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THE ECONOMY: ECONOMIC SYSTEMS

Economic system

Definition: Economic system is the system that a country uses to solve its economic problem and answers the questions of **what**, **how** and **for whom** to produce goods or service.

There are three (3) main economic systems in the world, namely:

1. The centrally planned economic system OR Planned economy
2. The free market economic system
3. The mixed economic system

1. A PLANNED ECONOMY

Is the economic system where by the government plans, implements and manages all economic activities e.g. resources, capital etc.

ORIGIN OF CENTRALLY PLANNED ECONOMY

- Before Russian revolution there was no much attention on a planned economy system.
- Vladimir Lenin wanted control of Russians factors of production.
- This was because he wanted to ensure that the poorest citizens would have the goods of services they needed.
- He came into power and his ideas were implemented
- These ideas were developed into centrally planned system
- This was to coordinate the Russian economy.

Characteristics of a planned economy:

A. Ownership

- All the factors of production except labour are owned and controlled by the government.
- There is no private property of land or business.
- The government acts as entrepreneur and own the factories.

B. Variety of goods

- The government decides on the type and quantity of goods to be produced.
- They also decide what consumers will consume at the end.
- The government distributes consumer goods through state shops where people often have to stand in long queues to get their basic necessities.

C. Planning

- The government sets production targets for state-owned factories and allocate the necessary resources to each factory.
- It is up to the central leaders to determine what is needed and how the resources will be used.
- To avoid shortage, the government issues coupons that will allow each family a certain quantity of goods per month.

D. Prices

- Prices are fixed by the government and there is no profit motive.
- Prices are determined by the cost of production only

Examples of countries that uses planned economic system

- China
- Cuba
- Laos
- North Korea
- Vietnam

Advantages of a planned economy:

- There is more equal distribution of wealth
- Basic needs of all citizens are met
- There is no wastage of scarce resources due to competition
- There is no unemployment
- Mass production by state-owned factories produce good at lower cost per unit
- Advertising only informs consumers about the product, and no money is wasted on expensive advertising to get ahead of competitors
- There are no business fluctuations in the form of upswing and downswing

Disadvantages of a planned economy:

- There is no variety of goods available
- People don't have freedom to choose their own occupation
- Planned economies cannot grow as fast
- Private initiative is discouraged
- There is no drive to produce better quality since there is no competition

2. A FREE MARKET ECONOMY

Is the economic system that works according to the principles of individual's freedom

ORIGIN OF FREE MARKET ECONOMY

- Feudalism was a system where the land and people living on it were completely controlled by a few people appointed by the king.
- So it was ended and free market was introduced.
- Free market was supported because freedom and liberty was valued the most in the 18th century.
- Free market have also spread globally

Characteristics of a free market economy:

- There is no government intervention in economic activities
- There is private ownership of factors of production
- Supply and demand for goods determine what, how and for whom to produce
- Business decide on the type and quantity of goods to produce in response to demand
- An increase in the price of one product encourage business to allocate resources to the production of that product

Example of countries that uses free market economic system

- The United State of America

Advantages of a free market economy:

- Higher economic growth can be achieved
- Human initiative lead to the invention of new and better technology
- Competition between sellers leads to better quality products at lower prices
- People can choose their own occupation and where they want to live and work
- A good variety of goods is available for consumer to choose from
- People in a market economy tend to be more productive, because they want to make as much profit as possible

Disadvantages of a free market economy:

- There is a large gap between those with higher income and those with less or no income
- Businesses only produce goods and services that make good profit
- There are cycles of upswing (high inflation rate) and downswing (high unemployment)
- Duplication of products and services lead to wastage of natural resources
- Businesses just want to make profits and a less concern about the harm they cause to the environment

3. A MIXED ECONOMY

Mixed economic system takes characteristics of both planned and free market economy, meaning there is government interference as well as private ownership of factors of production.

ORIGIN OF MIXED ECONOMIC SYSTEM

- Mixed economics was formed to solve free market of planned economic systems.
- In mixed economy there both market and planned economies
- Both market and planned economies were blended to answer the following:
 - what and how much will be produced? , -How will it be produced? ,
 - for whom will it be?

Characteristics of a mixed economy:

- There is a mixture of private and government ownership of factors of production
- Government provide essential public goods and services such as education and healthcare, while privately owned businesses produce other goods
- Government controls unfair business practices such as harmful competition, price fixing and monopolies

- Government also controls and protects the use of natural resources e.g. forest, minerals, water and fish in the sea
- Government promotes economic stability and growth by using tax income to develop and maintain infrastructure

Example of countries that uses free market economic system

- United Kingdom
- South Africa

Advantages of a mixed economy:

- Both private sector and government play a role in decision-making
- Consumers are free to decide what to consume
- There is greater stability and less unemployment
- No sector dominates in the economy
- Private ownership is allowed
- Foreign investments flow more easily to countries with mixed economy
- Mixed economy have better environment and human rights records
- Freedom of choices create competition between firms, resulting in products of better quality at lower prices

Disadvantages of a mixed economy:

- Business cycle cause periods of unemployment and inflation
- The distribution of income is not fair and there is a big gap between the rich and the poor
- Too much money can be spent on social grants, creating a huge burden to tax payers
- Economic growth can be hampered by too much state intervention and regulations

THE GLOBAL ECONOMY

- The global economy means that most countries of the world are affected by what happened in other countries less than they were in the past

Characteristics of global economy:

- **Free trade between countries:** people are allowed to import and export goods without government or restrictions
- **Free movement of labour:** individuals are allowed to move between countries in order to seek the best job opportunities
- **Free movement of capital :** make it possible for capital (money and machinery) to move between countries
- **International finance:** money can be transferred at a faster rate between countries compare to goods, services and people

Advantages or benefits of global economy:

- Consumers can buy imported products at lower prices
- Free trade result in a greater number of import and export
- Increased global competition led to better quality products and a constant improvement in technology, e.g. cell phones
- Reasonable priced Chinese products improve the living standards of South Africans
- China can buy natural resources from African countries, process it into finished products and export the final products back to African countries.

ACTIVITIES: ECONOMIC SYSTEMS**ACTIVITY 1**

1. Name four countries that have a planned economy.
2. Indicate whether the following statements are TRUE or FALSE.
 - 2.1 In a planned economy there is no profit motive.
 - 2.2 In a pure market economy there is no interference by the government in the economic activities.
 - 2.3 In a planned economy there is widespread poverty.
 - 2.4 In a market economy there is private ownership of the factors of production.
 - 2.5 In a planned economy prices are determined by demand and supply
 - 2.6 The USA is an example of a market economy.
 - 2.7 Economic growth is normally higher in a market economy.
 - 2.8 In a market economy there is a greater variety of consumer's goods than in a planned economy.
 - 2.9 A planned economy has cycles of upswings and downswings
 - 2.10 Scarce resources can easily be wasted in a market economy.
3. Name three disadvantages of a communistic/ centrally planned economy.

SOLUTION: ACTIVITY 1

1. Cuba, China, North Korea, Vietnam
2.
 - 2.1 True
 - 2.2 True
 - 2.3 False
 - 2.4 True
 - 2.5 False
 - 2.6 True
 - 2.7 True
 - 2.8 True
 - 2.9 False
 - 2.10 True
3. * Limited variety of consumer goods. Government decides what to produce
 - *People often stand in long queues to get their basic necessities
 - *People are not free to choose their occupations.

*Productivity is low, because people cannot make money for themselves.

ACTIVITY 2

1. Which country is the best example of a free market system?
2. Write down the economic system that is described in each sentence:
(Planned economy, market economy or mixed economy)
 - 2.1 The government regulates the most important industries, but private ownership is allowed in smaller industries.
 - 2.2 An economic system, where the state controls all economic activity.
 - 2.3 A system in which private business is free to operate in a competitive system, without any interference by government.
 - 2.4 Political leaders determine what and how much will be produced and by whom.
 - 2.5 Prices are only determined by market forces- supply and demand.
 - 2.6 Property can be owned communally or by the government and individuals.
 - 2.7 Private ownership of the factors of production and property.
 - 2.8 Michael Gorbachev realised that this system did not work and tried to improve it, which led to its collapse in Russia.
 - 2.9 This system leads to a very uneven distribution of income and wealth.
 - 2.10 In this system leads to a very uneven distribution of income and wealth.
 - 2.11 Foreign investments flow more easily t countries under a System.
 - 2.12 In this system prices are fixed and the price equals the cost of production.
3. Write down two disadvantages of mixed economic system.

ACTIVITY 2: SOLUTION

1. The United states of America
2.
 - 2.1 Mixed economic system
 - 2.2 Planned/ communist system
 - 2.3 Market economy/ capitalism
 - 2.4 Planned/ communist system
 - 2.5 Market economy/ Capitalism
 - 2.6 Mixed economic system
 - 2.7 Market economy/ Capitalism
 - 2.8 Planned/ communism
 - 2.9 Market economy/ Capitalism
 - 2.10 Market economy/ Capitalism
 - 2.11 Mixed economic system
 - 2.12 Planned/ Communism

3. *Business cycles cause periods of high unemployment and inflation.
 *The distribution of income is not fair and there is a big gap between the rich and the poor.
 *Too much money can be spent on social grants, creating a huge burden on those who are paying taxes.
 *Economic growth can be hampered by too much state intervention and regulation.

ACTIVITY 3

	The Three Economic System	Market Economy	Planned Economy	Mixed Economic system
1.	Who decides what to produce?			
2.	Who owns the factors of production?			
3.	What freedom of choice is there for workers?			
4.	How are prices determined?			
5.	Is there a variety of goods and services?			
6.	Is there an equal or unequal distribution of income and wealth?			
7.	Is there competition?			
8.	Which country is an example?			

ACTIVITY 3: SOLUTION

	The Three Economic System	Market Economy	Planned Economy	Mixed Economic system
1.	Who decides what to produce?	Privately owned businesses	Central government	Private businesses and government
2.	Who owns the factors of production?	Private persons	Central government	Private businesses and government
3.	What freedom of choice is there for workers?	Freedom to choose own profession or start a business	No freedom to choose a profession or place to work	Freedom to choose own profession or start a business
4.	How are prices determined?	By demand and supply	Prices are fixed by government and are equal to production costs	By demand and supply and some are fixed by government
5.	Is there an equal or unequal distribution of income and wealth?	Yes	No	Yes

6.	Is there competition?	Unequal distribution	More equal distribution	Unequal distribution
7.	Is there competition?	Yes	No	Yes
8.	Which country is an example?	United States of America	China Cuba North Korea	South Africa The United Kingdom

THE ECONOMY: CIRCULAR FLOW

1.1 Factors of production

These are inputs that are used in the production process to produce output that is finished goods and services. This include natural resources, labor, capital and entrepreneurship.

1.2 Natural resources

Natural resources form the raw material that is used in the production process. The raw material is converted into the final product through the manufacturing process e.g. wood makes furniture.

1.3 Labour

Labour is the human power physical or mental that is required to assist in converting raw materials into the final product. It is provided by people who use their skills, efforts and abilities to produce goods and services. Types of labour are unskilled, skilled, semiskilled and proffessionals. The remuneration for labour is income in the form of wages and salaries.

1.4 Capital

Capital is the money, machinery and buildings that are required so that the production process can take place. It is manmade, mobile and passive factor of production. An example is the factory building in which the cars are manufactured and the automated machines necessary to do precision work. Remuneration for capital is interest.

1.5 Entrepreneurship

Entrepreneurship ensures that businesses are established to produce products and services. Entrepreneurship also ensures that the products and services reach the market

2.Markets

2.1 There are two main markets that form part of the circular flow, goods and service market or product market and factor market.

2.2 Goods and services market or product market

Businesses offer finished goods and services to the households in exchange for money.

2.3 Factor markets

When factors of production are sold by households to businesses and labour is the most important factor. This market is made up of two markets namely labour and financial markets. In a labour market employers demand labour from employees so that they can produce goods and services.

Financial markets consist of financial institutions that provide financial services for their clients e.g Banks, insurance companies, building societies, etc. Their clients include everybody that trade in the goods and services or product markets and factor markets.

3. Participants in a circular flow of a closed economy

The main participants in a closed economy are households (consumers), businesses (producers) and government (public sector).

3.1 Households (consumers)

Households include consumers who buy goods and services from businesses and consume them to satisfy their needs and wants. They also own and provide labour which is a factor of production. Payment for labour is income which is spent on goods and services.

3.2 Businesses

Businesses produce goods and services by combining the factors of production including labour which is provided by households. It pays households for their labour and other factors of production e.g buying capital goods needed in the production process.

3.3 Government

Government consists of national, provincial and local governments. Their function is to pass laws and collect taxes from households and businesses. It provides services to the businesses and households with the money collected from taxes.

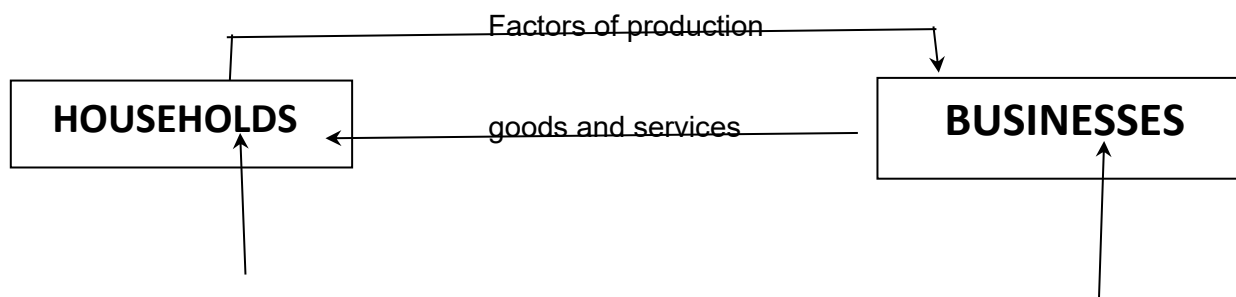
4.1 Flow of goods and services

Households which are consumers buy goods and services from producers which are businesses. Goods and services move from businesses to households. When households work for businesses providing labour which is a factor of production the flow is moving the opposite direction.

The government provides services to both households and businesses e.g education, healthcare and transport. The government buys goods and services from businesses e.g hiring cleaning business to clean hospitals and also buy medical equipment to be used in hospitals. Households provide their services which is labour to the government e.g teachers, police and other general workers.

There is a flow of goods and services between the three participants.

CIRCULAR FLOW –FLOW OF GOODS AND SERVICES



Public goods
and services

GOVERNMENT

public goods
and services

4.2 Flow of money

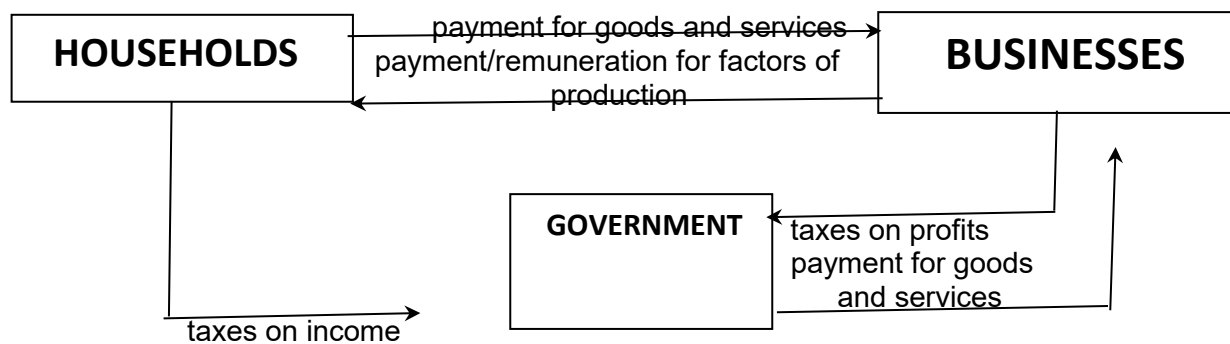
When the goods and services flow between participants there are paid for.

Households earn an income for providing their service which labour to the businesses and government.

Businesses receive income as payment for goods and services they sell from government and households.

Government receives income in the form of taxes from households and businesses. Households who earn wages and salaries pay personal income tax and businesses company tax. The government will spend income from taxes to provide services for households and businesses.

CIRCULAR FLOW – FLOW OF MONEY



4.3 Flow of factors of production

Households are the main providers of factors of production, land which is bought or rented by businesses, labour to work in business and entrepreneurial skills to run the businesses.

ACTIVITIES: CIRCULAR FLOW

ACTIVITY 1

A. Choose the correct answer from the given options

1. The three participants in a closed economy are:
 - (a) the government, foreign sector and businesses
 - (b) the government, foreign sector and households

- (c) the government, businesses and households
2. The factor market determines the price at which the factors of production are sold. These factors are:
- (a) Land, labour, capital and goods
 - (b) Land, labour, capital and entrepreneurship
 - (c) Rent, wages, salaries and profits
3. A closed economy excludes:
- (a) Households
 - (b) Businesses
 - (c) Foreign sector
4. A strike affects the income of:
- (a) Households
 - (b) Businesses
 - (c) Both households and businesses

SOLUTION: ACTIVITY 1

- 1. C
- 2. B
- 3. C
- 4. C

ACTIVITY 2

Pair the concepts in column A with its meaning in column B

Column A (Concept)	Column B (Meaning)	Answers
1. Closed economy	A. Consumers	
2. Circular flow	B. Compulsory payment to the government	
3. Income	C. Excludes the foreign sector	
4. Taxation	D. Money received	
5. Households	E. Goods and services and factors of production flow from one group to the next	
	F. Banking	

SOLUTION: ACTIVITY 2

Column A (Concept)	Column B (Meaning)	Answers
1. Closed economy	A. Consumers	1. C
2. Circular flow	B. Compulsory payment to the government	2. E

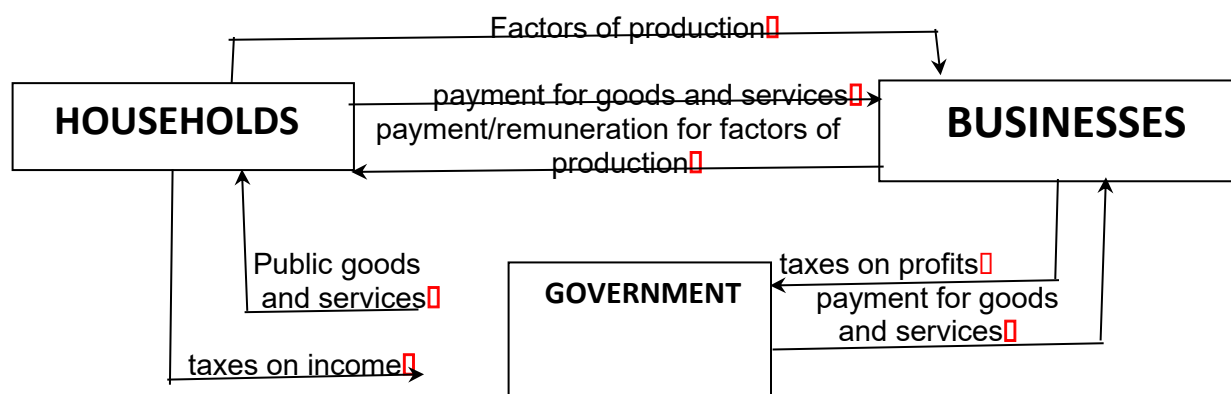
3. Income	C. Excludes the foreign sector	3. D
4. Taxation	D. Money received	4. B
5. Households	E. Goods and services and factors of production flow from one group to the next	5. A
	F. Banking	

ACTIVITY 3

Use the information below to illustrate the flows of a circular flow diagram of a closed economy. (10)

- Factors of production
- Households
- public goods and services
- payment for goods and services
- Businesses
- taxes on income
- payment/remuneration for factors of production
- Government,
- taxes on profits.

SOLUTION: ACTIVITY 3

CIRCULAR FLOW

(1x1=10)

ACTIVITY 4

List the four factors of production and their remuneration (8)

SOLUTION: ACTIVITY 4

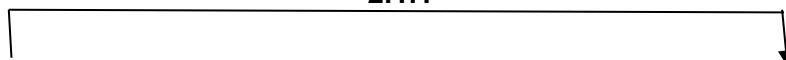
Factor of production	Remuneration (1x8=8)
Natural resources/Land	Rent
Labour	Wages/Salaries
Capital	Interest
Entrepreneurship	Profit/Loss

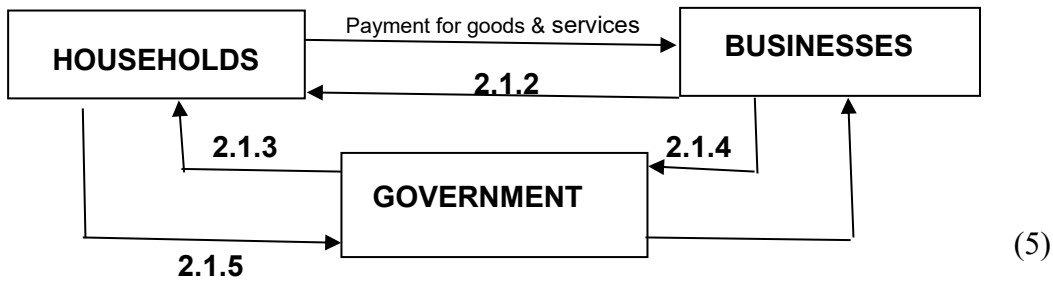
ACTIVITY 5

Complete the following diagram by writing the most appropriate LETTER next to the correct number in the block. Choose from the following letters:

- A = Factors of production
- B = public goods and services
- C = payment for goods and services
- D = taxes on income
- E = payment/remuneration for factors of production
- F = transfer payments like old age pensions,
- G = taxes on profit

2.1.1





SOLUTION: ACTIVITY 5

2.1.1	A
2.1.2	E
2.1.3	B
2.1.4	G
2.1.5	D

(5)

ACTIVITY 6

Name and explain the three roles of the participants in the circular flow of a closed economy.
(9)

SOLUTION: ACTIVITY 6

Consumers

- Represents households also the owners of factors of production.
- They provide factors of production and get remuneration that allows them to buy goods and services from businesses.

-Money thus flows from households to consumers.

(Allow any relevant answer)

Business

- Represents the producers they manufacture and market the goods.
 - They buy factors of production from the households and money thus flows from the producers to the households.
- (Allow any relevant answer)

Government

- Collect taxes from households and business and provide essential public goods and services. Eg. Roads, water, Education and Health services etc.
- Government employ people from households and pay them salaries/wages.
- Government also buys from business and also provides goods and services eg. Telkom, Transnet, Eskom,

(Allow any relevant answer)

FINANCIAL LITERACY

CASH RECEIPTS JOURNALS

All cash received (i.e. cash transactions) is recorded in the cash receipts journal (CRJ). The key words for the transactions to be recorded in the CRJ are

- Received
- Deposited
- Receipts
- Issued a receipt
- Duplicate receipt or original receipt issued
- Cash register slip issued or cash register tape total

A trader usually receives cash from the following sources

- Service fees received from clients for service rendered
- Cash sales of merchandise.
- Cash received from customers who pay their accounts
- Other sundry transactions such as rent income if part of the premises are rented out
- Capital contribution made by the owner of the business

The main source of income in trading businesses is the sale of goods, generally described as **sales**. The trading businesses buy goods at a certain price (**cost price**), and then sell these goods at a higher price (**selling price**) to the customers. The total mark-up on all goods sold is called the **gross profit**. The profit mark up is normally expressed as a percentage of either the selling price or the cost price of goods sold. The trader may use either the secret code or the bar code for the cost price and the selling price.

A cash receipts journal of a trading business should have the following columns

CRJ2

Doc No	D	Details	F	Analysis of receipts	Bank	sales	Costs of sales	Debtors control	Sundry Accounts		
									Amount	F	Details

It is important that the CRJ shows the following

1.	The name of the subsidiary book
2.	The name of the business to whom the subsidiary book belongs
3.	The month and the year in which transactions are being entered in the journal
4.	The number of the page (folio) in the journal
5.	Doc no.: the number of the source document concerned
6.	Day: The day on which the money is received and the entry in the journal is made
7.	Details: Details of the transaction.

8.	F: The folio number of the account named in the details column. The folio number is only filled in once the posting to the ledger has been done.
9.	Analysis of receipts: The amount of money received. These amounts are added at the end of the day and are usually deposited in the BANK the following day.
10.	Bank: The amounts deposited in the banking account according to the deposit slips
11.	Sales: Amounts received for cash sales.
12.	Costs of sales: The costs price for goods sold for cash.
13	Debtors Control: Amounts received from debtors.
14	Sundry accounts: Sundry accounts columns are used for accounts that do not have their own analysis columns. The amounts received that apply to Sundry Accounts must be recorded in the Amount Column , the Folio number of the account named in the Details column to be credited. The folio number is only filled in once the posting to the ledger has been done.

- Posting is then done to the general ledger at the end of the month after the journals have been casted or pencil footed.

CASH PAYMENT JOURNALS

All payments made by cheques (i.e. cash transactions) are recorded in the cash payment journal (CPJ). The key words for the transactions to be recorded in the CPJ are:

- Paid
- Cash invoice received
- Drew a cheque
- Cheque counterfoil
- Issued cheque
- Purchased or bought and paid by cheque
- Cashed a cheque

A trader may make the following cash payments:

- Cash purchases of fixed/ tangible assets, e.g. premises; vehicles; equipment; etc
- Cash paid to suppliers (creditors)
- Cash payments to pay for operating expenses, e.g. rent; electricity; wages; consumables; etc
- Other sundry transactions such as repaying loans; taking out investments (fixed deposits); bank charges; interest on loans; etc (New Era)

A cash payment journal should have the following columns

CPJ1

Doc No	D	Name of Payee	F	Bank				Sundry Account s	F	Accounts details

NB: Additional columns may vary from business to business

It is important that the CPJ shows the following columns

1.	The name of the subsidiary book
2.	The name of the business to whom the subsidiary book belongs
3.	The month and the year in which transactions are being entered in the journal
4.	The number of the page (folio) in the journal
5.	Doc no.: the number of the source document concerned i.e. the cheque counterfoil
6.	Day: The day on which the cheque was written out
7.	Name of Payee: The name of the person or firm to whom the cheque was paid out, i.e. the payee
8.	F/Fol: The folio number of the account named in the Name of Payee column
9.	Bank: The amount of the cheque. This amount will also be written in the appropriate analysis column
10.	Wages / Equipment/Stationery, etc: The analysis columns. The amounts from the Bank column are also written in these columns. These are items that are paid for on a regular basis.
11.	Sundry accounts: These columns are used for accounts that are not regularly paid for and which therefore don't have their own analysis columns. Amounts paid out are written in the amount column. The name of the sundry account to be debited is written in the Details column and the folio number of the account named in the Detail column is written in the Folio column. This number is only filled in once the posting to the Ledger has been done.

Posting is then done to the general ledger at the end of the month after the journals have been casted or pencil footed.

GENERAL LEDGER

POSTING TO THE GENERAL LEDGER

The format of an account in the ledger is as follows:

Ledger Account (1) Folio number of Account (6)

Debit Side (7)					Credit Side (8)				
Date		Details	F	Amount	Date		Details	F	Amount
2a	2b	(3)	(4)	(5)					

EXPLANATION OF COLUMNS:

1. The **name of the ledger** account is entered at the top of the page in the centre.
2. The date on which the transaction took place **year and month (2a) and (2b)**.
3. The name of the ledger account to complete the double entry – contra account.
4. A reference to another ledger account or journal from where the information has been entered. Folio numbers are used for quick reference and control.
5. The amount of the **transaction**.
6. The **account's own folio** number.
7. One leg of the double entry is entered here, and the other on the **debit side** of the contra account.
8. One leg of the double entry is entered here, and the other on the **credit side** of the contra account.

- Balance b/d – balance brought down

The amount that was ended with the previous month

THAT IS

The amount that we will start with the following month.

- NOTE: **only balance sheet accounts can have a balance from the previous month**
- **Expenses and the income of the business they form another part of our general ledger called NOMINAL ACCOUNT SECTION**

STEP 5

Draw up a Trial Balance: A Trial Balance is a list of all accounts and their balances / totals. It is used to check the accuracy of the double entry system in the General Ledger.

TRIAL BALANCE

What is a Trial balance?

- It is a summary of all the different account that you have in your general ledger. It is very important that your debit and credit entries balance.
- In order to test the accuracy of the entries you have made, you can draw up a trial balance.
- This will enable you to establish whether the double entry principle has been applied correctly and consistently.
- The total/balance of the debit sides of all the accounts must be equal to the total/balance of credit sides of all the accounts.

TRIAL BALANCE EMS STORES ON 28 FEBRUARY 2011					
BALANCE SHEET ACCOUNTS SECTION	FOL	DEBIT		CREDIT	
Capital (01:03:2010)	<i>B1</i>			<i>111080</i>	<i>00</i>
Drawing	<i>B2</i>	<i>1 550</i>	<i>00</i>		
Land & Buildings	<i>B3</i>	<i>51 080</i>	<i>00</i>		
Vehicles	<i>B4</i>	<i>31 212</i>	<i>00</i>		
Equipment	<i>B5</i>	<i>10 000</i>			
Trading Inventory	<i>B6</i>	<i>23 500</i>	<i>00</i>		
Bank	<i>B7</i>	<i>14430</i>	<i>00</i>		
Cash Float	<i>B8</i>	<i>425</i>	<i>00</i>		
NOMINAL ACCOUNTS SECTION					
Sales	<i>N1</i>			<i>33 312</i>	<i>00</i>
Cost of Sales	<i>N2</i>	<i>9 900</i>	<i>00</i>		
Current Income	<i>N3</i>			<i>10 200</i>	<i>00</i>
Rent Income	<i>N4</i>			<i>12770</i>	<i>00</i>
Wages	<i>N5</i>	<i>10 100</i>	<i>00</i>		
Stationery	<i>N6</i>	<i>2 345</i>	<i>00</i>		
Packaging Materials	<i>N7</i>	<i>11 970</i>	<i>00</i>		
Telephone		<i>850</i>	<i>00</i>		
		<i>167 362</i>	<i>00</i>	<i>167 362</i>	<i>00</i>
Telephone	<i>N8</i>				

FINANCIAL LITERACY ACTIVITIES

ACTIVITY 1

Kool Monate, proud owner of Sweet Monate Stores, started a sweet and cake business two months ago. He sells all sweets and cakes at a profit mark up of 25% on the cost price. The transactions for the month of May 2018 are given below:

INSTRUCTIONS AND INFORMATION:

1. Record the transactions for May 2018 in the following journals:

-Cash Receipts Journal, with analysis columns for Analysis of receipts; Bank; Sales
Cost of sales; Debtors and Sundry accounts.

-Cash Payments Journal, with analysis columns for Bank; Trading Stock; Wages; Stationery and Sundry accounts.

- **NOTE:** Do **NOT** close off the journals on 31 May 2018

Transactions for May 2018

- 1 The owner, Kool Monate deposited additional R50 000 directly into the account of the business, receipt 001 issued to him.
- 3 Cash sales of goods for R1 200 (mark up 25%).
- 7 Bought trading stock R3 700 and Stationery R 300 from Multi Wholesales, paid by cheque no.C04.
- 25 Cashed a cheque to pay wages for R 500.

SOLUTION ACTIVITY 1

CASH RECEIPTS JOURNAL OF SWEET MONATE STORES – MAY 2018

Doc No	Date	Details	Folio	Analysis Of receipts	Bank	Sales	Cost of sales	Debtors Control	Amount	Details of Sundry
001	1	Kool Monate		50 000	50 000				50 000	Capital
CR T1	3	Sales		1 200	1 200	1 200	960			

CASH PAYMENTS JOURNAL OF SWEET MONATE STORES – MAY 2018

CPJ 2

Doc No	Date	Name of the payee	Folio	Bank	Trading stock	Stationery	Wages	Amount	Folio	Details of Sundry
C04	7	Multi Wholesal		4 000	3 700	300				
C05	25	Cash		500			500			

ACTIVITY 2 GENERAL LEDGER

The following information was taken from the books of Kleen Painters Stores for the month of February 2018.

INSTRUCTIONS:

Post the totals from the journals to the following accounts in the General Ledger of Kleen Painters stores:

1. Bank
2. Trading Stock

Balance the accounts on 28 February 2018

Cash Receipts Journal of Kleen Painters Stores– February 2018 CRJ 2

Analysis of receipts	Bank	Sales	Cost of sales	Sundry accounts		
				Amount	Fol	Details
	95 400	18 000	12 000	77 400		

Cash Payments Journal of Kleen Painters Stores – February 2018 CPJ 2

Bank	Trading Stock	Stationery	Wages	Sundry accounts		
				Amount	Fol	Details
15 100	13 000	500	1 600			

SOLUTION - ACTIVITY 2**GENERAL LEDGER OF KLEEN PAINTERS STORES****BALANCE SHEET ACCOUNTS SECTION**

Dr				BANK				Cr	
2018 Feb 28	Total Receipts	CRJ 2	95 400	2018 Feb 28	Total Payments	CRJ 2	15 100		
					Balance	c/d	80 300		
			95 400				95 400		
2018 Mar 1	Balance	b/d	80 300						

Dr				TRADING STOCK ACCOUNT				Cr	
2018 Feb 28	Bank	CPJ2	13 000	2018 Feb 28	Cost of Sales	CRJ2	12 000		
					Balance	c/d	1000		
			13 000				13 000		
2018 Mar 1	Balance	b/d	1000						

ACTIVITY 3**ANALYSIS OF TRANSACTIONS**

Analyse and record the following transactions in the table provided

Example:

Received a cheque from J. Houston for monthly rent, R 600

NO	Account		Amount	Asset	= Owner's equity	+ Liabilities
	Debit	Credit				
e.g.	Bank	Rent Income	R600	+ 600	+ 600	0

Transactions:

- 1 Owner, C Chaba, contributed R 5 000 into his business bank account
- 2 Cash sales of merchandise to J. James for R 900. (cost of sales R600)

SOLUTION – ACTIVITY 3

NO	ACCOUNT		ASSETS	OWNER'S EQUITY	LIABILITIES
	Debit	Credit			
E.g.	Bank	Rent Income	+600	+600	0
1	Bank	Capital	+5 000	+5 000	0
2	Bank	Sales	+900	+900	0
	Cost of sales	Trading stock	-600	-600	0

ACTIVITY 4**TRIAL BALANCE**

Use the accounts and amounts given below to complete the Trial Balance of Dees Traders on 31 March 2018.

INFORMATION

Telephone	R 440
Sales	R 8 681
Rent income	R 2 050
Equipment	R 3 500
Cost of sales	R 6 100
Capital	R9 500
Bank	R 8 000 (Dr)
Wages	R1 450
Trading stock	R1 800
stationery	R 550

SOLUTION: ACTIVITY 4**TRIAL BALANCE OF DEES TRADERS FOR MARCH 2018**

BALANCE SHEET ACCOUNTS SECTION	Fol.	DEBIT	CREDIT
Capital			9 500
Equipment		3 500	
Bank		8 000	
Trading Stock		1 800	
NOMINAL ACCOUNTS SECTION			
Sales			10920
Cost of sales		6 100	
Telephone		440	
Stationery		550	
Wages		1 450	
Rent income			2 050
		21 840	21 840

ACTIVITY 5

The following Cash receipts journal was extracted from the books of Moloi Stores.

Required:

- (1) Post to the General Ledger of Moloi Stores on 31 July 2019. Show cross reference.
 (2) Show the effect of the total amounts on 31 July on the accounting equation, see the previous example.

CASH RECEIPTS JOURNAL OF MOLOI STORES- JULY 2019

CRJ 9

Doc No.	Day	Details	Fol	Analysis of receipts		Bank		Sales		Cost of sales		Sundry accounts			
												Amount		Fol	Details
001	1	M.E. Tau		3 000	-	3 000	-					3 000	-	B1	Capital
CRT	3	Sales		400	-	400	-	400	-	320	-				
CRT		Sales		900	-	900	-	900	-	750	-				
B/S	31	AA Bank		200	-	200						200	-	N3	Interest received
						4 500	-	1300	-	1070	-	3 200			
						B2		N1		N2					

ACTIVITY 5:SOLUTION

GENERAL LEDGER OF MOLOI STORES

DR.

CAPITAL

CR

DATE		DETAILS		FOL	AMOUNT		DATE		DETAILS		FOL	AMOUNT	
							2019 July	1	Bank	CRJ9		3 000	-
BANK						B2							
2019 July	31	Total receipts	CRJ9		4 500	-							
SALES						N1							
							2019 July	31	Bank	CRJ9		1 300	-
COST OF SALES						N2							
2019 July	31	Trading stock	CRJ9		1 070	-							
INTEREST RECEIVED						N3							
							2019 July	31	Bank	CRJ9		200	-

2. Effect of the total amounts on 31 July 2019 on the accounting equation

Account s affected	Assets	Owner's equity	Liabilities
--------------------	--------	----------------	-------------

Bank and Capital	+3 000	+3 000	0
Bank and Sales	+1 300	+1 300	0
Cost of sales and trading stock	-1070	-1070	0
Bank and Interest received	+200	+200	0

Activity 6

The following Cash receipts journal was extracted from the books of Sizwe General Dealers on 30 November 2019.

Required:

1. Post the accounts on the Cash receipts journal to the general ledger of Sizwe General Dealers. Show cross reference.
2. Show the effect of the totals from the Cash receipts journal on the accounting equation.

CASH RECEIPTS JOURNAL OF SIZWE GENERAL DEALERS – NOVEMBER 2019 CRJ 9

Doc No.	Day	Details	Fol	Analysis of receipts		Bank		Sales		Cost of sales		Sundry accounts		
												Amount	Fol	Details
001	1	Skosana		4 000	-	4 000	-					4 000	-	B1 Capital
CRT	3	Sales		600	-	600	-	600	-	550	-			
CRT		Sales		250	-	250	-	250	-	225	-			
002	30	Malatji M.T.		800	-	800	-					800	-	N3 Rent income
						5 650	-	850	-	775	-	4 800	-	

Activity 6**GENERAL LEDGER OF SIZWE GENERAL DEALERS
CAPITAL**

DATE		DETAILS	FOL	AMOUNT		DATE		DETAILS	FOL	AMOUNT	
						2019 Nov	1	Bank	CRJ9	4 000	-
						BANK B2					
2019 Nov	30	Total receipts	CRJ9	5 650	-						
						SALES N1					

						2019 Nov	31	Bank	CRJ9	850	-
COST OF SALES											N2
2019 Nov	31	Trading stock	CRJ9	775	-						
RENT INCOME											N3
						2019 Nov	30	Bank	CRJ9	800	-

CR.

2. Effect of the total amounts on 30 November 2019 on the accounting equation

Activity 7 1. Close off the Journal of	Account s affected	Assets	Owner's equity	Liabilities
	Bank and Capital	+4 000	+4 000	0
	Bank and Sales	+850	+850	0
	Cost of sales and trading stock	-775	-775	0
	Bank and Rent income	+800	+800	0

Rhodesfield Stores given below on 31 May 2019.

2. Post to the General Ledger of Rhodesfield Stores on 31 May 2019. Show cross reference.

3. Show the effect of the total amounts on 31 May on the accounting equation; see the example above.

CASH RECEIPTS JOURNAL OF RHODESFIELD STORES- MAY 2019 **CRJ 9**

Doc No.	Day	Details	Fol	Analysis of receipts		Bank		Sales		Cost of sales		Sundry accounts			
												Amount		Fol	Details
001	1	M.E. Tamesi		60 000	-	60 000	-					60 000	-	B1	Capital
CRT	3	Sales		1 100	-	1 100	-	1 100	-	900	-				
CRT	29	Sales		900	-			900	-	820	-				
001	31	AA Bank		1 000	-	1 900	-					1 000	-	N3	Donation income
						63 000	-	2 000	-	1 720	-	61 000			
						B2		N1		N2					

Activity 7 Solution**GENERAL LEDGER OF RHODESFIELD STORES**
CAPITAL**DR.**
CR.**B1**

DATE		DETAILS	FOL	AMOUNT		DATE		DETAILS	FOL	AMOUNT	
						2019 May	1	Bank	CRJ9	60 000	-
BANK											
B2											
2019 May	31	Total receipts	CRJ9	63 000	-						
SALES											
N1											
						2019 May	31	Bank	CRJ9	2 000	-
COST OF SALES											
N2											
2019 May	31	Trading stock	CRJ9	1 720	-						
DONATION INCOME											
N3											
						2019 May	31	Bank	CRJ9	1 000	-

2. Effect of the total amounts on 31 May 2019 on the accounting equation

Activity 8	Account s affected				Assets		Owner's equity		Liabilities	
	Bank and Capital				+60 000		+60 000		0	
	Bank and Sales				+2 000		+2 000		0	
	Cost of sales and trading stock				-1 720		-1 720		0	
	Bank and Donation income				+1 000		+1 000		0	

Given below is a Cash Payments journal of GAUTENG TRADERS.

1. Post from the Cash payments journal to the General ledger of GAUTENG TRADERS.
2. Show the effect of the total amounts on 30 September 2019 on the accounting equation according to the headings given on the answer sheet. See example above.

CASH PAYMENTS JOURNAL OF GAUTENG TRADERS-SEPTEMBER 2019 CPJ1

Doc	Day	Name of payee	Fol	Bank	Wages	Trading stock	Sundry accounts		
							Amount	Fol	Details
001	2	Mpumelelo Mathega		780			780	B1	Equipment
002	8	Cash		775	775				
003	12	Ntsako Mathega		1 420		1 420			
	30			2 975	775	1 420	780		
				B3	N1	B2			

Activity 8 Solution

GENERAL LEDGER OF GAUTENG TRADERS

DR.

CR

2.
Effect
of the
total

				EQUIPMENT						B1		
2019 Sept	2	Bank	CPJ1	780	-							
				TRADING STOCK Trading stock						B2		
2019 Sept	30	Bank	CPJ1	1 420	-							
				BANK						B3		
						2019 Sept	30	Total payments	CPJ1	2 975	-	
				WAGES						N1		
2019 Sept	30	Bank	CPJ1	775	-							

amounts on 30 September 2019 on the accounting equation

Activity 9

Given
below is a
Cash
Payments
journal of
Norkem

Account s affected	Assets	Owner's equity	Liabilities
Bank and Equipment	- 780 +780	0	0
Bank and Trading stock	- 1 420 +1 420	0	0
Bank and wages	- 775	- 775	0

Park traders.

1. Post from the Cash payments journal to the General ledger of Norkem Park traders. Show cross reference.
2. Show the effect of each transaction for September 2019 on the accounting equation according to the headings given on the answer sheet.

CASH PAYMENTS JOURNAL OF NORKEM PARK TRADERS-SEPTEMBER 2019 CPJ1

Doc	Day	Name of payee	Fol	Bank	Wages	Trading stock	Sundry accounts		
							Amount	Fol	Details
001	2	Jamani		1 780			1 780	B1	Drawings
002	8	Cash		665	665				
003	12	A. Mntanga		800		800			
	30			3 245	665	800	1 780		

Activity 9 Solution

DR

GENERAL LEDGER OF NORKEM PARK TRADERS.

CR.

				DRAWINGS				B1			
2019 Sept	2	Bank	CPJ1	1 780	-						
				TRADING STOCK				B2			
2019 Sept	30	Bank	CPJ1	800	-						
				BANK				B3			
						2019 Sept	30	Total payments	CPJ1	3 245	-
				WAGES				N1			
2019 Sept	30	Bank	CPJ1	665	-						

2.Transaction analysis

Day	Account s affected	Assets	Owner's equity	Liabilities
2	Drawings and Bank	-1 780	- 1 780	0
8	Wages and Bank	- 665	-665	0
12	Trading stock and Bank	+800 -800	0	0

Activity 10

Given below is a Cash Payments journal of Panorama stores.

1. Post from the Cash payments journal to the General ledger of Panorama stores. Show cross reference.

CASH PAYMENTS JOURNAL OF PANORAMA STORES-SEPTEMBER 2018 **CPJ1**

B3	N1	B1
----	----	----

Dr	GENERAL LEDGER OF PANORAMA STORES	Cr
----	-----------------------------------	----

2.Transaction analysis

Activity 11

1. Post from the Cash journals to the General ledger of Sasavona stores. Balance the accounts. Show cross reference.

2. Show the effect of all the transactions for JULY 2018 on the accounting equation according to the headings given on the answer sheet.

CASH RECEIPTS JOURNAL OF SASAVONA STORES - JULY 2018

CRJ 1

Doc No.	Day	Details	Fol	Analysis of receipts		Bank		Sales		Cost of sales		Sundry accounts			
												Amount		Fol	Details
001	1			55 000	-	55 000	-					55 000	-	B1	Capital
CRT	3	Sales		8 000	-	8 000	-	8 000	-	6 220	-				
CRT	29	Sales		3 500	-			3 500	-	750	-				
001				500	-	4 000	-					500	-	N4	Donation
						67 000	-	11 500	-	6 970	-	55 500			

CASH PAYMENTS JOURNAL OF SASAVONA STORES –JULY 2018

CPJ1

Doc	Day	Name of payee	Fol	Bank	Wages	Trading stock	Sundry accounts		
							Amount	Fol	Details
001	15	Doris Mathega		3 400			3 400	B2	Drawings
002	22	Cash		9 000	9 000				
003	25	Tsakani stores		31 000		31 000			
	31			43 400	9 000	31 000	3 400		

Activity 11 Solution

**1.Dr.
Cr.**

GENERAL LEDGER OF SASAVONA STORES

CAPITAL

B1

2018 July	31	Balance	c/d	55 000	-	2018 July	1	Bank	CRJ1	55 000	-

				55 000	-					55 000	-
						2018 Aug	1	Balance	b/d	55 000	-
DRAWINGS										B2	
2018 July	2	Bank	CPJ1	3 400	-	2018 July	31	Balance	c/d	3 400	-
				3 400	-					3 400	-
2018 Aug	1	Balance	b/d	3 400	-						
TRADING STOCK										B3	
2018 July	31	Bank	CPJ1	31 000	-	2018 July	31	Cost of sales	CRJ1	11 500	-
								Balance	c/d	19 500	-
				31 000	-					31 000	-
2018 Aug	1	Balance	b/d	19 500	-						
BANK										B4	
2018 July	31	Total receipts	CRJ1	67 000	-	2018 July	31	Total payments	CPJ1	43 400	-
								Balance	c/d	23 600	-
				67 000	-					67 000	-
2018 Aug	1	Balance	b/d	23 600	-						
SALES										N1	
						2018 July	31	Bank	CRJ1	11 500	-
COST OF SALES										N2	
2018 July	31	Trading stock	CRJ1	11 500	-						

WAGES										N3	
2018 July	31	Bank	CPJ1	9 000	-						
DONATION										N4	
2018 July	31	Bank	CPJ1	500	-						

2.Transaction analysis

Day	Account s affected	Account debited	Account credited	Effect on the Accounting equation		
				A	OE	L
1	Capital and Bank	Bank	Capital	+	+	0
3	Sales and Bank Cost of sales and Trading stock	Bank Cost of sales	Sales Trading stock	+	+	0
15	Drawings and Bank	Drawings	Bank	-	-	0
22	Wages and Bank	Wages	Bank	-	-	0
25	Trading stock and Bank	Trading stock	Bank	+	0	0
29	Sales and Bank Cost of sales and Trading stock	Bank Cost of sales	Sales Trading stock	+	+	0
				-	-	

TERM 2

THE ECONOMY: PRICE THEORY

1.Price theory looks at how prices are determined through the interaction of demand and supply.

Demand

2.Demand is how much quantity of goods and services consumers can buy at a particular price at a specific time.

3.Law of demand is the law that when the price of goods and services increase the consumers will buy less and when the price of goods and services decrease more will be bought. As price increases quantity demanded decreases and as price decrease quantity demanded increase.

4.Other factors that influence demand besides price.

- Income of the consumers.
- Consumers preferences and buying patterns which may be influenced by weather, advertising and fashion.
- The availability and the price of similar goods (substitute goods) e.g increase in the price of coffee can increase demand for tea.
- The availability and the price of complementary goods e.g increase in the price of sugar will affect demand for tea and coffee.

5.Demand schedule

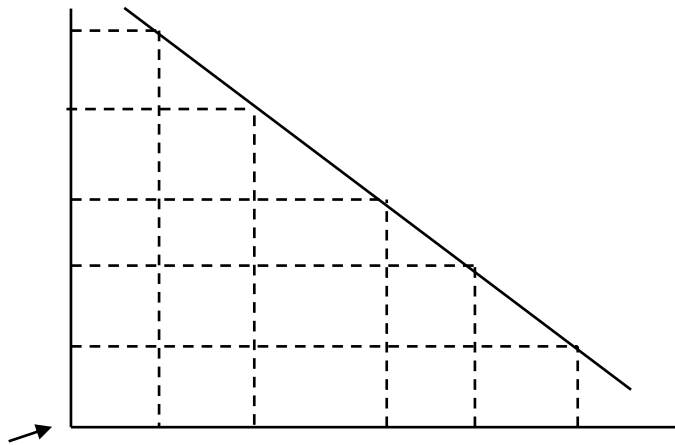
This is a schedule that shows the quantity of goods or services demanded at each different prices.

6.Demand curve is graphical representation of demand schedule.

Demand table for sweets for DCX Babies

Price	Quantity
1	60
2	50
3	40
4	30
5	20

Demand Curve:



**Pr
i
ce**

20 30 40 50 60

5

4

3

2

1

0

Origin

D

Quantity

$y; P$

$x; Q$

Supply

2. Supply is how much quantity of goods and services suppliers can supply in a market at a particular price at a specific time.

3. Law of supply is the law that when the price of goods and services increase the suppliers will also supply more goods and services in a market and at a lower price also less goods and services will be supplied by suppliers.

4. Other factors that influence supply besides price.

- Cost of producing goods, if the it drops more goods will be supplied.
- Improved technology and production methods will increase supply.
- Increase in the number of producers in the market will increase supply.
- The price of similar goods (substitute goods) or complementary goods.

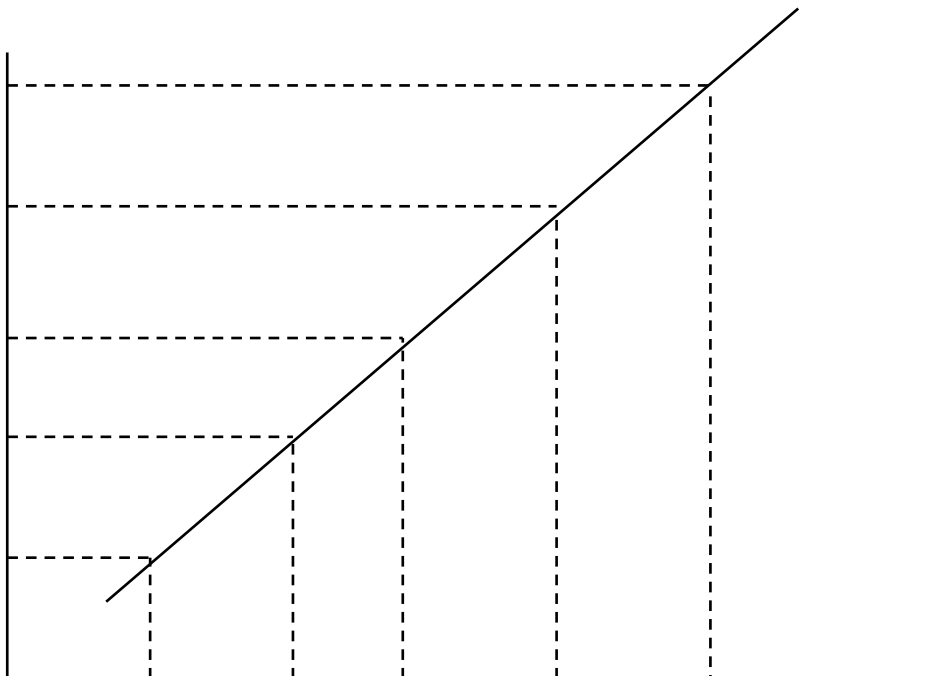
5. Supply schedule

This is a schedule that shows the quantity of goods or services supplied at each different prices.

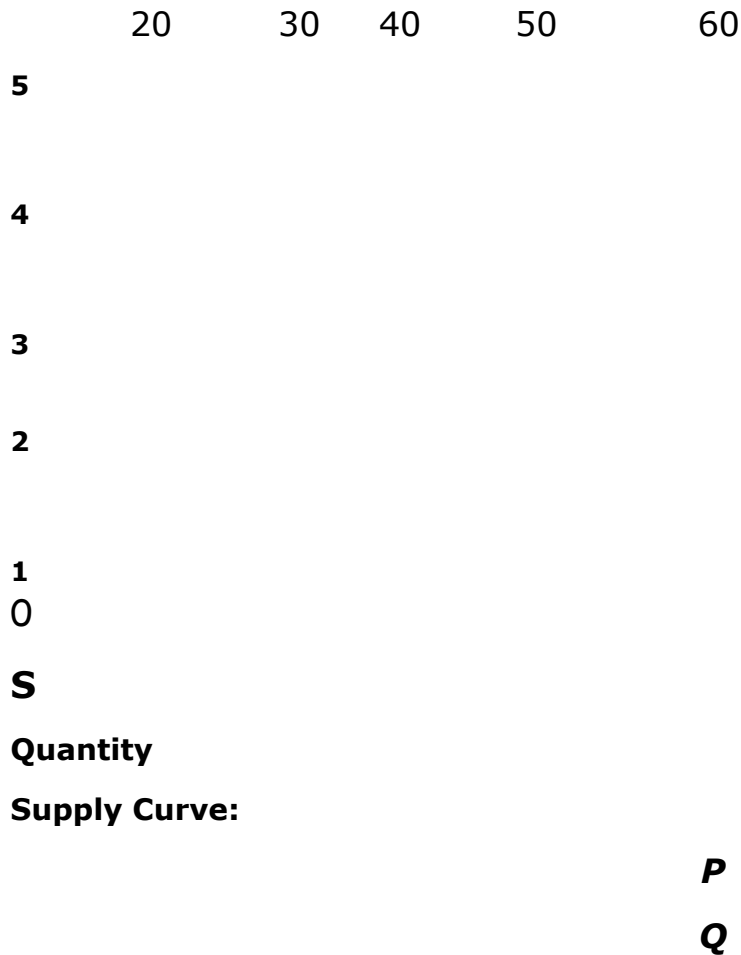
6. Supply curve is graphical representation of supply schedule.

Supply table for sweets for DCX Babies

Price	Quantity
1	20
2	30
3	40
4	50
5	60



**Pr
i
ce**



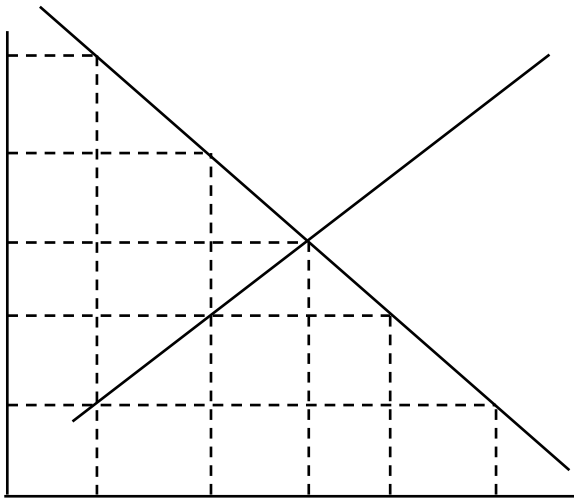
Equilibrium / Market Price

When supply and demand curves are drawn on the same axis, we see that the two curves meet at a specific point, namely when the price is R0,60, the sellers are prepared to supply 300 heads of cabbage and the buyers are prepared to purchase 300 heads of cabbage at that price. This price is known as the MARKET EQUILIBRIUM PRICE and it represents the price at which the buyer and the seller are prepared to barter. At any other price the parties will not be able to agree and they will not be prepared to conclude a transaction.

The price where the quantity supplied of a good equals the quantity demanded of the good. In other words, there is no shortage or surplus within the market. It is thus a point where demand and supply intersect (E)

Demand and supply schedule for sweets

Price	Quantity Demanded	Quantity Supplied
1	250	50
2	200	100
3	150	150
4	100	200
5	50	250

DD and SS Curves

Pr
i
ce

50 100 150 200 250

5

4

3

2

1

0

D

Quantity

S

ACTIVITIES: PRICE THEORY**Activity 1**

1.1 Define the term demand.

1.2 Explain the law of demand.

1.3 Describe 4 factors that affect the demand for goods and services and state the main factor.

Activity 2

2.1 Use the demand schedule for lunch bars below and draw a demand curve.

Demand schedule for lunch bars

Price in rands	Quantity demanded
10	60
20	40
30	25

2.2 Explain in your own words the difference between complementary and substitute goods.

Activity 3

3.1 Define the term supply.

3.2 Explain the law of supply.

3.3 Describe 4 factors that affect the supply for goods and services.

Activity 4

2.1 Use the supply schedule for lunch bars below and draw supply curve. Supply schedule for lunch bars

Price in rands	Quantity supplied
10	15
20	25
30	40

Activity 5

The relationship between demand, supply and price (Individual activity)

1. Answer the questions in your workbook.

Example:

Question: Why do people buy more grapes in December than in July?

Answer: People buy more grapes in December than in July because grapes are a summer fruit. More farmers sell their grapes in summer. The supply is high and the prices are lower because the demand is satisfied easily

a) Why are oranges more expensive in December than in July?

b) Why is holiday accommodation more expensive during peak holiday seasons?

c) Why do clothing stores have sales at the end of the winter and summer seasons

2. Record your answers in table format.

	Demand	Supply	Price
Example: Grapes in December	High	High	Low
1. Oranges in December			

2. Holiday accommodation during peak holiday season			
3. Clothing sales at the end of winter and summer seasons			

Suggested Solutions

- a) Oranges ripen in the winter months and that is when there is a higher supply of oranges. The price of oranges increases in the summer months when the supply is lower and the demand not easily satisfied.
- b) During peak holiday seasons, the demand for holiday accommodation is higher because more people are on holiday. The demand is high, and therefore the price increases.
- c) At the end of a season, the demand for that season's clothes will drop. Because there is a low demand, the store sells the clothes at discounted prices to get rid of the stock. They need to make space for the new season's stock that will be in greater demand.

	Demand	Supply	Price
Example: Grapes	High	High	Low
1. Oranges	High	Low	High
2. Holiday accommodation	High	Low	High
3. Clothing sales	Low	High	Low

Activity 6

Define the following terms:

6.1 Market equilibrium

6.2 Equilibrium price

6.3 Equilibrium quantity

Activity 7

Study the following demand and supply schedule for fish and answer

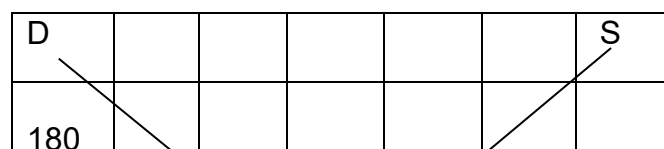
Answer the questions that follow:

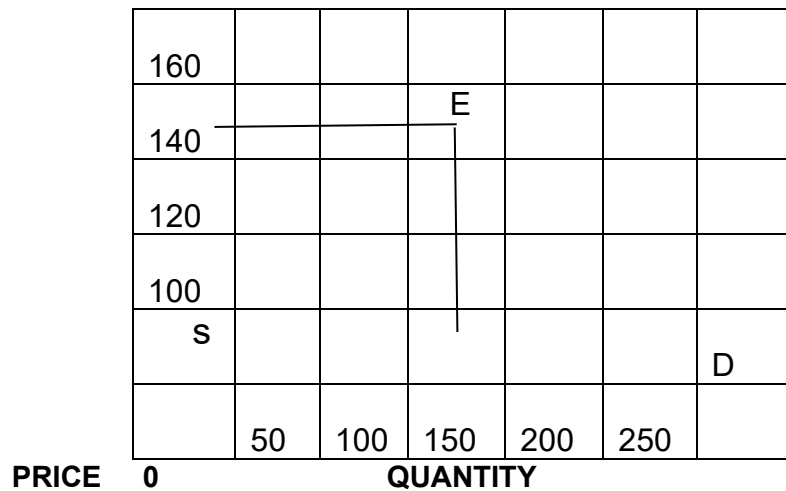
Price	Quantity demanded	Quantity supplied
R100	250	50
R120	200	100
R140	150	150
R160	100	200
R180	50	250

- 7.1 Use the data in the above schedule to draw a demand and supply curve
- 7.2 Name the equilibrium price and quantity for fish
- 7.3 Define the law of supply.

Solution – Activity 7

7.1 GRAPH





7.2 Equilibrium price is R140 and quantity for fish is 150

7.3 Law of Supply

- When the price of goods and services increases, the quantity of goods and services offered by suppliers also increases
- OR If the price of goods and services decreases, the quantity of goods and services offered by suppliers also decreases.

ENTREPRENEURSHIP: SECTORS OF THE ECONOMY

1. Economists look at the economy from the two sides demand and supply. Demand side is the spending. Total production of all goods and services produced from all the sectors is the size of the economy on the supply side.

Production is converting raw material into goods and services. The finished goods form part of Gross Domestic Product (GDP), the value of finished goods and services produced in a country in a specific period. In a circular flow diagram, goods and services are sold in goods market where there is a flow of goods and services from businesses to the households and the flow of money from households to businesses.

There are 3 economic sectors primary sector, secondary sector and tertiary sector. These sectors are identified by the economic activities that takes place in each.

2. The Primary Sector

All industries and businesses that extract the raw materials from nature or earth. The types of businesses in this sector are:

- Agriculture: Farmers produce crops and keep livestock.
- Fishing: Fishermen catches fish in the Coastline.
- Forestry: Trees are planted and maintained.
- Mining: Extraction of mineral ores from the earth e.g coal, gold, diamond, platinum, iron.

3. The Secondary Sector

All industries and businesses that manufacture and process the raw material from primary sector into finished or semi-finished goods e.g sugar cane is changed into sugar. Businesses in this sector use machinery and technology to change raw material. Types of businesses in a secondary sector are:

- Construction
- Electricity, gas and water: generation of electricity, gas and water by public enterprises.
- Manufacturing: Manufacturing of food and tobacco, rubber, furniture and appliances.
- Construction: Building

4.Tertiary Sector

All industries and businesses that provide or sell the goods from primary and secondary sectors. Tertiary sector is also known as service sector which means it render a service of selling the goods and services to the households because households cannot by directly from the manufactures. Types of businesses in a tertiary sector:

- Retail and wholesale service
- Catering and accommodation
- Financial services: Business, insurance banking
- Telephone and communications
- Public and administration: education, health and social welfare, sports and recreation by the government.

5.Interrelaltionship between three economic sectors

These sectors depend on each other to function, they cannot function independently. The raw material extracted from nature by primary sector needs to be sold to secondary sector to be processed into finished goods. Tertiary sector will then perform its function of making sure the goods are sold to the consumers.

Example:- Primary sector - Sugarcane is planted and grown by crop farmer.

Secondary sector- Sugarcane is processed and sugar is made.

Tertiary sector – Sugar is sold to consumers

6.Sustainable use of resources in the three sectors

Sustainable use of resources means using resources responsible without destroying or using it up and maintain the needs for present and future generations.

6.1 Sustainability in the primary sector

In the primary sector when resources are extracted from nature need to be replaced or allowed to recover.

6.2 Sustainability in the secondary sector

Industries and businesses in the secondary sector have a responsibility of not polluting the environment and minimize waste which can be harmful to humans, plants and animals when producing goods and services.

6.3 Sustainability in the secondary sector

Goods and services are over consumed which leads to the depletion of natural resources. Resources are also not distributed equally because of the gap between the rich and the poor. To promote sustainability three Rs should be followed 1. Reduce - minimize packaging, 2. Reuse - if possible use same item for more than one purpose 3. Recycle – find new function for used products.

7.The role of three sectors

In under-developed economy primary sector contributes more to the GDP of a country as compared to secondary and tertiary sectors.

In developing economy all the three sectors contribute equally to the GDP of a country.

In developed economy tertiary sector contributes the most as compared to the other two because the standard of living is high, people afford and are involved in different activities like entertainment, sports and recreation.

8. Skills needed in the three sectors

- Primary sector jobs are mainly unskilled workers e.g. farm workers, mine workers and few semi-skilled workers who are supervisors and machinery operators.
- Secondary sector jobs are largely semi-skilled workers who have been trained one or two specific tasks e.g. operating a machine and doing same task over and over again.
- Tertiary sector jobs are unskilled workers who do routine type like cleaners, semi-skilled and skilled workers in retail and service businesses e.g. cashiers and qualified professionals in education, health, banking e.g. teachers, nurses, doctors, lawyers.

ACTIVITIES: SECTORS OF THE ECONOMY

Activity 1

Write the sector the following businesses belong in the table below

Business/ person	Sector
1. Cattle farmer	
2. Bank	
3. Mr Price clothing	
4. Uber	
Business/ person	Sector
1. Cattle farmer	Primary
2. Bank	Tertiary
3. Mr Price clothing	Tertiary
4. Uber	Tertiary
5. Clothing factory	Secondary
6. Dressmaker	Secondary
7. Mining company	Primary
8. Sugar cane farmer	Primary

Activity 1: Solution

Activity 2

- 2.1 The Primary, Secondary and Tertiary Sector depend on each other in order to function. Explain and use examples to show the interrelationship between these **THREE** economic sectors. Use any product of your choice. (6)
- 2.2 Identify at least **one** type of business found in each sector (3)
- 2.3 Explain the concept Industry (1)

Solution: Activity 2

2.1

Primary Extraction of raw material from the natural environment. Trees are grown	Primary Extraction of raw material from the natural environment. Dairy cows are farmed and milked	Primary Extraction of raw material from the natural environment. Fish are caught
↓	↓	↓
Secondary	Secondary	Secondary

Process of transforming raw materials into useful goods OR manufacture goods. The wood is processed and furniture is made	Process of transforming raw materials into useful goods OR manufacture goods Milk is processed, treated and milked	Process of transforming raw materials into useful goods OR manufacture goods Fish is processed, packaged and frozen
⇓	⇓	⇓
Tertiary Provide services or sell goods. The furniture is sold to the final consumer	Tertiary Provide services or sell goods Milk is sold to the final consumer	Tertiary Provide services or sell goods Fish is sold to the consumer
(Accept any correct answer)		

(2x3=6)

2.2

Primary • Fishing • Farming • Forestry • Mining	Secondary • Construction • Oil refineries • Manufacturing • Food processing	Tertiary • Retail • Restaurants • Financial services • Tourism
Any one per sector and allow relevant answer		

(1x3=3)

2.3

• A group of businesses that conduct a similar economic activity • Economic activity concerned with the processing of raw materials and manufacture of goods in factories
(Accept any correct answer)

(1x1=1)

ACTIVITY 3

3.1. Briefly explain the roles of the following sectors:

3.1.1. Secondary sector.

(2)

3.1.2. Tertiary Sector.

(2)

3.2. Explain why it is important for the primary sector to ensure the sustainable use of resources.

(2)

3.3. Name two possible products that can be produced from factory processed fruits

(2)

3.4. Mention two skills required in the primary sector.

(2)

ACTIVITY 3: SOLUTION

3.1 Briefly explain the roles of the following sectors:

3.1.1 Role of the secondary sector – transform raw materials to make good.

(2)

3.1.2 Role of the tertiary sector – transfer or transport the goods produced by the primary and the secondary sector to the consumers.

(2)

3.2 Explain why the primary sector in particularly needs to use resources sustainably.

- Natural resources are limited and their quantities cannot be increased.

- The secondary sector will not be able to obtain natural resources necessary for production if they are misused. **(Any other correct answer)** (2)

3.3 Name two possible products that can be produced from processed fruits.

Juice, Jam, Dried fruits **(Any other correct answer)** (2)

3.4 Mention two skills required in the primary sector

Mining, fishing, agricultural skills (2)

FINANCIAL LITERACY: DEBTORS JOURNAL

The primary aim of any business is to maximise profits. Profits are generated from Sales. Many people cannot be able to make an immediate payment. Businesses therefore have to sell on credit to maximise Sales. Credit customers receive the goods immediately but make payment at a later date. Each business has a credit policy regarding credit sales, e.g. payment within 30 days, 60 days, etc.

Granting credit carries an element of risk because there is always the possibility that the customer will not pay. It is therefore imperative that businesses carefully screen prospective credit customers by checking credit rating, past credit records, proof of residential address, employer details, etc.

The invoice serves as proof that a goods were sold on credit, a duplicate credit sales invoice will serve as the source document for the credit sales transaction.

Cycle for the Credit Sales

1st Process

- Order received from a customer
- Credit sales invoice drawn up, order is executed and delivered to customers
- Credit sales recorded in the Debtors (DJ)
- Entry posted to the Ledger

2nd Process

- Statement of Account is prepared and issued to the customer (debtor)
- The debtor makes payment
- Cash or cheque is received from the debtor
- The transaction is then recorded in the CRJ and a receipt is issued
- Posting is then made to the ledger accounts
- The Trial Balance is then drawn from the General Ledger at the end of each month.

3rd Process

- For reinforcement, all the transactions are analysed to show the effect on Accounting Equation

e.g. If goods are sold on credit, the effect on the accounting equation will be as follows:

No.	Subsidiary Book	Source document	Account debited	Account credited	Assets	Owner's Equity	Liabilities
	DJ	Dup. Cr. Sales inv.	Debtors Control	Sales	+	+	O
			Cost of sales	Trading Stock	-	-	O

An accounting equation $A = O + L$ is a summarised version of a balance sheet. It must be noted that the accounting equation must always balance i.e. Assets must be equal to Owner's equity plus Liabilities

The debtors Journal should have the following columns

Inv No	Date	NAME OF DEBTOR	Fol	Sales	Cost of Sales

Always remember when posting to the general ledger:

The Debtors Control Account is **debited** and the Sales Account is **credited**; the Cost of Sales Account is **debited** and the Trading Stock Account is **credited**

Key words for the transactions in the DJ

- Sold goods / stock on credit/ on account
- Issued credit sales invoice
- Delivered stock / goods together with invoice

ACTIVITY 1

Kool Monate, proud owner of Sweet Monate Stores, started a sweet and cake business two months ago. He sells all sweets and cakes at a profit mark up of 25% on the cost price. The transactions for the month of May 2018 are given below:

INSTRUCTIONS AND INFORMATION:

1. Record the transactions for May 2018 in the following journals:

-Cash Receipts Journal, with analysis columns for Analysis of receipts; Bank; Sales
Cost of sales; Debtors and Sundry accounts.

-Cash Payments Journal, with analysis columns for Bank; Trading Stock; Wages;
Stationery and Sundry accounts.

-Debtors Journal, with Sales and Cost of Sales

-**NOTE:** Do **NOT** close off the journals on 31 May 2018

2. List of Debtors balances

O. Skoloto R 3 900

K. Klaar R 2 000

Transactions for May 2018

- 1 The owner, Kool Monate deposited additional R50 000 directly into the account of the business, receipt 001 issued to him.
- 3 Cash sales of goods for R1 200 (mark up 25%).
- 7 Bought trading stock R3 700 and Stationery R 300 from Multi Wholesales, paid by cheque no.C04.
- 21 Received a cheque from a debtor O.Skoloto for the amount owed by him.
- 25 Cashed a cheque to pay wages for R 500.

SOLUTION ACTIVITY 1

CASH RECEIPTS JOURNAL OF SWEET MONATE STORES – MAY 2018

Doc No	Date	Details	Folio	Analysis Of receipts	Bank	Sales	Cost of sales	Debtors Control	Amount	Details of Sundry
001	1	Kool Monate		50 000	50 000				50 000	Capital
CR T1	3	Sales		1 200	1 200	1 200	960			
002	21	O.Skoloto		3 900	3 900			3 900		

CASH PAYMENTS JOURNAL OF SWEET MONATE STORES – MAY 2018

CPJ 2

Doc No	Date	Name of the payee	Folio	Bank	Trading stock	Stationery	Wages	Amount	Folio	Details of Sundry
C04	7	Multi Wholesal		4 000	3 700	300				
C05	25	Cash		500			500			

DEBTORS JOURNAL OF MONATE STORES FOR MAY 2018 DJ 5

Inv. No	Day	Name of debtor	Folio	Sales	Cost of Sales
1	14	J Naidoo		1000 00	800 00

ACTIVITY 2

ANALYSIS OF TRANSACTIONS

Analyse and record the following transactions in the table provided

Example:

Received a cheque from J. Houston for monthly rent, R 600

NO	Account		Amount	Asset	= Owner's equity	+ Liabilities
	Debit	Credit				

e.g.	Bank	Rent Income	R600	+ 600	+ 600	0
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Transactions:

- 1 Owner, C Chaba, contributed R 5 000 into his business bank account
- 2 Credit sales of merchandise to J. James for R 900. (cost of sales R600)

SOLUTION – ACTIVITY 2

NO	ACCOUNT		ASSETS	OWNER'S EQUITY	LIABILITIES
	Debit	Credit			
E.g.	Bank	Rent Income	+600	+600	0
1	Bank	Capital	+5 000	+5 000	0
2	Debtors control	Sales	+900	+900	0
	Cost of sales	Trading stock	-600	-60	0

TERM 3**ENTREPRENEURSHIP: FUNCTIONS OF THE BUSINESS**

A business performs activities with an aim of making a profit.

Activities are performed within the business in order for it to function effectively and efficiently. These activities are functions of the business.

General Management function

Financial function

Production function

Human resources function

Public relations function

Purchasing function

Marketing function

Administration function

1.General management

A manager is a person who follow policies and procedures of the business to control and direct whether activities are carried out correctly and completed.

1.2 There are three levels of management, top, middle and lower management

Top management

- positions include Chief Executive Officer (CEO), Chief Financial Officer (CFO), General managers, partners in a partnership and owner in a sole trader. Their role is to develop vision and mission statement and looking at the business as a whole.
- It involves long and strategic plans.

Middle management

- Positions include the head of departments in the business and their role is to develop procedures based on the policies and ensure these are met.
- Medium term planning.

Lower management

- Positions include supervisors, foremen and team leaders and these are guided by the medium term plan by developing short term plan in managing activities.
- Controlling of day to day activities, short term planning.

1.3 Management tasks

All managers irrespective of the levels have duties to perform and these are basic elements of management.

Acronym of these elements is POL: Planning, Organising, Leading and Control

- Planning is to formulate goals and targets and focus on the future
- Organising provide structure and planning, allocate resources and focus to the future.
- Leading motivating and guiding and the focus is people.
- Controlling check that goals are achieved if not correct and focus on the goals.

2.Financial function

- This function is about managing and controlling finances in the business.
- It also operates in levels of management within the finance department, top management (CFO), middle management (Internal auditor) and lower management (debtors clerk, cashiers)

Roles of the financial function

- Plan for where and how the business is going to source capital.
- Prepare for the cash budget for the business to remain liquid.
- Ensure all the financial transactions are recorded in the financial books of account, reporting and drawing up of financial statements.
- Ensure that the business have control measures in place to protect and maintain asset like asset register.

3.Purchasing function

- The purchasing department is responsible for buying material or trading stock that is needed in the business. This also include stationery and cleaning material.
- Top management example: Managing Director (DM)
- middle management: purchasing manager
- lower management: chief buyer

Roles of the purchasing function

- Ensure there is a constant supply of raw material for the production function.
- Quality material needs to be purchased at all times to maintain good quality and standard of the output.
- Buying in bulk can enable the business to save by being granted trade discount and also negotiating best price.

4.Production function

- This function is responsible for producing goods and services that the business is responsible for.
- In this function also it operates at top, middle and lower management.

Roles and responsibilities of the production function

- Production function must produce goods and services in demand.
- Ensuring waste is eliminated while producing.

- Ensuring quality output at all times.
- Optimising efficiency.
- Setting daily production goals ensuring that targets are met.
- Ensuring and maintaining safety in production at all times

5. Marketing function

- Marketing function can be easily summarized as four Ps which is known as marketing mix.
 - ✓ Product
 - ✓ Price
 - ✓ Place
 - ✓ Promotion
- The same level of management applies in production function.

Roles and responsibilities in the production function

- Product: Analysing the needs of the consumers, designing and producing the product as well as packaging.
- Price: right price determination is part of marketing the product, the price being higher than the price of producing an item.
- Place: The route taken by a product from manufacturer to consumer, the physical location and methods of distribution used by marketing department. Businesses differ some still use method traditional method (manufacturer = wholesaler = retailers = consumers) of distribution while others use modern ones (manufacturer = online retailer = consumer)
- Promotion: These are all activities that are used by the business to promote and advertise their products to the target market. Forms of promotion are:
 - sales promotion (samples and coupons)
 - advertising (radio, television)
 - word of mouth (using existing customers to advertise)
 - social media

6. Human resources

- Human effort is an important in the business and human resource department's responsibility is managing labour.
- Different levels of management distribute duties and responsibilities according to levels.

Roles and responsibilities of the human resource function

- Identify the job vacancies.
- Recruit and appoint people suitable for the positions within the business.
- Training and developing staff.
- Communicate with labour unions in disputes.
- Work with finance department in determining remuneration packages.
- Assist employees in personal development.

7. Administration function

- The business depends on information to run the activities and administration function is responsible.
- Administration is responsible for gathering, processing, storing and sharing information.
- Levels of management also applies in administration for it to function effectively.

Roles and responsibilities of administration function

- All information whether hard copy or electronic is collected, analysed and stored so that it can be shared for running the business and future references.
- Process and store employees records like leave forms.

8.Public relations

- The public relations department is involved with managing the views and opinions of the public about the business.
- Duties within the public relations department is distributed in management levels.

Roles and responsibilities of public relations function

- Create a positive image of the business in general public.
- Communicate business projects with the general public.
- Ensure that all activities in the business are environmentally friendly.
- Check and respond to feedback from media.

ACTIVITIES: FUNCTIONS OF THE BUSINESS

Activity 1

Read the following scenarios and then decide which management function will be applicable in each:

1.1 The workers work with very dangerous chemicals that could cause an accident if not handled carefully. The company needs to take precautions and protect itself.

1.2 The company needs to make some long- term strategic decisions.

1.3 Employees want to strike because of poor working conditions.

1.4 The company was recently involved in a big scandal regarding the dumping of toxic waste. The company needs to establish good relations with the community.

1.5 The factory needs a new machine because the old one cannot be fixed. (2x5 =10)

Activity 1: Solution

1.1	Risk Management
1.2	General management
1.3	Human resource Management
1.4	Public Relations management
1.5	Purchasing management

ENTREPRENEURSHIP: BUSINESS PLAN

1.Business plan

A business plan is a document drawn by an entrepreneur outlining the structure of the business, purpose of the business and the methods he /she is going to use to achieve the goals set. A business plan is important because it serves as a guide to develop the business as it grows, it is also a working document which needs to be updated as set goals are reached and new goals are set.

2.Why a business must prepare a business plan

- Primary reason is to get funding to start a business and financial institutions will request it to be able to make a decision to grant a loan.

- A potential entrepreneur will be able to do analysis of both business and the business environment in which the business will operate.
- Potential threats and challenges can be identified and come up with solutions.
- Entrepreneur's strengths and opportunities identified to assist in achieving goals for the business.
- It's a tool to measure success and performance of the business.
- If a small business wants to attract a partner or top-notch manager.
- It guides staff and partners as to the direction of business.
- It assists in putting it together strategic supplier and partner relationships.

FORMAT OF THE BUSINESS PLAN

1.The cover page

- Cover page must contain the name of the business and current date.

2.The table of contents

- List of contents in sections that are in the business plan with relevant page numbers.

3.Executive summary (basic description of the business)

- Vision and mission of the business.
- Short, medium and long term goals

4.Description of goods and services to be offered.

- A clear description of the products or services including packaging and branding
- The value of the goods and services to the customers.
- Quality, price and the availability of the product or the raw material.

5.The owner of the business

- Knowledge and skills the owner have
- Your skills and experience
- Knowledge of your industry
- Your name, age, status, health, education, qualifications, etc.

6.SWOT Analysis

- Analysing both internal and external aspects of the business using SWOT analysis tool.
- S - Strengths - Internal analysis
- W- Weaknesses –external analysis
- O - Opportunities – external analysis
- T – environment in which the business exists

7.Management plan

- Details of potential employees.
- How the business will be structured and personnel involved and their duties, an organization chart can be provided showing functions of the management and size of operational teams.
- External resources which will be utilized such as legal and marketing services.

8. Marketing plan

- Define your target market
- Pricing
- Production and selling
- Competitors

9. Financial plan

- How much money is needed to start a business, if it's a loan specify repayment plan.
- Estimate of initial and future operating expenses.
- How to finance the future growth of the business.
- Strategies in place to manage cash flow.

10. Additional information

- Promotional stuff business cards, logo, etc.
- Advisors
- Registration documents

BUSINESS PLAN ACTIVITIES

Activity 1

Look at the names of different businesses below, then answer questions that follow:

Number	Business Name	Products or service
1.	Waltons	
2.	Crazy Pets	
3.	Food lovers	
4.	DEF Plumbers	
5.	Omega Printers	
6.	Noma Kitchen	
7.	Nail Artist	

1.1. What do these business sell or what service do they provide.?

Solution - Activity 1

Number	Business Name	Products or service
1.	Waltons	Stationery
2.	Crazy Pets	Pet food

- | | | |
|----|----------------|----------------------------|
| 3. | Food lovers | Fruit and vegetable |
| 4. | DEF Plumbers | Repair water pipes |
| 5. | Omega Printers | Printing services |
| 6. | Noma Kitchen | Sell cooked food |
| 7. | Nail Artist | Do nails |

Activity 2

2.1 Name 3 important aspects of management that should be outlined in the business plan.

2.2 Explain why is it important to include the skills and qualification in a business plan.

Solution – Activity 2

2.1- Detailed information of the management and their duties.

-Details of how the business will be structured and who will be involved.

-Information about employees including their skills and qualifications.

- External resources which will be utilized such as legal and marketing services.

2.2 It will help the owner to convince potential funders who will offer funding that the skills and qualification of employees are relevant to the job they will be doing.

Activity 3

3.1 Describe what marketing plan does.

3.2 Give the target market of the following goods:

- Petrol
- School uniform
- Sewing machine
- Desks
- Pram

Solution - Activity 3

3.1 Marketing plan outlines how the product will be marketed as well as the target market, how the price will be determined and dealing with competitors.

3.2 (a) Petrol - drivers, grass cutters

(b) School uniform - learners

(c) Sewing machine – dressmakers, tailors

(d) Desks – learners

(e) Pram – babies or parents

Activity 4

4.1 What does SWOT stands for.

4.2 Explain what is a vision and mission in a business.

Solution – Activity 4

4.1 S-Strength, W- Weaknesses, O- Opportunities, T- Threats

4.2 -The vision the business is the statement which describes what the business aim to achieve in future and it must be updated regularly to accommodate changes in the environment.

- Mission statement clarifies the reason why the business exist, it must be short, inspirational and capture the attention.

Activity 5

Name any 5 reasons why Business plan is drawn.

Solution – Activity 5

- To get funding to start a business
- To do analysis of both business and the business environment in which the business will operate.
- Potential threats and challenges can be identified and come up with solutions.
- Entrepreneur's strengths and opportunities identified to assist in achieving goals for the business.
- It's a tool to measure success and performance of the business.
- If a small business wants to attract a partner or top-notch manager.
- It guides staff and partners as to the direction of business.
- It assists in putting it together strategic supplier and partner relationships.

Activity 6: Business Idea

1. Find out which goods are sold in your community.

(a) Do a survey of retail businesses in your community. Record your findings in the table below. List at least 10 retail businesses.

Type of business	Products sold by business	Size of business
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

b) Identify a gap in the market. Talk to people about their need for manufactured goods. List five goods that are in demand in your community but are not supplied.

2. Find out about which services are sold in your community.

(a) Do a survey of service businesses in your community. Record your findings in the table below. List at least 10 service businesses.

Type of business	Services provided by business	Size of business
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

(b) Identify a gap in the market. Talk to people about their need for services. List five services that are in demand in your community but are not offered.

Activity 7

7.1 Write down SWOT in full?

7.2 List the three goals of a business that should be included in a business plan.

7.3 Name and briefly explain one item that should be in a financial plan of a business plan.

Solution - Activity 7

7.1 Strengths, Weakness, Opportunity, Threats

7.2 - Long-term goal

- Medium-term goal

-Short-term goal

7.3 Startup costs- business must know in advance what the initial cost of starting the business will be **OR** Budget– the businessman must draw up a budget to get an idea of his income and expenditure for the present and the future

CREDITORS JOURNAL

A business buys stock and other items such as equipment for cash or on credit. All credit purchases are recorded in the Creditors Journal (CJ). Any services acquired on credit e.g. repairs are also recorded in the CJ. The source document for credit purchases is an original credit purchases invoice, which a buyer receives from his/her supplier or creditor.

Cycle for a credit purchase

1st Process

- The business places an order for goods with a supplier (Creditor)
- The order is executed by the creditor and goods are delivered to the premises of the business.
- Posting is then made from the CJ to the ledger accounts.

Always remember:

- When posting to the Ledger, the Creditors Control Account is always **credited** by sundry purchases or total purchases and all accounts from creditor's journal are debited by creditors control account.
- Creditors control account is always a liability to the business.

2nd Process

- The business receives a statement of account from the creditor.
- The business makes a cheque payment and record the payment in the CPJ.
- The entry is then posted from the CPJ to the Ledger accounts.
- Then the trial balance is drawn from the General Ledger at the end of each month.

3rd Process

- For reinforcement, all the transactions are analysed to show the effect on Accounting Equation
- A. If an asset is bought on credit, the effect on the accounting equation will be as follows:
- B. If an expense has been incurred on credit, the effect on the accounting equation will be as follows:

No.	Subsidiary Book	Source document	Account debited	Account credited	Assets	Owner's Equity	Liabilities
A	CJ	Original cr. Pur. inv.	Asset account	Creditors control	+	O	+
B	CJ	Original Cr. Pur. Inv.	Expense Account	Creditors Control	O	-	+

An accounting equation $A = O + L$ is a summarised version of a balance sheet. It must be noted that the accounting equation must always balance i.e. Assets must be equal to Owner's equity plus Liabilities

The CJ should have the following columns:

Inv	Date	Name of The Creditor	Fol	Creditors Control	Trading Stock			Sundry Accounts		

Notes on the CJ

Invoice numbers need not be in a consecutive order because they have been received from various suppliers/ creditors. Some businesses re- numbers the invoices internally for better control. In this case the invoice numbers in the CJ will appear sequentially.

Total purchases are recorded in the Creditors Control and the relevant Analysis Columns. The Analysis Columns may vary from business to business.

Key words for the transactions in the CJ

- Bought on credit/ on account
- Took delivery of stock/ goods the was ordered on credit
- Received a credit invoice
- Services done on credit

ACTIVITY 5

Required:

Magazi café is a retail enterprise selling goods at a mark-up of 25% on cost.

1. Record the transactions of Magazi café in the following journals:
 - (1) CRJ: with analysis columns for; Analysis of receipts, Bank, Sales, Cost of sales and Sundry accounts.
 - (2) CPJ: with analysis columns for; Bank, Trading stock, Wages, Creditors control, trading stock and sundry accounts.
 - (3) Debtors journal
 - (4) Creditors Journal with columns for Creditors control, trading stock and sundry accounts.
2. Close off the journals on 31 October 2019
3. Post to the General ledger, Debtors ledger and Creditors ledger.
4. Balance all the accounts
5. Complete a trial balance at the end of the month.

Transactions: October 2019

3. The owner, Mrs. N. Magazi, paid R40 000 into the business bank account as her capital contribution. Receipt 01 was issued to her.
4. Bought merchandise from Viljoen suppliers; R2 875 less 20% trade discount, paid by cheque 001.
5. Bought merchandise on credit from BL Morema, R37 400. Received their invoice no. 189, renumbered 101.
6. Sold merchandise for cash, R6 800.
14. Cashed cheque no. 002 to pay wages, R400.
Supplied merchandise to the value of R500 on credit to Z.I. Nkosi and issued invoice no. 113.
20. Bought trading stock on credit from BL Morema, R5 240, and received invoice no. 780.
N. Swart repaired lights in the business, received invoice no. HA-006 for R420.
Credit sales of merchandise to N.S. Koboka for R125; invoice no. 114 was issued.
21. Cashed cheque no. 003 to pay wages, R400.
Issued cheque no. 004 to BL Morema on account, R1 270.
Received a loan from Kotze bank, R6 000 and issued receipt 03.
26. Received a cheque from Z.I. Nkosi on account, issued receipt 04, R205

TERM 4

THE ECONOMY: TRADE UNIONS

1. Concept of trade unions

A trade union is an organization made up of members who are mainly workers. The purpose of the trade union is to protect the interest of its members and the rest of the workers in the workplace.

Trade unions prevent businesses in exploiting workers and taking advantage of workers because of high unemployment rate.

2. Effect of trade unions on businesses

- Trade unions are responsible for representing workers in negotiations with employers and employers are represented by employer organisations.
- When employers organisations and trade unions negotiate about industrial issues, the process is called collective bargaining.
- Trade unions speak on behalf of all the workers especially when bargaining for salaries and wages, not only its members benefit but all the workers in the industry.
- In times when negotiations between trade unions and employers organisations fail, trade unions resort to industrial action with a hope that their demands will give in their demands. Forms of the industrial action:

- Downloaded from eduresourceza.com

58

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