**FNDB020 Accounting**

**Student Workbook**

Lecture and Tutorial

**Week 7: GST and introduction to Special Journals**

**Updated March 2018**

# The goods and services tax in Australia (GST)

Under the GST legislation, business have to register for an Australian Business Number (ABN) and GST if their gross sales exceed $75 000 per year.

The GST is rate of 10% of most services and goods.

## There are two types of non-taxable supplies:

1. GST-free’ supplies:
2. input-taxed supplies:
3. GST Collected

GST Collected a/c is classified as a ………………….:

Example 1: received cash of $200 plus GST for services performed

DR Cash at Bank 220

CR Service Revenue 200

CR GST Collected 20

(Received cash for services)

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Example 2: *Invoiced customers for $2 000 plus GST for services performed* . Record in GJ and post to ledger a/cs

DR Accounts Receivable 2 200 (A)

CR Service Revenue 2 000 (I)

CR GST Collection 200 (L)

(Performed services on account)

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## GST Paid a/c

This is GST paid to other businesses on the purchase of assets and expenses. The business will receive a refund (receive back) from the tax authority. **GST Outlays** (paid out) is classified as a *current asset*:

Example 3: *Purchased supplies costing $400 plus GST on credit*

DR Supplies 400 (A)

DR GST Outlays 40 (A)

CR Accounts Payable 400 (L)

(Purchased Supplies on credit)

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Example 4: *Paid rent for the month, $6 000 plus GST*

DR Rent Expense 6 000 (E)

DR GST Outlays 600 (A)

CR Cash at Bank 6 600 (L)

(Paid Rent)

## Summary:

GST is generally collected by a business from its customers and clients when goods or services are supplied. The business also pays GST on goods and services it purchases from its suppliers for which it may claim a tax credit. At the end of the tax period balances in the GST Collected a/c and the GST Paid a/c are offset in order to show either **net amount owing** (or receivable)

## FYI NEWS: OPERATIONS IN MAY (with GST)

The following transactions occurred in FYI NEWS in May 2018:

May 1 Paid rent for the month, $6 000 plus GST

May 4 Purchased office furniture on credit for $7 000 plus GST

May 6 Received cash from customers of $500 plus GST for services performed

May 7 Purchased printing equipment costing $60 000 plus GST. $5 000 was paid in cash and the balance is to be paid within 30 days.

May 9 Paid wages expense of $5 000

May 16 Paid for the office furniture purchased on May 4.

May 21 Invoiced customers $3 000 plus GST for services performed

May 23 Paid $900 plus GST for a 1 year insurance policy

May 24 Paid internet expense of $330 including GST

May 28 Received cash of $3 300 from customer account (The customers had been I invoiced on May 21)

May 31 The owner withdrew cash of $1 500 for personal expenses

Use the transaction analysis (given below) to prepare General Journal entries for the above transactions.

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| --- | --- | --- | --- |
| Date | Assets | Liabilities | Owner’s Equity (+ Income less expense) |
| 1/5 |  |  |  |
| 4/5 |  |  |  |
| 6/5 |  |  |  |
| 7/5 |  |  |  |
| 9/5 |  |  |  |
| 16/5 |  |  |  |
| 21/5 |  |  |  |
| 23/5 |  |  |  |
| 24/5 |  |  |  |
| 31/5 |  |  |  |
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|  | General journal |  |  |
| Date | Account name | DR | Cr |
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# SPECIAL JOURNALS

A special journal is an accounting journal designed to record similar types of transactions. The journal is to record transactions that happen often and can be grouped together in a dedicated special accounting journal to help a business reduce the time needed to post from journals to the ledger accounts.

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| The 4 **special journals** | | |
| Transactions | Special Journal | Posting abbreviation |
| 1 Sale on credit | Sales journal | SJ |
| 2 Cash Receipt | Cash receipts journal | CRJ |
| 3 Purchase on credit | Purchases journal | PJ |
| 4 Cash Payment | Cash payments journal | CPJ |
| 5 All others (not in 1,2,3,4) | General journal | GJ |

1. General journal is usually used for:
   * All other transactions not recorded in the special journals;
   * Adjusting entries (balance date or for correcting Dr/Cr made wrongly);

* Closing entries (end-of-financial year)

## Sales Journal **(SJ)** only for sale of business **inventory** on **credit**:

1. Purchases Journal (PJ)only for credit purchases from accounts payable suppliers:
2. Cash Receipts Journal (CRJ)for **all** cash received (including cash sales):
3. Cash Payments Journal (CPJ)records **all** payments of cash

## Record simple transactions in the Special Journals

3/8 Owners invested $130,000 cash into the business as capital

4/8 Purchased stock of DVD on credit for $4400 (GST incl) from JB HIFI . Invoice no 456

5/8 Sold DVD for $550 (GST incl) for cash sale. Receipt no 001

5/8 Paid rent of $700.(no GST on rent) chq no 006

7/8 Sold DVDs for $1100 (GST incl) on credit to James. Invoice No 20

9/8 Paid wages to apprentice $625.(no GST) Chq 007

10/8 Paid some of the debt to JB HIFI of $1900 . Chq 008

11/8 Owner took home some DVDs for personal use $100

13/8 Credit sale of DVD for $88 (inc GST) Invoice no 21

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| **Cash Receipts Journal** | | | | | | | |  | | |  | | |
| **Date** | **Particulars** | **Folio** | | **Receipt no** | **Accs Rec control** | **Cash Sales** | **Sundries** | | **GST collected** | | | **Bank** | |
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| **Cash Payments Journal** | | | | | | | |  | | |  | | |
| **Date** | **Particulars** | **Folio** | **Cheque no** | | **Accs pay control** | **Cash purchases** | **Wages** | | **GST paid** | **Bank** | | |
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| **Sales Journal** | | | |  | |  | |
| **Date** | **Accounts receivable** | **Folio** | **Invoice** | **Sales** | **GST** | | **Accs Rec** |
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|  | **Purchases Journal** | |  |  | |  | |
| **Date** | **Accs payable** | **Folio** | **Invoice** | **Purchases** | **GST** | | **Accs payable** |
|  |  |  | **Number** |  | **Paid** | | **Control** |
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| CASH at Bank | | | | |
| Date | Details | Debit | Credit | Balance |
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| Purchases | | | | |
| Date | Details | Debit | Credit | Balance |
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|  |  |  |  | 0 |
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|  |  |  |  | 0 |
| Capital | | | | |
| Date | Details | Debit | Credit | Balance |
|  |  |  |  | 0 |
|  |  |  |  | 0 |
|  |  |  |  | 0 |
|  |  |  |  | 0 |
| Accounts Payable | | | | |
| Date | Details | Debit | Credit | Balance |
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| Sales | | | | |
| Date | Details | Debit | Credit | Balance |
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| Drawings | | | | |
| Date | Details | Debit | Credit | Balance |
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| Date | Details | Debit | Credit | Balance |
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| Wages | | | | |
| Date | Details | Debit | Credit | Balance |
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| Rent expense | | | | |
| Date | Details | Debit | Credit | Balance |
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| Accs Receivable - James | | | | |
| Date | Details | Debit | Credit | Balance |
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| Date | Details | Debit | Credit | Balance |
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Trial Balance at 13/8

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| Account names | DR | Cr |
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## Special Journals Task “Secret Garden”

The business uses a Sales Journal (SJ), Purchases Journal (PJ), Cash Receipts Journal (CRJ) and Cash Payments Journal (CPJ). ()

Mar 15 Purchased inventory *on credit* from Asha’s Orchids $3 300 inc GST.

Mar 16 Paid Wages $6 000

Mar 18 Sold inventory *on account* to Sam’s Gardens $4 400 incl GSt

Mar 20 Receive cash *on account* of $2 000 from Sam Garden

Mar 22 Cash purchases of $440 (inc GSt) were made

Mar 24 Sold inventory *on credit* to Treelovers $6 600 (inc GSt

Mar 25 Purchased inventory *on credit* from Nandini’s Magnolias $1 100.inc GST

Mar 27 Received cash *on account* from Sam’s Gardens of $2 400

Mar 30 Sold inventory *on account* to Anne’s Plant Kingdom $2 200 inc GST

***Required:***

1. Indicating the Special Journal for which the transaction is to be recorded; and

B. Record the above transactions in the Special Journals



## SUBSIDIARY LEDGER

Subsidiary ledger is used (introduced) whenever there is a need for **more detailed** information on a group of similar (same type) transactions that the general ledger account cannot provide. Subsidiary ledgers are useful in situations where a business needs to keep details on particular groups of customers or suppliers and what transactions **each** individual balances have. Two common subsidiary ledgers are:

Tutorial Week 7

1. Question on GST and Special Journals

Redo the FYI News task below this time using Special Journals NOT General Journal

## FYI NEWS: OPERATIONS IN MAY (with GST)

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May 31 The owner withdrew cash of $1 500 for personal expenses

1. Work on Assignment