
ACCOUNTING

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ACCOUNTING

Purpose

To develop the knowledge, skills and attitudes necessary for the participant to ensure the efficient application of the principles and procedures related to basic accounting.

Learning Outcome 1

Prepare basic cash accounting records and financial statements.

Assessment Criteria

- 1.1 Define basic source documentation for cash transactions.
- 1.2 Prepare source documentation for cash transactions.
- 1.3 Prepare multi-column journals for cash transactions.
- 1.4 Prepare a bank deposit and a bank reconciliation statement.
- 1.5 Prepare a general ledger for cash journal items.
- 1.6 Prepare relevant financial statements for cash accounting.
- 1.7 Describe the following:
 - the structure and process of a cash accounting system using a flow chart
 - the main techniques for internal cash control
 - the strengths and weaknesses of a cash accounting system.

Content

- 1.1 Cash source documentation theory
 - explain what a bank statement and/or a pass-book is
 - explain what cheques, deposits and credit cards are and how they are processed by a bank
 - explain the purposes and usual format of a cheque requisition voucher
 - explain why cheques and receipts need to be recorded
 - explain the functions of an electronic cash register
 - explain the purposes and usual format of purchase orders, purchase invoices, customer orders and customer invoices, introducing the concept of credit and cash in transactions
 - hand out the sample glossary (handout 1a) and discuss some of the terms relevant at this stage
 - hand out the chart of accounts (handout 2) and introduce the idea of summarizing transactions for reporting purposes
 - discuss some of the purposes of accounting
- 1.2 Cash source documentation practice
 - prepare some cash receipt dockets and a bank deposit for cash and cheques received

- show how credit cards are processed and prepared for banking using merchant summary slips
 - discuss the significance of marking cheques “not negotiable”, “account payee only”, of crossing cheques and ways of inadvertently invalidating cheques
 - prepare a petty cash docket and explain the operation of a petty cash imprest system
 - describe a simple system for the payment of wages
- 1.3 Multi-column journals
- explain what a journal is, the types of journals and how it relates to the preceding and successive steps in the accounting cycle.
 - hand out Class Exercise 1 (handout 3a) and a blank cash book page (handout 4a)
 - show students how to enter the columns by doing the first few transactions together, letting them go on to do some more and then hand out and explain the solution (handout 4b).
 - explain how these journals could be done by computer on a spread-sheet
 - explain why we fill in at least 2 columns and introduce the concept of double-entry accounting
- 1.4 Banking
- show how a deposit relates to the cash receipts journal
 - hand out the bank statement and bank reconciliation (handout 5)
 - show how the items on the bank statement are ticked off against the cash book and the markings for unpresented cheques and deposits not credited
 - complete the cash payments journal, showing how bank charges are detected and recorded and then totalling and cross-adding all columns
 - discuss the purpose of a bank reconciliation statement and demonstrate how one is completed using the solution provided
- 1.5 General Ledger and Trial Balance
- hand out a blank ledger form (handout 10a)
 - explain its purpose and that each account has a left and right side
 - explain what an account is and their classification, ie asset (A), liability (L), income (I) and cost (C). Illustrate with reference to the columns in the journals.
 - complete the explanation of double-entry accounting (use handout 2 also) by defining debits and credits using the following rules:
 - Classify the column heading (account name) eg A, L, I, C
 - Ask “Is the item increasing or decreasing? (get students to forget the impact on the bank column/account, we are looking only at the impact on the classification)
 - Increase in Assets or Costs are debits (decreases are credits)
 - Increase in Liabilities or Income are credits (decreases are debits)
 - show how the bank is following these rules on the bank statement (handout 5)
 - explain why a credit statement on a bank statement will correspond to a debit in our books, stressing that it depends on whose books you’re doing
 - explain and demonstrate the process of posting
 - show students how to close off accounts and to prepare a trial balance (use handouts 10b, 11a and 11b)
 - explain to students that the right hand columns of the trial balance (see handouts 11a and 11b) are only for learning purposes and are not used in commercial practice
- 1.6 Financial Statements

- discuss and demonstrate the transition from the trial balance to the financial statements and the rationale for the DR/CR rules (ie each transaction will appear in two places on the financial statements)
- hand out blanks and solutions at relevant times (12a-c, 13a-b)
- discuss sub-classification headings on P & L and Balance Sheet and the rationale for using these headings and for presentation
- explain the purpose of these financial statements
- prepare a simple multi-column cash budget showing projected cash inflow and outflow items, net cash flows and balances together with columns for actual and variation. Explain the usefulness of cash budgeting for management purposes and how a cash budget could be prepared on a computer with a spread sheet program.

1.7 Cash Accounting Overview

Process Summary

Illustrate (by means of a flow chart) and summarize:-

- **cash payments** - from idea, plan, budget, approved order, invoice, goods received docket (if any), stores docket (if any), approved cheque requisition, cheque, journal, bank, bank reconciliation, posting, appearance in financial statements and budget performance review
- **cash receipts** - from idea, plan, budget, receipt, customer order, delivery docket, invoice, cheque/ card/ cash, receipt, deposit, journal, bank, bank reconciliation, posting, appearance in financial statements and budget performance review

Internal cash control

Discuss the following:-

- cash register balancing
- petty cash control and re-imbursement
- budget control
- operational, management and board approval systems
- appropriate cheque and instrument signatories
- division of responsibility, checking and audit routines
- physical security on-site and on-route to bank
- verification of goods movements
- identification of given names and addresses of suppliers and customers
- typical scams and frauds

Strengths of a cash accounting system

- budgets and financial statements easy to understand
- simplified cash management
- easy transition to longer-term cash flow budgeting

Weaknesses of a cash accounting system

- financial statements do not account for credit items (future cash commitments)
- a positive cash balance may conceal a negative liquidity situation
 - underlying profitability and financial position not revealed
- harder to compare actual performance against
 - actual history
 - competitor performance and industry standards
 - normal business operating standards
- absence of customary accounting records makes the business harder to
 - manage

- fund
- sell

Learning Outcome 2

Prepare basic accrual accounting records and financial statements incorporating both cash and non-cash transactions.

Assessment Criteria

- 2.1 Explain the nature and purpose of accrual accounting.
- 2.2 Prepare source documentation for the sale and purchase of goods on credit, including:
 - customer order
 - delivery docket and invoice for sale on credit
 - purchase order, goods received docket and invoice for the purchase on credit.
- 2.3 Prepare multi-column journals for credit items and a general journal for other non-cash transactions.
- 2.4 Prepare a general ledger for cash and non-cash journal items.
- 2.5 Prepare relevant financial statements for accrual accounting, include the following:
 - profit and loss statement
 - balance sheet.
- 2.6 Explain the following;
 - the structure and process of an accrual accounting system using a flow chart,
 - how financial statements reflect profitability, financial position, accounting doctrines and conventions.
 - gross profit, fixed costs, variable costs and contribution,
 - alternative formats for a profit and loss statement,
 - the strengths and weaknesses of an accrual accounting system.

Content

- 2.1 Nature and purpose of accrual accounting
 - to overcome the weaknesses of a cash accounting system (see above)
 - to produce profit figures that match all known cash and committed income and expenditure items to each other for a given period
- 2.1 Source documentation for the sale and purchase of goods on credit
 - **Sale** - customer order, delivery docket, invoice, credit note
 - **Purchase** - purchase order, delivery docket, invoice, credit note
- 2.1 Multi-column journals for credit items
 - hand out Class Exercise 2 (handout 3b)
 - hand out cash book solution (handout 4c) and discuss changes
 - hand out blank sales and purchases journal form (handout 6a)

- demonstrate how the credit transactions might be entered
- student completes journals
- hand out journal solution (handout 6b)
- hand out analysing chart (handout 7), revise classification and debit/credit rules and complete several transactions together. Students complete the chart and instructor reads out correct answers and explains difficulties. Instructors must stress the importance of understanding and “internalising” these rules.
- explain the importance of cross-adding and down-adding
- explain the importance of a separate cross-check to ensure all items marked “DR” equal the total of all items marked “CR”
- explain the “how to be sure which journal to use” procedure set out below for interpreting transactions prior to entering in the journals :-
 - Ask ...”Is cash involved?” Yes or no.
 - If yes....Ask.....”Is the business paying or receiving?”
 - If paying enter that part in cash payments journal
 - If receiving, enter that part in cash receipts journal.
 - If no (i.e not a cash item) then the transaction (or part of it) must be on credit
 - Ask...”Is the business buying or selling?”
 - If buying, enter in purchases journal
 - If selling, enter in sales journal
 - Otherwise prepare a general journal
- revise importance of classification for understanding DR/CR rules and mentally following the analysing chart procedure
- hand out, explain and demonstrate other journal types (handouts 8 and 9)
- instructors may care to revise the analysing chart method of learning. If so encourage students to get the “Bank” line for each transaction working first before attempting the second line (or more) for that transaction.
- encourage students to practice at home using one of the class exercises available (or create some yourself)

2.1 General ledger for cash and non-cash journal items

- students to complete posting, closing ioff and trial balance
- check answers against solution hand out (handouts 10c and 11c)
- if trial balance doesn't balance explain error detection routines including:-
 - look for a single item explaining the difference (an omission)
 - look for half of this sum, suggesting a DR/CR mix-up
 - check all additions, subtractions and transcriptions
 - check that all balances follow the debit/credit rules

2.1 Financial statements for accrual accounting

- **profit and loss statement**
 - encourage students to enter the right hand columns of the trial balance (see handout 11a) to help them decide where to put the balances
 - handout solutions (handouts 12d and 12e)
 - discuss what “profit” means and the importance of matching costs and revenues in the relevant time period

- discuss how their profit and loss statement might be used for performance review, planning and budgeting. Introduce the inclusion of “last period”, “progressive”, “budget” and “variation” columns.
- **balance sheet**
 - hand out solution 13 c after students have tried to complete blank forms
 - discuss the importance of (and define each) sub-classifications
 - current assets
 - intangible assets
 - fixed assets
 - current liabilities
 - long-term liabilities
 - equity
 - discuss the purpose of a balance sheet in terms of showing the proprietors financial position.
 - show how wealth is created by explaining the link between the two financial statements and introduce the concept of “return on investment”.
 - quickly mention “liquidity” by reference to current assets and current liabilities
 - do not discuss “security” at this stage.
 - quickly refer to assets as “uses of funds” and liabilities as “sources of funds” and the relationship between them.

2.2 Accrual accounting overview

- **Structure and process of an accrual accounting system**

Using a flow chart approach (see handout 1b) summarise the sources, records and reports used in an accrual accounting system:-

- planning and budgeting foundations
 - orders and delivery dockets
 - invoices, cheque requisitions, receipts, petty cash vouchers, remittance advices etc
 - journals and ledgers
 - financial statements
- **How financial statements reflect profitability, financial position**
 - outline the theory behind the use of financial statements for management, funds-providers and statutory purposes
 - discuss the value of a series of financial reports for assessing performance and planning and budgeting
 - using examples show how financial statements provide a framework for quantifying business and marketing plans (eg pricing, volume, promotion, scale)
 - highlight the difference in “time” between both financial statements with one referring to a period of time and the other to a “snapshot” of the business at a particular time
 - stress the importance of “return on investment” and compare it with other opportunities (eg bank interest), relating it to risk and personal exertion
 - re-iterate the role of a balance sheet showing the financial position of the owners and how their capital (together with other funds from other liabilities) have been invested in the assets of the business.
- **Accounting doctrines and conventions**

This should not be too detailed, just a passing mention that there are statutory and customary guidelines affecting the preparation of accounts and reports including

- **entity convention** - the business is a separate legal entity to the proprietor
- **accounting period convention** - the need to report at regular intervals. This involves the “matching process” for revenue and costs and “balance day adjustments”
- **going concern convention** - assumption of continuity of activity which means that assets are rarely valued at market prices because the intention is to hold them long-term for income-generating purposes. Also goodwill is ignored as it is assumed that the business will be ongoing (and this also avoids the problem of valuation of goodwill, except in open-market terms on re-sale)
- **monetary convention** - assets, debts and most activities are measured in monetary terms
- **historical record convention** - transactions are to be recorded in chronological order to demonstrate stewardship over funds
- **conservatism principle** - tendency to caution in assessing profit and valuing assets. Income is assessed as it is realised in terms of cash received or solid contractual commitments and expectations for eventual receipt. Likewise costs are accounted for as they are incurred or paid with conservative allowance for possible costs. “Might happen” costs are more likely to be accounted for whilst “might happen” income items are largely ignored. The aim is to produce a conservative profit figure. This can lead to understated assets (inventory and fixed assets) which become “secret” reserves ie there is more real wealth than the balance sheet shows.
- **consistency principle** - accounting methods adopted should remain unchanged from one period to the next to facilitate more reliable comparisons particularly for methods of valuing inventory and applying methods of depreciation.

- **Gross profit, fixed costs, variable costs and contribution**

Gross profit

- Sales income less cost of goods sold
- show the components of cost of goods sold (see handout 12a)
- explain the idea that a reduction in inventory signifies usage which must be added to purchases
- explain how some purchases might not be used because they are added to inventory
- use an illustration referring to units not dollars to explain the concept. Eg a liquor shop had 100 bottles on the shelves at the start of the month. During the month 150 bottles were purchased and added to the shelves. At the end of the month a stock-take was done and only 200 bottles were counted. How many bottles were sold? (or stolen, broken etc)
- explain how the cost of goods sold approach is used as a short-cut to determine the value of stock that has been used (presumably sold) saving the proprietors from the need to record stock as it is used

- explain that most businesses record stock as it sold with the use of cash registers, scanners and computers (or even manual records)
- show how these businesses (using the liquor shop example) can calculate the theoretical quantity (and value) of stock on hand and compare this with actual stock to calculate shortages etc
- show how the object is to calculate gross profit in \$ and % terms
- discuss how important it is to analyse changes over time to GP% for the business as a whole and by product types
- discuss the variables influencing GP% on the selling and buying side ie. Selling price, buying price, specifications and quantity used, wastage and quality control etc
- outline how factory or operational labour might be included in cost of goods sold (and expanding the variables to include number of hours, methods, non-productive time and pay rates)
- stress the importance of gross profit as a primary target for profit maximisation

Fixed Costs

- see left column of handout 12a and discuss examples
- fixed costs are those costs that stay relatively constant in the short-term despite changes in the volume of activity (eg production, sales).
- explain how they increase in the long-term in “step” fashion as the economies of scale change
- explain the impact on net profit if sales and gross profit doubles and fixed costs (overheads) stay constant
- explain the circumstances when costs can be significantly cut during “down-sizing” and ‘or scale-rationalisation when past volume levels are not being attained

Variable Costs

- see left column of handout 12a and discuss examples
- costs that tend to vary in proportion to changes in the volume of activity in the short-term eg if sales double in volume then we would expect variable costs to double
- explain why costing analysis is critical for decision-making and profit-planning

Contribution

- Sales income minus variable costs
- explain how this relates to gross profit
- explain how a business can be managed by contribution margins (total and by product, customer group and or geographic divisions)
- **Alternative formats for a profit and loss statement**
 - traditional format as per handout 12 a
 - contribution format (sales minus variable costs minus fixed costs)
- **Alternative types of business**

Sole trader

- **advantages** - simple to form, freedom to act, high personal incentive, opportunity for good employee relationships
- **disadvantages** - unlimited liability, limited access to funds, less reliable accounting records, possible management limitations

Partnership

- **advantages** - easily formed, additional financial resources, suits joint ventures, more expertise, tax advantages
- **disadvantages** - joint and/or several liability of partners, uncertain life, danger of discord, termination/dissolution procedures and provisions rarely well enough defined, each partner is a general agent

Limited Company

- **advantages** - more available equity capital, easier access to other funds, limited liability, perpetual succession, provision for dependants (for pty ltd companies) and separate entity/identity
- **disadvantages** - high formation cost, statutory requirements, more open access to information by external parties, liability for company tax and dividends
- **Strengths and weaknesses of an accrual accounting system**
 - All the strengths and none of the weaknesses of a cash accounting system .
 - The key is to give equal weight to managing profitability and cash-flow. The danger is to focus on profits and ignore cash.
 - Meets the requirements of the above-mentioned doctrines and conventions.

Learning Outcome 3

Apply the basic concepts of Financial Analysis.

Assessment Criteria

- 3.1 Calculate and comment on gross profit and key expenses as a percentage of income in relation to the given situation, and perform calculations to achieve desired outcomes.
- 3.2 Calculate and comment on nett profit as a percentage of income and capital in relation to the given situation, and perform calculations to achieve desired outcomes.
- 3.3 Calculate and explain working capital in relation to the given situation, and perform calculations to achieve desired outcomes.
- 3.4 Calculate the changes between simple balance sheets, and explain the concept of sources and application of funds.
- 3.5 Compare the following three concepts of funds;
 - cash
 - working capital
 - long term funds.

Content

- 3.1 Gross profit and key expenses
 - use handout 12 f
 - explain that the 3 months could be actual history or a future budget
 - calculate GP% for each of the 3 months (72%, 67% and 50% respectively) and discuss the possible causes
 - show what admission revenue would have to be earned to meet a net profit of \$30,000 assuming expenses are constant and a GP% of 50% (answer \$166,000). Discuss the planning options.

- calculate wages as a % to income (17.2%, 16.6% and 25.9%) and discuss the possible causes
 - show what net profit might be earned if revenue was \$166,000, GP 50%, wages 20% and all other expenses constant
 - re-inforce the contribution approach
- 3.2 Nett profit
- use handouts 12f and 13d
 - calculate net profit as a % of income for the 3 months
 - calculate net profit as a % of net capital for each month (capital less drawings plus profit & loss appropriation) and discuss the concept of “return on investment” (ROI) and the possible impact of taxation
 - ask students to frame a budget assuming an ROI of 25% pre-tax, carefully stating their other assumptions
- 3.3 Working capital
- use handout 13d
 - define current assets, current liabilities and working capital
 - ask students to calculate each of the above for each of the 3 months
 - ask students if they are comfortable with the December working capital situation. Show them how to express it as a ratio and explain briefly that a commercial target is 2 : 1 and what a lower figure might mean
 - ask students
 - if we assume current liabilities stay constant what would current assets have to become to achieve a desirable ratio (say 2 : 1)
 - where might these funds come from. Get them to think in terms of the structure of the balance sheet eg reduce FA, increase CL, LTL, CAP, NP) or a combination of these. Explain that we need an urgent yet realistic plan
- 3.4 Sources and application of funds.
- refer to handout 13d, explaining that these figures could be actual or budget
 - ask students to set up a fourth column headed “Change Oct/Dec” and calculate the arithmetic changes between the October and December balance sheets
 - ask each student to also mark each change with an “S” or a “U” using the following rules:-
- “S” for increases in liabilities and decreases in assets (Sources of funds)
 “U” for increases in assets and decreases in liabilities (Uses of funds)
- answer is as follows:-
- | | | | |
|-------------------|-----------|---|-------------------------------------|
| Bank | - 125,090 | S | |
| Debtors | + 20,000 | U | |
| Stock | + 15,000 | U | |
| Buildings | + 20,000 | U | |
| Plant & Equipment | + 45,940 | U | |
| Motor Vehicles | + 85,000 | U | |
| Creditors | + 32,850 | S | |
| Mortgage | - 10,000 | U | |
| Capital | + 50,000 | S | |
| Drawings | - 8,900 | U | (signifying a reduction of capital) |
| Profit | + 26,900 | S | |
- ask students to prepare a report as follows:-

FUNDS STATEMENT FOR PERIOD OCTOBER TO NOVEMBER

SOURCES of FUNDS:

Profit	26,900
Bank	125,090
Creditors	32,850
Capital	50,000

Total 234,840

USES of FUNDS

Debtors	20,000
Stock	15,000
Buildings	20,000
Plant & Equip.	45,940
Furniture & fittings	30,000
Motor Vehicle	85,000
Mortgage	10,000
Drawings	8,900

Total 234,840

- explain the report in the following way....we raised \$234,840 of funds and committed those funds towards the uses described above.
- explain that a funds budget is done the same way...management works up a “shopping list” of how they might spend (use) funds over the budget period and then the financial manager has to work out how this total might be funded, or if the amount is too high to match our fund-raising capability and/or if some projects are not financially feasible then the “use” list is cut down accordingly
- explain that if we did a funds budget we could work out a balance sheet at the end of the budget period

3.5 Compare the following three concepts of funds;

- **cash**

Refers to cash in hand or at the bank. The most liquid of all assets.

- **working capital**

Refers to cash and other assets that can be converted into cash in the short-term (say 12 months) in the normal course of business **less** any short-term commitments (claims on those funds in the short-term).

Defined as current assets minus current liabilities and therefore as a comfort margin over and above current liabilities to meet forward commitments for operating costs eg funds in reserve to meet wages and other costs for a short period if the flow of gross profit/contribution should decline significantly.

We are not talking of a liquidation situation. eg we could sell a fixed asset in far less time than 12 months if the need was urgent but this would not be in the normal course of business and it was never our intention to buy the asset for re-sale in the short-term but as a long-term investment.

- **long term funds**

Refers to long-term liabilities and capital/shareholders funds. These funds are used to help provide working capital and to fund long-term investment in fixed assets.

The assumption is that long-term assets are not funded by short-term liabilities (borrowing short and investing long).

There needs to be a safe level of external debt (long-term liabilities) to equity (capital and accumulated profits etc) which on average should never exceed 50% or 50 cents debt to every \$1 of equity.

Learning Outcome 4

Prepare subsidiary ledger records for debtors and creditors, explaining the key features of credit management.

Assessment Criteria

- 4.1 Maintain a debtor's ledger accounting system.
- 4.2 Maintain a creditor's ledger accounting system.
- 4.3 Explain the key features of credit control including the management of discounts allowed and received.

Content

- 4.1 Debtors ledger accounting system
 - use Class Exercise 3 (handout 3d)
 - using a blank ledger form (see handout 10d) set up an account heading for each debtor named in the exercise and an extra account called "Debtors Ledger Control Account". These accounts comprise a Debtors Ledger.
 - Post the two debtors amounts outstanding as at 1 March, 1995 to the debtors ledger on the debit side (DR an increase in an asset) as "Balance b/d" and the total to the CR side of the control account to provide an arithmetical balance.
 - Post the individual amounts from the sales journal (the figures in the total column) to the respective named accounts in the debtors ledger as debits (Dr an increase in an asset) as "Sales" and quote the invoice number in the "Ref" column (the credit notes go on the opposite side as "Credit Note"). Then post the total sales figure as a CR to the Control Account.
 - Post the individual amounts from the receipts journal (the figures in the debtors column, not the total column) to the respective named accounts in the debtors ledger as credits (Cr an decrease in an asset) as "Receipts" and quote the receipt number in the "Ref" column. Then post the total sales figure as a DR to the Control Account.
 - Show how we can treat discounts allowed to debtors and bad debts in the columnar journal and discuss why discounts are often given, their real cost on a % per annum basis and the difference compared to a trade discount
 - close off the accounts in the normal way
 - prepare a "Debtors Trial Balance" using the blank provided (handout 11d). The solution is contained in handout 14.

- Compare the Debtors Ledger Control Account with the Debtors account in the General Ledger. The items and balance should be the same, the only difference being that the debits and credits are on different sides
- Compare the Debtors Trial balance with the Debtors figure in the Balance Sheet. This is how we can provide further and better particulars of the asset.
- Most businesses show extra columns on their trial balance to indicate the age of the debt with additional columns for “Current” (ie last month), 30 Days, 60 Days, 90 days, over 90 days. This helps manage the debts are protect against older debts becoming bad if the debtor becomes insolvent before you can collect the money.

4.2 Creditors ledger accounting system

- use Class Exercise 3 (handout 3d)
- using a blank ledger form (see handout 10e) set up an account heading for each creditor named in the exercise and an extra account called “Creditors Ledger Control Account”. These accounts comprise a Creditors Ledger.
- Post the only creditor amount outstanding as at 1 March, 1995 to the creditors ledger on the credit side (CR an increase in a liability) as “Balance b/d” and the total to the DR side of the control account to provide an arithmetical balance.
- Post the individual amounts from the purchases journal (the figures in the total column) to the respective named accounts in the creditors ledger as credits (Cr an increase in a liability) as “Purchases” and quote the invoice number in the “Ref” column (the credit notes go on the opposite side as “Credit Note”). Then post the total purchases figure as a DR to the Control Account.
- Post the individual amounts from the payments journal (the figures in the creditors column, not the total column) to the respective named accounts in the creditors ledger as debits (Dr an decrease in a liability) as “Payments” and quote the cheque number in the “Ref” column. Then post the total purchases figure as a CR to the Control Account.
- Show how we can treat discounts received from creditors in the columnner journal and discuss why discounts are often asked for and given, their real benefit on a % per annum basis and the difference compared to a trade discount
- close off the accounts in the normal way
- prepare a “Creditors Trial Balance” using the blank provided (handout 11d). The solution is contained in handout 14.
- Compare the Creditors Ledger Control Account with the Creditors account in the General Ledger. The items and balance should be the same, the only difference being that the debits and credits are on different sides
- Compare the Creditors Trial balance with the Creditors figure in the Balance Sheet. This is how we can provide further and better particulars of the asset.
- Most businesses show extra columns on their trial balance to indicate the age of the debt with additional columns for “Current” (ie last month), 30 Days, 60 Days, 90 days, over 90 days. This helps manage the debts are protect against older debts occurring and giving the business a bad credit record.

4.1 Key features of credit control

- investigate the credit-worthiness of prospective debtors before the order is processed and the goods delivered
- use trained internal staff or professional commercial agencies

- very large accounts should be vetted by senior management by reference to financial statements, personal enquiries and reference checking
- separate the responsibilities for maintaining the general and subsidiary ledgers
- use a computerised accounting system to facilitate quick processing, on-line balancing and reporting and filing of notes.
- have clearly defined policies for terms of payment, discounts and returns

Management of discounts allowed and received.

- optimise debtors exposure in line with both financial and marketing objectives.
Minimise discount allowed.
- optimise creditors exposure in line with both financial and operational objectives.
Maximise discount received

ASSIGNMENT 1 (for Learning Outcome 1)

Aboriginal Experience

Charlie Thomas had a traditional upbringing and was a local custodian for his area. In his early 20's he trained as a tour guide with TAFE and afterwards gained some work experience with an existing 4WD operator in the Northern Territory.

He decided to set up his own business, based at home, operating aboriginal tours in the northern part of South Australia. His activities in the first month were as follows:-

July 1 Invested \$20,000 of his own funds in a cheque account opened up in the name of “*Aboriginal Experience*” with the *Trans-Australian Bank*.

July 2 Received \$50,000 loan funds from ATSIC to help him start his business

July 3 Entered into a hiring arrangement with a local 4WD operator which allowed him to hire 2 vehicles per month for a duration of one week each, with the right to display de-mountable name panels on the side of each vehicle and to use his own drivers. The cost of this arrangement was \$2,000 per month, payable in advance (Chq 300).

July 5 Interviewed several applicants for driver positions with the remuneration set at \$100 per day per trip.

July 8 Bought a computer for \$2,000 to be used for trip planning, brochures, correspondence and accounting. (Chq 301)

July 12 Paid *Outback Printing* \$2,000 for 2000 only 1 page flyers using typesetting done on his own computer (Chq 302)

July 13 Paid \$500 for advertising in the next 4 issues of *The Back-Packer* (Chq 303)

July 14 Bought camping equipment (swags, sleeping bags, cooking utensils etc) sufficient for 12 persons from *Outback Outfitters* for \$6,000 (Chq 304)

July 16 Paid *Foodplus Supermarkets* food \$1,200 for food and supplies for the first trip (Chq 305)

July 20 Received a group booking organised by the largest local motel *Outback Underground* in response to the flyer for 10 passengers @ \$120 per day for a 7 day trip using 2 vehicles (Rec 001)

July 21 Decided to drive one vehicle himself and to take one other driver only on this trip. Paid the driver in advance. (Chq 306)

July 22 Commenced the first trip.

July 29 Completed the first trip and paid \$500 owing for radiator repairs by a local station owner during the trip to one of the vehicles. This sum would not be reclaimable from the vehicle owners because the damage was caused by a large rock whilst driving off-road.

July 30 Paid a business cheque (Chq 307) for electricity costs of \$150 of which he estimated \$50 worth was attributable to business activities.

July 31 Received a deposit of \$500 for a small group tour to commence on 15th August (Rec 002).

REQUIRED:

Complete journals, ledger, trial balance and financial statements

ASSIGNMENT 2 (for Learning Outcome 2)

TOURISM ACCOUNTING

Question 1

Requires journalising transactions, posting to relevant general ledger accounts, balancing ledger accounts, preparing a Trial Balance and preparing a Profit Statement and Balance sheet.

Central Travel Service

This business is a sole trader operating with a general ledger that has the following accounts:

	Account No
Bank	11
Debtors	15
Creditors	25
Printing and Stationery	31
Telephone Expenses	32
Mortgage	33
Office Equipment	51
Adam Briggs - Capital	61
Adam Briggs - Drawings	62
Sales	71
Wages	81
Building	91

The following transactions occurred in December 1994.

- Dec 1 Adam Briggs, the Owner-Manager, deposited \$50,000 in the business bank account to start his new travel agency.
- Dec 2 Purchased building for \$25,000 paying \$15,000 as a down payment and taking out a mortgage for the balance.
- Dec 3 Had new letterhead printed and business cards, which cost \$1,500. Paid \$500 and will pay the balance next month.
- Dec 4 Paid Telecom \$500 for having the phone installed.
- Dec 5 Arranged for a round Australia tour package with Ansett Airlines for a customer. Sale was \$3,000. Client paid \$300 as a deposit and will have to pay the balance in the New Year.
- Dec 6 Purchased some equipment: total value \$3,000 and will have to pay this later.
- Dec 7 Made a cash sale of \$10,000.
- Dec 11 Arranged overseas study trips for some State politicians at a cost of \$6,000 with a cash

deposit of \$1,000 paid today and the balance to be paid at a later date.

Dec 12	Bought a new computer system for \$5,000 from ACE Computer Systems, payable within 30 days.
Dec 14	Paid \$100 for computer paper. Paid \$200 for printing done on Dec 3.
Dec 16	Drew \$400 for private use.
Dec 17	Paid Receptionist's wages - \$550.
Dec 18	Received \$1,000 from amount owed by the politicians referred to earlier.
Dec 20	Paid \$5,000 off the mortgage.

Marks

1 . 1 .	Journalise these transactions into subsidiary journals	25
1 . 2 .	Post to general ledger accounts	20
1 . 3 .	Prepare a trial balance as at 31 March	10
1 . 4 .	Prepare a Profit and Loss statement	10
1 . 5 .	Prepare a Balance Sheet	10

NOTE: Relevant accounts in the ledger should be balanced but do **NOT** prepare closing entries to a Profit and Loss Account.

Question 2

Analyse the five transactions set out below. The type of analysis to be made is illustrated by the following example incorporating simple 'T' accounts.

EXAMPLE QUESTION

On 1 November, Maritime Holidays arranged a round Australia trip for Mr and Mrs Smith. A commission of \$500 cash was collected from the airline.

EXAMPLE ANSWER

The asset Bank was increased. Increases in assets are recorded by debits. Debit Bank, \$500.

Revenue was earned. Increases in revenue are recorded by credits. Credit Commissions Earned, \$500.

Bank	
500	
Commission Earned	
	500

- (a) Samantha Trihard, the owner of Maritime Holidays withdrew \$500 from the business for personal use on 1 September.
- (b) On 3 September she contributed an additional \$10,000 for capital.
- (c) On 5 September a new typewriter was purchased on credit for \$2,000.
- (d) On 7 September the airline paid \$1,500 Commission for a trip that had been finalised the previous month, the payment being in full settlement for the amount owing.
- (e) On 8 September thieves broke in and broke the glass office door which cost \$200 to have replaced, payment due in 30 days.

Question 3

ANALYSING CHART

Record the following transactions on the Analysing Chart provided. There are 10 transactions, each worth 2.5 marks.

The columns on the Analysing Chart are as follows:

Date	The date of the transaction
Account Name	For the most appropriate account title for the part of the transaction being analysed.
Type of Account	A(sset), L(iability), I(ncome), C(ost)
Inc.(+)	Increase (plus to the type of account)
Dec.(-)	Decrease (minus) to the type of account
Debit	Amount to be debited (don't just tick the column)
Credit	Amount to be credited (don't just tick the column)
Journal Type	CPJ - Cash Payments Journal CRJ - Cash Receipts Journal PJ - Purchases Journal SJ - Sales Journal

TRANSACTIONS:

July 3	Our major supplier sold us goods worth \$1,000 on credit.
July 5	Returned goods to our supplier worth \$100. Our best customer, B. Black, took delivery of \$2,000 worth of goods and gave our driver a cheque, cash on delivery.
July 8	Signed a contract to buy the adjoining block of land and paid a \$1,000 deposit, the balance being secured by a long-term mortgage. Sold goods to S. Smith worth \$2,000 on 30 days terms.
July 10	Bought a new desk for \$500 payable next week.
July 12	Paid office expenses \$100.
July 18	Received a solicitor's letter that S. Smith was now bankrupt and our debt was valueless. B. Black returned \$100 worth of goods which were not in accordance with specifications and we gave him a cash refund. Decided to employ a new receptionist on \$500 per week starting next week.

Q1. CENTRAL TRAVEL SERVICE (SOLUTION)

Trial Balance as at 31st December

	<u>Acct.No.</u>	<u>Dr</u>	<u>Cr</u>
Bank	11	40,050	
Creditors	25		8,800
Telephone	32	500	
Mortgage	33		5,000
A . Briggs - Drawings	62	400	
Wages	81	550	
Building	91	25,000	
Printing & Stationery	31	1,600	
Debtors	15	6,700	
A . Briggs - Capital	61		50,000
Sales	71		19,000
Office Equipment	51	8,000	
		<u>82,800</u>	<u>82,800</u>

Profit & Loss Statement for month ended 31st December

Sales		19,000
<u>Less Expenses</u>		
Telephone	500	
Wages	550	
Printing & Stationery	<u>1,600</u>	<u>2,650</u>
Net Profit		<u>16,350</u>

Balance Sheet as at 31st December

Current Assets			Current Liabilities		
Bank	40,050		Creditors		8,800
Debtors	<u>6,700</u>	46,750			
Fixed Assets			Long-Term Liabilities		
Building	25,000		Mortgage		5,000
Office Equipment	<u>8,000</u>	33,000			
			Proprietorship		
			Capital	50,000	
			+ Net Profit	<u>16,350</u>	
				66,350	
			Drawings	<u>400</u>	<u>65,950</u>
		79,750			79,750

Q2. OUTLINE SOLUTION (MARITIME HOLIDAYS)

	Class	A/c	Inc/Dec	Dr/Cr	\$
(1) a)	Capital	Drawings	Dec	Dr	500
	Drawings	Drawings	Inc	Dr	
		<u>OR</u>			
b)	Asset	Bank	Dec	Cr	500
(2) a)	Asset	Bank	Inc	Dr	10,000
b)	Capital	Capital	Inc	Cr	10,000
(3) a)	Asset	Office Equipment	Inc	Dr	2,000
b)	Liabilities	Creditors	Inc	Cr	2,000
(4) a)	Assets	Bank	Inc	Dr	1,500
b)	Assets	Debtors	Dec	Cr	150
(5) a)	Expenses	Maintenance	Inc	Dr	20
b)	Liabilities	Creditors	Inc	Cr	200

Q3. ANALYSING CHART SOLUTION

Date	Account Name	Type	Inc +	Dec -	Debit \$	Credit \$	Jnl
Jul 3	Purchases	C	*		1,000		PJ
	Creditors	L	*			1,000	
Jul 5	Creditors	L		*	100		PJ
	Purchases	C		*		100	
Jul 5	Bank	A	*		2,000		CRJ
	Sales	I	*			2,000	
Jul 8	Land	A	*		1,000		CPJ
	Bank	A		*		1,000	
	Mortgage	L	*			9,000	
Jul 8	Debtors	A	*		2,000		SJ
	Sales	I	*			2,000	
Jul 10	Office Furniture	A	*		500		PJ
	Creditors	L	*			500	
Jul 12	Office Expenses	C	*		100		CPJ
	Bank	A		*		100	
Jul 18	Bad Debts	C	*		2,000		GJ
	Debtors	A		*		2,000	
Jul 18	Sales	I		*	100		CPJ
	Bank	A		*		100	
Jul 18	NO NEED TO JOURNALISE						

ASSIGNMENT 3 (for Learning Outcome 3)

QUESTION 1

Requires journalising transactions, posting to relevant general ledger accounts, balancing ledger accounts, preparing a Trial Balance and preparing a Profit Statement and Balance Sheet.

Poetry in Motion Enterprises

This business is a sole trader operating with a general ledger that has the following accounts:

	Account
Bank	11
Debtors	15
Stock	20
Creditors	25
Purchases	30
Printing and Stationery	31
Telephone Expenses	32
Mortgage	33
Office Expenses	34
Discount Allowed	35
Discount Received	36
Advertising	37
Interest Paid	38
Interest Received	39
Postage	40
Travelling Expenses	41
Bad Debts	42
Rent	43
Office Furniture	51
H. Lawson - Capital	61
H. Lawson - Drawings	62
Sales	70
Sales Commission	71
Salaries	81
Building	91
Loan	101

QUESTION 1 POETRY IN MOTION ENTERPRISES (continued)

- 1(a) Open the general ledger with the opening balances for 1st May 1994. Do **not** journalise these opening balances.

Bank \$4,000; Stock \$1,000; Debtors \$120 (B. Byron \$50, K. Keats \$70); Loan from B. Burton \$450; Creditors \$170 (S. Shelley \$40, W. Wordsworth \$130); Capital \$4,500.

- 1(b) Journalise the following transactions of H. Lawson, post them to the general ledger accounts and prepare a trial balance and financial statements as at 31 May 1994.

May

1. Paid Office Expenses \$25 (Ch. 20)
4. Cash Sales \$100 (Rec 123)
Received \$48 from Byron as full settlement of debt (Rec. 101) after allowing discount
8. Cash purchases \$140 (Ch. 21)
Paid advertising \$10 and stationery \$70 (Ch. 22)
10. Credit sales to - K. Keats \$40 (Inv. 401), L. Lewis \$80 (Inv. 402)
Paid interest on loan \$3 (Ch. 23)
12. Credit sale of goods to - H. Harvey \$40 (Inv. 403), K. Blue \$80 (Inv. 404)
Cash sales to B. Bryce \$40 (Rec 234)
14. Cash purchases \$90 (Ch. 24)
Returns by Keats \$5 (CN 10) and Harvey \$10 (CN 11)
17. Paid Shelley debt less 5% discount (Ch. 25)
Paid postage \$8, travelling expenses \$4, office expenses \$5 (Ch. 26)
19. Credit purchase of office furniture from H. Hansen \$70 (Inv. 69)
21. Credit purchases from - B. Bruce \$35 (Inv. 74), H. Hill \$65 (Inv. 28)
24. Lewis declared bankrupt - can pay us only \$0.40 in \$ - balance to be written off as a bad debt (Rec. 102)
27. Returned goods to Bruce \$5 (C/N 104) and Hill \$15 (C/N 73)
Cash sales \$170 (Rec 567)
Charge Keats interest of \$3 for overdue account
Ruler drew stock for own use \$90
28. Pay Wordsworth \$95 and he allows us \$5 discount (Ch.27)
Paid salaries \$90 (Ch. 28) and rent \$80 (Ch. 29)

30. Cash sales \$100 (Rec 789)
31. Proprietor drew cash for own use \$70 (Ch. 31)

QUESTION 2

ANALYSING CHART

VALUE: 10 %

Record the following transactions on the Analysing Chart provided. There are 10 transactions, each worth 1 mark.

The columns on the Analysing Chart are as follows:

Date	The date of the transaction
Account Name	For the most appropriate account title for the part of the transaction being analysed.
Type	A(sset), L(iability), I(ncome), C(ost)
Inc.(+)	Increase (plus) to the type of account
Dec.(-)	Decrease (minus) to the type of account
Debit	Amount to be debited (don't just tick the column)
Credit	Amount to be credited (don't just tick the column)
Journal	CPJ - Cash Payments Journal CRJ - Cash Receipts Journal PJ - Purchases Journal SJ - Sales Journal

TRANSACTIONS:

- July 3 Our major supplier sold us goods worth \$1,000 on credit.
- July 5 Returned goods to our supplier worth \$100.
Our best customer, B. Black, took delivery of \$2,000 worth of goods and gave our driver a cheque, cash on delivery.
- July 8 Signed a contract to buy the adjoining block of land and paid a \$1,000 deposit, the balance being secured by a long-term mortgage.
Sold goods to S. Smith worth \$2,000 on 30 day terms.
- July 10 Bought a new desk for \$500 payable next week.
- July 12 Paid office expenses \$100.
- July 18 Received a solicitor's letter that S. Smith was now bankrupt and our debt was valueless.

B. Black returned \$100 worth of goods which were not in accordance with specifications and we gave him a cash refund.

Decided to employ a new receptionist on \$500 per week starting next week.

QUESTION 3

Mark each statement with a **T** (true) or an **F** (false)

1. A profit statement measures financial position []
2. Profit is the same as liquidity []
3. ROI is a prime measure of short-term solvency []
4. Depreciation reflects the wasting value of an asset []
5. Fixed costs are variable in the short term []
6. Cost of goods sold refers to selling costs []
7. Assets are things owned []
8. Liabilities are other people's assets []
9. A balance sheet proves accounting accuracy []
10. Dividends are sales divided into separate classes []
11. Ledgers are our primary accounting records []
12. A credit balance on a bank statement is an asset []
13. Debtors is just another way of saying accounts payable []
14. If you make a loss you are adding to retained earnings []
15. A provision for depreciation is a cash sum set aside for replacement []
16. Bad debts are a current liability []
17. If closing stock is lower than opening stock our gross profit is higher []
18. When we sell goods on credit we credit debtors []
19. When we buy goods for cash we debit bank []
20. Working capital is essential for making long-term funds work []

QUESTION 4**THEORY**

Please refer to the following financial statements and answer the questions below

The Travel Center, Inc.

1. <u>Balance Sheet</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<u>ASSETS</u>	\$	\$	\$
Cash	20,000	19,000	28,000
Accounts Receivable	12,000	16,000	18,000
Marketable Securities	--	--	--
Prepaid Tour Expenses	--	1,000	2,000
Furniture & Equipment	6,000	5,000	4,000
Automobile	--	--	--
Leasehold Improvements	6,000	5,000	4,000
TOTAL	44,000	46,000	56,000
<u>LIABILITIES & CAPITAL</u>			
Accounts Payable - ATC	12,000	15,000	18,000
Payables - Other Creditors	8,000	9,000	8,000
Taxes Payable --	1,000	1,000	
Deposits from Customers --	3,000	3,000	
Notes Payable (Long-Term) --	--	10,000	
Invested Capital	30,000	30,000	30,000
Retained Earnings	(6,000)	(12,000)	(14,000)
TOTAL	44,000	46,000	56,000
2. <u>Income Statements</u>			
Revenues (Volume)		300,000	360,000
Commission Income	22,000	26,000	33,000
Expenses			
Personnel	14,000	18,000	20,000
Selling	2,000	2,000	3,000
Administrative	6,000	6,000	6,000
Occupancy	6,000	6,000	6,000
TOTAL	28,000	32,000	35,000
Net Income Before Taxes	(6,000)	(6,000)	(2,000)

- (a) What do you understand by the term "current assets"? Illustrate your answer with reference to the figures above and explain how this term relates to the concept of "liquidity". (10 MARKS)
- (b) What is meant by the term "funds"? Illustrate your answer with reference to the figures above and include an analysis of sources and uses of funds for year 3. (10)

MARKS)

- (c) What is meant by the term "retained earnings"? Illustrate your answer with reference to the figures above and explain how this term relates to the concept of "profitability". (10 MARKS)

POETRY IN MOTION ENTERPRISES
Trial Balance as at 31st May 1994 - Solution

	Account No.	DR	CR
Bank	11	3,762	
Stock	20	910	
Debtors	15	218	
Loan from B. Burton	101		450
Creditors	25		180
Capital	61		4,500
Office Expenses	34	30	
Purchases	30	310	
Advertising	37	10	
Stationery	31	70	
Discount Received	36		7
Postage	40	8	
Travelling Expenses	41	4	
Interest Paid	38	3	
Bad Debts	42	48	
Salaries	81	90	
Rent	43	80	
H. Lawson - Drawings	62	160	
Sales	70		635
Discount Allowed	35	2	
Interest Received	39		3
Office Furniture	51	70	
		<u>5,775</u>	<u>5,775</u>

Profit & Loss Statement
for Month of May 1994 - Solution

Sales		635
<u>Less Purchases</u>		<u>310</u>
<u>Gross Profit</u>		325
<u>Less Expenses</u>		
1. <u>Selling</u>		
Advertising	10	
Travelling Expenses	<u>4</u>	14
2. <u>Administration</u>		
Office Expenses	30	
Stationery	70	
Postage	8	
Salaries	<u>90</u>	198
3. <u>Occupancy</u>		
Rent	<u>80</u>	80
4. <u>Finance</u>		
Bad Debts	48	
Interest Paid	3	

Discount Allowed	2		
Interest Received	(3)		
Discount Received	(7)	43	335
<u>Net Profit</u>			<u>(10)</u>

Balance Sheet as at 31.5.94

Current Assets

Bank	3,762	
Stock	910	
Debtors	<u>218</u>	4,890

Fixed Assets

Office Furniture	<u>70</u>	70
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Current Liabilities

Creditors	<u>180</u>	180
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Long-Term Liabilities

Loan from B. Burton	<u>450</u>	450
---------------------	------------	-----

Capital

Capital	4,500	
Less Net Loss	<u>(10)</u>	
	4,490	
Less Drawings	<u>160</u>	<u>4,330</u>
	<u>4,960</u>	<u>4,960</u>

SUBSIDIARY LEDGERS**ASSIGNMENT 4 (Learning Outcome 4)**

Study the transactions set out below for “Tourism Enterprises” and follow the instructions below carefully:

- A. Set up a Debtors Ledger with opening balances for May 1st.
- B. Record only those transactions affecting debtors **and** creditors in the subsidiary journals. Do not record any other transactions.
- C. Post the debtors ledger journal items to the Debtors Ledger. Do not post the Creditors Ledger.
- D. Prepare a Debtors Ledger Trial Balance for May 31st.
- E. **NOTE:** If a partial payment of an account does not refer to a bad debt then the amount of the shortfall should be treated as a discount.

May 1995

- 1 Commenced business with: Cash \$4,000; Stock \$1,000; Debtors - B. Byron \$50, K. Keats \$70; Loan from B. Burton \$450; Creditors - S. Shelley \$40, W. Wordsworth \$130.
Advance to petty cashier \$25 (Ch.20)
- 4 Cash sales \$100 (CRS)
Received \$48 from Byron as full settlement of debt (Rec. 101)
- 8 Cash purchases \$140 (Ch. 21)
Paid advertising \$10 and stationery \$70 (Ch.22)
- 10 Credit Sales to - K Keats \$40 (inv. 401), L Lewis \$80 (Inv. 402)
Paid interest on loan \$3 (Ch. 23)
- 12 Credit sale of goods to - H Harvey \$40 (Inv. 403), K Blue \$80 (Inv. 404)
Cash sales to B Bryce \$40 (CRS)
- 14 Cash purchases \$90 (Ch. 24)
Returns by Keats \$5 (CN 10) and Harvey \$10 (CN 11)
- 17 Paid Shelley debt less 5% discount (Ch. 25)
Reimbursed petty cashier - postage \$8, travelling expenses \$4, office expenses \$5 (Ch. 26)
- 19 Credit Purchase of office furniture from H Hansen \$70 (Inv. 69)
- 21 Credit purchases from - B Bruce \$45 (Inv. 74), H Hill \$65 (Inv. 28)
- 24 Lewis declared bankrupt - can pay us only \$0.40 in \$ - balance to be written off as a bad debt (Rec. 102). Cheque received.
- 27 Returned goods to Bruce \$5 (C/N 104) and Hill \$15 (C/N 73)
- 34

- Cash Sales \$170 (CRS)
Charge Keats interest of \$3 for overdue account
Owner drew goods for own use \$90
- 28 Pay Wordsworth \$95 and he allows us \$5 discount (Ch. 27)
Paid salaries \$90 (Ch. 28) and rent \$80 (Ch. 29)
- 30 An additional \$0.20 in \$ was recovered from Lewis (Rec. 103)
Cash sales \$100 (CRS)
Reimbursed petty cashier for postage \$3, office expenses \$6, travelling expenses \$5, and sundries \$4 (Ch. 30)
- 31 Proprietor drew cash for own use \$70 (Ch. 31).

PRACTICE TEST

ABORIGINAL ARTEFACTS

QUESTION 1

1994

May

- 1 Commenced business with the following assets and liabilities:
Debtors \$700; Buildings \$4,500; Stock \$540; Bills receivable \$400; Office furniture \$370;
Creditors \$580; Bank overdraft \$800; Bills payable \$100.
Debtors - P.Hardie \$250, W. Lofts \$175, J. Gill \$275
Creditors - G. Collis \$320, C. Stewart \$260
- 3 Cash sales \$140 (CRS)
Credit purchase from B. Gill \$300 (Inv. 91)
- 5 Gill charged \$10 cartage on purchase on Invoice 91
Paid advertising \$60 (Ch. 31)
- 7 Cash sales \$640 (CRS)
- 9 Credit sales to J. Miller \$250 (Inv. 21) and B. Cox \$145 (Inv. 22)
Proprietor drew cash for own use \$50 (Ch. 32)
- 10 Goods returned to us by Miller \$25 (Correction note 39)
Cash sale to G. Crane \$440
Paid insurance \$75 (Ch. 33)
- 15 Credit purchases from Collis \$100 (Inv. 17) and P. Barry \$85 (Inv. 31)
- 18 J. Gill paid us \$143 and we allowed him \$7 discount (Rec. 41)
Paid office expenses \$55 (Ch. 34)
We returned goods to Collis \$15 (C/N 40) and Barry \$10 (C/N 71)
- 23 Bought furniture for office from J. Bennett for \$90 cash (Ch. 35)
Credit sale to J. Gill \$70 (Inv. 23) and J. Goold \$95 (Inv. 24)
- 25 Allowance to Goold for overcharge \$15 (C/N 40)
Hardie declared bankrupt and can pay only 50 cents in \$ - balance written off (Rec. 42)
- 28 Cash purchases from J. Greenwood \$80 (Ch. 37) and S. Silvan \$200 (Ch. 38)
Cash sales \$475 (CRS)
- 30 Paid Collis \$275 and he allowed us \$15 discount (Ch. 39)
Cox settled his debt in full by paying us \$138 (Rec. 43)
Goods sold on Inv. 23 were to W. Lofts and not J. Gill

Prepare:

- 1 An analysing chart
- 2 General Journal (for May 1)
- 3 Subsidiary Journals
- 4 General Ledger
- 5 General Ledger Trial Balance
- 6 Profit & Loss Statement
- 7 Balance Sheet
- 8 Debtors Ledger

- 9 Debtors Ledger Trial Balance
- 10 Creditors Ledger
- 11 Creditors Ledger Trial Balance

Question 2

Give short answers (approximately 100-200 words for each answer) to each of the following questions:

- (a) Define the purpose of journals and ledgers;
- (b) Why must assets always equal liabilities?;
- (c) What is the purpose of a control account in a debtors ledger?
- (d) What is working capital?
- (e) How might accounting help management?

ABORIGINAL ARTEFACTS SOLUTION

ANALYSING CHART

May	Account	Type	+OR-	DEBIT	CREDIT	JNL
1	Debtors	A	+	700		
	Buildings	A	+	4,500		
	Stock	A	+	540		
	Bills Receivable	A	+	400		
	Office Furniture	A	+	370		
	Creditors	L	+		580	
	Bank Overdraft	L	+		800	
	Bills Payable	L	+		100	
	Capital	L	+		5,030	GJ
	Total			<u>6,510</u>	<u>6,510</u>	
3	Bank Overdraft	L	-	140		
	Sales	I	+		140	CRJ
3	Purchases	C	+	300		
	Creditors	L	+		300	PJ
5	Cartage in	C	+	10		
	Creditors	L	+		10	PJ
5	Advertising	C	+	60		
	Bank Overdraft	L	+		60	CPJ
7	Bank Overdraft	L	-	640		
	Sales	I	+		640	CRJ
7	Bank Overdraft	L	-	1,000		
	Loan	L	+		1,000	CRJ
9	Debtors	A	+	395		
	Sales	I	+		395	SJ
10	Sales	I	-	25		
	Debtors	A	-		25	SJ
10	Bank Overdraft	L	-	440		
	Sales	I	+		440	CRJ
10	Insurance	C	+	75		
	Bank Overdraft	L	+		75	CPJ
15	Purchases	C	+	185		
	Creditors	L	+		185	PJ

18	Bank Overdraft	L	-	143		
	Discount Allowed	C	+	7		
	Debtors	A	-		150	CRJ
18	Office Expenses	C	+	55		
	Bank Overdraft	L	+		55	CPJ
18	Creditors	L	-	25		
	Purchases	C	-		25	PJ
23	Office Furniture	A	+	90		
	Bank Overdraft	L	+		90	CPJ
23	Debtors	A	+	165		
	Sales	I	+		165	SJ
25	Sales	I	-	15		
	Debtors	A	-		15	SJ
25	Interest on Loan	C	+	125		
	Bank Overdraft	L	-	125		
	Debtors	A	-		250	CRJ
28	Purchases	C	+	280		
	Bank Overdraft	L	+		280	CPJ
28	Bank Overdraft	L	-	475		
	Sales	I	+		475	CRJ
30	Creditors	L	-	290		
	Discount Received	I	+		15	
	Bank Overdraft	L	+		275	CPJ
30	Bank Overdraft	L	-	138		
	Discount Allowed	C	+	7		
	Debtors	A	-		145	CRJ
30	Debtors	A	+	70		
	Debtors	A	-		70	GJ

ABORIGINAL ARTEFACTS SOLUTION - GENERAL JOURNAL

GJ1

	DR	CR
May 1 Debtors	700	
Buildings	4,500	
Stock	540	
Bills Receivable	400	
Office Furniture	370	
Creditors		580
Bank Overdraft		800
Bills Payable		100
Capital		<u>5,030</u>
	<u>6,510</u>	<u>6,510</u>

ABORIGINAL ARTEFACTS

Trial Balance as at 31st May 1994

	DR	CR
Debtors	675	
Buildings	4,500	
Stock	540	
Bills Receivable	400	
Office Furniture	460	
Creditors		760
Bank	416	
Bills Payable		100
Capital		5,030
Sales		2,215
Discount Received		15
Advertising	60	
Drawings	50	
Insurance	75	
Office Expenses	55	
Discount Allowed	14	
Bad Debts	125	
Purchases	740	
Cartage	10	
	<u>8,120</u>	<u>8,120</u>

Profit & Loss Statement for month ending 31.5.94

Sales		
<u>Less</u>	Purchases	2,215
	<u>Gross Profit</u>	<u>740</u>
		1,475
<u>Less</u>	Expenses	
	Discount Allowed	14
	Advertising	60
	Insurance	75
	Office Expenses	55
	Bad Debts	125
	Cartage	<u>10</u>
		339
		<u>15</u>
	<u>Net Profit</u>	<u>324</u>
		<u>1,151</u>

Balance Sheet as at 31.5.94

<u>Assets</u>		<u>Liabilities</u>	
<u>Current Assets</u>		<u>Current Liabilities</u>	
Debtors	675	Creditors	760
Stock	540	Bills Payable	<u>100</u> 860
Bills Receivable	400		
Bank	<u>416</u> 2,031		
		<u>Capital</u>	
		Capital	5,030
		- Drawings	<u>50</u>
			4,980
		+ Net Profit	<u>1,151</u> 6,131
			<u>6,991</u>
<u>Fixed Assets</u>			
Buildings	4,500		
Office Furniture	<u>460</u> 4,960		
	<u>6,991</u>		

TEST

Question 1

Requires journals, general ledger, trial balance, profit & loss statement and a balance sheet for CITY PARKING, a car park in the centre of Adelaide. City Parking has a general ledger with the following accounts:

	Account No.
Bank	11
Land	21
Mortgage on Land	31
Accounts Payable	32
John Smith - Capital	41
John Smith - Drawings	42
Parking Fees	51
Advertising	61
Electricity	63
Salaries	65

The transactions for the organisation of the business and its operations during the month of November were as follows:

- Nov.1 John Smith deposited \$31,000 cash in a bank account in the name of the business, CITY PARKING.
- Nov.3 Purchased land for \$36,250, of which \$16,250 was paid in cash. A mortgage was given for the balance of \$20,000. (Interest may be ignored).
- Nov.6 An arrangement was made with Gourmet's Delight, a city restaurant, for free parking privileges for their customers. Gourmet's Delight agreed to pay \$225 monthly, payable in advance. Cash was collected for the month of November.
- Nov.7 Arranged with Modern Printing for a regular advertisement in the *Food & Wine Quarterly* at a monthly cost of \$65. Paid for advertising November by cheque, \$65.
- Nov.15 Parking receipts for the first half of the month were \$718, exclusive of the monthly fee from Gourmet's Delight.
- Nov.16 Entered into another arrangement with George's Café for rental for car parking space at the rate of \$500 per month commencing December 1st. with payments to be made on the 16th day of the month in each case. No cash was collected.
- Nov.30 Electricity bill amounted to \$45, to be paid before December 10.
- Nov.30 Paid \$400 to the parking attendant for services rendered during the month.
- Nov.30 Parking receipts for the second half of the month amounted to \$664.
- Nov.30 Smith withdrew \$500 for his personal use.
- Nov.30 Paid \$10,000 off the principal of the amount owing on the mortgage on the land.

Question 2

Prepare an analysing chart for Far Horizons, an Adelaide based travel agency, for the transactions set out below.

1. On November 3, Far Horizons paid \$260 for an advertisement in the Travel section of the *Sunday Mail*.
2. On November 1, Far Horizons arranged a round-the-world trip for Mr & Mrs Steven Holmes. A commission of \$500 cash was collected from Sitmar.
3. On November 8, another advertisement was placed in the *Sunday Mail* for \$300, payment to be made in 30 days.
4. On November 14, Bill Thompson, owner of Far Horizons, withdrew \$250 from the business for personal use.
5. On November 19, cash in the amount of \$600 was collected from Australian Airlines for a trip finalised and invoiced in October.

Question 3

ABC Clothing are retailers of menswear. There are ten transactions and for each transaction you have been asked to decide whether the item refers to an "asset" or a "liability". Please mark an "A" or an "L" in the space provided.

A or L?

- (a)..... Amounts owing by customers who have purchased goods;
- (b)..... Tables and racks used to display goods for sale;
- (c)..... The amount which B. Wool (a partner) paid in to commence the business;
- (d)..... Amounts owing by the firm to manufacturers who have supplied goods;
- (e)..... Change kept in the cash registers;
- (f)..... The amount by which, under arrangement with the bank, the firm has overdrawn its account with the bank;
- (g)..... A loan to the firm by B. Nylon (a friend);
- (h)..... Insurance premiums on the firm's equipment which have been paid for the next twelve months in advance;
- (i)..... Rent on the premises occupied by the firm which should have been paid two ago;
- (j)..... Goods which are held for future sale.

Question 4

There are ten statements below. Please indicate for each whether the statement is true or false by placing a "T" or an "F" in the space provided.

T or F?

- (a) A profit statement measures financial position
- (b) Profit is the same as cash surplus;
- (c) Discount received is a cost;
- (d) Some assets are other people's liabilities;
- (e) A balance sheet proves accounting accuracy;
- (f) Journals are our primary accounting records;
- (g) A debit balance on a bank statement is an asset;
- (h) Accounts payable is just another way of saying debtors;
- (i) Money received from a credit-worthy customer is always credited to the bank account;
- (j) Bad debts are a current liability.

Question 5

Answer any one (1) of the following questions in reference to City Parking (the company referred to in question 1).

- 3.1 In broad terms how might the accounting work that you prepared in Question 1 assist management?
- 3.2 Explain how City Parking could set up and maintain a debtors ledger and why it might be of value to them.
- 3.3 City Parking has asked you to explain how you might account for the following types of transactions should they ever occur.
 - Receipt of part of the balance owing from a bankrupt debtor;
 - Giving a trade discount or a financial discount to a customer;
 - A refund of parking fees paid in advance by a customer.

Question 6

What do you understand by the terms “liquidity”, “profitability” and “security”?

CITY PARKING - SOLUTION

Trial Balance as at November 30th 1994

	Acct.No.	Dr	Cr
Bank	11	5,392	
Land	21	36,250	
Mortgage on Land	31		10,000
Accounts Payable	32		45
D. Russell - Capital	41		31,000
E. Russell - Drawings	42	500	
Parking Fees	51		1,607
Advertising	61	65	
Lighting	63	45	
Salaries	65	400	
		<u>\$ 42,652</u>	<u>\$ 42,652</u>

Profit & Loss Statement for month of November 1994

Parking Fees		1,607
<u>Less Expenses</u>		
Advertising	65	
Lighting	45	
Salaries	400	510
Net Profit		<u>\$ 1,097</u>

Balance Sheet as at 30th November 1994

<u>Assets</u>		<u>Liabilities</u>	
<u>Current Assets</u>		<u>Current Liabilities</u>	
Bank	5,392	Accounts Payable	45
 <u>Fixed Assets</u>		 <u>Long-Term Liabilities</u>	
Land	36,250	Mortgage on Land	10,000
		 <u>Proprietorship</u>	
	Capital	31,000	
		plus Net Profit	<u>1,097</u>
			32,097
	less Drawings	<u>500</u>	<u>31,597</u>
<u>\$41,642</u>			<u>\$ 41,642</u>

GLOSSARY OF TERMS

HANDOUT 1A

Account

An accounting record that shows increases and decreases relating to an item on a balance sheet or income statement.

Accounting

Bookkeeping and accounting work to prepare financial statements for a business. A measurement and record keeping process to facilitate planning, decision-making and control. Includes preparation of journals and ledgers.

Accounts Payable

Amounts payable to suppliers for goods or services provided. Alternatively called "creditors".

Accounts Receivable

Amounts owed to the business by customers for goods or services provided. Alternatively called "debtors".

Accrual Accounting

Accounting based on the period during which income was earned or costs incurred irrespective of when cash changes hands for these items. Based on the idea of matching costs and revenue for a period of time.

Adjusting Entries

Entries made at the end of an accounting period to record necessary changes in the general journal.

Administrative Expenses

Costs incurred to provide management with goods and services to allow office functions to be performed.

Aged Debtors Listing

A list of debts indicating amounts owed by debtors over set periods of time, eg. current, 30 days, 60 days, 90 days and over, etc. Alternatively called a "debtors trial balance."

Amortization

Periodic charges to income for the cost of improvements or intangibles having a limited life.

Assets

Resources owned by an individual or a business that are used to generate sales activity.

Balance Sheet

A financial statement prepared at a particular date reflecting the financial position of the business. It shows assets (things owned) and liabilities (things owed).

Bank Account

A depository for cash funds. Cash receipts are deposited in the account and are withdrawn by cheque.

Bank Reconciliation

The act of bringing the cash balance on the books in line with the balance shown on the bank statement.

Bank Statement

A monthly statement of account prepared by the bank which shows deposits received and cheques cleared as at a given date.

Break-even Point

The point at which zero profit is made. That is, where the surplus of income over variable costs (called contribution) equals fixed costs.

Capital

Amounts invested in a business by its owners, partners or proprietor as a basis for operations. Sometimes called "shareholders' funds", "equity" or "proprietorship".

Cash

Includes monies in cheque or savings accounts as well as petty cash. Sometimes referred to as "cash at bank".

Cash Accounting

Accounting method in which income is recognized when payment is received and expenses charged when paid.

Cash Payments Journal

A book of original entry used to record transactions made by cheque.

Cash Receipts Journal

Book of original entry which records funds received.

Chart of Accounts

A list of account titles used by a business.

Closing Entries

Journal entries prepared at the end of a fiscal period which close out revenue, cost of sales and expense accounts.

Contribution

The surplus of sales revenue over variable costs. An amount available to meet fixed costs and profit.

Cost

Amount spent or liability incurred for goods or services. Alternatively called "expenses." Includes variable and fixed costs.

Cost of Sales (Cost of Goods Sold)

In a tourism business this includes amounts spent to pay for services of suppliers such as airlines, tour operators, car rental companies, charter operators or hotels, etc. In other businesses, includes amounts spent on goods for re-sale or for services provided.

Credit

Right side of an account page. We credit increases in income (revenue), increases in liabilities, decreases in costs (expenses) and decreases in assets.

Creditors

Amounts payable to carriers and suppliers for services rendered. Alternatively called "accounts payable".

Creditors Ledger

Used to keep track of every financial event affecting a creditor (invoices, payments, returns, etc.). Makes use of a Control account which is a mirror image of the creditors account in the general ledger. Used for reconciling with statements provided by creditors.

Current Assets

Resources owned by the business including cash and other resources that can be converted into cash in the short term (usually within 12 months). Normally includes cash, debtors, short term investments, stock, pre-payments.

Current Liabilities

Resources owed by the business including bank overdraft and other items that must be paid for in cash within the short term (usually within 12 months). Normally includes bank overdraft, creditors, accrued expenses, provision for dividend, provision for tax. For a travel agency deposits from customers are included.

Debit

Left side of an account page. We debit increases in costs (expenses), increases in assets, decreases in income (revenue) and decreases in liabilities.

Debtors

Amounts owed to the business by customers for services rendered (or goods sold). Alternatively called "accounts receivable".

Deposits from Customers

Funds received by a travel agency in advance of a tour or cruise and reflected as a current liability since services are usually to be provided in less than one year.

Depreciation

Allocation of the original costs of a fixed asset over its estimated life to reflect obsolescence, wear and tear. A book entry and is not a funds item. It relates to the purchase of a fixed asset some time in the past. The only impact on funds is when that asset was originally purchased.

Double-entry System

Bookkeeping system in which at least two accounts are involved in every transaction ie. every transaction has two perspective's. By making two entries out of one event we set up a system for double-checking our recording, guarding against fraud, inaccuracy and carelessness, etc.'

Equity

Amounts invested in a business by its owners, partners or proprietor as a basis for operations. Sometimes called "capital", "shareholders' funds" or "proprietorship".

Expenses

Amounts expended while offering services to customers to earn income. Alternatively called "costs". Includes variable and fixed costs.

Financial Management

Planning and controlling the flows of financial resources to ensure that a business achieves profitable growth with appropriate liquidity and security.

Financial Statements

Statements prepared at the end of an accounting period, such as the balance sheet, the income statement and the funds statement.

Fixed Assets

Assets which were purchased for long term purposes for producing income. Not intended to be converted into cash within 12 months and therefore referred to as long term assets or capital expenditure.

Fixed Cost

An expense or cost that tends to be relatively fixed in the short run (say 12 months).

Funds Statement

A statement prepared at the end of an accounting period showing the sources of funds and the application (or uses) of funds. Basically it reflects the changes in Balance Sheet items between two balance dates.

Gearing

Related to security and leverage. Business are highly geared when their long term debt is far greater than their capital base and conversely lowly geared when it is only a fraction of the capital base.

General Ledger

Contains accounts and is posted from journals. It summarises information under special headings for the following classifications: income, costs, assets, liabilities and is balanced regularly.

Goodwill

The amounts of money a purchaser pays for a business over and above the value of resources being purchased. It represents a premium for the intangible assets associated with the location of the business, its reputation and its logos and name, etc.

Gross Margin

The excess of sales revenue over cost of sales where cost of sales includes the cost of raw materials and other costs involved in manufacturing. Sometimes referred to as "gross profit". Cost of sales is sometimes referred to as "cost of goods sold".

Gross Sales

see Sales

Horizontal Analysis

Measurement of changes in corresponding items in successive financial statements.

Income Statement

A summary of the financial results of operations under the headings of income and expenses for a period of time highlighting net profit. Alternatively called a "profit and loss statement."

Interest Expense

Amount of interest paid on instalment loan payments, bank loans, mortgages, etc.

Interest Income

Amount earned on savings accounts or certificates of deposit.

Journals

Record events from source documents summarising periodic cash movements (payments & receipts) and periodic credit movements (purchases & sales). Used for posting to ledger. A general journal is used to record other special events like provision for doubtful debts and re-allocations and corrections.

Leasehold Improvements

Expenditure associated with improving a rented property for use during a lease period. Classified as a fixed asset and carried out with the landlord's permission.

Liabilities

Amounts owed by a business for funds supplied on a short term or long term basis. Includes current liabilities, long term liabilities and capital.

Liquidity

Concerns access by a business to an adequate level of short term finance to meet short term financial needs. Related to working capital.

Long Term Finance

Long term finance is of two kinds, long term liabilities and capital. The former represents borrowing's from outsiders whilst the latter represents funds supplied indefinitely by the owners of the business and includes profit that has been accumulated. Related to long-term liabilities.

Long Term Liabilities

Amounts owing to outsiders for funds provided not due to be repaid within the short term, say 12 months. Sometimes called "deferred liabilities". Includes long term mortgages and debentures. Related to long-term finance.

Marketable Securities

Investments which can be converted into cash easily, such as certificates of deposit issued by banks and savings and loan associations.

Market Value

The price at which an asset can be currently purchased or sold.

Net Loss

Excess of costs (expenses) over revenues (income).

Net Profit (Net Profit)

The excess of income over expenses as shown by a profit and loss statement for a period of time.

Net Worth

The difference between total assets and the sum of current liabilities and long-term liabilities. Corresponds to capital.

Note

Written promise to pay a certain sum of money at a fixed time.

Notes Payable

Claims by creditors of the company, evidenced by a promissory note.

Notes Receivable

Claims against debtors of the company evidenced by a note.

Occupancy Expenses

Costs incurred to provide a business with a place to do business, eg. rent, lighting, etc.

Original Cost

Cost at which an asset was purchased.

Outstanding Cheques

Cheques issued by the company which have not cleared the bank at the end of the month when the bank statement is issued.

Overhead Expenses

Costs of operating the business.

Partnership

A business enterprise conducted by two or more persons in which a written or oral agreement is made.

Pay Back Period

The number of years of net cash flow required to equal the initial investment. Expressed in number of years.

Personnel Expenses

Expenditures made on behalf of employees for wages, salaries, fringe benefits, payroll taxes, etc.

Petty Cash

Special cash fund for handling small payments.

Posting

Process whereby the transactions recorded in the journals are transferred to the ledger accounts.

Pre-payments

Amounts paid in advance in respect to costs for future periods or by customers in anticipation of services to be rendered, eg. for a travel agency, pre-paid tour expenses are amounts paid to the agency by clients prior to their departure date.

Present Value

The value of a dollar earned in the future in today's terms.

Profitability

Concerns the capacity of a business to provide owners and investors with an adequate return on their investment after satisfying the financial needs of customers, suppliers, employees and taxing authorities.

Profit & Loss Appropriation

Net profit earned in the past which owners have decided shall remain in the business for use in future operations. The amount "ploughed back" into the business to help finance future growth. The amount left over after income tax and dividends have been deducted from net profit from operations. Alternatively referred to as "retained earnings" or "accumulated profit".

Profit & Loss Statement

(Alternatively called an "Income Statement or Revenue Statement") measures the profitability for a firm over a period of time by simply comparing income (revenue) and expenses (costs).

Proprietorship

Amounts invested in a business by its owners, partners or proprietor as a basis for operations. Alternatively called "shareholders' funds", "equity" or "capital".

Ratios

Relationships between financial figures expressed as multiples or percentages to simplify comparisons between accounting periods and with other businesses. They enable comparisons to be made despite great differences in the numbers involved.

Ratio Analysis

Ratio comparisons to help us form opinions as to whether business performance is "good" or "bad" or "better" or "worse" than previous performance and/or competitors.

Refunds

Cheques issued for the cancellation of a sale after payment has been received.

Retained Earnings

Net profit earned in the past which owners have decided shall remain in the business for use in future operations. The amount "ploughed back" into the business to help finance future growth. The amount left over after income tax and dividends have been deducted from net profit from operations. Alternatively called "profit & loss appropriation" or "accumulated profit".

Return on Investment (ROI)

A ratio which compares the return for a business (net profit) with the amount of investment in the business (assets or equity). There are two measures most often used. The first is ROI on assets managed. This compares net profit before tax with total assets and is a popular "internal" test of managerial efficiency. The second is ROI on capital. This compares net profit after tax with owners/shareholders' funds and is a test most often used by outsiders, eg. lenders, prospective shareholders. ROI is a function not only of earning power (as indicated by the Profit & Loss Statement) but also of asset turnover (of which Stock and Debtors are a part).

Revenues

Income from the sale of goods and services and includes commissions earned from sale of airline tickets, charters, tours, hotel reservations or car rental reservations.

Sales

see "Revenues"

Sales Journal

A book of original entry used to record sales.

Security

Refers to having a reasonable foundation on which to build the financial structure of the business. Security refers to the relationship between long term liabilities and capital. The higher the former the less secure the financial foundation of the business. Related to security and leverage.

Shares

Units showing ownership of a corporation.

Shareholders' Funds

Amounts invested in a business by its owners, partners or proprietor as a basis for operations. Alternatively called "capital", "equity" or "proprietorship".

Trial Balance

Lists all the account balances for a ledger as at a given date. Used for creditors, debtors, general ledgers and sometimes for stock (inventory). Proof of accounting accuracy.

Variable Cost

An expense or cost that tends to vary directly in proportion to the volume of business activity.

Vertical Analysis

Measurement of the relationship among the items on a single financial statement.

Working Capital

The difference between current assets and current liabilities. The amount of liquid capital to meet short term commitments. It represents a comfort zone or cushion to meet the demands of our current liabilities and operating expenses as they occur. It represents cash plus other current assets (which we expect will become cash in the short term) minus the short term commitments we have (current liabilities and operating expenses) which we expect will be paid for in cash in the short term.

Work Sheet

A form used to assist in the preparation of financial statements.

HANDOUT 1B ACCRUAL ACCOUNTING FRAMEWORK



