GJ Transactions - Cancellation of discounts on R/D cheques

Remember: When a customer buys on credit the sale is recorded in the DJ. The transactions occurs as follows in the General Ledger:

Dr Debtors control (/and Individual debtor account in the Debtors Ledger) – this is an asset account
Cr Sales – this is an income account

However, when a debtors pays at a later date for the amount owing, the following occurs in the General Ledger:

Dr Bank – business is receiving cash
Cr Debtors control (/and Individual debtor account in the Debtors Ledger)

If it so happens that the cheque payment is not accepted by your clients' ban, then the cheque is said to be dishonoured (**R/D**), i.e. refer to drawer. There are a number of reasons why a cheque may be dishonoured. It may be that the drawer does not have sufficient funds for the payment to be done by the bank; there may be a mistake on the cheque which is scratched by the drawer; the date may be incorrectly written, etc… look at the notes we did in Chapter 4 of your textbook and *Gr 10 Dishonoured cheque* notes on Apollo or the WhatsApp group.

When a cheque from the debtor is dishonoured by the bank, it is entered in the CPJ and the amount on the cheque is added again to the debtors' balance owing.

What happens when business has allowed a discount for early payment?

Discount must now be added to the debtors' account because the business did not receive this money. The transaction is entered in the GJ since it is not a cash transaction, like this:

Dr Debtors control
Cr Discount allowed

For example

01 Oct 2018 The bank returned S Salamon's cheque, marked refer to drawer, as a result of insufficient funds, R150. The cheque was in settlement of his account of R170.

To dance the refer to drawer *cheque:*

Cash Payments Journal of FEM Traders – October 2018   **CPJ10**

Doc. no.	Day	Name of payee	Fol.	Bank	Debtors control
BS	01	S Salamon (R/D cheque)	D1	150	150

To cancel the discount:

Doc. no.	Day	Details	Fol.	Debit	Credit	Debtors control		Creditors control	
						Debit	**Credit**	**Debit**	**Credit**
JV1	01	S Salamon	D1	20		20			
		Discount allowed (Cancel discount on dishonoured cheque)	N9		20				
						20			

B10

Posting to General Ledger
Balance Sheet account

Dr   Debtors control

Date		Details	Fol.	Amount	Date	Details	Fol.	Amount
2018 Oct	01	Bank (R/D cheque)	CPJ10	150				

Nominal account

Dr   Discount allowed

Date	Details	Fol.	Amount	Date		Details	Fol.	Amount
				2018 Oct	01	S Salamon	GJ10	20

Debtors Ledger of FEM Traders

S Salamon

Date		Details/Document no.	Fol.	Debit	Credit	Balance
2018 Oct	01	Debit note/cheque R/D Journal voucher no. 1/discount allowed	CPJ10 GJ10	150 20		150 170

The effect on the accounting equation:

Assets	Owner's equity	Liabilities
+170 *Debtors increased*	-20 *Discount allowed*	
-150 *cash decreased*		

Carefully study the example on p.175 & 176 in your textbook, as well.