



My name is Harley and I am about to become the owner of **Fine Tune**, a Motor Bike Repair Shop. Turn back to page 4 and read a profile on my business and on my own personal details: **do this now!**

Use the numbers, 1, 2, 3 etc to match the 'Factor' from **Fine Tune** and its owner, Harley, with the 'Possible Consequences' listed. Number 1 has been done for you.



Factor	Possible Consequences - strengths and weaknesses
1. Has not prepared a Business Plan including a Cash Budget.	3 May lead to poor quality records and reports. May not meet all statutory requirements such as completing quarterly Business Activity Statement. May mean additional accountancy costs are incurred to overcome these problems.
2. Won major Oz lotto prize.	7 Market monopoly may lead to higher than anticipated levels of service activity.
3. Poor numeracy and literary skills. Dislikes official looking forms.	6 Demonstrates adaptability to change and ability to learn new skills.
4. No formal lease agreement.	2 Does not need to borrow to start business. This may work to reduce possible cash problems, especially in the short term.
5. Advertises in record of Motor Bike club	1 Success of business may be compromised by failing to undertake a detailed analysis of the market. Has not considered the short term cash flows of the business.
6. Can use diagnostic computers	8 Associates with many potential customers.
7. No competitors in the area.	9 The visibility of the business premises may work to increase customers and thus service activity.
8. Member of Bike Club	5 Promotes services in a well targeted publication which may work to assist service activity.
9. High quality signage appealing to bikers	10 A relatively high level of drawings is necessary to sustain his family. This may impact on businesses cash flow depending on how Oz Lotto winnings are used.
10. Married with 3 dependant age children	4 No long term security with premises.

Suggest possible **external factors** that may work to **increase** service activity for **Fine Tune**.

No competitors = High demand
Good visible location

Suggest possible **external factors** that may work to **decrease** service activity for **Fine Tune**.

Large family

Seasonal = not as many people ride bikes in winter



I have kept my business documents from my first week of business. Could you please enter the data into the cashbook provided below. I anticipate that buying 'spare parts' will be a frequent cash payment for me. Also, prepare a Statement of Receipts and Payments for the week, complete the Net GST payable schedule and a Balance Sheet at the end of the week. Thanks.

FINE TUNE RECEIPT (TAX INVOICE)	
ABN 35 687 156 994	
DATE: 7/1/07	NO: 1
REC. FROM: <i>Harley-me!</i>	
AMOUNT	\$60,000
No GST applies	
FOR: <i>Capital injection</i>	
SIGNATURE: <i>Harley</i>	

Date: 7/1/07	Chq. 1
To: <i>Repco</i>	
For: <i>Spare Parts</i>	
Amount \$	990.00
Includes \$90 GST	
FINE TUNE	

Date: 8/1/07	Chq. 2
To: <i>Max's Cars</i>	
For: <i>Panel Van</i>	
Amount \$	7700.00
Includes \$700 GST	
FINE TUNE	

Date: 9/1/07	Chq. 3
To: <i>Ace Parts</i>	
For: <i>Tools [Asset]</i>	
Amount \$	3080.00
Includes \$280 GST	
FINE TUNE	

Date: 10/1/07	Chq. 4
To: <i>Cash</i>	
For: <i>Drawings</i>	
Amount \$	600.00
No GST with Drawings	
FINE TUNE	

Date: 10/1/07	Chq. 5
To: <i>"Spot On"</i>	
For: <i>Tuning Equipment</i>	
Amount \$	1650.00
Includes \$150 GST	
FINE TUNE	

Date: 10/1/07	Chq. 6
To: <i>Repco</i>	
For: <i>Spare Parts</i>	
Amount \$	2750.00
Includes \$250 GST	
FINE TUNE	



Fine Tune: Cashbook

Cash Receipts			---These columns exclude GST---				
Date	Details	Rec.	Capital		Sundry	GST Rec'd from customers	Bank
7/1	<i>Capital Cont</i>	1	60 000				60 000
			60 000				60 000

Cash Payments			---These columns exclude GST---				
Date	Details	Chq.	Drawings	Spare Parts	Sundry	GST Paid to suppliers	Bank
7/1	<i>Spare Parts</i>	1		900		90	990
8/1	<i>Panel Van</i>	2			7000	700	7700
9/1	<i>Tools</i>	3			2800	280	3080
10/1	<i>Drawings</i>	4	600				600
10/1	<i>Tuning Equip</i>	5			1500	150	1650
10/1	<i>Spare Parts</i>	6		2500		250	2750
			600	3400	11300	1470	16770

When recording in the 'details' column of the cashbook, some people include the name of the person or business the transaction is with rather than a description of the transaction itself. For example, cheque #1 for \$990, would be entered as 'Repco', the payee, rather than 'spare parts'. Some people would include both: 'Repco/spare parts'. In this book, we record the description of the transaction in the 'details' column. Information such as the payee can always be located on the original document.



Fine Tune: Statement of Receipts and Payments for

	\$	\$
Cash at start		0
Add Cash Receipts		
GST received	0	
Capital	60000	60000
Less Payments		
GST paid to suppliers	1470	
Tools	2800	
Tuning equipment	1500	
Panel Van	7000	
Drawings	600	
Spare Parts	3400	16770
Cash Balance at end		43230
Change in Cash Balance	↑	43230

**Fine Tune: Balance Sheet at.....
[Narrative Format]**

	\$	\$
ASSETS		
GST owing from ATO		1470
Panel van		7000
Stock of spare parts		3400
Tools		2800
Tuning Equip		1500
Bank		43230
Total Assets		59400
LIABILITIES		
OWNERS EQUITY		
Capital, Harley	60000	
Less Drawings	(600)	59400
Total Equities		59400

Note that the asset values do NOT include GST.

FINE TUNE. Net GST Payable Schedule for the period 7/1/07 to 10/1/07.

GST received from customers	0
Less GST paid to suppliers	1470
Net GST Payable from ATO	1470

Asset

GST Schedule



Before I started my business, the accounting equation would have been:

$$\begin{array}{ccccc} \text{Assets} & = & \text{Liabilities} & + & \text{Proprietorship} \\ \$0 & & \$0 & & \$0 \end{array}$$

Then I contributed \$60000 cash. Complete the accounting equation:

Assets	=	Liabilities	+	Proprietorship
cash \$60000		— \$0		capital \$60000
				Total Equities \$60000



Then I bought spare parts (asset) for \$990 cash inc. \$90 GST. Complete the accounting equation:

Assets	=	Liabilities	+	Proprietorship
Cash \$59010		— \$0		capital \$60000
Stock spare parts \$900				
Owing from ATO \$90				
Total Assets \$60000				Total Equities \$60000

Chapter 1: Starting Out



Then I bought a Panel Van for \$7700 cash inc. \$700 GST. Complete the equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$51310		-	\$0		Capital	\$60000
Stock Spare Parts	\$ 900						
Owing from ATO	\$ 790						
Panel Van	\$ 7000						
Total Assets	\$60000					Total Equities	\$60000



Then I bought tools for \$3080 cash inc. \$280 GST. Complete the accounting equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$48230		-	\$0		Capital	\$60000
Stock Spare Parts	\$ 900						
Owing from ATO	\$ 1070						
Panel Van	\$ 7000						
Tools	\$ 2800						
Total Assets	\$60000					Total Equities	\$60000



Then I had drawings of \$600 cash (No GST). Complete the accounting equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$47630		-	\$0		Capital	\$60000
Stock Spare Parts	\$ 900					Drawings	\$ (600)
Owing from ATO	\$ 1070					Net Proprietorship	\$59400
Panel Van	\$ 7000						
Tools	\$ 2800						
Total Assets	\$59400					Total Equities	\$59400



Then I bought Tuning equipment for \$1650 inc. \$150 GST. Complete the equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$45980		-	\$0		Capital	\$60000
Stock Spare Parts	\$ 900					Drawings	\$ (600)
Owing from ATO	\$ 1220					Net Proprietorship	\$59400
Panel Van	\$ 7000						
Tools	\$ 2800						
Tuning Equipment	\$ 1500						
Total Assets	\$59400					Total Equities	\$



Then, finally, I bought Spare Parts for \$2750 inc. \$250 GST. Complete the equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$43230		-	\$0		Capital	\$60000
Stock Spare Parts	\$ 3400					Drawings	\$ (600)
Owing from ATO	\$ 1470					Net Proprietorship	\$59400
Panel Van	\$ 7000						
Tools	\$ 2800						
Tuning Equipment	\$ 1500						
Total Assets	\$59400					Total Equities	\$59400



Compare the results of the final accounting equation, $\text{Assets} = \text{Liabilities} + \text{Proprietorship}$, on the last page to the Balance Sheet for **Fine Tune** on page 24. You should notice that the results are the same since a Balance Sheet is a report on the accounting equation at a particular point in time.

Hi, my name is Ursula and I own and operate a Hairdressing Salon called **Hair Crazy**. Turn back to page 5 and read a profile on my business and on my own personal details: **do this now!**



Use the numbers, 1, 2, 3 etc to match the 'Factor' from **Hair Crazy** and its owner, Ursula, with the 'Possible Consequences' listed. Number 1 has been done for you.

Factor	Possible Consequences - strengths and weaknesses
1. Low level of savings	2 Has business experience and acumen. Has demonstrated the ability to maintain a viable small business for many years.
2. 10 years in business	10 Provides expert advice which may work to enhance the quality of her decision making.
3. Does not offer credit card facilities	1 May increase the need to borrow instead of using own resources.
4. Lease has less than 1 year to go	6 Potential for business success is enhanced by the diversification in income earning activities.
5. Single with an infant to care for	8 Improved visibility and identification with target market.
6. Recently provides body-piercing services	9 Increases customer satisfaction and provides information that may lead to improved decision making in the future.
7. Attends update sessions	3 May lead to a loss of customers if cannot offer this service.
8. New signage and interior decorations	5 May impact on ability to work full time and thus compromise hours of operation. Cannot easily rely on family to help out if required.
9. Free coffee and customer surveys	7 Improves technical skill and thus the ability to provide income earning activities
10. Father is a CPA	4 No long term security with premises.



My business, **Hair Crazy**, has been operating for about 10 years, and here is the Balance Sheet at 1/1/07. On the next page are documents that I would like you to record in the cashbook provided.

Hair Crazy: Balance Sheet at 1/1/07			
Assets	\$	Equities	\$
Cash	5000	Owners Equity	
Hairdressing equipment	<u>20000</u>	Capital, Ursula	<u>25000</u>
Total Assets	<u>25000</u>	Total Equities	<u>25000</u>

Balance Sheet

DATE: 1/1/07	DOCKET NO. 111
RECEIVED FROM: <i>Ursula</i>	
THE SUM OF <i>Five thousand</i>	DOLLARS
	CENTS
BEING FOR <i>Capital</i>	No GST
\$ 5000.00	
SIGNATURE <i>Ursula</i>	ABN 58 298 337 451
CASH RECEIPT DOCKET (TAX INVOICE)	

Commonwealth Bank	
Date: 1/1/07	
To: <i>Myers</i>	
For: <i>Furniture</i>	
This Chq.	\$9,900
Includes \$900 GST	
CHEQUE NUMBER 81	

DATE: 1/1/07	DOCKET NO. 112
RECEIVED FROM: <i>Commonwealth Bank</i>	
THE SUM OF <i>Seven thousand</i>	DOLLARS
	CENTS
BEING FOR <i>Business Loan</i>	No GST
\$ 7000.00	
SIGNATURE <i>Ursula</i>	ABN 58 298 337 451
CASH RECEIPT DOCKET (TAX INVOICE)	

Commonwealth Bank	
Date: 2/1/07	
To: <i>Ajax</i>	
For: <i>Computer</i>	
This Chq.	\$6,600
Includes \$600 GST	
CHEQUE NUMBER 82	

Commonwealth Bank	
Date: 3/1/07	
To: <i>Ace Cars</i>	
For: <i>Vehicle</i>	
This Chq.	\$16,500
Includes \$1500 GST	
CHEQUE NUMBER 83	

Commonwealth Bank	
Date: 4/1/07	
To: <i>Hot Zone</i>	
For: <i>Fax</i>	
This Chq.	\$1,100
Includes \$100 GST	
CHEQUE NUMBER 84	

Commonwealth Bank	
Date: 5/1/07	
To: <i>Cash</i>	
For: <i>Drawings</i>	
This Chq.	\$350
No GST on drawings	
CHEQUE NUMBER 85	

Notice in the cashbook below that capital and drawings are frequent transactions and are thus given their own columns.
PS: Total the cashbook at the end of the period.



Hair Crazy: Cashbook

Cash Receipts		---These columns exclude GST---					
Date	Details	Rec.	Capital		Sundry	GST Rec'd from customers	Bank
1/1	Capital	111	5000				5000
1/1	Loan	112			7000		7000
5/1/07	Totals		5000		7000		12000

Cash Payments		---These columns exclude GST---					
Date	Details	Chq.	Drawings		Sundry	GST Paid to suppliers	Bank
1/1	Furniture	81			9000	900	9900
2/1	Computer	82			6000	600	6600
3/1	Vehicle	83			15000	1500	16500
4/1	Fax	84			1000	100	1100
5/1	Drawings	85	350				350
5/1/07	Totals		350		31000	3100	34450



Now complete this Statement of Receipts and Payments, Net GST payable schedule and the Balance Sheet.

You use the cashbook to source the data for the Statement of Receipts and Payments below.

Hair Crazy: Statement of Receipts and Payments for		
	\$	\$
Cash at start		5000
Add Cash Receipts		
GST received	0	
Capital	5000	
Loan	7000	12000
		17000
Less Payments		
GST paid to suppliers	3100	
Furniture	9000	
Computer	6000	
Vehicle	15000	
Fax	1000	
Drawings	350	34450
Cash Balance at end		(17450)
Change in Cash Bal.		(12450)

Note that these values do NOT include GST.

Note that these values do NOT include GST.

Hair Crazy. Net GST Payable Schedule for the period 1/1/07 to 5/1/07.	
GST received from customers	0
Less GST paid to suppliers	3100
Net GST Payable from ATO	3100

Reported in Balance Sheet at 7/1/07 as an asset

From Balance Sheet at 1/1/07

Note that the cash at end is an overdraft and thus must be reported as a liability in the Balance Sheet at 7/1/07.



Before you can complete the Balance Sheet below at 7/1/07, you must also take the initial

Balance Sheet at 1/1/07 into account, shown here, as well as the current Statement of Receipts and Payments above.

Hair Crazy: Balance Sheet at 1/1/07			
Assets	\$	Equities	\$
Cash	5000	Owners Equity	
Hairdressing equip.	20000	Capital, Ursula	25000
Total Assets	25000	Total Equities	25000

Hair Crazy: Balance Sheet at 7/1/07				
Assets	\$	Equities	\$	\$
GST owing from ATO	3100	Liabilities		
Hairdressing equipment	20000	Cash overdraft	17450	
Furniture	9000	Commonwealth loan	7000	24450
Computer	6000	Owners Equity		
Vehicle	15000	Capital, Ursula	25000	
Fax	1000	Add new capital	5000	
		Less drawings	(350)	
Total Assets	54100	Total Equities		54100

Note that Balance Sheet values, such as Fax, do not include the GST.



At the start of this period at 1/7/07, the accounting equation was:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$5000			\$0		Capital, Ursula	\$25000
Hairdressing Eqt.	\$20000						
Total Assets	\$25000					Total Equities	\$25000



Then I contributed \$5000 cash. (No GST). Complete the accounting equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$10000			\$0		Capital, Ursula	\$25000
Hairdressing Eqt.	\$20000					Contribution	5000
Total Assets	\$30000						30000
						Total Equities	\$30000



Then I bought furniture for \$9900 cash inc. \$900 GST. Complete the equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$100			\$0		Capital, Ursula	\$30000
Owing from ATO	\$900						
Hairdressing Eqt.	\$20000						
Furniture	\$9000						
Total Assets	\$30000					Total Equities	\$30000



Then I borrowed \$7000 cash from the Commonwealth Bank. No GST. Complete equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$7100		Loan	\$7000		Capital, Ursula	\$30000
Owing from ATO	\$900						
Hairdressing Eqt.	\$20000						
Furniture	\$9000						
Total Assets	\$37000					Total Equities	\$37000



Then I bought a computer for \$6600 cash inc. \$600 GST. Complete the equation:

Assets		=	Liabilities		+	Proprietorship	
Cash	\$500		C/Wealth Loan	\$7000		Capital, Ursula	\$30000
Owing from ATO	\$1500						
Hairdressing Eqt.	\$20000						
Furniture	\$9000						
Computer	\$6000						
Total Assets	\$37000					Total Equities	\$37000



Then I bought a Vehicle for \$16500 cash inc. \$1500 GST. Complete the equation:

Assets		=	Liabilities		+	Proprietorship	
Owing from ATO	\$3000		C/Wealth Loan	\$7000		Capital, Ursula	\$30000
Hairdressing Eqt.	\$20000		Cash overdraft	16000			
Furniture	\$9000		Total Liabilities	23000			
Computer	\$6000						
Vehicle	\$15000						
Total Assets	\$53000					Total Equities	\$53000



Then I bought a Fax for \$1100 cash inc. \$100 GST. Complete the equation:

Assets		=	Liabilities		+	Proprietorship	
Owing from ATO	\$3100		C/Wealth Loan	\$7000		Capital, Ursula	\$30000
Hairdressing Eqt.	\$20000		Cash overdraft	17100			
Furniture	\$9000		Total Liabilities	24100			
Computer	\$6000						
Vehicle	\$15000						
Fax	\$1000						
Total Assets	\$54100					Total Equities	\$54100



Then, finally, I took drawings of \$350. No GST. Complete the equation:

Assets		=	Liabilities		+	Proprietorship	
Owing from ATO	\$3100		C/Wealth Loan	\$7000		Capital, Ursula	\$30000
Hairdressing Eqt.	\$20000		Cash overdraft	17450		Drawings	(350)
Furniture	\$9000		Total Liabilities	24450		Net Prop'ship	29650
Computer	\$6000						
Vehicle	\$15000						
Fax	\$1000						
Total Assets	\$54100					Total Equities	\$54100



Compare the results of this final accounting equation, Assets = Liabilities + Proprietorship, to the Balance Sheet at 7/1/07 for **Hair Crazy** on page 28. You should notice that the results are the same since a Balance Sheet is a report on the accounting equation at a particular point in time.

Accounting Equation



My name is Vivien and I own and manage a veterinary clinic called **Vivien the Vet**. Turn back to page 5 and read my personal profile as well as background information on my business: **do this now!**

Factor	Possible Consequences - strengths and weaknesses
1. Long term lease	4 Because Vivien can communicate in 3 languages, her (potential) client base may be bigger than her competitors in this multi-cultural country town. Advertises in the local Italian Gazette.
2. Academic record	7 Actively promotes her services to her target customer base.
3. Level of personal debt.	8 Family situation requires a relatively high time commitment which may, in turn, effect time available to business performance such as monitoring the financial records and business planning.
4. Multi-lingual	5 Sensitive to merchandising which may stimulate counter sales of veterinary related products.
5. Empathy with farm animals	1 Secure tenancy.
6. Installed new GST accounting software	6 Demonstrates a high level of technical skill in a number of areas and the capacity to learn new skills.
7. Well presented front of shop	10 Possible market saturation which may cause an uneconomic level of service activity unless she can market herself effectively.
8. Disabled husband and 5 dependant children	2 Adaptable to change and is able to update her business skills.
9. State of competition	3 Business needs to generate relatively high level of cash inflow to service her personal debt: the business may have problems meeting its cash commitments.
10. Advertises in local media and regular flyer to district farmers	9 Urbanisation of town may reduce demand for working with farm animals which seems to be her passion/speciality.

Suggest how the long term lease may become a weakness rather than a strength.

Is locked in. Risky if the business fails or needs to relocate



Here is my Balance Sheet at 1/1/07 followed by documents which evidence my business transactions. Could you please record these in the cashbook provided (spreadsheet) on the next page.

Vivien the Vet: Balance Sheet at 1/1/07			
ASSETS		LIABILITIES	
	\$		\$
Owing from ATO	400	Loan from Mum	20000
Vehicle	30000	Cash overdraft	4000
Vet equipment	12000		
Office equipment	5000	OWNERS EQUITY	
		Capital, Vivien	23400
	<u>47400</u>		<u>47400</u>

Date: 2/1/07
To: MUM
For: REDUCE LOAN
This Chq: \$5000
No GST applies
CHEQUE NO. 10

Date: 3/1/07
To: Siemens
For: Stock Drugs
This Chq: \$1100
Includes \$100 GST
CHEQUE NO. 11

Date: 4/1/07
To: Hi-Tech
For: Computer
This Chq: \$4400.00
Includes \$400 GST
CHEQUE NO. 12

Vivien the Vet - Benalla
 RECEIPT (TAX INVOICE) # 52 **Date:** 3/1/07
From: Vivien - me!
For: Capital contribution **Amt:** \$3000 (No GST)
 ABN 85 115 339 885

Vivien the Vet - Benalla
 RECEIPT (TAX INVOICE) # 53 **Date:** 4/1/07
From: NAB Bank
For: Business loan **Amt:** \$8000 (No GST)
 ABN 85 115 339 885

Date: 5/1/07
To: CASH
For: DRAWINGS
This Chq: \$500.00
No GST applies
CHEQUE NO. 13

Date: 5/1/07
To: Siemens
For: Stock Drugs
This Chq: \$2200.00
Includes \$200 GST
CHEQUE NO. 14

During the period, no stock of drugs were used up!
 Total the cashbook at the end of the period.
 PS: Stock of drugs is a frequent cash purchase!



Vivien the Vet: CASHBOOK

	A	B	C	D	E	F	G	H
1	Cash Receipts							
2				Values in these columns exclude GST			GST	
3	Date	Details	Doc	Capital		Sundry	Received	Bank
4	3/1	Capital Cont	52	3000				3000
5	4/1	Loan	53			8000		8000
6								
7				3000		8000		11000
8	Cash Payments							
9				Values in these columns exclude GST			GST Paid	
10	Date	Details	Doc	Drawings	Stock Drugs	Sundry	to suppliers	Bank
11	2/1	Loan	10			5000		5000
12	3/1	Stock Drugs	11		1000		100	1100
13	4/1	Computer	12			4000	400	4400
14	5/1	Drawings	13	500				500
15	5/1	Stock Drugs	14		2000		200	2200
16								
17								
18				500	3000	9000	700	13200