

Calculation of hair dressing supplies expense	
	\$
Stock at start 15/1/07	0
+ Stock purchased	1800
Sub Total	1800
- stocktake at end	350
Hair dressing supplies expense (used up)	1450

Remember this will be reported in the Balance Sheet.

Remember this will be reported in the Profit and Loss Statement.

Hair Crazy: Profit and Loss Statement for		
	\$	\$
Revenue		
Takings		6800
Less Expenses		
Hair dressing supplies	1450	
Advertising	390	
Wages	700	
Rent	1400	
Telephone Expense	460	
Cleaning	300	4700
Net Profit		2100

Hair Crazy

Remember the profit or loss will be reported in the Balance Sheet.

GST Payable Schedule at 31/1/07	
	\$
GST payable to ATO at 15/1/07	85
	680
Sub Total (GST payable to ATO)	765
	435
Net GST payable to ATO	330

This amount comes from the Balance Sheet at the start of the period 15/1/07.

These amounts come from the cashbook totals for the period.

This amount will be reported in the Balance Sheet at the end of the period at 31/1/07.

Hair Crazy: Balance Sheet at		
	\$	\$
Assets		
Cash		10230
Stock hair dressing supplies		350
Equipment		6000
Furniture		9000
Hair Dyes		1000
Vehicle		15000
Computer		4500
Total Assets		46080
Liabilities		
GST Payable	330	
Loan	23000	23330
Owners Equity		
Capital, Ursula	17800	
+ new capital/computer	4500	
Plus profit	2100	
Less drawings	1650	22750
Total Equities		46080



Show the accounting equation for Hair Crazy at 31/1/07.

$$\begin{array}{rcl} \text{OWNERS EQUITY (OE)} & = & \text{ASSETS (A)} - \text{LIABILITIES (L)} \\ \underline{22750} & = & \underline{46080} - \underline{23330} \end{array}$$

Chapter 2: Revenue and Expenses

I would really like to know how well my business **Fine Tune** has performed over the last week. Could you please enter the transactions into the appropriate accounting records and then prepare the relevant accounting reports. The documents that follow my Balance Sheet represent my current transactions.



Fine Tune: Balance Sheet at 15/1/2007			
ASSETS	\$	LIABILITIES	\$
Panel van	7000	Loan [ANZ]	5000
Tools	2800	GST payable to ATO	110
Tuning equipment	1500		
Stock of spare parts	900	OWNERS EQUITY	
Cash	7510	Capital, Harley	14600
Total Assets	19710	Total Equities	19710

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

FINE TUNE
RECEIPT (TAX INVOICE)
ABN 35 687 156 994
 DATE: 16/1/07 NO: 6
 REC. FROM: Customers
 AMOUNT \$1760.00
 Including \$160 GST
 FOR: Repair Fees
 SIGNATURE: Harley

FINE TUNE
RECEIPT (TAX INVOICE)
ABN 35 687 156 994
 DATE: 17/1/07 NO: 7
 REC. FROM: Customers
 AMOUNT \$1815.00
 Including \$165 GST
 FOR: Repair Fees
 SIGNATURE: Harley

Date: 16/1/07 Chq. 9
 To: Repco
 For: Spare Parts
 Amount \$ 462.00
 Includes \$42 GST
FINE TUNE

Date: 17/1/07 Chq. 10
 To: Cash
 For: Drawings
 Amount \$ 1500.00
 Includes \$0 GST
FINE TUNE

Date: 18/1/07 Chq. 11
 To: Australia Post
 For: Postage
 Amount \$ 33.00
 Includes \$3 GST
FINE TUNE

FINE TUNE
RECEIPT (TAX INVOICE)
ABN 35 687 156 994
 DATE: 21/1/07 NO: 8
 REC. FROM: Customers
 AMOUNT \$2090.00
 Including \$190 GST
 FOR: Repair Fees
 SIGNATURE: Harley

Date: 19/1/07 Chq. 12
 To: Repco
 For: Spare Parts
 Amount \$ 1100.00
 Includes \$100 GST
FINE TUNE

Date: 20/1/07 Chq. 13
 To: Donnie
 For: Wages
 Amount \$ 150.00
 Includes \$0 GST
FINE TUNE

Date: 22/1/07 Chq. 14
 To: Engine Care
 For: Tuning Machine
 Amount \$ 8250.00
 Includes \$750 GST
FINE TUNE

Date: 24/1/07 Chq. 16
 To: Repco
 For: Spare Parts
 Amount \$ 748.00
 Includes \$68 GST
FINE TUNE

FINE TUNE
RECEIPT (TAX INVOICE)
ABN 35 687 156 994
 DATE: 22/1/07 NO: 9
 REC. FROM: ANZ BANK
 AMOUNT \$7500.00
 Including \$0 GST
 FOR: Loan
 SIGNATURE: Harley

Date: 23/1/07 Chq. 15
 To: AMP
 For: Fire Insurance
 Amount \$ 143.00
 Includes \$13 GST
FINE TUNE

FINE TUNE
RECEIPT (TAX INVOICE)
ABN 35 687 156 994
 DATE: 24/1/07 NO: 10
 REC. FROM: Customers
 AMOUNT \$3960.00
 Including \$360 GST
 FOR: Repair Fees
 SIGNATURE: Harley

Date: 25/1/07 Chq. 17	
To: Donnie	
For: Wages	
Amount \$	150.00
Includes \$0 GST	
FINE TUNE	

General Journal Note	
Date:	25/1/07
Details:	Capital contribution of private furniture for office
Value:	\$5000.00 & \$0 GST

Date: 27/1/07 Chq. 18	
To: Bal. the Books	
For: Accounting Fees	
Amount \$	660.00
Includes \$60 GST	
FINE TUNE	

FINE TUNE	
RECEIPT (TAX INVOICE)	
ABN 35 687 156 994	
DATE: 27/1/07	NO: 11
REC. FROM: Customers	
AMOUNT	\$2970.00
Including \$270 GST	
FOR: Repair Fees	
SIGNATURE: Harley	

Date: 31/1/07 Chq. 19	
To: Repco	
For: Spare Parts	
Amount \$	539.00
Includes \$49 GST	
FINE TUNE	

General Journal Note	
Date:	31/1/07
Details:	Stocktake of spare parts
Value:	\$650.00 & \$0 GST

For information to be useful it must be REVENUE. Information can be said to be reliable when it is free from material ERROR and BIAS and can be depended on by the users to REPRESENT faithfully that which it either purports to represent or could reasonably be expected to represent. The reliability of the accounting reports depends, to some extent, upon the reliability of the accounting RECORDS. In turn, the reliability of the accounting records depends upon the quality of the original information regarding the transactions. DOCUMENTS provide evidence or PROOF of the transactions that they record and as such are a RELIABLE source of information for the accounting records and consequently the accounting REPORTS. The use of documents as the source of accounting information helps to ensure that the business complies with the qualitative characteristic of accounting information of RELIABILITY.



Fine Tune: Cashbook

Cash Receipts			Bank	Values in these columns exclude GST			GST Rec'd from customers
Date	Details	Rec No		Repair fees	Capital	Sundry	
16/1	Repair Fees	6	1760	1600			160
17/1	Repair Fees	7	1815	1650			165
21/1	Repair Fees	8	2090	1900			190
22/1	Loan	9	7500			7500	
24/1	Repair Fees	10	3960	3600			360
27/1	Repair Fees	11	2970	2700			270
			20 095	11 450		7500	11 45

Cash Payments			Bank	Values in these columns exclude GST							GST Paid to Suppliers
Date	Details	Chq No		Draw'	Spare Parts	Wages	Post	Insur.	Account fees	Sundry	
16/1	Spare Parts	9	462		420						42
17/1	Drawings	10	1500	1500							
18/1	Postage	11	33				30				3
19/1	Spare Parts	12	1100		1000						100
20/1	Wages	13	150			150					
22/1	Tuning Mech	14	8250							7500	750
23/1	Fire Insurance	15	143					130			13
24/1	Spare Parts	16	748		680						68
25/1	Wages	17	150			150					
27/1	Accounting Fee	18	660						600		60
31/1	Spare Parts	19	539		490						49
			13735	1500	2590	300	30	130	600	7500	1085

Fine Tune: General Journal

Date	Particulars	Amount
25/1	Capital contribution office furniture	5000
31/1	Stocktake of spare parts	650

Fine Tune: Statement of Receipts and Payments		
for		
	\$	\$
Balance at start		7510
Add Receipts		
Repair Fees	11450	
Loan	7500	
GST Received	1145	20095
		27605
Less Payments		
Drawings	1500	
Wages	300	
Spare Parts	2590	
Postage	30	
Insurance	130	
Accounting Fees	600	
Tuning Machine	7500	
GST	1085	13735
Balance at end		13870

Calculation of spare parts expense	
	\$
Stock at start	900
+ Stock purchased	2590
Sub total	3490
- stock at end	650
Stock expense	2840

Fine Tune: Profit and Loss Statement		
for		
	\$	\$
Revenue		
Repair Fees		11450
Less Expenses		
Spare parts expense	2840	
Wages	300	
Postage	30	
Insurance	130	
Accounting Fees	600	3900
Net Profit		7550

GST payable schedule at 31/1/07	
	\$
GST payable to ATO at 15/1	110
+ GST Received	1145
Sub Total	1255
- GST Paid	1085
Net GST payable to ATO	170

Fine Tune: Balance Sheet		
at		
	\$	\$
Assets		
Panel van	7000	7000
Tools	2800	
Tuning Equipment	9000	
Spare Parts	650	
Cash at Bank	13870	
Office Furniture	5000	
Total Assets		38320
Liabilities		
Loan	12500	
GST Payable	170	12670
Owners Equity		
Capital, Harley	14600	
+ Profit	7550	
+ Capital contribution	5000	
- Drawings	1500	25650
Total Equities		38320

My accounting equation at 15/1/07 was:

$$\begin{array}{rclcl} \text{OE} & = & \text{A} & - & \text{L} \\ 14600 & & 19710 & & 5110 \end{array}$$

Show the accounting equation at 31/1/10.

$$\begin{array}{rclcl} \text{OE} & = & \text{A} & - & \text{L} \\ 25650 & & 38320 & & 12670 \end{array}$$

Calculate the \$ change in the liability and owners equity components of the accounting equation and provide reasons for these changes.

Liabilities increased by \$7560. This is due to the increased loan

Owners equity increased by \$11050. This is due to profit and contribution of office furniture



I've heard there are a number of advantages in using a computer to do my record keeping. I have decided to use a spreadsheet and I have recorded all my transactions into this spreadsheet which I have provided below. I was wondering if you could prepare the relevant accounting reports for me?

Vivien the Vet: Balance Sheet at 30/3/2007			
ASSETS	\$	LIABILITIES	\$
Vehicle	30000	Loan: Mum	15000
Vet equipment	12000	Loan: N.A.B.	8000
Office equipment	5000	GST payable to ATO	630
Computer	4000		
Stock of drugs	3000	OWNERS EQUITY	
Cash	11980	Capital, Vivien	42350
Total Assets	65980	Total Equities	65980

Vivien the Vet: Spreadsheet accounting records

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Cash Receipts												
2				← Values in these columns exclude GST →								GST collected	
3	Date	Details	Rec.	Fees							Sundry	from cust.	Bank
4													
5	1/4-30/4	Totals		8000								800	8800
6													
7	Cash Payments												
8				← Values in these columns exclude GST →							GST paid	GST paid	
9	Date	Details	Chq	Draw	Rent	Wages	Drugs	Stationery	Postage	Sundry	to suppliers	to ATO	Bank
10	1/4-30/4	Totals		1000	900	1250	500	100	50		155	630	4585
11													

At the start of this period the business OWED the ATO \$ 630 in GST (see the Balance Sheet above). This amount is owing as a result of the earlier transactions of **Vivien the Vets** business where the total amount of GST COLLECTED from customers EXCEEDS the total amount of GST PAID to suppliers by \$ 630. If the amount of GST collected exceeds the amount of GST paid to suppliers then this amount of GST will have to be PAID to the ATO. Vivien paid this \$630 to the ATO during April and has recorded it in the cash payments section of the cashbook above.



	O	P	Q
1	General Journal		
2	Date	Particulars	Amount
3	20/4/07	Contributed personal fax to business (no GST)	2000
4	30/4/07	Stocktake of drugs (no GST)	1500
5	30/4/07	Stocktake of stationery (no GST)	0

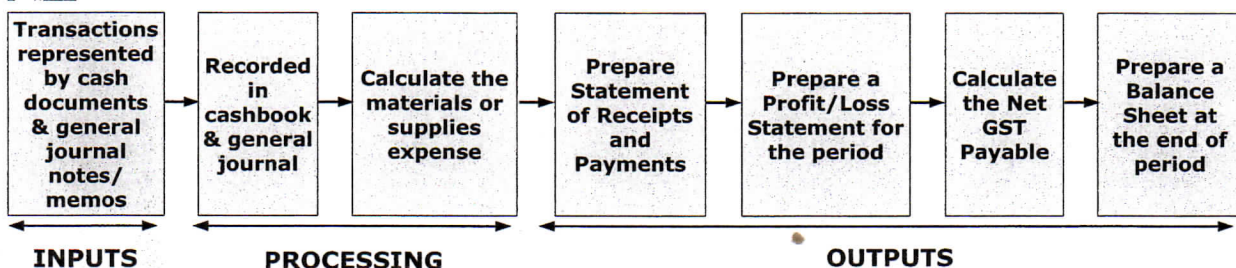
	S	T	U	V	W	X	Y
1	Vivien the Vet				Calculation of Drug Expense		
2	Statement of Receipts and Payments					\$	
3	For: April 2007				Stock at Start	3000	
4		\$	\$		Plus Purchases	500	
5	Cash Balance at start		11980		Sub Total	3500	
6	Add Receipts				Less Stock at End	1500	
7	Fees	8000			Drugs Expense	2000	
8	GST	805	8800				
9			20780		Vivien the Vet		
10	Less Payments				Profit and Loss Statement		
11	Drawings	1000			For: April 2007		
12	Rent	900				\$	\$
13	Wages	1250			Revenue		
14	Stationery	100			Fees		8000
15	Postage	50			Less Expenses		
16	Drugs	500			Rent	900	
17	GST paid to suppliers	155			Wages	1250	
18	GST paid to ATO	630	4585		Stationery	100	
19	Cash Balance at end		16195		Postage	50	
20	Change in Cash Balance		(4215)		Drugs	2000	4300
21					Net Profit		3700

Chapter 2: Revenue and Expenses

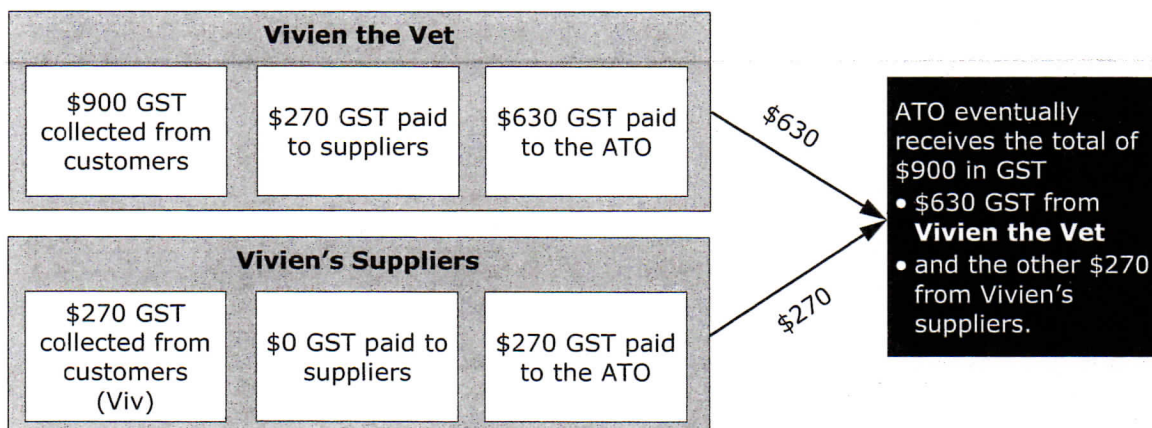
	S	T	U	V	W	X	Y
36	GST Payable Schedule at 30/4/07				Vivien the Vet		
37		\$			Balance Sheet		
38	GST Payable at 31/3/07	630			As at: 30 April 2007		
39	Plus GST rec'd from cust.	200				\$	\$
40	Sub Total 1	830			Assets		
41	Less Payments to ATO	630			Vehicle	30 000	
42	Sub Total 2	800			Vet Equipment	12 000	
43	Less GST paid to suppliers	155			Office Equipment	7 000	
44	Net GST Payable to ATO	645			Computer	4 000	
45					Stock of drugs	1 500	
46	 Note the GST Payable schedule now has to take into account any payments of GST to the ATO. How much GST is owed to the ATO at the end of period will be <u>REDUCED</u> by any <u>PAYMENT</u> made to the ATO during the period, which is the case above.				Cash at Bank	16 195	70 695
47					Total Assets		
48					Liabilities		
49					Loan Mum	15 000	
50					Loan NAB	8 000	
51					GST Payable	645	23 645
52					Owners Equity		
53					Capital	42 350	
54					+ contribution	2 000	
55					+ profit	3 700	
56					- drawings	1 000	47 050
57					Total Equities		70 695



Our single entry accounting process could be shown by the following flow chart:



A brief note on how the GST system works. The ATO is entitled to the full amount of any GST that has been COLLECTED on its behalf by the business. For example, if Vivien's business COLLECTED \$900 in GST from her customers then eventually the ATO must RECEIVE this amount of GST. However, if Vivien's business has purchased any goods or services that INCLUDE GST in the price then the amount to be sent to the ATO from Vivien's business will be REDUCED. For example, if Vivien's business pays expenses that have \$270 GST included in the price then this \$270 GST will have been sent to the SUPPLIER along with the payment of the expenses. The suppliers inturn must send this \$270 off to the ATO. Vivien's business now only has to send a payment of GST to the ATO that is the DIFFERENCE between the GST it has collected from customers and the GST it has paid to suppliers i.e. $\$900 - \$270 = \$630$.



Summary Exercise 2

Yeah, here I am back again! I've figured out how to record my transactions into the cashbook and general journal but I still can't get the hang of doing the reports. So here are extracts of my accounting records for **Funky Franky**, and I would appreciate it if you could prepare the relevant accounting reports. Also, could you please answer the queries that I have listed?



Funky Franky: Balance Sheet as at 30/4/2007			
<u>ASSETS</u>	\$	<u>LIABILITIES</u>	\$
Vehicle	11000	Overdraft	330
Turntable	2000	Loan: NAB	5000
Speakers	1500	Loan: Mrs Rap	3000
CD unit	900	GST payable to ATO	420
Stock of streamers & prizes	250		
Amplifier	6000		
Stock of CD's	6000		
Lights	650		
Trailer	500	<u>OWNERS EQUITY</u>	
Microphone	250	Capital, Franky	20300
Total Assets	29050	Total Equities	29050

Funky Franky: Cash Journals

Cash Receipts				Values in these columns exclude GST			GST rec'd from customers
Date	Details	Rec No		Bank	Fees	Capital	
MAY	TOTALS		3300	3000			300

Cash Payments			Bank	Values in these columns exclude GST								GST paid to suppliers
Date	Details	Chq No		Draw.	Post.	Advert.	Streamers & Prize	CD's	Station	Vehicle fuel	Loan Mrs Rap	
MAY	TOTALS		3017	900	30	400	500	180	60	300	500	147

Funky Franky: General Journal

DATE	PARTICULARS	AMOUNT
MAY	Drawings of CD's for own use (No GST)	100
MAY	Franky contributed personal party lights to the business (No GST)	500
31/5	Stocktake of streamers and prizes (No GST)	90

Explain the purpose of the general journal.

Used to record transactions that do not involve cash transfer

Explain the difference between the cash payment for streamers & prizes and the expense for streamers & prizes.

The cash payments for streamers and prizes represents streamers and prizes purchased in the reporting period. The expense for streamers and prizes represents the amount used during the reporting period

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

