

EMS

Economic & Management Sciences

CLASS TEXT & STUDY GUIDE

Jason Collins, *et al.*

GRADE

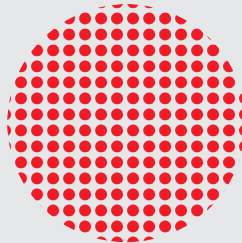
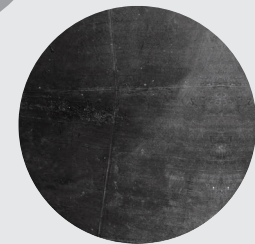
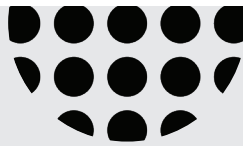
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CAPS

3-in-1



THE
ANSWER
SERIES *Your Key to Exam Success*



Grade 9 EMS 3-in-1 CAPS

CLASS TEXT & STUDY GUIDE

This Grade 9 EMS 3-in-1 study guide makes challenging subject matter easier to understand. All three EMS modules are broken down into practical, bite-sized topics and presented in a user-friendly way.

The logical approach and clarity of the notes guide the learner through each content area, with graded questions and annotated answers to provide ongoing self-assessment.

Key Features:

- Logical, explanatory notes
- Learner-friendly diagrams
- Helpful activities and answers
- Exam paper and memo
- Photocopiable template book

GRADE

9

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Jason Collins
with valuable contributions by Elmaree Eksteen

THIS CLASS TEXT & STUDY GUIDE INCLUDES

- 1 Comprehensive Notes
- 2 Topic-based Questions
- 3 Full Solutions

Plus a *bonus* Exam Paper and Memo

Includes a separate
TEMPLATE BOOK
for MODULE 1
FINANCIAL LITERACY



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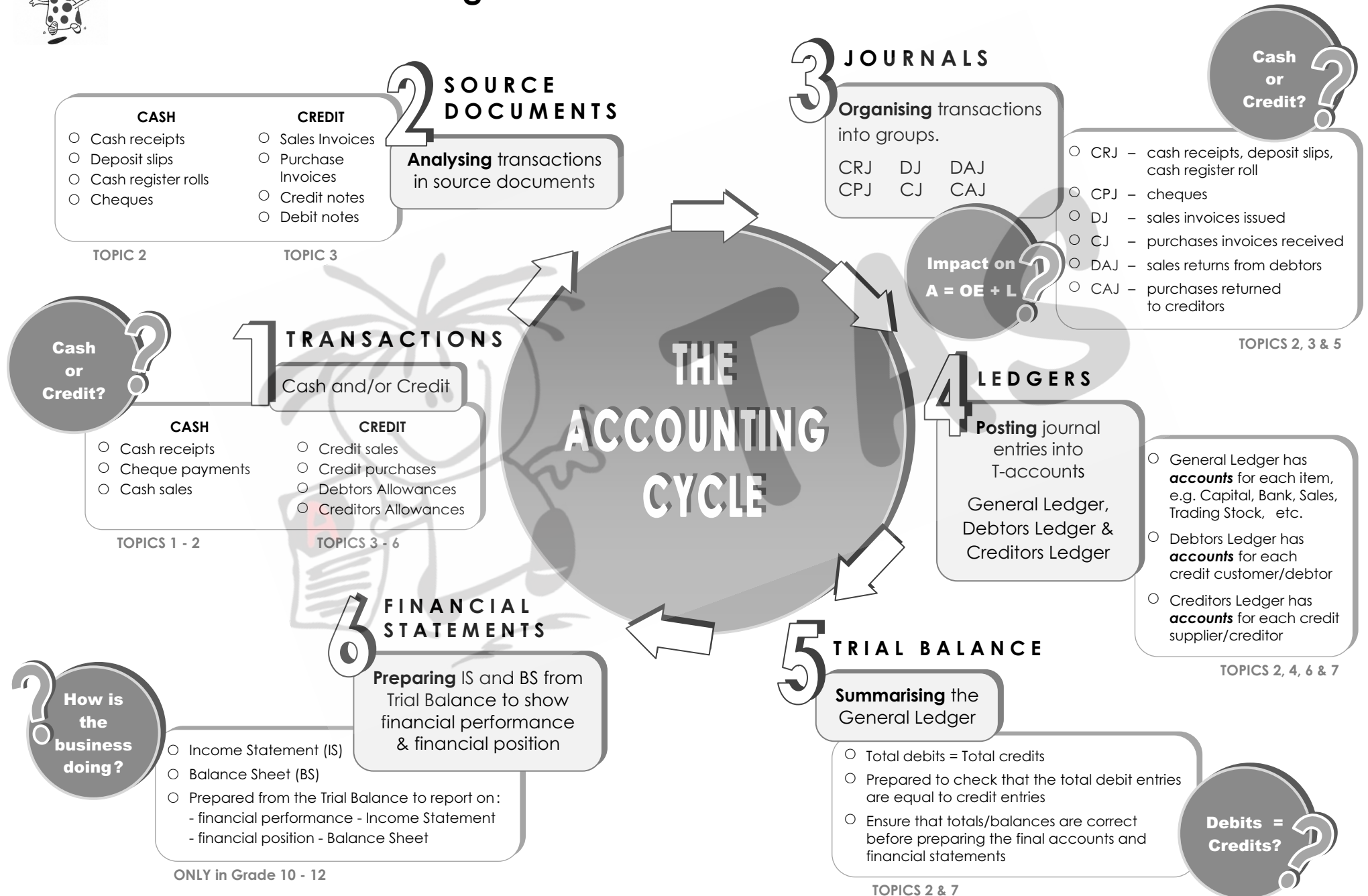
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FIND YOUR WAY through the 7 TOPICS of MODULE 1 – FINANCIAL LITERACY



EXAMPLE 4

CONTINUED

Trading Stock represents the **storeroom**.

Dr						Trading Stock				B12	Cr
2015 June	1	Balance	b/d	6 450	2015 June	30	Cost of Sales	DJ	2 300		
										5	4

Dr						Cost of Sales				N2	Cr
2015 June	30	Trading Stock	DJ	2 300							
										5	4

4 Posting Cost of Sales from the DJ

- Trading Stock (asset) decreases as goods costing R2 300, were removed from the storeroom to sell at a profit.
- The cost of these goods decreases the income (Sales) earned on it by R2 300, therefore Cost of Sales (expense) increases.
- Therefore the amount of R2 300 is credited to Trading Stock account as it is decreasing an asset.

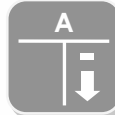
5 Double entry of Cost of Sales in the General Ledger

Debit **Cost of Sales** (expense)
Credit **Trading Stock** (asset)

- Cost of Sales (expense) is more, but OE decreases on the debit side because the profit decreases.
- Trading Stock (asset) decreases on the credit side as we have less stock.
- This asset becomes an expense when it is used up to make a sale. Expenses always decrease profit which decreases OE.

EXAMPLE NOTES

CONTINUED



POSTING FROM THE DEBTORS ALLOWANCES JOURNAL (DAJ) TO THE GENERAL LEDGER (GL)

DAJ → GL

- The Debtors Allowances Journal records **returns made by debtors** to the business.
- Two transactions occur when debtors return goods:
 - the debtor owes **less money**
 - the business has **more stock**
- The Debtors Allowances Journal has two columns:
 - one column to **cancel the sale**
 - one column to **record the increase in stock**

Return of damaged goods (see p. 58).



EXAMPLE 5

DEBTORS ALLOWANCES JOURNAL OF EX AMPLE TRADERS FOR JUNE 2015

DAJ

DOC	DAY	DEBTORS	FOL	DEBTORS ALLOWANCES	COST OF SALES
9	6	P. Moekoena	D3	140	70
10	18	V. Chase	D1	360	180
				1 500	2 250

Dr						Debtors Control				B9	Cr
2015 June	1	Balance	b/d	6 450	2015 June	30	Debtors Allowances	DAJ	500		
	30	Sales	DJ	4 600						1	

Dr						Debtors Allowances				N3	Cr
2015 June	30	Debtors Control	DAJ	500							
										1	

EXAMPLE 5

CONTINUED

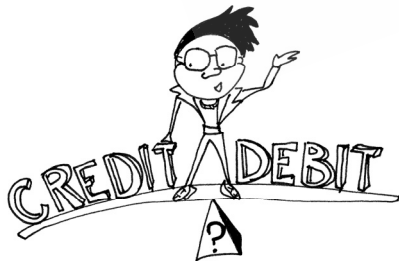
We can also analyse this transaction on the **Accounting Equation table**:

$$A = OE + L$$

ASSETS		=	OWNER'S EQUITY		+	LIABILITIES	
EFFECT	REASON	EFFECT	REASON	EFFECT	REASON	EFFECT	REASON
1 + R890	Debtors Control increases	+ R890	Sales (income) increases	0	0		
2 - R445	Trading Stock decreases	- R445	Cost of Sales (expense) increases	0	0		

OE **decreased** because an expense (Cost of Sales) **increased**.

- 1 ○ Assets increase as the Debtors Control increases due to a credit sale.
- 2 ○ Assets decrease as stock is used. As stock is used to make a sale, the expense (Cost of Sales) increases, thus decreasing the Owner's Equity.



EXAMPLE 6

A debtor, J. Johnson returns goods originally bought for R90, (cost R45). Issued credit note 22 to him.

There are two double entries for this transaction:

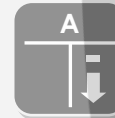
- cancelling the sale
- recording the receipt of the returned stock

We **credit** this account to show that this ASSET is **decreasing**

We **debit** this account to show that this EXPENSE is **increasing**

Dr		Debtors Control		Cr	
		Debtors Allowances	90		

Dr		Debtors Allowances		Cr	
Debtors Control	90				

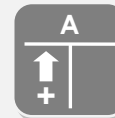


We **debit** this account to show that this ASSET is **increasing**

We **credit** this account to show that this EXPENSE is **decreasing**

Dr		Trading Stock		Cr	
Cost of Sales	45				

Dr		Cost of Sales		Cr	
		Trading Stock	45		



REMEMBER:

Expenses (debit balance) decrease owner's equity (OE) and **income** (credit balance) increases OE.

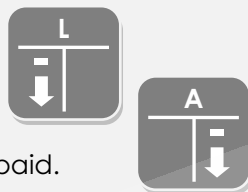


EXAMPLE 3

Issued cheque 99 to Johnson Suppliers for R400.

The double entry for this transaction:

- **DEBIT Creditors Control** (Liability decreases) to show the amount owed has decreased
- **CREDIT Bank** (Asset decreases) as money was paid.



We **credit** this account to show that this **ASSET** is **decreasing**

We **debit** this account to show that this **LIABILITY** is **decreasing**

Dr	Bank	Cr	Dr	Creditors Control	Cr
		Creditors Control 400	Bank 400		

Analyse this transaction on the **Accounting Equation**:

$$A = OE + L$$

ASSETS		=	OWNER'S EQUITY		+	LIABILITIES	
EFFECT	REASON		EFFECT	REASON		EFFECT	REASON
- R400	Bank decreases					- R400	Creditors Control decreases

- **ASSETS:** Total Assets decrease (- in ASSETS column) because money was paid out therefore the Bank decreased.
- **LIABILITIES:** Total Liabilities decrease (- in LIABILITIES column) because less is owed, therefore Creditors Control decreased.



ACTIVITY 3



Answer Sheets on p. 30 in Template book

Analyse the transactions below on the Accounting Equation.

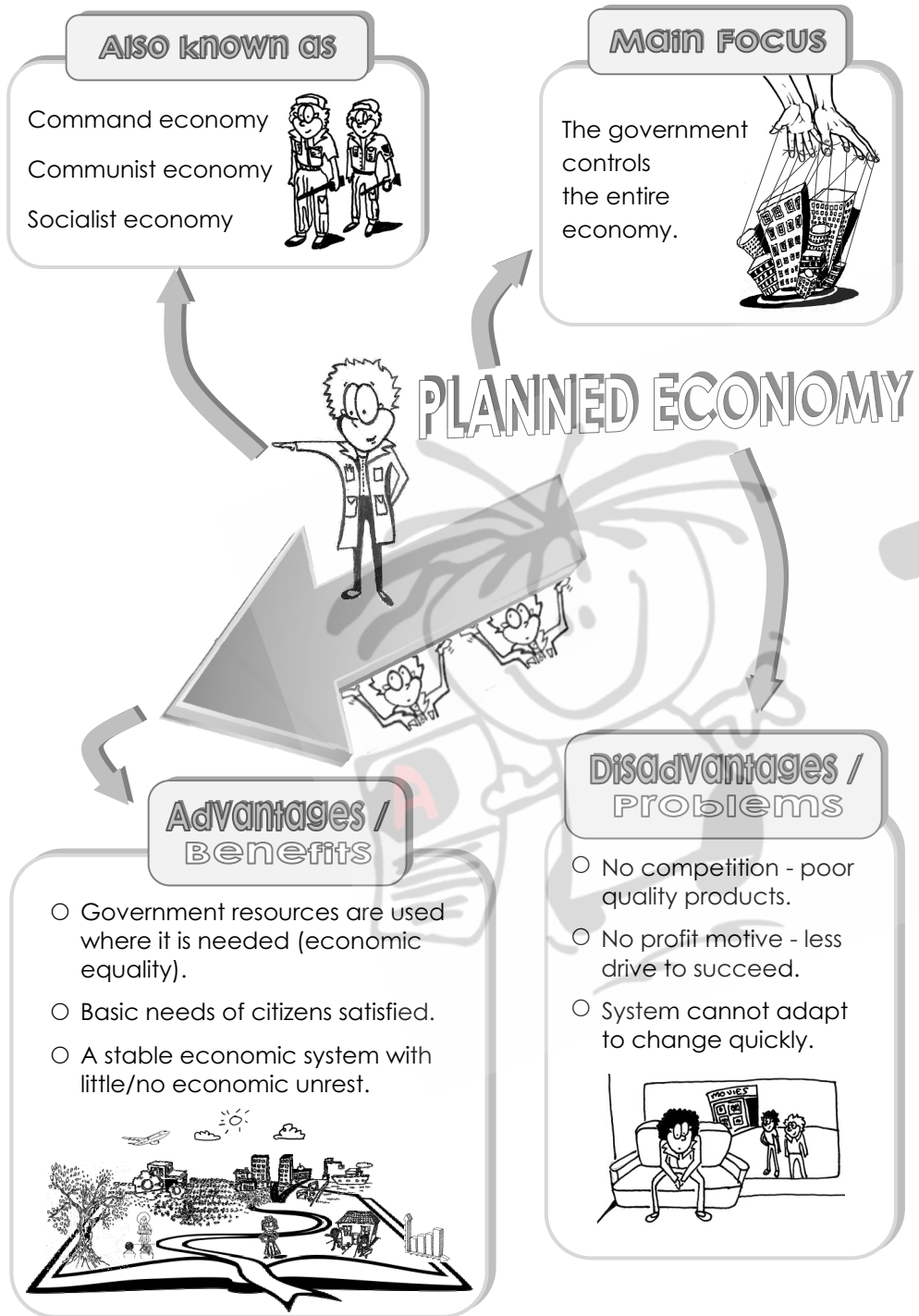
Use the format provided in the example.

e.g. Issued cheque 134 for the purchase of Stationery, R150.

1. Bought goods on credit from Polonius Pty Ltd for R1 950.
2. Sent cheque for R749 to Titus Traders in settlement of amount owed to them.
3. Received invoice 399, for R500 from Caliban CC for equipment purchased.
4. Issued debit note 23 for R65 to Polonius Pty Ltd for goods returned to them.
5. Bought stationery from Lear Ltd for R250, received their invoice 559.
6. Sent cheque 99 for R1 885 to Polonius Pty Ltd in settlement of amount owed to them.
7. Returned defective stationery to Lear Ltd, issued debit note 24 for R25.

ANSWERS on p. A26





A MARKET ECONOMY

In a market economy the market forces of DEMAND and SUPPLY are allowed to determine the following:



- **what** will be produced
- **how much** will be produced
- **how** it will be produced
- **for whom** it will be produced

Private individuals and companies own and control the **factors of production**. Resources and products are traded based on demand and supply.

- **LAND:** Private ownership of natural resources.
- **LABOUR:** People free to work where they choose.
- **CAPITAL:** Individuals control flow of capital.
- **ENTREPRENEURSHIP:** Individuals free to start own business.

A MARKET ECONOMY

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ○ Entrepreneurs are free to start their own business enterprises, thus creating wealth and a better standard of living. ○ Capital is used to start these private businesses. ○ Capital is used productively in private businesses as they are profit driven. This 'drive' is the profit motive. ○ Private enterprises compete with one another and are therefore forced to be as productive as possible. This leads to a more efficient use of resources. 	<ul style="list-style-type: none"> ○ The free market system promotes economic inequality. Those who have access to capital have a marked advantage and get rich, while others remain poor. ○ Markets focus more on profit and less on the welfare of the economically vulnerable (i.e. unemployed and retired people). ○ The forces of demand and supply can result in the exploitation of labour as workers may not receive fair wages. ○ Non-profitable goods and services such as healthcare and education are not provided.

ACTIVITY 1

CONTINUED



8. Read the article below and choose the correct option between brackets (8.1 - 8.7) that make economic sense.

STRONG RAND IS A BURDEN, DEVALUATION IS TOO COSTLY

With the rand maintaining strong levels, many call for its devaluation. Why, what effect would it have, and how would it be done?

Exchange rates are instrumental in determining the price and therefore the competitiveness of imports and exports. In South Africa, a strong rand means that imports are relatively (8.1 CHEAPER/MORE EXPENSIVE) for us and goods produced within South Africa are (8.2 CHEAPER/MORE EXPENSIVE) for foreigners.

Exchange rates are simply the price of one unit in terms of the other and are set by demand and supply. R10 to \$1 can be stated in rands as \$0.10 to R1. If demand for the rand increases, it will be (8.3 MORE/LESS) valuable and therefore its price will (8.4 INCREASE/DECREASE), say to \$0.20 to R1. This is the equivalent of R5 to \$1. The rand has therefore appreciated when demand for the rand increased.

The recent global recession has made local citizens less wealthy and they are importing less. They are therefore keeping their rands and not changing them into dollars to pay for imports. The recession has also caused developed countries to drop their interest rates to very low levels to encourage borrowing and spending.

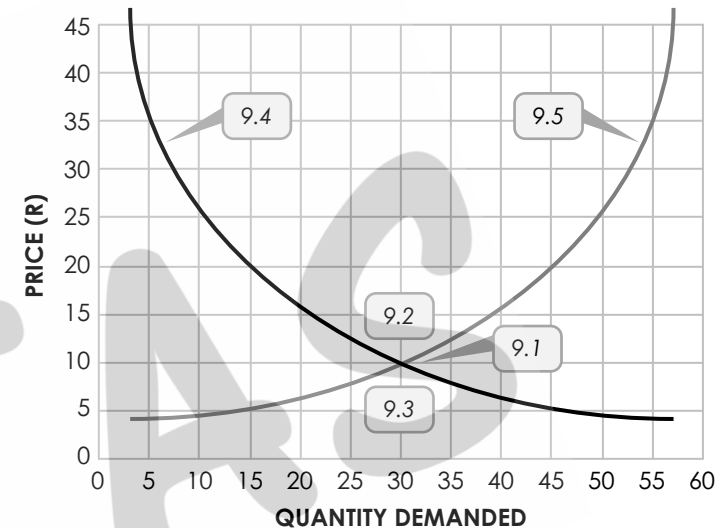
Many are worried about this appreciation as it (8.5 INCREASES/REDUCES) demand for South African exports and makes local goods relatively (8.6 MORE/LESS) expensive than foreign goods, hurting local firms that compete with imported goods, as imported goods are now (8.7 CHEAPER/MORE EXPENSIVE). There is therefore a call for the Reserve Bank to devalue the rand.

ACTIVITY 1

CONTINUED



9. Study the graph below and answer the questions that follow:

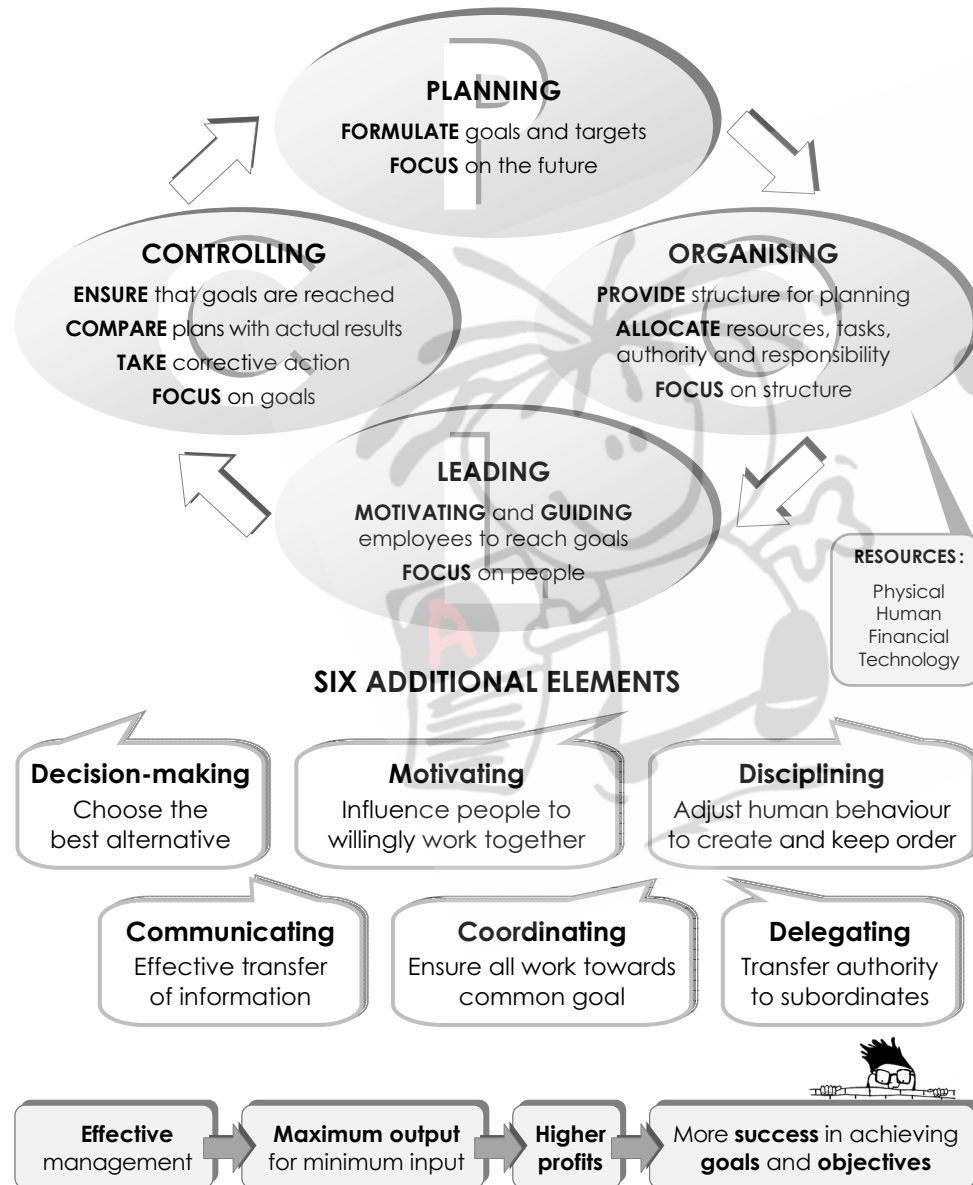


- 9.1 What is the name of the point where the demand and supply curves meet?
- 9.2 What occurs at this area, when the price is above R10?
- 9.3 What occurs in this area, when the price is below R10?
- 9.4 Identify the curve.
- 9.5 Identify the curve.
- 9.6 Write down the law of Demand and Supply. Start your answer like this: 'The law of Demand and Supply states ...'
- 9.7 Name TWO complementary goods.
- 9.8 Name TWO substitute goods.

ANSWERS
on p. A37

Management Tasks

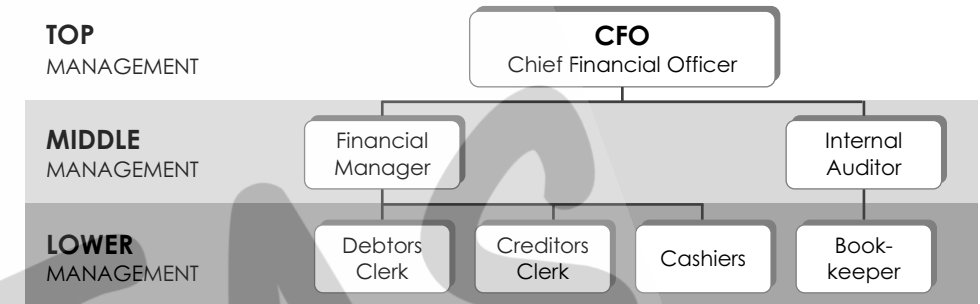
All managers, irrespective of their level, fulfil certain management specific tasks. These management tasks are also known as the **FOUR BASIC ELEMENTS OF MANAGEMENT**. They may be remembered by the acronym **POLC**: Planning, Organising, Leading and Control.



2 FINANCIAL FUNCTION

As the name suggests, this function involves managing money within a business. It is the responsibility of the **Finance Department**.

AN EXAMPLE OF THE FINANCIAL FUNCTION IN A BUSINESS



Responsibilities of the Financial Function



1. Preparing a **capital budget** in order to identify how much capital is needed and from where it will be obtained.
2. Drawing up a **cash budget** to ensure that the business remains liquid. This means that the business should have enough cash available for daily/monthly needs, e.g. paying wages, salaries, creditors and service providers like Telkom.
3. **Recording** all financial information and **reporting** this information to the relevant parties in the form of **financial statements**.
4. Designing and implementing **control measures** to safeguard financial assets within the business. Examples include: regular stock counts, asset registers, attendance registers for staff, etc.

Risks and Challenges



1. **Theft** of cash and other assets from the business. Security measures such as safes and cameras can help prevent theft.
2. **Bad debts** – careful selection and management of debtors is crucial as debtors not paying their debt is an ever-present risk.
3. **Changes** in the **financial markets** are a constant threat to most businesses. These changes include currency fluctuations as well as changes to the interest rate.

ACTIVITY 5



CASH PAYMENTS JOURNAL OF RHOMBUS RETAILERS FOR NOVEMBER 2015

CPJ 5

DOC	DAY	PAYEE	FOL	BANK	TRADING STOCK	CREDITORS CONTROL	SUNDRY ACCOUNTS		
							AMOUNT	FOL	DETAILS
121	1	Triangle Traders		800	800				
122	8	Square Stores		990		990			
123	15	Circle CC		225			225		Stationery
124	25	Triangle Traders		1 800		1 800			
				3 815	800	2 790	225		

ACTIVITY 6



CASH PAYMENTS JOURNAL OF SODAKA STORES FOR JANUARY 2015

CPJ 4

DOC	DAY	PAYEE	FOL	BANK	TRADING STOCK	CREDITORS CONTROL	SUNDRY ACCOUNTS		
							AMOUNT	FOL	DETAILS
130	1	Hurley Ltd		1 850		1 850			
131	10	Triton CC		850	850				
132	16	Prince Properties		4 000			4 000		Rent Expense
133	20	Municipality		1 200			1 200		Rates and Taxes
134	31	Mondial Manufacturing		6 160		6 160			
135		Cash		9 600			9 600		Salaries
				23 660	850	8 010	14 800		



Don't forget to add the Balance b/d

$$1\ 560 + 5\ 000 - 400 = 6\ 160$$

Dr **Rates and Taxes** **N6** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount

Dr **Packing Material** **N7** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount

Dr **Rent Income** **N8** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount

Dr **Current Income** **N9** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount



ACTIVITY 12

page
38



GENERAL LEDGER OF SIHLE STORES

BALANCE SHEET SECTION

Dr **Capital** **B1** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount

Dr **Land and Buildings** **B2** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount

Dr **Vehicles** **B3** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount

Dr **Equipment** **B4** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount

Dr **Trading Stock** **B5** Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount