

My name is Frank and I am the proprietor of **FUNKY FRANKY**, a business that provides music for entertainment purposes. Here is my Balance Sheet at 1/1/07:



FUNKY FRANKY: Balance Sheet at 1/1/07

ASSETS

	\$
Vehicle	✓ 11000
Turntables	✓ 2000
Speakers	✓ 1500
CD unit	✓ 900
Amplifier	✓ 6000
Stock of CD's	✓ 3000
Cash	100
Total Assets	<u>24500</u>

LIABILITIES

	\$
Loan from N.A.B.	✓ 10000

OWNERS EQUITY

Capital, Frank	✓ 14500
	<u>24500</u>

Liabilities plus Owners Equity is called Total Equities which is always the same value as Total Assets.

Here are my documents, not in chronological order, for the month ending 31/1/07. Enter the transaction data in the Cashbook provided in chronological order. I frequently purchase 'CD's'.

Date: 2/1/07
To: Cash
For: Drawings
This Chq: \$500.00
No GST applies
CHEQUE NO. 21
FUNKY FRANKY

Date: 8/1/07
To: Brash's
For: CD's
This Chq: \$165.00
Includes \$15 GST
CHEQUE NO. 22
FUNKY FRANKY

FUNKY FRANKY
TAX INVOICE ABN 36 311 745 622
RECEIPT NO 30
DATE: 2/1/07
FROM: Mrs Rap
THE SUM OF: Three
Thousand dollars only
FOR: Loan
\$3000.00
Funky Franky

No GST

FUNKY FRANKY
TAX INVOICE ABN 36 311 745 622
RECEIPT NO 31
DATE: 24/1/07
FROM: Frank-Owner
THE SUM OF: Two
Thousand dollars only
FOR: Capital injection
\$2000.00
Funky Franky

No GST

Date: 16/1/07
To: NAB Loan
For: Decrease Loan
This Chq: \$3000.00
No GST applies
CHEQUE NO. 25
FUNKY FRANKY

Date: 12/1/07
To: "FLASH"
For: Lights
This Chq: \$715.00
Includes \$65 GST
CHEQUE NO. 24
FUNKY FRANKY

Date: 9/1/07
To: "Brash's"
For: CD's
This Chq: \$88.00
Includes \$8 GST
CHEQUE NO. 23
FUNKY FRANKY

What is the name of the accounting principle which states that all assets are reported at their original price rather than at their current market value? HISTORICAL COST

Date: 22/1/07
To: "H/Norman"
For: CD's
This Chq: \$825.00
Includes \$75 GST
CHEQUE NO. 27
FUNKY FRANKY

Date: 26/1/07
To: CASH
For: DRAWINGS
This Chq: \$1000.00
No GST applies
CHEQUE NO. 28
FUNKY FRANKY

Date: 18/1/07
To: "Good Deal"
For: Trailer
This Chq: \$5500.00
Includes \$500 GST
CHEQUE NO. 26
FUNKY FRANKY

Cashbook: Cash Receipts

Date	Details	Rec	Values in these columns exc. GST			GST Rec'd	Bank
			Capital		Sundry		
2/1	Loan	30			3000		3000
24/1	Capital Cont	31	2000				2000
			2000		3000		5000

Cashbook: Cash Payments

Date	Details	Chq	Values in these columns exc. GST			GST Paid to suppliers	Bank
			Drawings	CD's	Sundry		
2/1	Drawings	21	500				500
8/1	CD's	22		150		15	165
9/1	CD's	23		80		8	88
12/1	Lights	24			650	65	715
16/1	Loan	25			3000		3000
18/1	Trailer	26			5000	500	5500
22/1	CD's	27		750		75	825
26/1	Drawings	28	1000				1000
			1500	980	8650	668	11793

FUNKY FRANKY Statement of Receipts and Payments for

	\$	\$
Cash at start		100
Add Cash Receipts		
Capital	2000	
Loan	3000	5000
		5100
Less Cash Payments		
GST paid to suppliers	663	
Drawings	1500	
CD's	980	
Lights	650	
Loan	3000	
Trailer	5000	11793
Cash Balance at end		(6693)
Change in Cash Bal.		

FUNKY FRANKY Net GST Payable Schedule for January	
GST received from customers	0
Less GST paid to suppliers	663
Net GST Payable to/from ATO	663

FUNKY FRANKY Balance Sheet at [Narrative Format]

	\$	\$
ASSETS		
Vehicle	11000	11000
GST owing from ATO	663	
Turntables	2000	
Speakers	1500	
CD Unit	900	
Amplifier	6000	
CD's	3980	
Lights	650	
Trailer	5000	31693
Total Assets		
LIABILITIES		
Cash overdraft	6693	
Loan NAB	7000	
Loan Mrs Rap	3000	16693
OWNERS EQUITY		
Capital at start	14500	
Add new Capital	2000	
Less Drawings	(1500)	15000
Total Equities		31693



Give an alternative word/s for 'Owners Equity'. Proprietorship

Your Balance Sheet should show drawings reducing the value of my owner's equity. What is the name of the accounting principle which says that the transactions of me, the owner, should be kept separate from the transactions of the business? Entity

Here is my Cashbook for February with the TOTALS recorded. Could you please prepare a new Statement of Receipts and Payments and Net GST payable schedule for February and a new Balance Sheet at the end of February.

Before you prepare the new Balance Sheet, you will have to look back at the Balance Sheet at the end of January since most [but not all] of the assets and liabilities will be the same in February as they were in January.

Tricky bit! What **Capital** figure will you put at the start in your February Balance Sheet? The answer is the final value of Owners Equity from the last Balance Sheet! _____

Cashbook: Cash Receipts

Date	Details	Rec.	Values in these columns exc. GST			GST Rec'd		
			Capital				Sundry	Bank
Feb	Totals		<u>5000</u>			<u>0</u>		<u>5000</u>

Cashbook: Cash Payments

Date	Details	Chq.	Values in these columns exc. GST				GST paid to suppliers		
			Draw'	CD's	Micro-phone	NAB LOAN		Sundry	Bank
Feb	Totals		<u>750</u>	<u>1500</u>	<u>500</u>	<u>2000</u>	<u>200</u>		<u>4950</u>

FUNKY FRANKY: Statement of Receipts and Payments for

	\$	\$
Cash at start		(6693)
Add Cash Receipts		
<u>Capital</u>		<u>5000</u>
		<u>(1693)</u>
Less Cash Payments		
<u>Drawings</u>	<u>750</u>	
<u>CD's</u>	<u>1500</u>	
<u>Microphone</u>	<u>500</u>	
<u>NAB Loan</u>	<u>2000</u>	
<u>GST Paid</u>	<u>200</u>	<u>4950</u>
Cash Balance at end		<u>(6643)</u>
Change in Cash Bal.		

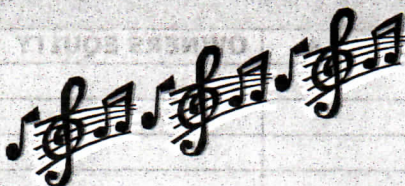
FUNKY FRANKY Net GST Payable Schedule for February

GST rec'd from customers	0
Less GST paid to suppliers	
Sub total	
Add GST owing from Jan.	663
Total Net GST owing from ATO	Asset

FUNKY FRANKY: Balance Sheet at [Narrative Format]

	\$	\$
ASSETS		
Vehicle	<u>11000</u>	<u>11000</u>
GST owing (Jan. + Feb.)	<u>863</u>	
Turntable	<u>2000</u>	
Speakers	<u>1500</u>	
CD Unit	<u>900</u>	
Amplifier	<u>6000</u>	
Stock of CD's	<u>5480</u>	
Lights	<u>650</u>	
Trailer	<u>5000</u>	
Microphone	<u>500</u>	<u>33893</u>
Total Assets		
LIABILITIES		
Cash overdraft	<u>6643</u>	
Loan: NAB	<u>5000</u>	
Loan: Mrs Rap	<u>3000</u>	<u>14643</u>
OWNERS EQUITY		
Capital, Franky	<u>15000</u>	
+ New Capital in Feb.	<u>5000</u>	
- Drawings (just Feb.)	<u>(750)</u>	<u>19250</u>
Total Equities		<u>33893</u>

Drawings just for February





Here are my Cashbook Totals for March. Could you please prepare a new Statement of Receipts and Payments and Net GST payable schedule for March and a new Balance Sheet at the end of March. Don't forget that the capital at the end of February will be the capital you use at the start of March.

Cashbook: Cash Receipts

Date	Details	Rec	Values in these columns exclude GST					GST Rec'd	Bank
			Capital				Sundry		
Mar	Totals		<u>20000</u>					<u>0</u>	<u>20000</u>

Cashbook: Cash Payments

Date	Details	Chq	Values in these columns exclude GST					GST paid to suppliers	Bank
			Draw'	CD's	RAP LOAN	NAB LOAN	LIGHTS		
MAR	Totals		<u>3000</u>	<u>1000</u>	<u>1500</u>	<u>4000</u>	<u>600</u>	<u>160</u>	<u>10260</u>

FUNKY FRANKY: Statement of Receipts and Payments for

	\$	\$
Cash at start		(6643)
Add Cash Receipts		
Capital	20000	13357
Less Cash Payments		
Drawings	3000	
CD's	1000	
Loan RAP	1500	
Loan NAB	4000	
Lights	600	
GST	160	10260
Cash Balance at end		3097
Change in Cash Bal.		

FUNKY FRANKY Net GST Payable Schedule for March

GST rec'd from customers	0
Less GST paid to suppliers	160
Sub total	160
Add GST owing from Jan & Feb	863
Total Net GST owing from ATO	Asset

FUNKY FRANKY: Balance Sheet at [Narrative Format]

	\$	\$
ASSETS		
Cash	3097	
Vehicle	11000	11000
GST owing (Jan, Feb, Mar)	1023	
Turntable	2000	
Speakers	1500	
CD Unit	900	
Amplifier	6000	
Stock of CD's	6480	
Lights (inc. March's \$600)	1250	
Trailer	5000	
Microphone	500	
Total Assets		38750
LIABILITIES		
Loan: NAB	1000	
Loan: Mrs Rap	1500	2500
OWNERS EQUITY		
Capital, Franky	19250	
+ New Capital March	20000	
- Drawings for March	(3000)	36250
Total Equities		38750

Drawings just for March



This capital is the value of capital at the end of last month. Get this figure from the Balance Sheet at the end of February.

Complete this table:

	ASSETS	=	LIABILITIES	+	OWNERS EQUITY
At 1/1/07	\$24500		10000		14500
At 31/1/07	31693		16693		15000
At 28/2/07	33893		14643		19250
At 31/3/07	38750		2500		36250

Overlap Exercise 1

My name is Mick and I operate a Helicopter joy flight service in the Mt Hotham area. I have provided you with my Balance Sheet at 1/1/07:

ASSETS		LIABILITIES	
	\$		\$
Helicopter	117000	Loan [NBA]	105000
Stock of Fuel	1000	OWNERS EQUITY	
Tools and Equipment	4000	Capital, Mick	27000
Cash	10000		
Total Assets	132000	Total Equities	132000



I forgot to put my Capital figure in the Balance Sheet: **could you please calculate my Capital and put it into the Balance Sheet above!**

Cash Receipts									
Date 2007	Details	Rec No.	Values in these columns exclude GST					GST Rec'd	Bank
			CAPITAL	ANZ LOAN			Sundry		
JAN	TOTALS		3500	5000				0	8500

Cash Payments									
Date 2007	Details	Chq No.	Values in these columns exclude GST					GST paid to suppliers	Bank
			DRAW'	TOOLS & EQUIPT	STOCK FUEL	NBA LOAN	ANZ LOAN	Sundry	
JAN	TOTALS		1000	3000	300	4000	3000	330	11630

Please complete these two reports: PS: I haven't used any of the fuel yet.



MICK'S JOYFLIGHTS: Statement of Receipts and Payments for		
	\$	\$
Cash at start		10000
Add Cash Receipts		
Capital	3500	
ANZ Loan	5000	2500
		12500
Less Add Cash Payments		
Drawings	1000	
Tools	3000	
Fuel stock	300	
NBA Loan	4000	
ANZ Loan	3000	
GST	330	11630
Cash at end		6870
Change in cash		(3130)

MICK'S JOY FLIGHTS Net GST Payable Schedule for January	
GST rec'd from customers	0
Less GST paid to suppliers	330
Net GST Payable to/from ATO	330 Asset

MICK'S JOYFLIGHTS Balance Sheet at		
	\$	\$
ASSETS		
Helicopter	117000	117000
GST owing from ATO	330	
Stock of fuel (inc. Jan)	1300	
Tools & Equipt (inc. Jan)	7000	
Cash	6870	
Total Assets		132500
EQUITIES		
Liabilities		
Loan: NBA	101000	
Loan: ANZ	2000	103000
Owners Equity		
Capital, Mick	27000	
+ New Capital Jan.	3500	
- Drawings for Jan.	(1000)	29500
Total Equities		132500

From initial Balance Sheet above



Here are my documents for the next month - February. Could you please record the documents into the cashbook and then do a Statement of Receipts and Payments and Net GST payable schedule for February and a Balance Sheet at the end of February.
PS: I still haven't used any fuel!

Date 2/2/07
To Choppers
For Tools & Equipment
This Cheque \$4950
Includes \$450 GST
Mick's Joy Flights
No 34

Date 10/2/07
To Cash
For Drawings
This Cheque \$1000
No GST applies
Mick's Joy Flights
No 35

Date 12/2/07
To Mobil
For Fuel
This Cheque \$880
Includes \$80 GST
Mick's Joy Flights
No 36

Mick's Joy Flights 

RECEIPT

NO: 70 No GST

DATE: 10/2/07

FROM: Mick the owner

FOR: Capital
\$10,000.00

Sign Mick

Thank you for your custom

Mick's Joy Flights 

RECEIPT

NO: 71 No GST

DATE: 15/2/07

FROM: ANZ BANK

FOR: INCREASE LOAN
\$8,000.00

Sign Mick

Thank you for your custom

Date 17/2/07
To Cash
For Drawings
This Cheque \$1200
No GST applies
Mick's Joy Flights
No 37

Date 20/2/07
To NBA Loan
For Reduce loan
This Cheque \$1000
No GST applies
Mick's Joy Flights
No 38

Date 21/2/07
To Choppers
For Tools & Equipt.
This Cheque \$550
Includes \$50 GST
Mick's Joy Flights
No 39

Mick's Joy Flights: Cash Book.

Cash Receipts									
Values in these columns exclude GST								GST Rec'd	Bank
Date	Details	Rec No.	Capital	ANZ Loan			Sundry		
10/2	Capital	70	10000						10000
15/2	ANZ Loan	71		8000					8000
28/2	Totals		10000	8000					18000

Cash Payments									
Values in these columns exclude GST								GST paid to suppliers	Bank
Date	Details	Chq No.	Drawings	Tools & Equipt.	Stock of Fuel	NBA Loan	ANZ Loan		
2/2	Tools	34		4500				450	4950
10/2	Drawings	35	1000						1000
12/2	Fuel	36			800			80	880
17/2	Drawings	37	1200						1200
20/2	Loan	38				1000			1000
21/2	Tools	39		500				50	550
28/2	Totals		2200	5000	800	1000		580	9580

MICK'S JOYFLIGHTS: Statement of Receipts and Payments for		
	\$	\$
Cash at start		6870
Add Cash Receipts		
Capital	10000	
ANZ loan	8000	18000
		24970
Less Add Cash Payments		
Drawings	2200	
Tools	5000	
Stock of fuel	800	
NBA Loan	1000	
GST	580	9580
Cash at end		15290
Change in cash		

MICK'S JOYFLIGHTS Balance Sheet at		
	\$	\$
ASSETS		
Helicopter	117000	117000
GST owing (Jan. & Feb.)	910	
Cash	15290	
Stock of Fuel (inc. Feb.)	2100	
Tools & Equipt. (inc. Feb.)	12000	
Total Assets		147300
LIABILITIES		
Loan: NBA	100000	
Loan: ANZ	10000	110000
OWNERS EQUITY		
Capital, Mick	29500	
Add New Capital for Feb.	10000	
Less Drawings for Feb.	(2200)	37300
Total Equities		147300

FUNKY FRANKY Net GST Payable Schedule for February	
GST rec'd from customers	0
Less GST paid to suppliers	580
Sub total	580
Add GST owing from January	330
Total Net GST owing from ATO	910 Asset

From January's Balance Sheet



For the month of March, I have given you a list of my receipts & payments. Could you please record them in the cashbook and prepare the Statement of Receipts and Payments and Net GST schedule for the month and a Balance Sheet at the end of the month. NB: Record the left column first then the right hand column.

3/3 Paid \$550 for fuel, including \$50 GST, cheque no. 40

5/3 Drawings of cash \$1600, no GST applies, cheque no. 41

10/3 Reduced ANZ Loan \$600, no GST applies, cheque no. 42

13/3 Drawings of cash \$5000, no GST applies, cheque no. 43

16/3 Paid \$2200 for tools & equipment, including \$200 GST, cheque no. 44

20/3 Capital injection of \$3000, no GST applies, receipt no. 72

23/3 Reduced NBA loan \$8000, no GST applies, cheque no. 45

28/3 Drawings of cash \$20000, no GST applies, cheque no. 46

Cash Receipts								
Date	Details	Rec No.	Values in these columns exclude GST				GST Rec'd	Bank
			Capital	ANZ Loan		Sundry		
20/3	Capital Cont	72	3000					3000
31/3	Totals		3000					3000

Cash Payments								
Date	Details	Chq No.	Values in these columns exclude GST				GST paid to suppliers	Bank
			Drawings	Tools Equipt	Stock of Fuel	NBA Loan	ANZ Loan	
3/3	Fuel	40			500			580
5/3	Drawings	41	1600					1600
10/3	ANZ Loan	42					600	600
13/3	Drawings	43	5000					5000
16/3	Tools	44		2000				2200
23/3	NBA Loan	45				8000		8000
28/3	Drawings	46	20000					20000
31/3	Totals		26600	2000	500	8000	600	37950



PS: you guessed it! I have not yet used any fuel.



MICK'S JOYFLIGHTS: Statement of Receipts and Payments for		
	\$	\$
Cash at start		15290
Add Cash Receipts		
Capital	3000	
		18290
Less Cash Payments		
Drawings	26600	
Tools	2000	
Stock Fuel	500	
NBA Loan	8000	
ANZ Loan	600	
GST	250	37950
Cash Balance at end		(19660)
Change in Cash Bal.		

FUNKY FRANKY Net GST Payable Schedule for March	
GST rec'd from customers	0
Less GST paid to suppliers	250
Sub total	250
Add GST owing from Jan. & Feb.	910
Total Net GST owing from ATO	Asset

MICK'S JOYFLIGHTS Balance Sheet at		
	\$	\$
ASSETS		
Helicopter	117000	117000
GST owing (Jan., Feb., Mar.)	1160	
Stock of fuel (inc. March)	2600	
Tools & Equipt. (inc. Mar.)	14000	
Total Assets		134760
LIABILITIES		
Cash overdraft	19660	
Loan: NBA	92000	
Loan: ANZ	9400	121060
OWNERS EQUITY		
Capital, Mick	37300	
Add New Capital March	3000	
Less Drawings March	(26600)	13700
Total Equities		134760

From February's Balance Sheet

The accounting equation can be expressed in this different format: [OE = A - L.]
Please complete the following table.

	OWNERS EQUITY	= ASSETS	- LIABILITIES
End of January	27000	132000	105000
End of February	37300	147300	110000
End of March	13700	134760	121060

What was the main reason for the large decrease in owners equity in March?
Drawings.....
.....
.....

The Bank Manager has requested an urgent interview with Mick. Suggest the source of the Bank Manager's concern
Large loan amount.....
Large overdraft.....

Complete the following flow chart of our single entry accounting process so far:

