

PRACTICAL APPLICATION - GENERAL JOURNAL (25 minutes)

$$A + E = L + Ea + I$$

DR

Low Furniture
Account Balances
as at 1 August, 2028

CR

Assets		Liabilities		Equity	
Bank	25,000	Accounts payable – G High	4,500	Capital	45,000
Inventory	21,100				
Accounts receivable – L Hall	3,400				

Transactions for the month of August 2028 are as follows:

- 3 Owner withdrew \$3,800 cash for own use.
Drawings ↑ Cash ↓ A
- 5 Purchased inventory on 28 day terms from Supplier XL \$7,700 inclusive of GST. / 11
7000 + 700 = 7700
- 10 Paid phone and internet \$1,500 GST exclusive. *1500 × 0.1*
1500 + 150 = 1650
- 12 Sold furniture on 14 days terms to D Dimes \$5,500 inclusive of GST. Cost price \$950.
- 12 Paid G High after receiving a 5% discount. (Remember GST write back).
4500 × 0.05 = 225 = 4275. - if there's a discount there's a write back.
- 19 Wrote off L Hall as a bad debt.
- 21 Paid six months insurance \$1,320 inclusive of GST. *Prepayment = business*
START BUSINESS = refund.
- 23 D Dimes returned one chair, \$950 + \$95 GST = \$1,045. Cost price \$200.
Note: the inventory was returned to current stock.
- 24 Received amount owing from D Dimes in full settlement.
- 29 Purchased new vehicle \$25,000 + \$2,500 GST = \$27,500. Owner paid a deposit of \$5,000 and the balance paid with a loan from ABC Finance.

① Identify what Accounts?

④ DR or CR.

② Classification?