

Case Study 2

Introduction

In this assignment students are required to use the:

- General Ledger
- Banking
- Sales - Accounts Receivable
- Purchases - Accounts payable
- Inventory

modules of the MYOB computer accounting program to process transactions and to produce a set of accounting reports relating to business operations.

Input

Business data

The business is a **Shoe Shop** retailer named, "**Student Name Shoes Pty Ltd**" (students are to insert their own name). The firm's sales are both over the counter cash and credit to well known customers.

Company Name	Address	ABN ACN	Current Financial Year	Last Month of Financial Year	Starter Chart
"Your name" Shoes Pty Ltd	Your address	?? ??? ??? ??? 11 & 9 digits ??? ??? ???	2018	June	Shoe Shop

Conversion month: **July 2017**

Chart of Accounts

You are to select one of the default charts provided by MYOB which most closely resembles the business or you can choose the 'Build your own' option. If you are using one of the default charts, you may be required to modify/delete accounts to suit the nature of the transactions as given in the question.

Transaction Sources

Cash registers	–	for cash sales,
Invoices	–	for credit sales
Cheque book	–	for cash payments,
Deposit books	–	for cash receipts
Bank statements	–	for direct charges and direct deposits
Supplier invoices	–	for goods and services purchased
Working papers	–	for adjusting and miscellaneous entries

GST

Please note that GST free items are bank fees, salaries and wages, interest expense, superannuation and fines – you can check with your lecturer for others.

Transaction Period

New financial year starting 1st July 2017, and the processing period is July 2017, the current financial year is 2018, conversion month being July and there are 12 periods.

Opening General Ledger Balances as at 1 July 2017

Account name	Debit	Credit
Cash at Bank	\$44,000	
Petty Cash	\$2,000	
Accounts receivable	\$70,000	
Provision for Doubtful Debts		\$3,200
Inventory control	\$191,800	
Prepaid Insurance	\$8,250	
Computer Equipment	\$85,000	
Accumulated Depreciation - Computer Equip		\$32,000
Shop Furniture & Fittings	\$110,000	
Accumulated Depn - Shop F & F		\$58,000
Goodwill	\$80,000	
Accounts payable		\$59,000
GST Paid	\$17,000	
GST Collected		\$28,000
Sales Commission Payable (Accrual)		\$4,800
Salaries & Wages Payable (Accrual)		\$7,600
Interest Accrued Payable		\$1,850
Taxes payable – PAYG withholding		\$13,200
Dividend Payable		\$33,000
Loan – noncurrent		\$210,000
Paid Up capital		\$100,000
Retained Earnings		\$57,400
Total	\$608,050	\$608,050

Customers (DR - Debtors)

1. Students are required to make up their own unique customer names and addresses.
2. Both cash and credit sales are recorded using the Sales Program module.
3. The recording of cash sales require the creation of a new customer account titled Cash Sales.
3. Information provided for customers and their balance as at 1 July is as follows:

Accounts Receivable Subsidiary Ledger		
Customer Code	Balance as at 1st July	Days Outstanding
DR01	\$18,000	61
DR02	\$10,000	30
DR03	\$4,000	30
DR04	\$7,400	30
DR05	\$11,000	30
DR06	\$5,800	61
DR07	\$6,200	61
DR08	\$7,600	30
Total	\$70,000	

Suppliers (SU)

1. Students are required to make up their own unique supplier names and address.
2. Accounts Payable ledger has suppliers entered for trading stock as well as other goods and services acquired on credit.
3. Cash purchases, are processed directly through the cash book.
4. All suppliers extend the normal 30 day terms, with no discount for prompt payment.
5. Information provided for suppliers and their balance as at 1 July is as follows:

Accounts Payable Subsidiary Ledger			
	Supplier Code	Balance	Transaction Date
	SU01	\$18,000	15-May
	SU02	\$12,000	2-Jun
	SU03	\$11,100	10-Jun
Petrol & MV Repairs Co	SU04	\$8,400	20-May
Legal Services	SU05	\$1,200	8-Jun
Advertising Company	SU06	\$2,300	20-Jun
Courier & Freight Company	SU07	\$3,200	16-Jun
Accountants	SU08	\$2,800	28-May
	Total	\$59,000	

Inventory (STK)

1. Students are required to make up their own unique product names.
2. Inventory unit measure is per item
3. Selling prices are listed in the table below.
4. The firm uses the perpetual inventory method of accounting for inventory, (that is when inventory is purchased it is added to 'Inventory' account and when goods are sold, the inventory account is reduced with the debited being to 'Cost of Sales').
5. Information provided for inventory and their balances as at 1st July is as follows:

Inventory Code	Quantity	Unit Cost	Balance	Unit Sell Price (ex GST)
STK01	680	\$16	\$10,880	\$48
STK02	540	\$18	\$9,720	\$54
STK03	760	\$20	\$15,200	\$60
STK04	720	\$30	\$21,600	\$90
STK05	760	\$25	\$19,000	\$75
STK06	950	\$40	\$38,000	\$120
STK07	840	\$35	\$29,400	\$105
STK08	960	\$50	\$48,000	\$150
Total			\$191,800	

Transactions for July 2017

Data source: Suppliers' Invoices. Dates shown are invoice dates, amounts include GST where applicable.

Date

Transaction Details

- 1 July Invoice from SU09 for July's rent \$2,200 (new supplier – Landlord)
- 3 July Received invoice from SU01, for 200 units of product STK01 received into warehouse amounting to \$3,520.
- 4 July Received shipment from supplier SU02 for 180 units of product STK05 amounting to \$4,950.
- 6 July Invoice from SU03 for 140 units of STK02 amounting to \$2,772.
- 8 July Invoice from SU06 for advertising to be undertaken in July \$1,870.
- 10 July Received invoice from SU03 for 100 Units of Product STK03 amounting to \$2,200 and 150 Units of STK04 amounting to \$4,950.
- 12 July Invoice from SU08 for accounting fees amounting to \$880.
- 14 July Received invoice from SU07, for freight to date (delivery to customers) \$1,430.
- 20 July Received invoice from SU04 for petrol and repairs to motor vehicles \$770.
- 25 July Received invoice from SU05, \$2,640 for legal fees in relation to lease on shop.
- 27 July Received Invoice from SU02 for 160 units STK07 amounting to \$6,160 and 50 units of STK08 amounting to \$2,750.
- 28 July For the purchase of goods from SU02 on the 27 July, the receiving department advised that only 150 units of STK07 and 45 units of STK08 were delivered. A credit note was requested for 10 units STK07 and 5 units of STK08.
- 29 July Received invoice from SU10 for electricity for the month \$990.

- 30 July Received invoice from SU09 for Rent for August amounting to \$2,200.
 31 July Invoice from SU08 for accounting fees amounting to \$880.

Data source – sales invoices and cash register tapes - amounts to include GST

Date	Transaction Details
3 July	Invoice to DR01 for 80 units STK04 and 100 units STK08.
5 July	Invoice to DR02 for 120 units STK01.
8 July	Invoice to DR08 for 70 units STK02 and 90 units of STK03.
11 July	Of the sales made to DR08 on the 8 th July, the customer returned 10 units of STK02 and 8 units of STK03 due to faulty packaging.
13 July	Invoice to DR05 for 110 units STK06.
15 July	Cash sales 60 units STK05 and 85 units STK07.
17 July	Invoice to DR06 for 80 units of STK01, 60 units STK03 and 40 units STK08.
19 July	Cash Sales 40 units STK02 and 60 units of STK04.
21 July	Invoice to DR07 for 80 units STK04 and 50 units STK06.
24 July	Invoice to DR04 for 70 units STK02 and 110 units of STK05.
25 July	Cash sales 60 Units STK02, 80 units STK06 and 90 units STK08.
27 July	Invoice to DR03 for 60 units STK03 and 80 units STK04.
28 July	Invoice to DR01 for 70 units STK02 and 80 units STK05.
29 July	Cash sales 40 units STK01, 60 units STK06 and 90 units STK08.
31 July	Invoice to DR06 for 80 units STK02 and 90 units STK06.

Data source – deposit book (cash receipts)

All receipts for cash sales and monies received are banked on the same day.

Date	Transaction Details
1 July	Borrowed \$50,000 from the bank to be repaid on December 31 st 2017. Funds were credited into our bank account on 1 st July and interest is at 10% per annum calculated daily. The loan is to be repaid on 31 st December 2017.
3 July	Customer DR02 paid \$10,000 being the balance owing as at 1 st July.
7 July	Customer DR04 paid \$7,400 being the balance owing as at 1 st July.
12 July	Customer DR01 paid \$18,000 being the balance owing as at 1 st July.
16 July	Customer DR06 paid \$5,800 off his account.
20 July	Customer DR05 paid the balance owing on his account as at 1 st July.
23 July	Customer DR07 paid \$6,200 being the balance of his account as at 1 st July.
28 July	Bank credited interest earned on balance of cash funds in the company's bank account \$120.00.
30 July	Customer DR03 paid \$4,000 being the balance of his account as at 1 st July.
31 July	Customer DR08 paid off his entire account leaving a nil balance owing at 31 July.

Data source – cheque book (cash payments)

Date	Chq #	Transaction Details
2 July	2160	Paid SU02 balance owing as at 1 st July, amounting to \$12,000.
4 July	2161	Paid \$1,850 for the amount of Interest Accrued Payable as at 1 st July.
5 July	2162	Paid SU09, for July's rent \$2,200.00
7 July	2163	Paid sales commission to sales representative of \$4,800. This amount was previously accrued (See trial balance as at 1 st July).
8 July	2164	Paid SU03 the balance owing as at 1 st July.
10 July	2165	Paid SU01 \$18,000 being the balance owing as at 1 st July.
15 July	2166	Paid June's balance of PAYG withholding tax of \$13,200.
16 July	2167	Paid net wages of \$22,000 including the accrued salaries and wages amount as at 1 st July (\$7,600) net of PAYG withholding tax. Recorded PAYG withholding tax of \$5,800 to be paid in August 2017.
18 July	2168	Paid GST obligation for June as per trial balance.
19 July	2169	Paid SU08 the balance of the account as at 1 st July.
21 July	2170	Paid SU04 the balance of the account as at 1 st July.
23 July	2171	Received and paid the telephone account amounting to \$1,540.
25 July	2172	Paid SU05 the balance of the account as at 1 st July.
26 July	2173	Paid SU06 \$2,300 being the amount owing as at 1 st July.
27 July	2174	Paid dividend \$33,000 as per the amount listed in the trial balance.
28 July	2175	Reimbursed petty cash for the following cash expenses incurred: Office stationary (expense) \$462.00 Local Travel – taxi fares \$385.00 General Office Expenses \$253.00 Postage \$374.00
29 July	2176	Paid SU07 the balance of the account as at 1 st July.
30 July	2177	Paid net wages to employees for the fortnight amounting to \$17,400 net of withholding tax. Recorded PAYG withholding tax of \$5,800 to be paid in August 2017.

Data source - bank statements

Date	Transaction Details
18 July	Periodic payment for July's lease of motor cars amounting to \$2,860.
30 July	Bank fees of \$150 were charged to the firm's account.

Month End (31st July) Adjusting Entries

Data source – notes and working papers

Transaction Details

- 1 Computer Equipment is depreciated at 30% p.a. reducing balance method.
(Written Down Value * 30% * 31÷365)
- 2 Shop Furniture & Fittings are depreciated at 15% per annum straight line (prime cost) method.
(Original Cost * 15% * 31÷365)
- 3 Sales commission earned by retail assistants during July but not paid amounted to \$3,000.00
- 4 Salaries & Wages accrued at the end of the month amount to \$4,600.
- 5 Prepaid Insurance as at 1st July, \$8,250 as per the trial balance represents the unexpired portion on the annual insurance policy which commenced on 1st May 2017.
- 6 The company's short and long term loans are charged interest at the rate of 10.00% p.a. paid quarterly, but accrued daily. Interest is to be accrued on both short and long term loans using the following formula:
(Interest Accrual = Loan Balance * interest rate * days in month ÷ days in year)
- 7 Management has decided to create a provision for Annual Leave to recognise this expense / liability on a progressive basis. The amount to be charged to this provision for July is \$2,200.
- 8 On 31st July, after the depreciation charge was made, the company sold some surplus to requirement Shop Furniture & Fittings that had a written down value of \$12,400 at the time of sale, for \$14,300.00 (GST inclusive) cash. The shop furniture & fittings had originally cost the company \$25,000.

The bank statement received from the bank at the end of July is as follows:

SouthPac Bank				
The Manager, Your Names Shoes Pty Ltd Address Line 1 Sydney NSW 2000		Business Trading Account Branch: Wetherill Park Account No. 7890 12345 Account Name: Case Study 2 ACN: 00 000 000 000		
		From: 01-July-2017 To: 31-July-2017		
Date	Particulars	Debit	Credit	Balance
1-Jul	Opening Balance			\$44,000.00
2-Jul	Deposit - Cash & Cheques		\$50,000.00	\$94,000.00
4-Jul	Deposit - Cash & Cheques		\$10,000.00	\$104,000.00
6-Jul	Chq # 2160	\$12,000.00		\$92,000.00
8-Jul	Deposit - Cash & Cheques		\$7,400.00	\$99,400.00
9-Jul	Chq # 2163	\$4,800.00		\$94,600.00
10-Jul	Chq # 2161	\$1,850.00		\$92,750.00
11-Jul	Chq # 2162	\$2,200.00		\$90,550.00
13-Jul	Deposit - Cash & Cheques		\$18,000.00	\$108,550.00
13-Jul	Chq # 2164	\$11,100.00		\$97,450.00
16-Jul	Deposit - Cash & Cheques		\$14,767.50	\$112,217.50
16-Jul	Chq # 2165	\$18,000.00		\$94,217.50
17-Jul	Chq # 2166	\$13,200.00		\$81,017.50
17-Jul	Deposit - Cash & Cheques		\$5,800.00	\$86,817.50
19-Jul	Chq # 2167	\$22,000.00		\$64,817.50
19-Jul	Periodic Payment	\$2,860.00		\$61,957.50
20-Jul	Chq # 2169	\$2,800.00		\$59,157.50
20-Jul	Deposit - Cash & Cheques		\$8,316.00	\$67,473.50
21-Jul	Deposit - Cash & Cheques		\$11,000.00	\$78,473.50
24-Jul	Deposit - Cash & Cheques		\$6,200.00	\$84,673.50
25-Jul	Chq # 2170	\$8,400.00		\$76,273.50
26-Jul	Deposit - Cash & Cheques		\$28,974.00	\$105,247.50
26-Jul	Chq # 2171	\$1,540.00		\$103,707.50
29-Jul	Deposit - Cash & Cheques		\$120.00	\$103,827.50
29-Jul	Chq # 2174	\$33,000.00		\$70,827.50
30-Jul	Chq # 2168	\$11,000.00		\$59,827.50
30-Jul	Deposit - Cash & Cheques		\$24,882.00	\$84,709.50
30-Jul	Chq # 2172	\$1,200.00		\$83,509.50
31-Jul	Bank Charges & Fees	\$150.00		\$83,359.50
31-Jul	Chq # 2173	\$2,300.00		\$81,059.50
31-Jul	Chq # 2177	\$17,400.00		\$63,659.50
31-Jul	Deposit - Cash & Cheques		\$4,000.00	\$67,659.50

Transaction not shown on the Bank Statement are either **UNPRESENTED CHEQUES** or **OUTSTANDING DEPOSITS**.

Required:

1. Set up the business in MYOB – **Remember to incorporate YOUR NAME as part of the company name.**
 2. Modify the chart of accounts as required to ensure that the transactions affecting the company are recorded and classified correctly.
 3. Enter the Opening Balances to the General Ledger and set up the subsidiary ledger for Customers, Suppliers and Inventory.
 4. Process transactions for July, including the completion of the Bank Reconciliation.
 5. Print reports for the month of July, to be submitted, are as follows:
 - Accounts (*General Ledger*)
 - Accounts List – Summary ✓
 - Trial Balance ✓
 - Transaction Journals = General Journal ✓
 - Profit & Loss Accrual ✓
 - Standard Balance Sheet ✓
 - Sales (Accounts Receivable)
 - Receivables – Reconciliation Summary ✓
 - Item – Sales Summary ✓
 - Purchases (Accounts Payable)
 - Payables – Reconciliation Summary ✓
 - Item -Purchase Summary ✓
 - Banking
 - Transaction Journals
 - Cash Disbursements Journal ✓
 - Cash Receipts Journal ✓
 - Cheques and Deposits
 - Reconciliation Report ✓
 - GST / Sales Tax Reports
 - GST Reports GST [Detail – Accrual]
 - Inventory
 - Items
 - Items List Summary
 - Inventory Value Reconciliation
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