GJ Transactions

Withdrawal of Trading stock/other items by the owner

Drawings - taking money or items from the business by the owner to pay for their personal expenses.

Remember that according to the **Business Entity concept**, an owner taking cash or other items for personal use would have to be recorded separately in the business' books. **Note:** The owner takes goods at cost price - he does not make a profit from himself.

For example: 1 - carefully study the example on p.170 - 172 in your textbooks.

Let's look at a few possibilities where an owner may take goods for personal use:

• The owner takes trading stock:

goods will always be taken at **cost price**. Cr *Trading Stock* (assets - decreases). Dr *Drawings* (owner's equity - decreases)

• The owner takes a fixed asset:

Cr Relevant fixed asset account (e.g. equipment). Dr Drawings (owner's equity - decreases)

The owner takes consumable stores:

Cr Relevant expense account (e.g. stationery). Dr Drawings (owner's equity - decreases)

• The owner makes a donation:

Cr *Relevant account* (e.g. owner donates goods or consumable stores on behalf of the business). Dr *Donations* (owner's equity - decreases)

However, Cr *Relevant account* (e.g. owner donates goods belonging to the business in his private capacity.Dr *Drawings* (owner's equity - decreases)

• The owner returns goods that he has taken:

Dr Trading Stock (if goods re returned). Cr Drawings.

SUMMARY OF POSSIBLE WITHDRAWALS BY THE OWNER

Transaction	Journal	Account Debited	Account Credited	Α	0	L
Owner took goods at cost price for own use	GJ	Drawings	Trading stock	-	-	0
Owner took equipment for own use	GJ	Drawings	Equipment	-	-	0
Owner took stationery for own use	GJ	Drawings	Stationery	0	±	0
Owner donated goods from trading stock	GJ	Drawings	Trading stock	-	-	0
Owner donated stationery in his personal capacity	GJ	Drawings	Stationery	0	±	0

Owner returned goods previously taken for own use	GJ	Trading stock	Drawings	+	+	0
Owner drew a cheque for own use	CPJ	Drawings	Bank	-	-	0
Owner paid private expenses with a business cheque	CPJ	Drawings	Bank	-	-	0
Business bought merchandise on credit on behalf of the owner	CJ	Drawings	Creditors control	0	-	+
Owner gave personal vehicle to the business	GJ	Vehicles	Capital	+	+	0

Practice example

Oct 2018 01 The owner took goods at cost price for own use, R550. The owner donated stationery to the local primary school on behalf of the business, R200.

the owner gave his personal computer for use in the office of the business, R12 000.

General Journal of FEM Traders - October 2018

GJ10

Doc. No.	Day	Details	Fol.	Debit	Credit	Debtors control		Creditors control		
INO.						Debit	Credit	Debit	Credit	

Posting to General Ledger **Balance Sheet accounts**

	B1						
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount

	B2						
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount

									B5	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	

	B6						
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount

Nominal accounts

Donations (Owners equity/expense) N15

Date		Details	Fol.	Amount	Date	Details	Fol.	Amount
2018 Oct	1	Debtors control	GJ10	150				

Stationery (Owners equity/expense) N16

Date	De	etails	Fol.	Amount	Date	Details	Fol.	Amount

How is the accounting equation affected?

Assets	Owner's equity	Liabilities