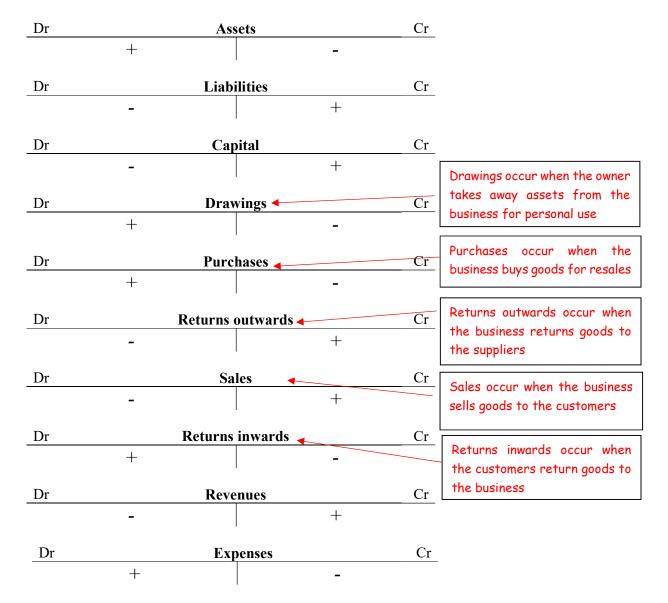➢ **Capital (Closing balance)** *=* **Capital (Opening balance)** *+ Revenues – Expenses – Drawings*

Date	Assets = (+/-)	Liabilities (+/-)	+ Capital (+/-)	Hints
Nov 1 (e.g.)	+$160,000		+$160,000	➢ **Cheque** *means cash at bank which is an asset while* **Albert's investment** *is the capital he introduced*
Nov 2				➢ **Buying goods** *means the business is incurring costs* ➢ *As the business* **owed money*** *to Susan Company, liabilities occurred*
Nov 4				➢ *Cash in hand (**Cash**) is an asset while* **Sales** *belong to revenues*
Nov 8				➢ *As Eden Company* **owed* the business money**, *assets occurred* ➢ **Sales** *belong to revenues*
Nov 10				➢ **Equipment** *is an asset* ➢ *Liabilities occurred as the company bought the equipment* **on credit***

* On credit = Pay later

Nov 15				➢ **_Returning goods to the supplier_** _(Susan Company) reduced the costs incurred by the business and the **amount owed to Susan Company** which belonged to liabilities_
Nov 18				➢ **_Goods returned by the customer_** _(Eden Company) reduced the Sales revenue and **the amount owed by Eden Company** which belonged to assets_
Nov 21				➢ _Drawings occurred when the owner (Albert) took away goods from the business for **personal use**_ ➢ **_Goods being taken away_** _from the business means the costs incurred by the business is reduced_
Nov 29				➢ **_Autopay_** _means making payment by cash at bank which belongs to assets_ ➢ **_Wages_** _are expenses_
Nov 30				➢ **_Susan Company_** _is a liability while **Cash at bank** is an asset_ ➢ _The amount owed to Susan Company as at 30 Nov_ _= Amount of goods bought on credit (Nov 2) – amount of goods returned (Nov 15)_

(b)   Prepare relevant ledger accounts to record the above transactions.

Hint: Rules for recording transactions in the double entry system

Dr	**Assets**	Cr
+		-

Dr	**Liabilities**	Cr
-		+

Dr	**Capital**	Cr
-		+

Dr	**Drawings** ←	Cr
+		-

> Drawings occur when the owner takes away assets from the business for personal use

Dr	**Purchases** ←	Cr
+		-

> Purchases occur when the business buys goods for resales

Dr	**Returns outwards** ←	Cr
-		+

> Returns outwards occur when the business returns goods to the suppliers

Dr	**Sales** ←	Cr
-		+

> Sales occur when the business sells goods to the customers

Dr	**Returns inwards** ←	Cr
+		-

> Returns inwards occur when the customers return goods to the business

Dr	**Revenues**	Cr
-		+

Dr	**Expenses**	Cr
+		-

Working: Before preparing the ledger accounts, which account to be debited and which account to be credited should be determined. Fill in the following table with the given account names:

Cash at bank	*Capital*	*Purchases*
Susan Company	*Cash in hand*	*Sales*
Eden Company	*Equipment*	*Accounts payable*
Returns outwards	*Returns inwards*	*Drawings*
Wages expense		

Date	Account to be debited	Account to be credited	Hints
Nov 1 (e.g.)	Cash at bank	Capital	➢ **_Cash at bank_** which is an asset increased ➢ **_Capital_** increased
Nov 2			➢ **_Buying goods_** means Purchases increase ➢ Buying goods on credit increased **_the amount owed to the supplier_** (Susan Company) which belongs to liabilities
Nov 4			➢ **_Cash in hand_** which is an asset increased ➢ **_Sales_** increased
Nov 8			➢ **_Selling goods_** means Sales increase ➢ Selling goods on credit increased **_the amount owed by the customer_** (Eden Company) which belongs to assets
Nov 10			➢ **_Equipment_** which is an asset increased ➢ Buying assets on credit increased **_the amount owed to the others_** (accounts payable) which belongs to liabilities

Nov 15			➤ ***Amount owed to Susan Company** which is a liability decreased* ➤ ***Returning goods to the supplier** (Susan Company) means Returns Outwards increase*
Nov 18			➤ ***Amount owed by Eden Company** which is an asset decreased* ➤ ***Goods being returned by the customer** (Eden Company) means Returns Inwards increase*
Nov 21			➤ *Goods being taken away from the business for owner's **personal use** means Drawings increase* ➤ ***Purchases** reduced*
Nov 29			➤ ***Wages** which belong to expenses increased* ➤ ***Cash at bank** which is an asset decreased*

Nov 30			➢ **_Amount owed to Susan Company_** _which is a liability decreased_ ➢ **_Cash at bank_** _which is an asset decreased_

Hint: Enter the corresponding account name and the amount in the following ledger accounts for each transaction record.

+	Cash at bank		-
2019	$	2019	$
Nov 1 Capital **(example)**	160,000	Nov 29	
		Nov 30	

-	Capital		+
		2019	$
		Nov 1 Cash at bank **(example)**	160,000

+	Purchases		-
2019	$	2019	$
Nov 2		Nov 21	

-	Susan Company		+
2019	$	2019	$
Nov 15		Nov 2	
Nov 30			

+	Cash in hand		-
2019	$		
Nov 4			

-	Sales		+
		2019	$
		Nov 4	
		Nov 8	

+	Eden Company		-
2019	$	2019	$
Nov 8		Nov 18	

+	Equipment		-
2019	$		
Nov 10			

-	Accounts payable	+
	2019	$
	Nov 10	

-	Returns outwards	+
	2019	$
	Nov 15	

+	Returns inwards	-
2019	$	
Nov 18		

+	Drawings	-
2019	$	
Nov 21		

+	Wages expense	-
2019	$	
Nov 29		

Graded Assignment 1: Double Entry System
Elementary Level – Suggested Solution and Explanatory Notes

Explanatory Notes
Accounting equation: *Assets = Liabilities +* **Capital**

Capital (Closing balance) = Capital (Opening balance) + Revenues –
Expenses – Drawings

(Sales – Returns Inwards)

(Purchases – Returns Outwards)

(a)

Date	Assets (+/-)	= Liabilities (+/-)	+ Capital (+/-)	Explanatory notes
Nov 1 (e.g.)	+$160,000		+$160,000	➤ *Owner's investment ⬆ => Capital ⬆*
Nov 2		+$80,000	– $80,000	➤ *Purchase costs ⬆ => Capital ⬇*
Nov 4	+$6,000		+$6,000	➤ *Cash Sales = Sales of goods in cash*
Nov 8	+$40,000		+$40,000	➤ *Sales revenue ⬆ => Capital ⬆*
Nov 10	+$50,000	+$50,000		➤ *Buying equipment is different from purchase of goods*
Nov 15		– $4,000	+$4,000	➤ *Returning goods to suppliers reduces the purchase costs* ➤ *Purchase costs ⬇ => Capital ⬆*
Nov 18	– $1,500		– $1,500	➤ *Debit note – a document issued by the company when returning goods which are bought on credit previously* ➤ *Returns inwards reduce the amount of sales revenue* ➤ *Sales revenue ⬇ => Capital ⬇*
Nov 21			+$2,400 – $2,400 (no change)	➤ *Drawings decrease Capital while reduction in purchase costs increases Capital* ➤ *No change occurs*
Nov 29	– $75,000		– $75,000	➤ *Expenses ⬆ => Capital ⬇*
Nov 30	– $76,000	– $76,000		➤ *$80,000 (Nov 2) – $4,000 (Nov 15) = $76,000*

Key point: The accounting equation must always remain in balance.

(b) *Working*

	Account to be debited	**Account to be credited**
Nov 1 (e.g.)	Cash at bank	Capital
Nov 2*	Purchases	Susan Company
Nov 4**	Cash in hand	Sales
Nov 8***	Eden Company	Sales
Nov 10	Equipment	Accounts payable
Nov 15	Susan Company	Returns outwards
Nov 18	Returns inwards	Eden Company
Nov 21	Drawings	Purchases
Nov 29	Wages expense	Cash at bank
Nov 30	Susan Company	Cash at bank

*   *A liability of trade payables (Susan Company) occurred when the business bought goods on credit.*

**   *When the company made cash sales, the amount was collected in cash immediately. Hence, no trade receivables (ABC Company) was recorded.*

***   *An asset of trade receivables (Eden Company) occurred when the business sold goods on credit.*

+	Cash at bank			-
2019		$	2019	$
Nov 1	Capital	160,000	Nov 29 Wages expense	75,000
			Nov 30 Susan Company	76,000

-	Capital			+
			2019	$
			Nov 1 Cash at bank	160,000

+	Purchases			-
2019		$	2019	$
Nov 2	Susan Company	80,000	Nov 21 Drawings	2,400

-	Susan Company			+
2019		$	2019	$
Nov 15	Returns outwards	4,000	Nov 2 Purchases	80,000
Nov 30	Cash at bank	76,000		

+	Cash in hand			-
2019		$		
Nov 4	Sales	6,000		

-	Sales			+
			2019	$
			Nov 4 Cash in hand	6,000
			Nov 8 Eden Company	40,000

+	Eden Company			-
2019		$	2019	$
Nov 8	Sales	40,000	Nov18 Returns inwards	1,500

+	Equipment			-
2019		$		
Nov 10	Accounts payable	50,000		

-	Accounts payable			+
			2019	$
			Nov 10 Equipment	50,000

-	Returns outwards			+
			2019	$
			Nov 15 Susan Company	4,000

+	Returns inwards		-
2019	$		
Nov 18 Eden Company	1,500		

+	Drawings		-
2019	$		
Nov 21 Purchases	2,400		

+	Wages expense		-
2019	$		
Nov 29 Cash at bank	75,000		

Points to be noted:

Definitions:
1.   Accounts payable – The amount owed to the suppliers by a company when the company purchases goods or other assets on credit.
2.   Drawings – The withdrawal of cash or other assets by the owner from the company for personal use.
3.   Returns inwards – The amount of goods returned by customers.
4.   Returns outwards – The amount of goods returned to suppliers.
5.   Credit note – A receipt issued by the company to a customer who has returned goods which are bought on credit previously.
6.   Debit note – A document issued by the company when returning goods which are bought on credit previously.

Steps of recording transactions in the ledger accounts:
1.   Identify the accounts being affected in each transaction. (at least two accounts)
2.   Determine whether an increase or a decrease should be recorded for each account.
3.   Determine which account to be debited and which account to be credited according to the nature of account and their double entry rules.
4.   Draw T accounts.
5.   Record the transaction date, amount and corresponding account name on the side determined in Step 3.

Common mistakes:
1.   Unable to identify the accounts involved when preparing the double entries.
2.   Wrong classification of returns inwards and returns outwards.
3.   Mix up the credit note and debit note.
4.   Fail to enter the account name of the corresponding entry. (see illustrations below)

Illustration 1:
Entering the identical account name instead of the account name of the corresponding entry.

+		Cash at bank			-
2019		$	2019		$
Nov 1	Cash at bank	160,000	Nov 29	Cash at bank	75,000
			Nov 30	Cash at bank	76,000

Illustration 2:
Listing out the transaction details instead of writing account names in the record.

+		Cash at bank			-
2019		$	2019		$
Nov 1	Albert invested in the business	160,000	Nov 29	Paid wages by autopay	75,000
			Nov 30	Repaid Susan Company the amount owed	76,000

Graded Assignment 1: Double Entry System
Standard Level – Question Paper

Albert started his business on 1 November 2019. During the first month of operation, the following transactions took place:

Nov 1   Albert invested $160,000 in the business by cheque.
Nov 2   Bought goods from Susan Company on credit for $80,000.
Nov 4   Cash sales of $6,000 to ABC Company.
Nov 8   Sold goods to Eden Company on credit for $40,000.
Nov 10   Bought a piece of equipment costing $50,000 on credit.
Nov 15   Returned goods of $4,000 to Susan Company.
Nov 18   Received a debit note amounting $1,500 for goods returned from Eden Company.
Nov 21   Goods amounting $2,400 were taken away by Albert for his personal use.
Nov 29   Paid wages of $75,000 by autopay.
Nov 30   Repaid Susan Company the amount owed in full by cheque.

REQUIRED:

(a)   Fill in the table given to show the effects of the above transactions on the accounting equation.
                                                                                (9 marks)

(b)   Prepare relevant ledger accounts to record the above transactions.   (10 marks)

                                                                          (Total: 19 marks)

Graded Assignment 1: Double Entry System
Standard Level – Student Worksheet

(a)   Fill in the table given to show the effects of the above transactions on the accounting equation.

(Hint: You may use the key words shown in the last column to determine which items in the accounting equation being affected.)

Date	Assets = (+/-)	Liabilities (+/-)	+ Capital* (+/-)	Key words identified in each transaction
Nov 1 (e.g.)	+$160,000		+$160,000	➢ Cheque => Assets ➢ Albert (owner) invested in the business => Capital
Nov 2				➢ Bought goods => Purchases => ? ➢ Bought from Susan Company on credit => ?
Nov 4				➢ Sales => Revenues => ? ➢ Cash => ?
Nov 8				➢ Sold goods => Sales => Revenues => ? ➢ Sold to Eden Company on credit => ?
Nov 10				➢ Equipment => ? ➢ Bought on credit => ?
Nov 15				➢ Returned goods => Returns outwards => ? ➢ Susan Company (Nov 2) => ?
Nov 18				➢ Received a debit note => Returns inwards => ? ➢ Eden Company (Nov 8) => ?

* Capital (Closing balance) = Capital (Opening balance) + Revenues – Expenses – Drawings

Nov 21				➢ *Goods taken away =>* *Purchases =>* ? ➢ *Taken away by Albert (owner) for his personal use =>* ?
Nov 29				➢ *Wages => Expenses =>* ? ➢ *Autopay => Cash at bank =>* ?
Nov 30				➢ *Cheque =>* ? ➢ *Susan Company (Nov 2) =>* ?

(b)   Prepare relevant ledger accounts to record the above transactions.

Working 1:   Identify the double entry rules for the following types of account.

Dr	**Assets**	Cr
Increase (e.g.)		*Decrease (e.g.)*

Dr	**Liabilities**	Cr

Dr	**Capital**	Cr

Dr	**Drawings**	Cr

Dr	**Purchases**	Cr

Dr	**Returns outwards**	Cr

Dr	**Sales**	Cr

Dr	**Returns inwards**	Cr

Dr	**Revenues**	Cr

Dr	**Expenses**	Cr

Working 2:   Fill the accounts being affected in the following table. (Hint: Pay attention to the accuracy of the account names.)

Types of account   **Account name**

Assets: (1)   Cash at bank (e.g.)

                   (2)   _____

                   (3)   _____

                   (4)   _____

Liabilities: (5)   Accounts payable (e.g.)

                   (6)   _____

Expenses: (7)   _____

Others: (8)   Capital (e.g.)

                         (9)   _____

                         (10)   _____

                         (11)   _____

                         (12)   _____

                         (13)   _____

Working 3:   Determine which account to be debited and which account to be credited for each transaction. (Hint: You may make reference to the key words, double entry rules and the account names in the previous workings.)

Date	Account to be debited	Account to be credited	*Key words identified in each transaction*
Nov 1 (e.g.)	Cash at bank	Capital	*1. Cheque* *2. Albert (owner) invested in the business*
Nov 2			*1. Bought goods* *2. Bought from Susan Company on credit*
Nov 4			*1. Cash* *2. Sales*
Nov 8			*1. Sold goods* *2. Sold to Eden Company on credit*
Nov 10			*1. Equipment* *2. Bought on credit*
Nov 15			*1. Returned goods to ……* *2. Susan Company*
Nov 18			*1. Received a debit note* *2. Eden Company*
Nov 21			*1. Goods taken away* *2. Taken away by Albert (owner) for his personal use*

Nov 29			*1. Wages* *2. Autopay*
Nov 30			*1. Cheque* *2. Susan Company*

Hint: You may indicate the double entry rules of each account in the boxes provided before recording the transactions. You may refer to the example provided in the Cash at bank account.

+	Cash at bank	-
2019 $	2019 $	
Nov	Nov	

	Capital	
$	2019 $	
	Nov	

	Purchases	
2019 $	2019 $	
Nov	Nov	

	Susan Company	
2019 $	2019 $	
Nov	Nov	

	Cash in hand	
2019 $	$	
Nov		

	Sales	
$	2019 $	
	Nov	

	Eden Company	
2019 $	2019 $	
Nov	Nov	

Equipment

| 2019 | $ | | | $ |
| Nov | | | | |

Accounts payable

| | $ | 2019 | | $ |
| | | Nov | | |

Returns outwards

| | $ | 2019 | | $ |
| | | Nov | | |

Returns inwards

| 2019 | $ | | | $ |
| Nov | | | | |

Drawings

| 2019 | $ | | | $ |
| Nov | | | | |

Wages expense

| 2019 | $ | | | $ |
| Nov | | | | |

Graded Assignment 1: Double Entry System
Standard Level – Suggested Solution and Explanatory Notes

(a)

Date	Assets = (+/-)	Liabilities (+/-)	+ Capital* (+/-)	Key words identified in each transaction
Nov 1 (e.g.)	+$160,000		+$160,000	➢ *Cheque =>* Assets ➢ *Albert (owner) invested in the business =>* Capital*
Nov 2		+$80,000	– $80,000	➢ *Bought goods => Purchases =>* Capital* ➢ *Bought from Susan Company on credit =>* Liabilities
Nov 4	+$6,000		+$6,000	➢ *Sales => Revenues =>* Capital* ➢ *Cash =>* Assets
Nov 8	+$40,000		+$40,000	➢ *Sold goods => Sales => Revenues =>* Capital* ➢ *Sold to Eden Company on credit =>* Assets
Nov 10	+$50,000	+$50,000		➢ *Equipment =>* Assets ➢ *Bought on credit =>* Liabilities
Nov 15		– $4,000	+$4,000	➢ *Returned goods => Returns outwards =>* Capital* ➢ *Susan Company (Nov 2) =>* Liabilities
Nov 18	– $1,500		– $1,500	➢ *Received a debit note =>Returns inwards =>* Capital* ➢ *Eden Company (Nov 8) =>* Assets
Nov 21			+$2,400 – $2,400 (no change)	➢ *Goods taken away => Purchases =>* Capital* ➢ *Taken away by Albert (owner) for personal use =>* Capital*

Nov 29	– $75,000		– $75,000	➢ *Wages => Expenses => Capital** ➢ *Autopay =>Cash at bank => Assets*
Nov 30	– $76,000	– $76,000		➢ *Cheque => Assets* ➢ *Susan Company (Nov 2) => Liabilities* *Working: $80,000 - $4,000*

Explanatory notes

Accounting equation: *Assets = Liabilities + **Capital***   (Purchases – Returns Outwards)

*Capital (Closing balance) = Capital (Opening balance) + Revenues – Expenses – Drawings

(Sales – Returns Inwards)

Examples related to how the inventory movement affecting Capital

Nov 2   Purchases ⬆ => Capital ⬇

Nov 4,8   Sales ⬆ => Capital ⬆

Nov 15   Returns Outwards ⬆ => Capital ⬆

Nov 18   Returns Inwards ⬆ => Capital ⬇

Nov 21   Purchases ⬇ => Capital ⬆
               Drawings ⬆ => Capital ⬇

(b)
Working 1   Rules for recording transactions in the double entry system

Dr	**Assets**	Cr
+		-

Dr	**Liabilities**	Cr
-		+

Dr	**Capital**	Cr
-		+

Dr	**Drawings**	Cr
+		-

Dr	**Purchases**	Cr
+		-

Dr	**Returns outwards**	Cr
-		+

Dr	**Sales**	Cr
-		+

Dr	**Returns inwards**	Cr
+		-

Dr	**Revenues**	Cr
-		+

Dr	**Expenses**	Cr
+		-

Working 2:   Accounts being affected by the transactions

Types of account	Account name	
Assets	(1)	Cash at bank (e.g.)
	(2)	Cash in hand
	(3)	Eden Company
	(4)	Equipment
Liabilities	(5)	Accounts payable (e.g.)
	(6)	Susan Company
Expenses	(7)	Wages expense
Others	(8)	Capital (e.g.)
	(9)	Purchases
	(10)	Sales
	(11)	Returns outwards
	(12)	Returns inwards
	(13)	Drawings

Working 3:

Date	Account to be debited	Account to be credited	Key words identified in each transaction
Nov 1 (e.g.)	Cash at bank	Capital	*1. Cheque* *2. Albert (owner) invested in the business*
Nov 2	Purchases	Susan Company	*1. Bought goods* *2. Bought from Susan Company on credit*
Nov 4	Cash in hand	Sales	*1. Cash* *2. Sales*
Nov 8	Eden Company	Sales	*1. Sold goods* *2. Sold to Eden Company on credit*
Nov 10	Equipment	Accounts payable	*1. Equipment* *2. Bought on credit*

Nov 15	Susan Company	Returns outwards	*1. Returned goods to ......* *2. Susan Company*
Nov 18	Returns inwards	Eden Company	*1. Received a debit note* *2. Eden Company*
Nov 21	Drawings	Purchases	*1. Goods taken away* *2. Taken away by Albert (owner) for personal use*
Nov 29	Wages expense	Cash at bank	*1. Wages* *2. Autopay*
Nov 30	Susan Company	Cash at bank	*1. Cheque* *2. Susan Company*

+	Cash at bank		-
2019		$	2019		$
Nov 1	Capital	160,000	Nov 29	Wages expense	75,000
			Nov 30	Susan Company	76,000

-	Capital		+
			2019		$
			Nov 1	Cash at bank	160,000

+	Purchases		-
2019		$	2019		$
Nov 2	Susan Company	80,000	Nov 21	Drawings	2,400

-	Susan Company		+
2019		$	2019		$
Nov 15	Returns outwards	4,000	Nov 2	Purchases	80,000
Nov 30	Cash at bank	76,000			

+	Cash in hand		-
2019		$			
Nov 4	Sales	6,000			

-	Sales		+
			2019		$
			Nov 4	Cash in hand	6,000
			Nov 8	Eden Company	40,000

+	Eden Company		-
2019		$	2019		$
Nov 8	Sales	40,000	Nov18	Returns inwards	1,500

+	Equipment		-
2019		$			
Nov 10	Accounts payable	50,000			

-	Accounts payable		+
			2019		$
			Nov 10	Equipment	50,000

-	Returns outwards	+
	2019	$
	Nov 15 Susan Company	4,000

+	Returns inwards	-
2019	$	
Nov 18 Eden Company	1,500	

+	Drawings	-
2019	$	
Nov 21 Purchases	2,400	

+	Wages expense	-
2019	$	
Nov 29 Cash at bank	75,000	

Points to be noted:

Definitions:
1.   Returns inwards – The amount of goods returned from customers.
2.   Returns outwards – The amount of goods returned to suppliers.
3.   Credit note – A receipt issued by the company to a customer who has returned goods which are bought on credit previously.
4.   Debit note – A document issued by the company when returning goods which are bought on credit previously.

Common mistakes:
1.   Enter the wrong amount for a transaction.
2.   Wrongly record an entry in the same side of the corresponding account.
3.   Mix up the relationships between sales, purchases, returns inwards and returns outwards.
4.   Enter all transactions related to inventory movement in a single account (e.g. inventory account).
5.   Do not understand the meanings of credit note and debit note.
6.   Using abbreviations in accounting entries.

Graded Assignment 1: Double Entry System
Advanced Level – Question Paper

Albert started his business on 1 November 2019. During this first month of operations, the following transactions took place:

Nov 1   Albert invested $160,000 in the business by cheque.
Nov 2   Bought goods from Susan Company on credit for $80,000.
Nov 4   Cash sales of $6,000 to ABC Company.
Nov 8   Sold goods to Eden Company on credit for $40,000.
Nov 10   Bought a piece of equipment costing $50,000 on credit.
Nov 15   Returned goods of $4,000 to Susan Company.
Nov 18   Received a debit note amounting $1,500 for goods returned from Eden Company.
Nov 21   Goods amounting $2,400 were taken away by Albert for his personal use.
Nov 29   Paid wages of $75,000 by autopay.
Nov 30   Repaid Susan Company the amount owed in full by cheque.

REQUIRED:

(a)   Fill in the table given to show the effects of the above transactions on the accounting equation.
                                                                    (9 marks)

(b)   Prepare relevant ledger accounts to record the above transactions.   (10 marks)

                                                                    (Total: 19 marks)

Challenging question

On 8 December 2019, Susan Company sold goods to Albert on credit with list price of $20,000, less a 5 % trade discount, with credit period of one month given. A cash discount of 2% was allowed for early settlement within 10 days. Finally, Albert settled the amount owed by cheque on 11 December 2019.

(c)   Prepare the journal entry to record the above transaction on 11 December 2019. Narration is
       not required.   (3 marks)

Graded Assignment 1: Double Entry System
Advanced Level – Student Worksheet

(a)   Fill in the table given to show the effects of the above transactions on the accounting equation:

Date	Assets = (+/-)	Liabilities (+/-)	+ Capital (+/-)
Nov 1 (e.g.)	+$160,000		+$160,000
Nov 2			
Nov 4			
Nov 8			
Nov 10			
Nov 15			
Nov 18			
Nov 21			
Nov 29			
Nov 30			

(b)   Prepare relevant ledger accounts to record the above transactions.

Challenging question
(c)

General Journal

	Dr	Cr
	$	$

Graded Assignment 1: Double Entry System

Advanced Level – Suggested Solution and Explanatory Notes

(a)

Date	Assets = (+/-)	Liabilities (+/-)	+ Capital (+/-)
Nov 1 (e.g.)	+$160,000		+$160,000
Nov 2		+$80,000	-$80,000
Nov 4	+$6,000		+$6,000
Nov 8	+$40,000		+$40,000
Nov 10	+$50,000	+$50,000	
Nov 15		-$4,000	+$4,000
Nov 18	-$1,500		-$1,500
Nov 21			-$2,400 +$2,400 (no change)
Nov 29	-$75,000		-$75,000
Nov 30	-$76,000	-$76,000	

(b)

```
+                          Cash at bank                               -
   2019                              $ | 2019                          $
   Nov 1    Capital           160,000 | Nov 29   Wages expense     75,000
                                      | Nov 30   Susan Company     76,000
                                      |


-                            Capital                                  +
                                      | 2019                          $
                                      | Nov 1    Cash at bank      160,000
                                      |


+                          Purchases                                  -
   2019                              $ | 2019                          $
   Nov 2    Susan Company      80,000 | Nov 21   Drawings          2,400
                                      |
```

-	Susan Company		+	
2019		$	2019	$
Nov 15	Returns outwards	4,000	Nov 2 Purchases	80,000
Nov 30	Cash at bank	76,000		

+	Cash in hand		-
2019		$	
Nov 4	Sales	6,000	

-	Sales		+	
			2019	$
			Nov 4 Cash in hand	6,000
			Nov 8 Eden Company	40,000

+	Eden Company		-	
2019		$	2019	$
Nov 8	Sales	40,000	Nov18 Returns inwards	1,500

+	Equipment		-
2019		$	
Nov 10	Accounts payable	50,000	

-	Accounts payable		+	
			2019	$
			Nov 10 Equipment	50,000

-	Returns outwards		+	
			2019	$
			Nov 15 Susan Company	4,000

+	Returns inwards		-
2019		$	
Nov 18	Eden Company	1,500	

+	Drawings		-
2019		$	
Nov 21	Purchases	2,400	

+	Wages expense		-
2019		$	
Nov 29	Cash at bank	75,000	

Challenging question

(c)

General Journal

		Dr	Cr
		$	$
Susan Company	($20,000 × 95%)	19,000	
Cash at bank	($19,000 × 98%)		18,620
Discounts received	($19,000 × 2%)		380

Explanatory notes:

1. Trade discounts of 5% was deducted from the list price during the transaction of credit purchases on 8 December.
2. Albert was obligated to repay the amount owed ($19,000) within the credit period (i.e. one month). As Albert chose to make early repayment in the cash discount period (i.e. within 10 days), a cash discount of 2% would be received and the amount to be paid ($18,620) was reduced.
3. The discounts received account is a revenue account.

Points to be noted:
Definitions:
*   Credit note – A receipt issued by the company to a customer who has returned goods which are bought on credit previously.
*   Debit note – A document issued by the company when returning goods which are bought on credit previously.

Difference between trade discounts and cash discounts

		Trade discounts	**Cash discounts**
1.	Definition:	*Discounts offered by the supplier on the list price of goods*	*Discounts offered by the supplier on the net invoice price of goods in return for an early settlement of debts*
2.	Purpose:	*Attract customers to buy in large quantities or buy regularly*	*Encourage customers to make earlier repayment of debt (e.g. within the cash discount period)*
3.	Occurrence:	*At the time of purchase*	*At the time of repayment*
4.	Accounting Treatment:	*No record in the ledger accounts*	*Record as 'discounts allowed' in the books of the supplier and 'discounts received' in the books of the customer*
5.	Formula:	*List price – Trade discounts = Net invoice price*	*Net invoice price - Cash discounts = Amount paid*

Accounting treatment of recording cash discounts
In the books of the supplier:
Dr   Discounts allowed (expenses)
        Cr   Trade receivables

In the books of the customer:
Dr   Trade payables
        Cr   Discounts received (revenues)

Common mistakes:
1.   Mixed up debit note and credit note.
2.   Mixed up trade discount and cash discount.

BAFS

Graded Assignment 1: Double Entry System
Marking Scheme

(a)

Date	Assets = (+/-)	Liabilities (+/-)	+ Capital (+/-)
Nov 1 (e.g.)	+$160,000		+$160,000
Nov 2		+$80,000	-$80,000
Nov 4	+$6,000		+$6,000
Nov 8	+$40,000		+$40,000
Nov 10	+$50,000	+$50,000	
Nov 15		-$4,000	+$4,000
Nov 18	-$1,500		-$1,500
Nov 21			-$2,400 +$2,400 (no change)
Nov 29	-$75,000		-$75,000
Nov 30	-$76,000	-$76,000	

(0.5 for each correct answer, total: 9 marks)

(b)

```
  +                              Cash at bank                                  -
2019                                $   2019                                    $
Nov 1        Capital          160,000  Nov 29    Wages expense            75,000
                                       Nov 30    Susan Company            76,000


  -                                Capital                                    +
                                       2019                                    $
                                       Nov 1     Cash at bank           160,000


  +                               Purchases                                   -
2019                                $   2019                                    $
Nov 2      Susan Company        80,000  Nov 21   Drawings                 2,400


  -                             Susan Company                                 +
2019                                $   2019                                    $
Nov 15    Returns outwards        4,000 Nov 2    Purchases               80,000
Nov 30    Cash at bank           76,000
```

+		Cash in hand			-
2019		$			
Nov 4	Sales	6,000			

-		Sales			+
			2019		$
			Nov 4	Cash in hand	6,000
			Nov 8	Eden Company	40,000

+		Eden Company			-
2019		$	2019		$
Nov 8	Sales	40,000	Nov 18	Returns inwards	1,500

+		Equipment			-
2019		$			
Nov 10	Accounts payable	50,000			

-		Accounts payable			+
			2019		$
			Nov 10	Equipment	50,000

-		Returns outwards			+
			2019		$
			Nov 15	Susan Company	4,000

+		Returns inwards			-
2019		$			
Nov 18	Eden Company	1,500			

+		Drawings			-
2019		$			
Nov 21	Purchases	2,400			

+		Wages expense			-
2019		$			
Nov 29	Cash at bank	75,000			

(0.5 for each correct entry, total: 10 marks)

Challenging question
(c)

			Marks
General Journal			
	Dr	Cr	
	$	$	
Susan Company	19,000		*1*
Cash at bank		18,620	*1*
Discounts received		380	*1*

(Total: 3 marks)