

AFM 101 2009/2010 Summer School Major Assignment

Assignment Due Monday January 4 2010

Weight **30%**

Completing the Accounting Cycle for a Retailing Entity—Using Special Journals

Digital Meter closes its books and prepares financial statements at the end of each month. Digital uses the perpetual inventory system. The company completed the following transactions during August:

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- Aug. 1 Issued cheque no. 682 for August office rent of \$1,000. (Debit Rent Expense.) There was no GST in this transaction.
 - 2 Issued cheque no. 683 to pay the salary payable of \$1,250 from 31 July.
 - 2 Issued invoice no. 503 for sale on credit to R. T. Loeb, \$600. Digital's cost of these goods was \$190, excluding GST.
 - 3 Purchased inventory on credit terms of 1/15 n/60 from Grant Enterprises., \$1,400.
 - 4 Received net amount of cash on account from Fullam Supplies, \$2,156, within the discount period.
 - 4 Sold inventory for cash, \$330 (cost, \$104, excluding GST).
 - 5 Received from Park-Hee Retailers, goods that had been sold earlier for \$550 (cost, \$174, excluding GST). (Record this sales return in the general journal.)
 - 5 Issued cheque no. 684 to purchase supplies for cash, \$780.
 - 7 Issued invoice no. 504 for sale on credit to K. D. Skipper, \$2,400 (cost, \$759, excluding GST).
 - 8 Issued cheque no. 685 to pay Federal \$2,600 of the amount owed at 31 July. This payment occurred after the end of the discount period.
 - 11 Issued cheque no. 686 to pay Grant Enterprises the net amount owed from 3 August.
 - 12 Received cash from R. T. Loeb in full settlement of her account receivable from 2 August.
 - 16 Issued cheque no. 687 to pay salary expense of \$1,240.
 - 19 Purchased inventory for cash, \$850, issuing cheque no. 688.
 - 22 Purchased furniture on credit terms of 3/15 n/60 from Beaver Design, \$510.
 - 23 Sold inventory on credit to Fullam Supplies, issuing invoice no. 505 for \$9,966 (cost \$3,152, excluding GST).
 - 24 Received half the 31 July amount receivable from K. D. Skipper—after the end of the discount period.
 - 26 Purchased supplies on credit terms of 2/10 n/30 from Federal, \$180.
 - 30 Returned damaged inventory to company from whom Digital made the cash purchase on 19 August, receiving cash of \$935.
 - 31 Purchased inventory on credit terms of 1/10 n/30 from Suncrest Supply, \$8,330.
 - 31 Issued cheque no. 689 to Len MacCracken, owner of the business, for personal drawings, \$1,700.
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Unless otherwise stated, all sales and purchases exclude GST, which is levied at 10%.

Required

1. Open these accounts with their account numbers and 31 July balances in the various ledgers.

General Ledger		
101	Cash at Bank	\$ 4,490
102	Accounts Receivable	22,560
105	Inventory	41,800
109	Supplies	1,340
117	Prepaid Insurance	2,200
140	Bill Receivable, Non-current	11,000
160	Furniture	37,270
161	Accumulated Depreciation	\$10,550
201	Accounts Payable	12,600
204	Salary Payable	1,250
208	Unearned Sales Revenue	
220	Bill Payable, Non-current	42,000
227	GST Clearing	
301	Len MacCracken, Capital	54,260
302	Len MacCracken, Drawings	
400	Income Summary	
401	Sales Revenue	
402	Sales Discounts	
403	Sales Returns and Allowances	
501	Cost of Goods Sold	
510	Salary Expense	
513	Rent Expense	
514	Depreciation Expense	
516	Insurance Expense	
519	Supplies Expense	

Accounts Receivable Subsidiary Ledger: Fullam Supplies, \$2,200; R. T. Loeb, \$0; Park-Hee, Retailers., \$11,590; K. D. Skipper, \$8,770.

Accounts Payable Subsidiary Ledger: Beaver Design, \$0; Federal, \$12,600; Grant Enterprises., \$0; Suncrest Supply, \$0.

2. Journalise the August transactions in a series of special journals: a sales journal (page 4), a cash receipts journal (page 11), a purchases journal (page 8), a cash payments journal (page 5), and a general journal (page 9). Digital makes all credit sales on terms of 2/10 n/30.
3. Post daily to the accounts receivable subsidiary ledger and the accounts payable subsidiary ledger. On 31 August, post to the general ledger.

4. Prepare a trial balance in the Trial Balance columns of a work sheet, and use the following information to complete the work sheet for the month ended 31 August:
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|--------------------------------------|-------------------------------------|
| a. Supplies on hand, \$990. | d. Accrued salary expense, \$1,030. |
| b. Prepaid insurance expired, \$550. | e. Unearned sales revenue, \$450. |
| c. Depreciation expense, \$230. | f. Inventory on hand, \$46,700. |
5. Journalise and post the adjusting and closing entries. Assume any differences between the book and counted values of closing inventory are due to recording errors.

Note: At 31 August, \$450 of unearned sales revenue needs to be recorded as a credit to Unearned Sales Revenue. Debit Sales Revenue. Also, the cost of these goods (\$142) needs to be removed from Cost of Goods Sold and returned to Inventory.