

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	A	O	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

Drawings (OE)

B2

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount

Equipment (A)

B5

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount

Trading stock (A)

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		Details	Fol.	Amount	Date		Details	Fol.	Amount

How is the accounting equation affected?

Assets	Owner's equity	Liabilities