



Hey, that's cool! So to work out if I have made a profit or not, I need to determine the business's **revenue** and **expenses**. **Revenue** is the money the business earns (increases in assets that leads to increases in owners equity, except for capital contributions) from providing services (hire of surfboards etc). And the **expenses** are the cost of the goods & services the business uses up (the decreases in assets that lead to decreases in owners equity, except for drawings) (wages, bait, rent, etc) in helping the business earn its revenue. My accountant told me that I should keep a record of all the money the business receives and the reasons why it is received. I have recorded the money coming into the business

in the duplicate **cash receipt book**. One of the main reasons money comes into my business is a result of the **hire charges** the business receives when I hire out the surfboards etc. So I will be able to determine the business's **R** _____ by looking at the duplicate copy I have kept of the cash receipt docket. I have kept all the **cheque butts** also, which records all the money I have paid out of my business. The **E** _____ I have paid for will be found by looking at the cheque butts.

Shane's current Balance Sheet is provided. This is followed by the duplicate copies of the cash receipt docket and the cheque butts for the next 2 weeks. Let's have a look at these documents and record the information into Shane's cashbook (see later page). I've done a few for you!

Note there is no GST owing from the Australian Taxation Office (ATO). Prior to this Balance Sheet being prepared Shane received a refund of GST from the ATO.

Skegs Surf Hire: Balance Sheet as at 15/1/2007			
<u>ASSETS</u>	\$	<u>LIABILITIES</u>	\$
Cash	11850	Loan (Dad)	20000
Jet-skis	15000		
Surfboards	7500		
Fishing boat	3000		
Fishing gear & tackle	2000		
Panel van	15000		
Trailer	5000	<u>OWNERS EQUITY</u>	
Stock of fuel	250	Capital, Shane	39600
Total Assets	59600	Total Equities	59600

SKEGS SURF HIRE - RECEIPT (Tax Invoice)	
Date 16/1/07	No. 4
Received from Customers	
The sum of Four hundred & ninety five Dollars and Nil cents	
being for Hire Charges	
\$495.00 including \$45 GST	
Signed: Shane ABN 68 254 658 387	



Shane's business has received this \$495 as a result of providing the SERVICE of hiring surfboards etc to its CUSTOMERS. Note the value of this receipt also includes GST of \$45 and therefore the value of the REVENUE earned by the business is not \$495 but is \$495 - \$45 = \$450. The \$45 GST is collected by the business on behalf of the **Australian Taxation Office**. At regular intervals the GST collected must be sent off to the ATO (more about this later).



Shane's business has paid this \$330 to the Shire Council for the USE of the foreshore where he runs his surf hire business. Note that the value of this payment also includes GST of \$30 and Shane's business is entitled to a refund of this GST from the ATO in the future (more about this later). Therefore the value of the EXPENSE incurred by the business is not \$330 but is \$330 - \$30 = \$300.

Date 16/1/07
To Shire Council
For Foreshore rent
This Cheque \$330.00
Incl. total GST of \$30
Skegs Surf Hire
No 9

Chapter 2: Revenue and Expenses

SKEGS SURF HIRE - RECEIPT (Tax Invoice)		
Date 16/1/07	No. 5	
Received from Customers		
The sum of Six hundred & sixty		
Dollars and Nil	cents	
being for Hire Charges		
\$660.00 including \$60 GST		
Signed: Shane ABN 68 254 658		

Date 18/1/07
To The Advertiser
For Advertising
This Cheque \$77.00
Incl. total GST of \$7
Skegs Surf Hire
No 10

Date 20/1/07
To Parents
For Loan
This Cheque \$4000.00
GST not applicable
Skegs Surf Hire
No 11

Date 20/1/07
To Corporate Affairs
For Bus. Name Rego.
This Cheque \$99.00
Incl. total GST of \$9
Skegs Surf Hire
No 12

Date 21/1/07
To Pete
For Casual wages
This Cheque \$250.00
GST not applicable
Skegs Surf Hire
No 13

Date 21/1/07
To Shell
For Petrol
This Cheque \$132.00
Incl. total GST of \$12
Skegs Surf Hire
No 14

SKEGS SURF HIRE - RECEIPT (Tax Invoice)		
Date 17/1/07	No. 6	
Received from Customers		
The sum of Three hundred & eighty		
five Dollars and Nil	cents	
being for Hire Charges		
\$385.00 including \$35 GST		
Signed: Shane ABN 68 254 658 387		

SKEGS SURF HIRE - RECEIPT (Tax Invoice)		
Date 18/1/07	No. 7	
Received from Customers		
The sum of Six hundred & sixty		
Dollars and Nil	cents	
being for Hire Charges		
\$660.00 including \$60 GST		
Signed: Shane ABN 68 254 658 387		

SKEGS SURF HIRE - RECEIPT (Tax Invoice)		
Date 19/1/07	No. 8	
Received from Customers		
The sum of Eight hundred & eighty		
Dollars and Nil	cents	
being for Hire Charges		
\$880.00 including \$80 GST		
Signed: Shane ABN 68 254 658 387		

SKEGS SURF HIRE - RECEIPT (Tax Invoice)		
Date 22/1/07	No. 9	
Received from Shane		
The sum of Six thousand		
Dollars and Nil	cents	
being for Capital injection		
\$6000.00 including \$0 GST		
Signed: Shane ABN 68 254 658 387		

Date 22/1/07
To Sure Signs
For Signwriting
This Cheque \$506.00
Incl. total GST of \$46
Skegs Surf Hire
No 15

Date 23/1/07
To Shell
For Petrol
This Cheque \$88.00
Incl. total GST of \$8
Skegs Surf Hire
No 16

Date 25/1/07
To Pt. Leo Bait Shop
For Bait
This Cheque \$44.00
Incl. total GST of \$4
Skegs Surf Hire
No 17

Date 29/1/07
To Pete
For Casual wages
This Cheque \$250.00
GST not applicable
Skegs Surf Hire
No 18

Date 29/1/07
To Cash (Shane)
For Drawings
This Cheque \$500.00
GST not applicable
Skegs Surf Hire
No 19

SKEGS SURF HIRE - RECEIPT (Tax Invoice)		
Date 27/1/07	No. 10	
Received from Customers		
The sum of Five hundred & ninety		
four Dollars and Nil	cents	
being for Hire Charges		
\$594.00 including \$54 GST		
Signed: Shane ABN 68 254 658 387		

SKEGS SURF HIRE - RECEIPT (Tax Invoice)		
Date 29/1/07	No. 11	
Received from Customers		
The sum of Five hundred & twenty		
eight Dollars and Nil	cents	
being for Hire Charges		
\$528.00 including \$48 GST		
Signed: Shane ABN 68 254 658 387		

Question?

In designing the format of Shane's cashbook, suggest some new column headings that he might include in his cash receipts and cash payments sections. Hint: look at the type of receipts & payments **Skegs** has and the frequency of those receipts and payments. There are a variety of answers.

Receipts: e.g. Capital contributions

Revenue

Payments: e.g. fuel,

wages advertising bait



When designing records for a business such as the CASHBOOK, the NEEDS of the user should be taken into account. Shane is the most important USER of his business records and therefore the column headings of his cashbook should reflect his needs. In order for Shane to prepare his REPORTS, at a later date, he will need his cashbook to clearly show information like: total cash RECEIPTS and PAYMENTS, the amount of REVENUE received and the amount of EXPENSES paid, the value of his DRAWINGS, etc.

Cashbook for Skegs Surf Hire

Include a column heading for revenue

Cash Receipts			Bank	Values in these columns exclude GST			GST rec'd from customers
Date	Details	Rec No		Capital	Revenue	Sundry	
16/1/07	Hire Charges	4	495		450		45
16/1/07	Hire Charges	5	660		600		60
17/1	Hire Charges	6	385		350		35
18/1	Hire Charges	7	660		600		60
19/1	Hire Charges	8	880		800		80
22/1	Capital	9	6000	6000			
27/1	Hire Charges	10	594		540		54
29/1	Hire Charges	11	528		480		48
			10202	6000	3820		382

Note the bank column in this cashbook is in a different position! Generally the bank column is positioned either first, like the one above and below, or alternatively is the last column in the cashbook.



Include some new column headings

Cash Payments			Bank	← Values in these columns exclude GST →							GST Paid to Suppliers
Date	Details	Chq No		Draw	Fuel	Rent	Wages	Advert	Bait	Sundry	
16/1/07	Rent	9	330			300					30
18/1	Advert	10	77					70			7
20/1	Loan	11	4000							4000	
20/1	Bus Name	12	99							90	9
21/1	Wages	13	250				250				
21/1	Petrol	14	132		120						12
22/1	Signwriting	15	506							460	46
23/1	Petrol	16	88		80						8
25/1	Bait	17	44						40		4
29/1	Wages	18	250				250				
29/1	Drawings	19	500	500							
			6276	500	200	300	500	70	40	4550	116



Having recorded **Skeg's** current transactions into the business cashbook, it is now necessary to report the result of these transactions. Our first such report will be the Statement of Receipts and Payments.

Statement of Receipts and Payments for		
	\$	\$
Cash at start		11850
Add Cash Receipts		
Hire charges	8 820	
Capital Injection	6000	
GST rec'd from customers	382	10 202
		22 052
Less Cash Payments		
Drawings	500	
Loan payment	4000	
Fuel	200	
Foreshore rent	300	
Business name Rego	90	
Casual wages	500	
Signwriting	460	
Advertising	70	
Fishing bait	40	
GST paid to suppliers	116	6276
Cash at end		15776
Change in cash		3926

This is fantastic! Just have a look at the profit my business has made in the first two weeks. I'm on easy street from here on in!! **\$15776 is a huge profit** for two weeks. At this rate I will be the richest skeg around.



Question?

Do you think Shane is right? Has the business really made \$15776 profit? What has Shane already forgotten about when calculating profit?

Your Advice:

to remove/deduct the expenses incurred in earning the revenue

Remember profit is calculated by subtracting the business EXPENSES from REVENUE. We must take note that not all receipts are necessarily REVENUE and nor are all PAYMENTS necessarily EXPENSES.

In the following table are lists of some possible receipts and payments. Use a tick ✓ (is) or X (is not) to indicate in the appropriate column which receipts are revenue items and which payments are expense items.



Receipts	Revenue
Capital injection	X
Loan from bank	X
Hire charges	✓
Interest on investment	✓
Loan from parents	X
GST received from customers	X

Payments	Expenses
Drawings	X
Rent	✓
Reduce loan	X
Interest on loan	X
Advertising	✓
GST paid to suppliers	X
Purchase of assets	X
Wages	✓
Business name registration	✓

Profit



Accountant's assume that a business will continue indefinitely into the FUTURE. This assumption is known as the GOING CONCERN principle. This principle allows the business to distinguish between it's ASSETS and EXPENSES. Assets provide ongoing benefits to a business beyond a single reporting period and into the future, whereas expenses are totally consumed in ONE reporting period. It is necessary to break this continuous life of the business up into particular segments of TIME so that from time to time the financial REPORTS can be prepared and the success of the business can be evaluated. These segments of time give rise to the accounting principle of the REPORTING PERIOD. To work out the PROFIT for a business, we must therefore identify its REVENUES and EXPENSES for a particular reporting period. The reporting period is any period of time over which profit is calculated. The calculation of profit is presented and reported in the PROFITS and LOSS Statement.



One complication when working out profit is in calculating the MATERIALS OR SUPPLIES EXPENSE for a business. Take **Skegs** fuel expense as an example. For something to be an expense it must be the result of a decrease in an asset or the USING UP of an asset. At the start of this week, (15/1), **Skegs** had \$250 worth of fuel (see opening Balance Sheet on 15/5/07) and during this period of operations, **Skegs** purchased another \$200 worth of fuel. On top of all of this Shane did a check (a STOCKTAKE) and found that he still has approximately \$175 worth of fuel still on hand at 29/1. To work out the expense for fuel Shane must calculate how much of the fuel asset has decreased or has been USED -UP in helping the business earn its revenue. What **Skegs** purchased (\$200) is not necessarily what it USED -UP and therefore purchases of materials does not always represent the EXPENSE value of those materials.

Question?

What do you think the value of the fuel expense is? How much of this asset has decreased or been used up during this period?

Your Advice: Expense = 275

Calculating the expense for any materials or supplies used by a business will require calculating the amount of the materials or supplies USED UP and this can be done by using the following formula:



Calculation of fuel expense	
	\$
Stock of fuel at start (15/1/07)	250
+ Purchases of fuel for period	200
= Total fuel available for use (asset)	450
- Fuel at end of period (29/1/07)	175
Fuel expense for period (used up)	275

- from Balance Sheet at **start** of this period.
- from cashbook or Statement of Receipts and Payments.
- End stocktake figure, will be reported in Balance Sheet at the **end** of period.
- **This will be reported in the Profit and Loss Statement as an expense.**



Note the amount that will appear as a cash payment for fuel in the Statement of Receipts and Payments will be \$200 as this is the actual amount of cash spent on fuel this period. In the Profit and Loss Statement the amount of fuel expense will be \$275 as this represents the decrease in the fuel asset or the amount of fuel used-up. The fuel still on hand (\$175) is an ASSET and this will therefore be reported in the BALANCE SHEET.

We are now ready to prepare a report which identifies the business's REVENUE and EXPENSES and calculates the PROFIT or LOSS for the REPORTING period. This report is called a PROFIT and LOSS STATEMENT. The Profit and Loss Statement is another example of the OUTPUT stage of an accounting system. Complete the Profit and Loss Statement below.

Skegs Surf Hire Profit and Loss Statement for		
REVENUE	\$	\$
Hire charges		3820
LESS EXPENSES		
Business name registration	90	
Casual wages	500	
Foreshore rental	300	
Signwriting	460	
Advertising	70	
Fuel used	275	
Fishing bait	40	1785
PROFIT		2085

Most of the information for this Profit and Loss Statement will come from the Statement of Receipts and Payments. You will also need your **FUEL EXPENSE** calculation on this page!



You have worked out that **Skegs** made a profit of \$2085 and not the \$1575 Shane thought he had made on the last page!
Profit = revenue - expenses.



The GST received by the business from its customers is not REVENUE earned and is only collected by the business on behalf of the ATO. Eventually this GST collected from the customers must be sent to the ATO. Also the business is entitled to a refund for any GST paid to its suppliers and therefore these GST payments are not EXPENSES.

Question? Who does the profit of \$2085 belong to?

Your Advice: The owner of the business

Question? Where else should we report this profit? Why?

Your Advice: In owner equity in the Balance Sheet

The profit made by the business belongs to the OWNER of the business. This is, after all, one of the major reasons why people go into business for themselves! If the owner does not withdraw this profit their INVESTMENT in the business will increase by the amount of PROFIT made in the period. We must therefore add the profit to the CAPITAL in the proprietorship/owners equity section of the BALANCE SHEET to determine the total value of owner's investment. If any DRAWINGS have been made during the period we will need to SUBTRACT this from the total of the capital and profit to determine the owner's total investment at the end of the period.



Before completing the Balance Sheet we will also have to determine the state of the GST. Is the business entitled to a REFUND or does it have to send off a PAYMENT to the ATO? To answer this question it will be necessary to complete the GST PAYABLE SCHEDULE opposite. If the amount of GST RECEIVED from CUSTOMERS exceeds the amount of GST PAID to SUPPLIERS, the business will owe this amount of GST and it will be reported as a liability. Eventually the business will have to send this GST owing off to the ATO. Conversely, the business is entitled to a refund from the ATO if the amount of GST PAID to SUPPLIERS exceeds the amount of GST RECEIVED from CUSTOMERS and this will be reported as an asset. Eventually the ATO will send a refund cheque to the business for this amount.

GST payable schedule at 29/1/07	
	\$
GST rec'd from customers	882
- GST paid to suppliers	116
Net GST payable/owing to ATO	266

Most of the information for the Balance Sheet at the end of the period will come from: the BALANCE SHEET at the start of the period at 15/1/07 plus or minus any changes to the assets, liabilities or owners equity as a result of the receipts and payments reported in the Statement of Receipts and Payments. I have helped you a bit by filling in all the figures that have not changed since the last Balance Sheet on 15/1/07.



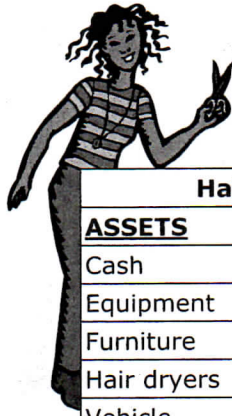
- the amount of GST owed to or by the ATO. This is the amount calculated in the GST payable schedule. In this case it has been calculated that the business owes GST of \$ 266 to the ATO and is therefore reported in the Balance Sheet as a LIABILITY.
- PROFIT from the Profit and Loss Statement is added to CAPITAL in the Balance Sheet.

Skegs Surf Hire: Balance Sheet at 29/1/07		
Assets	\$	\$
Cash		15776
Jet-skis		15000
Surfboards		7500
Fishing boat		3000
Fishing gear & tackle		2000
Panel van		15000
Trailer		5000
Stock of fuel		175
Total Assets		63451
LIABILITIES		
Loan: Dad	16000	
GST payable to ATO	266	16266
OWNERS EQUITY		
Capital, Shane	39600	
+ New capital	6000	
+ PROFIT	2085	
- Drawings	(500)	47175
Total Equities		63451

Summary time! The single entry accounting process covered so far could be represented by the following simple flow chart.



Chapter 2: Revenue and Expenses



I've also kept all the documents since I started providing services to my customers. I have been operating for a few weeks now. Below is my Balance Sheet at 15/1/07 and following are the documents for the next two week's transactions. I've recorded some of these transactions already in the cashbook.

Hair Crazy: Balance Sheet at 15/1/2007			
ASSETS	\$	LIABILITIES	\$
Cash	6885	Loan (C/Wealth)	20000
Equipment	6000	GST payable to ATO	85
Furniture	9000		
Hair dryers	1000	OWNERS EQUITY	
Vehicle	15000	Capital, Ursula	17800
Total Assets	37885	Total Equities	37885

Note there is GST owing to the ATO as a result of **Hair Crazy's** previous transactions.

DATE: 15/1/07 DOCKET NO. 7

RECEIVED FROM: *Customers*

THE SUM OF *Eight hundred & Eighty* DOLLARS Nil CENTS

BEING FOR *Takings*

\$ 880.00 including \$80 GST

SIGNATURE *Ursula* ABN 58 298 337 451

CASH RECEIPT DOCKET (TAX INVOICE)

DATE: 17/1/07 DOCKET NO. 8

RECEIVED FROM: *Customers*

THE SUM OF *Thirteen hundred & Twenty* DOLLARS Nil CENTS

BEING FOR *Takings*

\$ 1320.00 including \$120 GST

SIGNATURE *Ursula* ABN 58 298 337 451

CASH RECEIPT DOCKET (TAX INVOICE)

DATE: 20/1/07 DOCKET NO. 9

RECEIVED FROM: *Customers*

THE SUM OF *Nine hundred & Ninety* DOLLARS Nil CENTS

BEING FOR *Takings*

\$ 990.00 including \$90 GST

SIGNATURE *Ursula* ABN 58 298 337 451

CASH RECEIPT DOCKET (TAX INVOICE)

DATE: 22/1/07 DOCKET NO. 10

RECEIVED FROM: *Customers*

THE SUM OF *Sixteen hundred & Fifty* DOLLARS Nil CENTS

BEING FOR *Takings*

\$ 1650.00 including \$150 GST

SIGNATURE *Ursula* ABN 58 298 337 451

CASH RECEIPT DOCKET (TAX INVOICE)

Commonwealth Bank

Date: 16/1/07

To: *Leader News*

For: *Advertising*

This Cheque \$165.00

Includes \$15 GST

CHEQUE NUMBER 13

Commonwealth Bank

Date: 16/1/07

To: *Suddies*

For: *Hair Supplies*

This Cheque \$550.00

Includes \$50 GST

CHEQUE NUMBER 14

Commonwealth Bank

Date: 17/1/07

To: *Fleur*

For: *Wages*

This Cheque \$350.00

Includes \$0 GST

CHEQUE NUMBER 15

Commonwealth Bank

Date: 18/1/07

To: *Mr Cleano*

For: *Cleaning*

This Cheque \$165.00

Includes \$15 GST

CHEQUE NUMBER 16

Commonwealth Bank

Date: 19/1/07

To: *Suddies*

For: *Hair Supplies*

This Cheque \$660.00

Includes \$60 GST

CHEQUE NUMBER 17

Commonwealth Bank

Date: 20/1/07

To: *Crowders*

For: *Salon Rent*

This Cheque \$1540.00

Includes \$140 GST

CHEQUE NUMBER 18

Commonwealth Bank	
Date:	21/1/07
To:	Cash
For:	Drawings
This Cheque	\$650.00
Includes \$0 GST	
CHEQUE NUMBER 19	

Commonwealth Bank	
Date:	22/1/07
To:	Suddies
For:	Hair Supplies
This Cheque	\$440.00
Includes \$40 GST	
CHEQUE NUMBER 20	



DATE: 24/1/07	DOCKET NO. 11
RECEIVED FROM: Customers	
THE SUM OF Six hundred	
& Sixty DOLLARS Nil CENTS	
BEING FOR Takings	
\$ 660.00 including \$60 GST	
SIGNATURE Ursula	ABN 58 298 337 451
CASH RECEIPT DOCKET (TAX INVOICE)	

DATE: 26/1/07	DOCKET NO. 12
RECEIVED FROM: Customers	
THE SUM OF Fourteen hundred	
& Thirty DOLLARS Nil CENTS	
BEING FOR Takings	
\$ 1430.00 including \$130 GST	
SIGNATURE Ursula	ABN 58 298 337 451
CASH RECEIPT DOCKET (TAX INVOICE)	

DATE: 26/1/07	DOCKET NO. 13
RECEIVED FROM: Customers	
THE SUM OF Five hundred	
& Fifty DOLLARS Nil CENTS	
BEING FOR Takings	
\$ 550.00 including \$50 GST	
SIGNATURE Ursula	ABN 58 298 337 451
CASH RECEIPT DOCKET (TAX INVOICE)	

DATE: 29/1/07	DOCKET NO. 14
RECEIVED FROM: Commonwealth Bank	
THE SUM OF Three Thousand	
DOLLARS Nil CENTS	
BEING FOR Increase in loan	
\$ 3000.00 including \$0 GST	
SIGNATURE Ursula	ABN 58 298 337 451
CASH RECEIPT DOCKET (TAX INVOICE)	

Commonwealth Bank	
Date:	23/1/07
To:	Telstra
For:	Telephone expenses
This Cheque	\$506.00
Includes \$46 GST	
CHEQUE NUMBER 21	

Commonwealth Bank	
Date:	24/1/07
To:	Suddies
For:	Hair Supplies
This Cheque	\$330.00
Includes \$30 GST	
CHEQUE NUMBER 22	

Commonwealth Bank	
Date:	25/1/07
To:	Fox FM
For:	Advertising
This Cheque	\$264.00
Includes \$24 GST	
CHEQUE NUMBER 23	

Commonwealth Bank	
Date:	26/1/07
To:	Mr Cleano
For:	Cleaning
This Cheque	\$165.00
Includes \$15 GST	
CHEQUE NUMBER 24	

Commonwealth Bank	
Date:	28/1/07
To:	Fleur
For:	Wages
This Cheque	\$350.00
Includes \$0 GST	
CHEQUE NUMBER 25	

Commonwealth Bank	
Date:	29/1/07
To:	Cash
For:	Drawings
This Cheque	\$1000.00
Includes \$0 GST	
CHEQUE NUMBER 26	

<u>General Journal Note</u>	
31/1/07	
Contribution of private computer into the business.	
Value of \$4500.00	No GST

This is like a memo

The owner, Ursula, has contributed her own private computer to the business. This computer now becomes an asset of the business as a result of applying the ENTITY principle. When the owner contributes private assets to the business, it is known as a CAPITAL CONTRIBUTION. There is no GST involved when the owner of the business contributes personal assets to the business.



Chapter 2: Revenue and Expenses

Before you start to record Ursula's transactions into her cashbook, let us take a closer look at the last transaction of the business at the bottom of the previous page.

Question? What do you notice about this transaction? Do you think we will be able to record this transaction in the cashbook? Explain.

Your Advice: No it is not a cash transaction



Those transactions that the business is involved in that do not involve CASH cannot be recorded in the CASH BOOKS. In the transaction presented to us by Ursula, on the previous page, we can see

that the ASSETS of the business have increased, as the business now has a COMPUTER with an historical cost of \$4500. Because Ursula introduced this personal asset into the business her CAPITAL has also increased by the same amount. We must report these effects on assets and owners equity in Ursula's BALANCE SHEET.

So that we remember to report these effects and do not forget about this type of non-cash transaction at the time of preparing the reports, we will need to DESIGN a new record to perform this function. A record that has been designed to record non-cash transactions is known as a GENERAL JOURNAL. The general journal is another example of the PROCESSING stage in an accounting system.

In summary then, when preparing accounting reports we must summarize the information contained not only in the CASH BOOKS but also the information in the GENERAL JOURNAL.

GENERAL JOURNAL for Ursula's Hair Crazy

Date	Particulars	Amount
31/1/07	Capital contribution of computer	4500
31/1/07	Stocktake of hairdressing supplies	350

General Journal Note

31/1/07
Stocktake of Hairdressing
Supplies
\$350.00

No
GST

This general journal note has been used to record the result of the physical stocktake of hair dressing supplies done on the 31/1/07. Record the results of the stocktake in the general journal above now!



Note the value of the stock to be reported in the BALANCE SHEET excludes any GST as is the case when valuing all ASSETS.

In designing the cashbook below include a heading for revenue.

Hair Crazy Cashbook

Cash Receipts			Bank	Values in these columns exclude GST			GST rec'd from customers
Date	Details	Rec No		Capital	Takings	Sundry	
15/1/07	Takings	7	880		800		80
17/1/07	Takings	8	1320		1200		120
20/1/07	Takings	9	990		900		90
22/1/07	Takings	10	1650		1500		150
24/1/07	Takings	11	660		600		60
26/1/07	Takings	12	1430		1300		130
26/1/07	Takings	13	550		500		50
28/1/07	Loan Insurance	14	3000			3000	
			10480		6800	3000	680

Chapter 2: Revenue and Expenses

Cash Payments			Bank	Values in these columns exclude GST							GST paid to suppliers
Date	Details	Chq No		Draw.	Hair supplies	Advert.	Wages	Rent	Tel. exp.	Sundry	
16/1/07	Advertising	13	165			150					15
16/1/07	Hair supplies	14	550		500						50
17/1/07	Wages	15	350				350				
18/1/07	Cleaning	16	165							150	15
19/1/07	Hair Supplies	17	660		600						60
20/1/07	Rent	18	1540					1400			140
21/1/07	Drawings	19	650	650							
22/1/07	Hair Supplies	20	440		400						40
23/1/07	Phone	21	506						460		46
24/1/07	Hair Supplies	22	330		300						30
25/1/07	Advertising	23	264			240					24
26/1/07	Cleaning	24	165							150	15
28/1/07	Wages	25	350				350				
29/1/07	Drawings	26	1000	1000							
			7135	1650	1800	390	700	1400	460	300	435

Hair Crazy: Statement of Receipts and Payments for:		
	\$	\$
Balance at start		6885
Add Receipts		
Takings	6800	
Loan	3000	
GST Received	680	10480
		17365
Less Payments		
Drawings	1650	
Hair Supplies	1800	
Advertising	390	
Wages	700	
Rent	1400	
Telephone	460	
Cleaning	300	
GST Paid	435	7135
Cash at end		10230
Change in cash		5865

From the Balance Sheet at 15/1/07

The accounting reports are prepared in order to provide users of these reports with useful information. This helps with DECISION

MAKING. These reports should be prepared at a time as close as possible to the end of the reporting period to make the information as useful as possible to the USER.



I am considering the cash purchase of some new hairdressing equipment early next week. The purchase price of this equipment is \$13200 (including GST of \$1200). Use the information provided in my Statement of Receipts and Payments above to advise whether my cash purchase is possible or not. Provide reasons for your decision.

No not enough cash available

Can you suggest how I might be able to get my new equipment without having to pay cash for it?

Buy it on credit from a supplier