CHAPTER 21

Computer processing

This chapter covers the requirements of Achievement Standard 91175 (Accounting 2.2), 'Demonstrate understanding of accounting processes using accounting software'.

This Achievement Standard requires students to carry out accounting processing using an accounting software program, such as MYOB™, Moneyworks™, or QuickBooks™. Because each of these programs works differently, it isn't practical to demonstrate the use of a program in this workbook.

This chapter outlines the skills that you will require to achieve this standard. Classroom teachers will need to teach the specific computer software program being used.

The context of the assessment is a sole-proprietor trading firm which uses the perpetual inventory system and is registered for GST on the invoice basis. This means that GST is recognised when the transaction takes place (e.g. credit sale). It is also important that each different inventory has its own Inventory, Cost of goods sold, and Sales accounts. For example, if *Betty's Bookshop* sells children's books and adult fiction, the business will need to have the following different accounts: Inventory – children's books; Cost of goods sold – children's books, and Sales – children's books; also Inventory – adult fiction; Cost of goods sold – adult fiction, and Sales – adult fiction.

You are required to set up the chart of accounts and process a range of transactions. Transactions are categorised into three types:

- **Frequent transactions** (Achievement)
  - cash sales of inventory
  - cash from debtors (Accounts receivable)
  - cash expenses paid
  - cash paid to creditors (Accounts payable)
  - other cash receipts
  - other cash payments
  - selling inventory on credit
  - buying inventory on credit

- **Infrequent transactions** (Merit)
  - inventory returns for purchases and sales
  - sundry charges to the firm by creditors, e.g. freight, late fees
  - purchases of property, plant and equipment assets on credit
  - drawing of goods by the owner
  - inventory shortage/losses
  - correction of errors
- **Complex transactions** (Excellence)
  - straight-line depreciation prior to disposal
  - disposal of PPE asset for gain or loss
  - correction of complex errors

It is important that Cash transactions are recorded in 'undeposited funds' until told to bank.

It is important to use appropriate references (contra accounts) and to ensure that the correct dates are entered when recording the transactions.

Students are also required to create all ledger accounts, ensuring the chart of accounts classifies them correctly.

At least three different types of inventory are required to be set up, bought, and sold.

In addition to recording transactions using an accounting software program, students should print the following outputs to show the final stage of the accounting process involving the assessed transactions.

- GST return
- bank reconciliation
- Trial Balance
- Income Statement
- Statement of Financial Position.

It is also important to print session reports after each session, because these are used to mark the journal entries.

Activity 21: Computer processing

Note: In order to complete the following activities, students might need additional instruction from teachers, depending on the particular accounting software package being used.

Question 1

Consult the manual and instructions for the accounting software program you use, then practise the following skills.

a.   Entering set-up details and financial year dates.

b.   Importing a chart of accounts; deleting accounts; renaming accounts and creating new accounts.

c.   Entering opening balances into existing ledger accounts.

d.   Entering Accounts receivable (debtor) information and opening balance. Creating new Accounts receivable.

e.   Entering Accounts payable (creditor) information and opening balance. Creating new Accounts payable.

f.   Entering inventory details – it is important to be very careful of GST at this stage. Creating new inventory accounts.

g.   Entering a range of different transactions. (Remember, in the case of some transactions – such as inventory drawings and sale returns – you are required to make two entries to complete the transaction.)

- Cash sales
- Cash received from Accounts receivable
- Cash paid for expenses
- Cash paid to Accounts payable
- Selling inventory on credit
- Buying inventory on credit
- Purchase returns
- Buying property, plant and equipment on credit
- Selling property, plant and equipment
- Sundry charges to Accounts payable, e.g. late fee expense
- Owner withdrawing inventory for personal use
- Inventory shortages or missing inventory
- Correction of errors

h. Printing the following information:
  • A session report
  • Income Statement
  • Statement of Financial Position
  • Trial Balance
  • Bank reconciliation (if appropriate)
  • GST return (if appropriate)

Question 2: Practice activity

Thomas has been operating his toy train shop, called *Toy Steam Trains 4U,* for a number of years and he has asked you to enter the following information into the computer accounting software package that you have access to.

Thomas's business details are:

Name	*Toy Steam Trains 4U*
Address	24 Track Place, Addington
GST no.	23-568-123
Current financial year	2023
Last month of financial year	March
Conversion month / month business starts using the package	October
Periods per year	12

You are to do the following.

1. Create a chart of accounts using the list of accounts in the Trial Balance below, for *Toy Steam Trains 4U.*
2. Enter the opening balance amounts at 1 October from the Trial Balance given below.

Toy Steam Trains 4U Trial Balance as at 1 October		
	$	$
Bank cheque account *(business name)*	8 620	
Trade debtors	960	
Inventory:		
Thomas T23	2 400	
Walter T28	3 080	
Mabel T39	1 280	
Furniture and fittings	19 500	
Trade creditors		680
GST received/collected		260
Capital – Tom		16 830
Accumulated depreciation – furniture and fittings		4 000
Drawings	5 000	
Advertising	2 100	
Electricity	900	
Insurance	780	
Telephone and tolls	950	
Cost of goods sold:		
Thomas	4 000	
Walter	12 500	
Mabel	1 600	
Delivery expenses	3 800	
Wages	14 400	
Sales:		
Thomas		18 000
Walter		24 600
Mabel		9 000
Loan (10%; due 2015)		8 500
	81 870	**81 870**

3. Record the following customer details and balances owing at 1 October.

Customer name	Address	Balance owing
Trains Galore	268 Steam Road New Market	$270
Toys 'n Things	32 Track Place Wellington	$90
Terry's Toy Supplies	56 Conductor Street Napier	$225
Boys' Toys	43 Fantasy Lane Taupo	$375

4. Record the following supplier details and amounts as at 1 October.

Vendor name	Address	Balance owing
World of Toys	312 Stoke Street Nelson	$180
Toy Warehouse	15 Frankton Junction Queenstown	$225
Train World	36 Coal Road Greymouth	$275

5. Record the following inventory details as at 1 October.

Product name	Thomas Tank Engine	Mabel	Walter Engine
Item number	T23	T39	T28
Selling price (incl. GST)	$54	$45	$36
Selling unit	one	one	one
Quantity of stock at 1 October	100	80	154
Unit cost (excl. GST)	$24	$16	$20

6. Enter the transactions for the month of October for *Toy Steam Trains 4U.*

7. Print a copy of the Trial Balance, the Income Statement and Statement of Financial Position for *Toy Steam Trains 4U,* as at 31 October.

    Toy Steam Trains 4U is registered for GST on the invoice basis. **All figures include GST where appropriate**.

    During the month of October 2022, *Toy Steam Trains 4U* had the following transactions.

Date	Transaction
Oct 2	Sold 40 Thomas trains (order 64) to *Trains Galore*
	Sold 50 Mabel trains (order 182) to *Toys 'n Things*
	Sold 10 Walter trains and 20 Thomas trains for EFTPOS
	Wrote cheques for the following monthly expenses:
	Chq no. 481 *Fred's Party World* $270 for packaging expenses
	Chq no. 482 wages $1 350
	Chq no. 483 *Magazine World* $180 for advertising
	Purchased 60 Mabel trains from *World of Toys* (invoice 23)
	Purchased 40 Walter trains from *Toy Warehouse* (invoice 54)
	Sent cheques to the following suppliers:
	World of Toys $180, chq no. 484
	Train World $250, chq no. 485
3	Paid loan ($450 principal and $360 interest) by automatic payment
	Returned 10 Mabel trains to *World of Toys*
	Received cheques from the following customers:
	Trains Galore $240
	Boys' Toys $320
	Terry's Toy Supplies $90
	Paid *Starcom* for telephone and tolls $180, chq no. 487
	Paid *UR Covered Ltd* for 3 months' insurance premiums $180, chq no. 488
	Sold 60 Walter trains (order 78) for cash
	Sold 40 Mabel trains (order 92) for cash
	Banked all cash/cheques received on this day
4	Purchased 50 Thomas trains from *Train World* (invoice 67)
	Purchased 20 Mabel trains from *World of Toys* (invoice 89)
	Sold old furniture which cost $2 000 excluding GST and with carrying amount of $800 for $600 including GST on credit to Controller Ltd.
	Purchased new truck and trailer for $22 500 from *Ted's Trucks* (invoice 124); Tom will settle the account next month
	Thomas took 5 Mabel trains from stock for gifts for his nephews
	Cash sale of 30 Mabel trains
	Cash sale of 10 Walter trains
	Charged *Boys' Toys* $18 in overdue fees on October's overdue balance
	The monthly stock-take showed one Walter train unaccounted for – it is assumed it was stolen and so it is to be written off
	Banked all money/cheques received on this date
	Errors identified from September:
	Charged wages account $300 that should have been interest on loan
	Recorded telephone of $90 including GST that should have been wages

Question 3: Practice activity

Rose has been operating her florist's shop for a number of years and she has asked you to enter the following information into the computer accounting software package that you have access to.

Rose's business details are:

Name	FlowerPot
Address	135 Main Street, Invercargill
GST no.	12-345-789
Current financial year	2023
Last month of financial year	March
Conversion month / month business starts using the package	January
Periods per year	12

You are to do the following.

1. Create a chart of accounts. Prepare a chart of accounts from scratch, using the list of accounts in the Trial Balance below for *FlowerPot*.

2. Enter the opening balance amounts at 1 January from the Trial Balance given below.

FlowerPot Trial Balance as at 1 January		
	$	$
Bank cheque account *(business name)*	10 800	
Trade debtors	960	
Inventory:		
Tulips F10	120	
Freesias F8	48	
Carnations F17	56	
Shop fittings	8 500	
Trade creditors		860
GST received/collected		360
Capital – Rose		35 394
Accumulated depreciation – shop fittings		1 000
Drawings	3 000	
Advertising	3 100	
Electricity	1 100	
Insurance	1 780	
Telephone and tolls	1 950	
Cost of goods sold:		
Tulips	4 000	
Freesias	12 500	
Carnations	1 600	
Delivery expenses	6 800	
Wages	36 400	
Sales:		
Tulips		23 000
Freesias		24 600
Carnations		19 000
Loan (6%; due 2028)		4 500
Delivery vehicle	16 000	
	108 714	**108 714**

3. Record the following customer details and balances owing at 1 January.

Customer name	Address	Balance owing
Bay Hospital	320 Bay Road Auckland	$270
Bay Superette	110 Bay Road Auckland	$90
Fresh is Best	34 Main Street Auckland	$225
Main Street Dairy	250 Main Street Auckland	$375

4. Record the following supplier details and amounts as at 1 January.

Vendor name	Address	Balance owing
Flower Power	42 Growers Road Nelson	$360
Flower Market	220 Market Road Hamilton	$225
Garden Galore	63 Ferry Road Raglan	$275

5. Record the following inventory details as at 1 January.

Product name	Tulips	Carnations	Freesias
Item number	F10	T17	T8
Selling price (incl. GST)	$5.40	$4.50	$3.60
Selling unit	one bunch	one bunch	one bunch
Quantity of stock at 1 January	50	35	60
Unit cost (excl. GST)	$2.40	$1.60	$0.80

6. Enter the transactions for the month of January for *FlowerPot.*

7. Print a copy of the Trial Balance, the Income Statement and Statement of Financial Position for *Flower Pot,* as at 31 January.

    Flower Pot is registered for GST on the invoice basis. **All figures include GST where appropriate**.

    During the month of January 2023, *Flower Pot* had the following transactions:

Date	Transaction
Jan 2	Sold 4 bunches of tulips (order 64) for EFTPOS
	Sold 5 bunches of carnations (order 182) for cash
	Sold 1 bunch of freesias and 20 bunches of carnations for cash
	Wrote cheques for the following monthly expenses:
	Chq no. 481 *Party World* $270 for packaging expenses
	Chq no. 482 wages $900
	Chq no. 483 landlord $360 for rent
	Purchased 6 bunches of carnations from *Flower Power* (invoice 23)
	Purchased 4 bunches of freesias from *Flower Market* (invoice 54)
3	Sent cheques to the following suppliers:
	Flower Power $180 chq no. 484
	Garden Galore $250 chq no. 485
	Paid loan ($360 principal and $180 interest) by automatic payment
	Cash sale 4 bunches freesias
	Returned 10 carnations to *Flower Power*
	Received cheques/EFTPOS from the following customers:
	Bay Hospital $240 cheque
	Main Street Dairy $320 cheque
	Fresh is Best $90 EFTPOS
	Banked cash/cheques for past 2 days
4	Paid *Calshel* for petrol $90, chq no. 487
	Paid *UR Covered Ltd* for 3 months' insurance premiums $180, chq no. 488
	Sold 2 bunches of freesias (order 78) to *Fresh is Best*
	Sold 4 bunches of carnations (order 92) for EFTPOS
	Purchased 12 bunches of tulips from *Garden Galore* (invoice 67)
	Purchased 8 bunches of carnations from *Flower Power* (invoice 89)
	Purchased refrigerator for $1 800 from *Noel Bond* (inv 124), Rose will settle the account next month
	Received invoice from *Flower Power* for $54 for freight on purchase of 5 January
5	Rose took 5 bunches of carnations from stock for gifts for her nieces
	Errors to be recorded on January 5 from December include:
	Advertising of $90 (incl. GST) was incorrectly posted to the insurance account last month
	Wages incorrectly posted to electricity $420
	Cash sale of 3 bunches of carnations.
	Sold delivery vehicle which cost $8 000 excluding GST and with carrying amount of $2 000 for $2 600 in cash including GST
	The monthly stock-take showed one bunch of freesias unaccounted for – it is assumed to have been stolen and so is to be written off
	Banked all unbanked monies from January 4 and 5