**WorkBook Week 8**

**Task 1 Multichoice Revision**

1. To increase and expense account we need to
   1. Debit the account
   2. Credit the account
   3. Balance the account
2. What is the GST payable on $220 (GST exclusive)
   1. 11% of $220
   2. 10% of $220 that is $22
   3. $200
3. A tax invoice is a source document that shows the details of
   1. A cash purchase
   2. A credit sale
   3. Goods returned by customers
4. Cash payments journals …
   1. Records and summarises the cash and credit payments
   2. Records all cash receipts
   3. Records, classifies and summaries cash payments
   4. None of the above
5. To increase a liability account we need to
   1. debit
   2. credit
   3. neither …just balance the account
6. The accounting equation is
   1. Assets = liabilities – Owners Equity
   2. A + L = OE
   3. Revenue – Expense = Profit
   4. A – L = OE
7. To decrease an Asset account like Debtors control we need to ….the account
   1. Debit
   2. Credit
   3. Revenue
   4. Balance
8. Columnar ledger accounts differ from T accounts in that
   1. The account is balanced at the end of the month
   2. There is a running balance. We know the balance after every transaction
   3. We put the balance on the side which is small so that the total on both sides of the T account are equal
9. Role of General Journal when using Special Journals

With the use of Special Journals the role of the General Journal is to record all other transactions that do not fit with the 4 special journals SJ, PJ, CRJ, CPJ.

These include:

* Introduction of assets and liabilities by the owner at the commencement of business

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| **General Journal** | | | | |
| **Date** | **Particulars** | **Fol** | **Debit** | **Credit** |
| 1 July 17 | Cash at Bank |  | 5 000 |  |
|  | Stock |  | 3 500 |  |
|  | Motor Vehicle |  | 9 500 |  |
|  | Bank Loan |  |  | 8 000 |
|  | Capital – A Smith |  |  | 10 000 |
|  | Assets and Liabilities introduced by owner at the commencement of business |  |  |  |

* Additional capital contributions by the owner (not cash)

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| **General Journal** | | | | |
| **Date** | **Particulars** | **Fol** | **Debit** | **Credit** |
| 15 Aug 17 | Office Equipment |  | 2 000 |  |
|  | Capital – A Smith |  |  | 2 000 |
|  | Owner contributed his own personal computer system to the business |  |  |  |

* Non-Cash drawings by the owner

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| **General Journal** | | | | |
| **Date** | **Particulars** | **Fol** | **Debit** | **Credit** |
| 8 Sept 17 | Drawings – A. Smith |  | 1 100 |  |
|  | Inventory control |  |  | 1 000 |
|  | GST Paid |  |  | 100 |
|  | Withdrawal of stock by owner |  |  |  |

* Late payment accounting fees charged to a debtor (or charged to us by a creditor ) on an overdue account

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| **General Journal** | | | | |
| **Date** | **Particulars** | **Fol** | **Debit** | **Credit** |
| 11 Nov 17 | Accounts Receivable Control |  | 10 |  |
|  | Late fees Income |  |  | 10 |
|  | Late payment accounting fee charged on overdue account |  |  |  |

* Correction of errors in the accounting records if required.
* Bad Debts Written off

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| **General Journal** | | | | |
| **Date** | **Particulars** | **Fol** | **Debit** | **Credit** |
| 3 Jun 17 | Bad Debts |  | 370 |  |
|  | GST Collected |  | 37 |  |
|  | Accounts Receivable |  |  | 407 |
|  | Amount owing by P Wave written off as a bad debt |  |  |  |

1. Special Journal review task Mac’s bottle shop with your lecturer

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| **Sales Journal** | | | | | | | | | | | | | | | | | | |
| **Date** | **Debtor** | | **Folio** | | | | | **Invoice number** | **Sales** | **sundries** | | | | **GST collected** | | | | **Debtors control** |
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| **Purchases Journal** | | | | | | | | | | | | | | | | | | |
| **Date** | **Creditor** |  | **Folio** | | | | **Invoice**  **No** | | **Purchases** | | | **Sundries** | | | | | **GST paid** | **Creditors control** |
| **$** | | | | **Account** |
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| **Cash Receipts Journal** | | | | | | | | | | | | |
| **Date** | **Particulars** | **Rec no** | **Discount expense** | | | | **Accs Receivable control** | **Cash sales** | **Sundries** | **GST collected** | **Bank** |
|  |  |  | **Accs receivable control** | | **Discount expense** | **GST collected** |  |  |  |  |
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| **Cash Payments Journal** | | | | | | | | | | | | |
| **Date** | **Particulars** | **Chq no** | **Discount revenue** | | | | **Accs Payable Control** | **Cash purchases** | **Wages** | **Sundries** | **GST paid** | **Bank** |
|  |  |  | **Accs Payable control** | **Discount revenue** | **GST paid** |  | |  |  |  |  |  |
|  |  |  |  | **$** | **$** | **$** | | **$** | **$** | **$** | **$** | **$** |
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**General Journal**

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| Date | Details | Debit | Credit |
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1. Record the opening balances into the correct ledger accounts

**Balance sheet as at 31 May**

**Assets liabilities**

**Cash 5000**

**Inventory 8000 Owners Equity**

**Capital 13000**

**Total 13000 Total 13000**

**Task 2 Record the following entries in “Dollar Deals”into the Journals**

1/6 Credit sales to Jones (tax inv no 452) for $1200 (GST inclusive)

2/6 Purchase of inventory from a supplier, Nankin (Inv No 2111) for $2000 plus Gst

3/6 Received payment from Jones for the sale on the 1/6 for full payment. (Receipt no 34 issued).

4/6 Returned inventory to Nankin valued $120 and $12 GST. (Adj No 08)

5/6 Paid rent of $800 Chq no 001

5/6 Paid Nankin $180 and received a $20 discount Chq 002 as full payment for the amount owing at 1/6

6/6 Credit sales to Flander (tax inv no 53) for $25000 plus $2500 GST

7/6 Cash purchase of inventory for $300 plus $30 GST. (Chq No 003)

8/6 Flander returned faulty sales worth $90 plus $9 GSt (adjust Note 999)

9/6 Purchase of inventory from Jayco for $2200 (GST inclusive) (Tax In no 091)

10/6 Paid Jayco the amount owing less 10% discount for prompt payment. (Cheque No 004)

13/6 Credit sales to Jennings for $4400 (GST inclusive) Inv no 54.

14/6 Owner withdrew inventory worth $100

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| **Sales Journal** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Date** | | **Debtor** | | | | | **Folio** | | | | | | **Invoice number** | | | **Sales** | | **Sundries** | | | | | | | **GST collect** | | **Debtors control** | | |
| **$** | | | | | **Account name** | |
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| **Purchases Journal** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Date** | | **Creditor** | | | |  | **Folio** | | | | | **Invoic**  **No** | | | | **Purchases** | | | | **Sundries** | | | | | **GST paid** | | **Creditors control** | | |
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| **Cash Receipts Journal** | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Date** | **Particulars** | | **Rec no** | **Discount expense** | | | | | | | | | | | **Debtors control** | | **Cash sales** | | | | **Sundries** | | | **GST collected** | | **Bank** | |
|  |  | |  | **Debtors control** | | | | **Discount expense** | | | | | | **GST collected** |  | | |  | |  | |  |
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| **Cash Payments Journal** | | | | | | | | | | | | |
| **Date** | **Particulars** | **Chq no** | **Discount revenue** | | | | **Creditor Control** | **Cash purchases** | **Wages** | **Sundries** | **GST paid** | **Bank** |
|  |  |  | **Creditors control** | **Discount revenue** | **GST paid** |  | |  |  |  |  |  |
|  |  |  |  | **$** | **$** | **$** | | **$** | **$** | **$** | **$** | **$** |
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**General journal**

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| Bank a/c | | | | | | |
| Date | Details | $ |  | Date | Details | $ |
|  | Balance |  |  |  |  |  |
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|  | Balance |  |  |  |  |  |
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|  |  | Capital a/c | | |  |  |
| Date | Details | $ |  | Date | Details | $ |
|  |  |  |  |  | Balance |  |
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|  |  | Inventory a/c | | |  |  |
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1. Extension tasks

Trial Balance as at 14/6

Income statement for 2 weeks ending 14/6

Balance sheet as at 14/6

1. Why do we need Control Accounts?

* Use control accounts to remove unnecessary detail from the general ledger
* Allows for easy preparation of the trial balance and the accounting report
* Do we need unnecessary detail relating to debtors and creditors in the General Ledger and the Accounting reports? NO
* We do require the use of the subsidiary ledgers to make sure we know the individual debtors and creditors transactions
* We need to monitor the individual Accounts Receivable/debtors and how much they owe us ..not just the total amount of all Accounts receivable
* Individual Accounts Receivable accounts are kept in the subsidiary Accounts Receivable ledger.
* Individual Accounts Receivable balances should = balance in the Accounts Receivable Control a/c

See Powerpoint for a simple example of Accounts Receivable control accounting

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| General Ledger extract | | | | | |
| Dr |  |  |  |  | Cr |
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| Subsidiary Ledger | | | | | |
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1. Demonstration task in Text Page 310 ff
2. Tutorial

Revision of Income Statement and Balance sheet for exam

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|  | For XYZ Pty Ltd | | |  |  |
|  | Prepare income statement and balance sheet from the following trial balance | | | | |
|  |  |  |  |  |  |
| A,L,OE,R,E |  |  |  | Debit | Credit |
| A | Bank |  |  | 10000 |  |
| OE | Capital - RW | |  |  | 47720 |
| A | Cash on hand | |  | 400 |  |
| A | Delivery vehicle | | | 10000 |  |
| OE | Drawing | |  | 1400 |  |
| E | Electricity | |  | 3720 |  |
| A | Furniture and fittings | | | 5000 |  |
| A | Investments | |  | 20000 |  |
| E | Purchases | |  | 23000 |  |
| E | Rent |  |  | 6000 |  |
| R | Sales |  |  |  | 50000 |
| L | Loan from OP | |  |  | 5600 |
| L | creditor | |  |  | 5400 |
| E | wage |  |  | 27000 |  |
| E | Discount expense | | | 380 |  |
| E | Interest expenses | | | 120 |  |
| E | Vehicle exp | |  | 400 |  |
| E | Bad debts | |  | 1300 |  |
|  |  |  |  |  |  |
|  |  |  |  | 108720 | 108720 |
|  |  |  |  |  |  |

**INCOME STATEMENT**

**AS AT 30TH JUNE 2016**

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| --- | --- | --- |
| **Income** |  |  |
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| **Less Expenses** |  |  |
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| **Total expenses** |  |  |
|  |  |  |
| **Net Profit or loss** |  |  |

Balance Sheet

For the year ended on 30th June 2016

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| --- | --- | --- | --- | --- |
| **Assets** |  |  | **Liability** |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  | Total liability |  |
|  |  |  |  |  |
|  |  |  | **Owner’s Equity** |  |
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|  |  |  |  |  |
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|  |  |  |  |  |
| **Total Assets** |  |  | **Total OE & L** |  |

Solution



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