

Term 1 Revision

Financial literacy

Learner's Book pages 66–67

In Term 1, you looked at more accounting concepts. A sole trader is the owner of a business and the person who provides all the capital. The first transaction that he or she does is to open a bank account in the name of the business. The sole trader uses the money to purchase assets to get the business started. During the month, he or she receives income from sales and pays expenses. Source documents, for example receipts, cheque counterfoils, bank statements, and so on, are used to record the cash payments and cash receipts in the subsidiary journals each day. The difference between the income and the expenses identifies the profit or loss that the business has made over a specific period. Any debts the business owes are called liabilities. Assets minus liabilities show the Owner's Equity, which is the value of the owner's investment in the business. The Owner's Equity is made up of capital minus drawings plus profit (or minus the loss).

Suggested answers to revision questions

- Source documents provide proof that a transaction has taken place. ✓✓ Each type of source document represents a different type of transaction. ✓✓ Original source documents are given to customers and the duplicate is used to record the transaction. ✓✓ Original source documents are received from suppliers and the bank. ✓✓ (Max. 6) For example: receipt, cash invoice, cheque counterfoil, bank statement, cash register till roll. (Any 3 × 1 mark) (9)
- The accounting equation shows how a transaction affects the assets, liabilities or the Owner's Equity. ✓✓ The formula is: Assets = Liabilities + Owner's equity. ✓✓ Example: cash received by the business for services affect the accounting equation: Assets + (bank) and Owners equity (fee income) +. (Max. 5)
- Use discretion. The learners must use the terms correctly, but in any order. Sample answer:
I would start a sole trader business as the only owner. ✓✓ This means I would have to supply money and goods as capital. ✓✓ The first transaction would be to open a bank account ✓✓ to do banking transactions. ✓✓ The money would be used to purchase assets such as equipment. ✓✓ If I borrow money for the business it would be a debt which is also called a liability. ✓✓ Income would be received by charging customers for services ✓✓ and I would have to pay expenses such as rent, insurance, stationery and wages. ✓✓ (Max. 10 marks)

4.1	Sole trader	4.9	Life	4.17	Assets
4.2	Profit	4.10	Debit	4.18	Expenses
4.3	Debt	4.11	Credit	4.19	Liability
4.4	Service	4.12	Capital	4.20	Owner's Equity
4.5	Decisions	4.13	Business equity	4.21	Drawings
4.6	Responsibility	4.14	Business	4.22	Reduces
4.7	Tax	4.15	Transaction	4.23	Income
4.8	Profits	4.16	Bank	4.24	Expenses
4.25	Profit				(25 × 2 = 50)

Suggested answers to revision questions

- National provincial ✓ and local government, ✓ provincial government ✓ (3)
- Direct – taxes paid directly to SARS ✓✓ For example: income tax and company tax. ✓
Indirect tax – tax paid to intermediaries ✓✓ For example: VAT ✓ (6)
- An annual plan of how the government will spend its revenue. ✓✓ (2)
- Development is needed to support economic growth. ✓ Often developing countries industrialise when they develop, ✓ and industry often results in negative impacts on the environment ✓ such as pollution of air and water ✓ But this does not have to happen. ✓ With strict controls ✓ development can be sustainable (6)