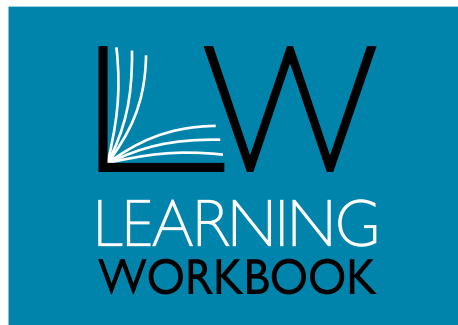


Full Answers
for
Level 1 **Accounting** Learning Workbook

Anne Dick



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ANSWERS

Activity 1A – Accounting services (p. 2)

Student's own answers. Examples: Financial advice, farm accounting, tax accounting, business advisory services, budgeting advice, etc.

Activity 1B – Types of accounting (p. 3)

| List A | List B |
|-----------------------------|---|
| Cost Accountant | Calculating the cost of production |
| Financial Accountant | Analysing and interpreting financial statements |
| Accounts Clerk (technician) | Preparing journals and ledgers |
| Management Accountant | Preparing budgets and checking internal systems |
| Auditor | Checking the accuracy of financial statements |
| Tax Accountant | Preparing GST returns |

Activity 1C – Users of accounting information (p. 4)

- So that Anna can find out what the value of her antique business's assets, liabilities and equity is on balance date. In addition, the accountant will calculate her business's expenses and income, and use this information to calculate the business's profit for the period.
 - Anna could ask her chartered accountant to analyse her financial statements and then give her some financial advice. She could also ask the chartered accountant to help her make financial decisions to improve her business.
 - The bank manager might want to know: the value of Anna's business's assets that can be used as security for a loan / the profit made by the business in order to calculate whether Anna's business can afford to pay the interest on a loan / what other liabilities Anna already has before deciding to give her a loan or not.
 - Anna's creditors might be interested in what other liabilities she has, because they need to see what other debts she has, in addition to what she owes them.

- | List A | List B |
|---------------------------|--|
| Owner | I want to know how much profit the business made. |
| Suppliers | I want to know if I should sell on credit. |
| Bank manager | I want to see the liabilities already owed before I lend more money. |
| Potential owner | I want to know what my expected return will be. |
| Inland Revenue Department | I want to know whether the GST payment is correct. |
| Manager | I want to see which inventory is selling the best. |

- The purpose of accounting is to communicate financial information to interested parties so that they can make informed decisions.
- Financial accountant: analysing and interpreting financial information to help with financial decision making, and giving financial advice.

- Auditor: checking the accuracy of financial systems and financial statements.
 - Cost Accountant: calculating the cost of manufacturing a product, and preparing cost budgets.
 - Accounting Technician: preparing accounting records (journals and ledgers), and possibly preparing financial statements, bank reconciliation statements, and some tax returns.
- Management Accountant
 - Chartered / Financial Accountant
 - Accounting Technician
 - Auditor
 - Tax Accountant
 - Financial / Chartered Accountant
 - tax
 - decisions
 - financial
 - owner
 - auditor
 - communication
 - technician
 - supplier
 - government
 - manager
- Word: accounting

Activity 2A – Financial elements of accounting (p. 8)

- Soo Youn's Clothing Boutique*

| Assets | Expenses | Liabilities | Equity | Income |
|---------------|-------------|-------------|---------|-------------------|
| Bank | Rent | Loan | Capital | Sales |
| Inventory | Stationery | | | Discount received |
| Vehicle | Advertising | | | |
| Equipment | Electricity | | | |
| Shop fittings | | | | |
| Furniture | | | | |
| Cash on hand | | | | |

- Ken's Kitchen Supplies*

| Assets | Expenses | Liabilities | Equity | Income |
|------------------|-------------|-------------|---------|-------------------|
| Bank | Internet | Mortgage | Capital | Sales |
| Inventory | Rates | | | Interest received |
| Buildings | Electricity | | | |
| Vehicle | Telephone | | | |
| Equipment | | | | |
| Office furniture | | | | |
| Petty cash | | | | |
| Computer | | | | |

Activity 2B – Transactions (p. 12)

1. Sam's Spa

| | Assets | | | Liabilities | | Equity |
|---|--------|---------------------|-----------|------------------|------|---------|
| | Bank | Accounts receivable | Equipment | Accounts payable | Loan | Capital |
| a | +2 000 | | | | | +2 000 |
| b | +120 | | | | | +120 |
| c | | | | +380 | | -380 |
| d | -270 | | | | | -270 |
| e | -450 | | | | -400 | -50 |
| f | | +140 | | | | +140 |
| g | | | +2 000 | +2 000 | | |
| h | -130 | | | | | -130 |
| i | -240 | | | -240 | | |

2. Rangī's Resthome

| | Assets | | | | Liabilities | | Equity |
|---|---------|---------------------|------------------|--------------------|------------------|---------|---------|
| | Bank | Accounts receivable | Office equipment | Resthome furniture | Accounts payable | Loan | Capital |
| a | +10 000 | | | | | +10 000 | |
| b | +1 000 | | | | | | +1 000 |
| c | -500 | | | | | | -500 |
| d | | | | | +240 | | -240 |
| e | | +2 500 | | | | | +2 500 |
| f | +2 000 | | +3 000 | | | | +5 000 |
| g | +430 | -430 | | | | | |
| h | -800 | | | | | -800 | |

Activity 2C – Complex transactions (p. 13)

Jeff's Jewellery Repairs

| | Assets | | | Liabilities | | Equity |
|---|--------|---------------------|-----------|------------------|------|---------|
| | Bank | Accounts receivable | Equipment | Accounts payable | Loan | Capital |
| a | +2 000 | | +1 000 | | | +3 000 |
| b | +420 | | | | | +420 |
| c | -380 | | | | | -380 |
| d | -270 | | | | | -270 |
| e | -680 | | | | -600 | -80 |
| f | | +240 | | | | +240 |
| g | | | +600 | +600 | | |
| h | -250 | | | | | -250 |
| i | -240 | | | -250 | | +10 |

Activity 2D– Expanding the accounting equation (p. 14)

Jeff's Jewellery Repairs

| | Bank | Accounts receivable | Equipment | Expenses | Accounts payable | Loan | Capital | Income |
|---|--------|---------------------|-----------|----------|------------------|------|---------|--------|
| A | +2 000 | | +1 000 | | | | +3 000 | |
| B | +420 | | | | | | | +420 |
| C | -380 | | | +380 | | | | |
| D | -270 | | | +270 | | | | |
| E | -680 | | | +80 | | -600 | | |
| F | | +240 | | | | | | +240 |
| G | | | +600 | | +600 | | | |
| H | -250 | | | | | | -250 | |
| I | -240 | | | | -250 | | | +10 |

Activity 2E – Writing transactions (p. 16)

1. Gerald's Garden Services.

- A. Gerald (owner) invested \$6 000 cash into his business.
- B. Charged a customer \$300 for mowing lawns on credit / performed tree pruning on credit \$300.
- C. Purchased office filing cabinet / computer using cash \$1 200.
- D. Received \$150 cash from accounts receivable.
- E. Purchased new truck costing \$10 000. Paid \$2 000 deposit and the rest on credit.
- F. Paid \$1 200 off loan principal, and \$600 interest on loan.
- G. Paid \$340 off accounts payable.

2. Clever Cleaners

- A. Owner took \$500 cash for personal use / Cash drawings \$500 / Paid daughter's school camp \$500 (or any other personal expense paid).
- B. Paid wages \$900,(or any other expense, but NOT account or bill).
- C. Received \$130 cash from Account receivable.
- D. Received bank loan \$1 500.
- E. Received \$750 cash for cleaning client's apartment (or other cleaning example).
- F. Cleaned windows on credit \$360 / Charged customer \$360 for cleaning carpets.
- G. Purchased new computer totalling \$1 500. Paid \$500 (or one-third) deposit and put the rest on credit.
- H. Received \$480 cash from Accounts receivable in full settlement of \$500 account; gave \$20 discount.
- I. Received electricity account/bill \$240 / Purchased stationery (or cleaning supplies etc.) on credit \$240.

3. Fix-it Furniture

| | Bank | Accounts receivable | Equipment | Expenses | Accounts payable | Loan | Capital | Income |
|---|--------|---------------------|-----------|----------|------------------|------|---------|--------|
| A | +400 | | | | | | | +400 |
| B | -230 | | | | -230 | | | |
| C | | | | +500 | +500 | | | |
| D | +1 000 | | +4 000 | | | | +5 000 | |
| E | | +180 | | | | | | +180 |
| F | -1 200 | | | +400 | | -800 | | |
| G | +380 | -400 | | +20 | | | | |
| H | | +600 | -1 000 | +400 | | | | |
| I | -230 | | | +230 | | | | |

Activity 2F – Explaining transactions (p. 18)

1. a. Assets: Asset Vehicles (van) increases by \$9 800; asset Bank decreases \$9 800
Liabilities: No change
 - b. Assets: Asset Bank decreases by \$360
Expenses: Wages expense increases by \$360
 - c. Assets: Asset Equipment increases by \$3 200
Liabilities: Liability Accounts payable increases by \$3 200
 - d. Assets: Asset Bank increases by \$5 000 and computer (Office equipment) increases by \$2 000
Equity: Capital increases by \$7 000
 - e. Assets: Increase office equipment / computer \$2 300
Decrease asset Bank \$460
Liabilities: Increase accounts payable by \$1 840
2. a. Assets – Liabilities = Equity
(3 800 + 5 320 + 36 000 + 1 490 + 13 700) – (1 380 + 800 + 19 000)
Assets 60 310 – Liabilities 21 180 = Equity \$39 130
 - b. Liabilities = Assets – Equity
(7 800 + 5 320 + 1 130 + 12 000 + 120 + 3 700 + 110 000) – 46 800
Assets 140 070 – Equity 46 800 = \$93 270 Liabilities
 - c. Equity = Assets – Liabilities
(430 + 7 400 + 9 300 + 80 + 6 480 + 110 000) – (2 450 + 2 920 + 73 000 + 3 500)
Equity = \$51 820

Activity 3A – Assets (p. 21)

1. Oven for *Bud's Bakery*

| Characteristic | Description |
|--------------------------------|---|
| Past transaction | <i>Bud's Bakery</i> paid for the oven in the past when it was purchased. |
| Resource controlled at present | At present, the oven is controlled by <i>Bud's Bakery</i> which has the exclusive right to decide how the oven is used. |
| Future economic benefit | <i>Bud's Bakery</i> will use the oven to generate future economic benefit when it is used to bake cakes and bread that the bakery will sell to customers for cash, increasing sales and bank. |

2. The shelves are an asset for *Books 4U* because the shop will use the shelves to display books which customers will purchase and pay for in the future, increasing the asset 'Bank', which will generate income (in the form of sales) in the future. *Books 4U* paid for the shelves in the past, and the business's owners decide how the shelves are used – and have the exclusive right to use them.

Activity 3B – Liabilities (p. 22)

1. Loan for *Bud's Bakery*.

| Characteristic | Description |
|----------------------------|--|
| Past transaction | <i>Bud's Bakery</i> received the loan in the past. |
| Present obligation | <i>Bud's Bakery</i> is now obliged to repay the loan as stated in the loan agreement. |
| Future sacrifice of assets | In the future, <i>Bud's Bakery</i> will pay off the loan to the financial institution it borrowed it from, by decreasing its asset 'Bank'. |

2. Accounts payable is a liability for *Books 4U* because it is a result of a past transaction – it was created when *Books 4U* purchased books and cards on credit in the past. *Books 4U* is now (at the present time) obliged to repay accounts payable to the amount stated on the invoice / statement, and there will be a future sacrifice of the asset 'Bank' when payments to accounts payable are made in the future.

Activity 3C – Equity (p. 23)

Bud's Bakery's equity totals \$67 000 because this is the residual value of the bakery's assets minus its liabilities.

Activity 3D – Income (p. 24)

1. Sales for *Bud's Bakery*.

| Characteristic | Description |
|---|---|
| Increase assets OR Decrease liabilities | Sales of bread and cakes to customers (who pay for the goods) increase the asset 'Bank' of <i>Bud's Bakery</i> . |
| Increase equity | The sales increase the profit of <i>Bud's Bakery</i> , which in turn increases equity. |
| Not an owner's contribution | Sales are not a contribution by the owner. |

2. Dividends are an income for *Books 4U* because they increase the asset 'Bank' when the dividends are received by direct credit by *Books 4U*. The dividends increase the profit and therefore increase the equity for *Books 4U*, and the dividends are not a contribution by the owner – they are from a company in which *Books 4U* has shares.

Activity 3E – Expenses (p. 25)

1. Electricity for *Bud's Bakery*.

| Characteristic | Description |
|---|--|
| Decreases assets OR Increases liabilities | Decreases the asset 'Bank' for <i>Bud's Bakery</i> when it pays the electricity supplier for the electricity it has used during the last month. OR Increases the liability, 'Accounts payable' for <i>Bud's Bakery</i> when it receives the account for the electricity it has used in the last month. |
| Decreases equity | The electricity payment decreases profit, which decreases the equity of <i>Bud's Bakery</i> . |
| Not an distribution to the owner | The electricity is not drawings by the owner of <i>Bud's Bakery</i> . |

2. Advertising is an expense for *Books 4U* because paying the advertising company for fliers for the work it has done decreases the asset 'Bank'. Wages decrease profit, which decreases equity, and the wages are not paid to the owner – so they are not drawings/distribution to the owner.

Activity 3F – Element reinforcement (p. 25)

1. a. The drill is an asset for *Dorothy's Dentist* because *Dorothy's Dentist* paid for the drill when it bought it in the past. *Dorothy's Dentist* has exclusive rights to use the drill and also controls who uses it and what it is used for. The drill will be used by the dentists at *Dorothy's Dentist* to fix people's teeth which will generate income in the form of fees received, and will also increase 'Bank' when the services are paid for.
- b. The mortgage is a liability for *Dorothy's Dentist* because *Dorothy's Dentist* received the mortgage in the past when it borrowed the money to purchase the building for the business. *Dorothy's Dentist* is currently obliged to pay off the mortgage and the loan agreement will state the details of the repayments. *Dorothy's Dentist* will have to sacrifice its asset 'Bank' in the future by spending money from its bank account to repay the mortgage.
- c. The interest on term deposit is an income for *Dorothy's Dentist* because it will increase the asset 'term deposit' when the bank pays *Dorothy's Dentist* the interest for having its money deposited in the bank. The interest on term deposit will increase the profit, which will increase the equity of *Dorothy's Dentist*, and the interest received is not from *Dorothy* (the owner) investing money into the business.

- d. The supplies are an expense because *Dorothy's Dentist* purchased the supplies needed to repair teeth on credit which increased the Accounts payable liability. The supplies purchased will decrease the business's profit and therefore decrease the equity of *Dorothy's Dentist*. The supplies are also an expense because they were not a payment to Dorothy (the owner), so are not drawings.
2. a. The inventory is an asset for *Lavani's Lollie Shop* because the lollies were purchased in the past from its supplier. The inventory (lollies) are kept in *Lavani's Lolly Shop* and it decides where they are displayed and has exclusive rights to the income generated from them. The inventory will generate income in the future by being sold to customers which will increase sales and increase the asset 'Bank' when the customers pay for them. (NOTE – Inventory is the only asset for which you can refer to the income being generated by being sold.)
 - b. The bank overdraft is a liability for *Lavani's Lollie Shop* because the overdraft occurred when it overspent its bank account in the past. *Lavani's Lollie Shop* is currently obliged to repay the overdraft to its bank or financial institution because the bank terms and conditions will state this. In the future, *Lavani's Lollie Shop* will have to pay back the money that it has overspent (which incurred the overdraft) to its bank, and this repayment will happen as money received from sales is deposited in the bank.
 - c. Discount received is an income for *Lavani's Lollie Shop* because it decreases the liability Accounts payable since *Lavani's Lollie Shop* does not have to pay that amount back, most likely because a discount has been given for paying the majority of the account quickly. The discount received is income for *Lavani's Lollie Shop* because it will increase its profit, and will also increase the equity of the business, and because it is not a payment received from Lavani the owner.
 - d. Insurance is an expense for *Lavani's Lollie Shop* because it will decrease its asset 'Bank' when it pays the premium to have insurance cover. The insurance will decrease the profit for *Lavani's Lollie Shop* and therefore will decrease equity. The payment of the insurance is not a distribution to Lavani the owner. Because all three these characteristics are met, insurance is an expense for *Lavani's Lollie Shop*.

Activity 4A – Purpose of financial statements (p. 27)

1. The owner would want to read the Income Statement to see the value of the expenses, income and profit for the current financial year. The owner can then compare this year's profit with last year's to see if the business's financial position has improved.
2. The bank manager might want to look at the business's Income Statement before she decides to lend it more money because she would want to know if it has enough profit to be able to afford to cover additional interest payments from the new loan.
3. The owner would want to read the Statement of Financial Position for the most recent financial year because it will show him or her the value of the business's assets, liabilities and equity on that balance date. The owner can then compare these with last year's to see if they have improved in value / can check to see if equity is greater than liabilities.
4. The bank manager might want to look at the business's Statement of Financial Position before he decides to lend the business more money because he will want to see what the business's existing liabilities are. This will enable the bank manager to assess if he should give it another loan, or how much to lend. He might also want to know the value of the business's assets and so be able to decide what security he could use to cover the loan.
5. The owner of a business would want to prepare a cash budget for the next month in order to see what the expected receipts and payments will be, and if necessary, to see what area he or she might be able to cut back on. The owner can also use the cash budget to decide whether there will

be enough money to cover payments that will fall due, or whether he or she needs to arrange an overdraft or loan.

6. The bank manager might want to look at the business's cash budget before she decides to lend it more money, because she needs to see what expected receipts and payments the business might have and if it has a large enough surplus of expected cash to be able to afford to cover loan repayments and interest.

Activity 4B – Classifying the Statement of Financial Position accounts (p. 29)

Statement of Financial Position classifications

| Assets | Liabilities | Equity |
|--|---|---|
| Current assets Accounts receivable Bank Cash on hand GST receivable Inventory Petty cash | Current liabilities Accounts payable Bank overdraft GST payable | Capital Drawings Loss for the year Profit for the year |
| Non-current assets Property, plant and equipment Computer Buildings Equipment Fittings Furniture Land Machinery Plant Vehicles | Non-current liabilities Loan Mortgage | |
| Investment assets Shares in XYZ Ltd Term deposit | | |
| Intangible assets Goodwill | | |

Activity 4C – Preparing the classified Statement of Financial Position (p. 31)

1.

| Annabelle's Accountancy Statement of Financial Position as at 31 March 2022 | | |
|--|---------|----------|
| | \$ | \$ |
| Current assets | | |
| Bank | 5 000 | |
| Supplies on hand | 8 000 | |
| Petty cash | 50 | 13 050 |
| Non-current assets | | |
| Investments | | |
| Shares in MD Ltd | 4 000 | |
| Property, plant and equipment (Note 1) | | |
| Total carrying amount | 128 000 | |
| Intangible assets | | |
| Goodwill | 6 500 | 138 500 |
| Total assets | | 151 550 |
| Less Liabilities | | |
| Current liabilities | | |
| Accounts payable | 2 200 | |
| Non-current liabilities | | |
| Mortgage | 50 000 | |
| Total liabilities | | (52 200) |
| Net assets | | \$99 350 |
| Equity | | |
| Opening capital | | 72 350 |
| Plus Profit (loss) for the year | | 36 000 |
| Less Drawings | | (9 000) |
| Closing capital | | \$99 350 |

Note to the Statement of Financial Position

1. Property, plant and equipment

| | Buildings | Furniture | Equipment | Total |
|-------------------------------|-----------|-----------|-----------|---------|
| As at 31 March 2022 | | | | |
| Cost | 100 000 | 8 000 | 20 000 | 128 000 |
| Less Accumulated depreciation | 0 | 0 | 0 | 0 |
| Carrying amount | 100 000 | 8 000 | 20 000 | 128 000 |

2.

| Best Books Statement of Financial Position as at 31 March [year] | | |
|---|--------|----------|
| | \$ | \$ |
| Current assets | | |
| Bank | 7 400 | |
| Inventory | 23 000 | |
| Accounts receivable | 2 300 | 32 700 |
| Non-current assets | | |
| Investments | | |
| Term deposit | 5 000 | |
| Property, plant and equipment (Note 1) | | |
| Total carrying amount | 27 000 | 32 000 |
| Total assets | | 64 700 |
| Less Liabilities | | |
| Current liabilities | | |
| Accounts payable | 4 800 | |
| Non-current liabilities | | |
| Loan | 24 000 | |
| Total liabilities | | (28 800) |
| Net assets | | \$35 900 |
| Equity | | |
| Opening capital | | 21 900 |
| Plus Profit for the year | | 27 500 |
| Less Drawings | | (13 500) |
| Closing capital | | \$35 900 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Shop fittings | Equipment | Total |
|-------------------------------|---------------|-----------|--------|
| As at 31 March [year] | | | |
| Cost | 18 000 | 9 000 | 27 000 |
| Less Accumulated depreciation | 0 | 0 | 0 |
| Carrying amount | 18 000 | 9 000 | 27 000 |

3.

| Pat's Petworld Statement of Financial Position as at 31 March 20__ | | | |
|---|-------|---------|-----------|
| | | \$ | \$ |
| Current assets | | | |
| Cash on hand | | 120 | |
| Inventory | | 10 000 | 10 120 |
| Non-current assets | | | |
| Intangible assets | | | |
| Goodwill | | 5 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 208 000 | 213 000 |
| Total assets | | | 223 120 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 1 800 | | |
| Bank overdraft | 3 300 | 5 100 | |
| Non-current liabilities | | | |
| Mortgage | | 100 000 | |
| Total liabilities | | | 105 100 |
| Net assets | | | \$118 020 |
| | | | |
| Equity | | | |
| Opening capital | | | 82 620 |
| Plus Profit for the year | | | 45 000 |
| Less Drawings | | | (9 600) |
| Closing capital | | | \$118 020 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Shop equipment | Land and buildings | Total |
|-------------------------------|----------------|--------------------|---------|
| As at 31 March 20__ | | | |
| Cost | 18 000 | 190 000 | 208 000 |
| Less Accumulated depreciation | 0 | 0 | 0 |
| Carrying amount | 18 000 | 190 000 | 208 000 |

4.

| Paula's Pizzas Statement of Financial Position as at 31 March 20__ | | | |
|---|-------|--------|----------|
| | | \$ | \$ |
| Current assets | | | |
| Bank | | 4 200 | |
| Supplies on hand | | 3 600 | |
| Accounts receivable | | 800 | 8 600 |
| Non-current assets | | | |
| Investments | | | |
| Shares in <i>Italian Foods Ltd</i> | | 5 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 63 000 | |
| Intangible assets | | | |
| Goodwill | | 2 100 | 70 100 |
| Total assets | | | 78 700 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 2 400 | | |
| Fixed credit due June next year | 1 200 | 3 600 | |
| Non-current liabilities | | | |
| Loan | | 18 000 | |
| Total liabilities | | | (21 600) |
| Net assets | | | \$57 100 |
| | | | |
| Equity | | | |
| Opening capital | | | 37 500 |
| Plus Profit for the year | | | 25 000 |
| Less Drawings | | | 5 400 |
| Closing capital | | | \$57 100 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Delivery Vehicle | Equipment | Total |
|-------------------------------|------------------|-----------|--------|
| As at 31 March 20__ | | | |
| Cost | 18 000 | 45 000 | 63 000 |
| Less Accumulated depreciation | 0 | 0 | 0 |
| Carrying amount | 18 000 | 45 000 | 63 000 |

Activity 5A – Classifying the Income Statement (p. 35)

| Income Statement classifications | | |
|-------------------------------------|------------------|--------------------------|
| Expenses | | Income |
| Service / Distribution costs | | Revenue |
| Advertising | Petrol | Fees received |
| Cartage | Sales wages | Sales |
| Commission paid | Supplies | |
| Delivery expenses | Vehicle expenses | |
| Depreciation on vehicles | Warehouse costs | |
| Administrative expenses | | Other income |
| Depreciation on equipment | Office expense | Discount received |
| Discount allowed | Office salary | Dividends |
| Donations paid | Power | Interest on term deposit |
| Electricity | Postage | Rent received |
| General expenses | Rates | |
| Insurance | Rent | |
| Internet | Repairs | |
| Lighting | Stationery | |
| Maintenance | | |
| Finance costs | | |
| Interest on loan | | |
| Interest on mortgage | | |

Activity 5B – Preparing the classified Income Statement (p. 36)

1.

| Annabelle's Accountancy Income Statement for the year ended 31 March 2022 | | | |
|--|--------|--------|----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Fees received | | | 120 000 |
| Add Other income | | | |
| Dividends | | | 150 |
| Total income | | | 120 150 |
| Less Expenses | | | |
| Accountancy costs | | | |
| Advertising | 3 600 | | |
| Accountant's wages | 42 000 | | |
| Supplies used | 16 000 | 61 600 | |
| Administrative expenses | | | |
| Electricity | 2 000 | | |
| Stationery | 3 200 | | |
| Telephone and internet | 3 000 | 8 200 | |
| Finance costs | | | |
| Interest on mortgage | 12 000 | 12 000 | |
| Total expenses | | | (81 800) |
| Profit (Loss) for the year | | | \$38 350 |

2.

| Paula's Pizzas Income Statement for the year ended 31 March 20__ | | | |
|---|--------|--------|----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Fees received | | | 90 000 |
| Add Other income | | | |
| Dividends | | | 220 |
| Total income | | | 90 220 |
| Less Expenses | | | |
| Pizza-making costs | | | |
| Advertising | 6 800 | | |
| Baker's wages | 22 000 | | |
| Supplies used | 26 000 | | |
| Kitchen cleaning | 5 000 | 59 800 | |
| Administrative expenses | | | |
| Electricity | 2 000 | | |
| Insurance | 2 500 | | |
| Telephone and internet | 3 000 | | |
| Rates | 3 400 | 10 900 | |
| Finance costs | | | |
| Interest on loan | 2 000 | 2 000 | |
| Total expenses | | | (72 700) |
| Profit (Loss) for the year | | | \$17 520 |

Activity 5C – Trading Statement (p. 39)

1.

| Barry's Bargains Trading Statement for the year ended 31 March 2022 | | | |
|--|---------|---------|----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 100 000 |
| Less Sales returns | | | (2 000) |
| Net Sales | | | 98 000 |
| Less Cost of goods sold | | | |
| Opening inventory | | 8 000 | |
| Purchases | 45 000 | | |
| Less Purchase returns | (5 000) | 40 000 | |
| Customs duty | | 3 300 | |
| Freight inwards | | 6 000 | |
| Goods available for sale | | 57 300 | |
| Less Closing inventory | | (6 700) | |
| Cost of goods sold | | | (50 600) |
| Gross profit | | | \$47 400 |

2.

| Jen's Jewellery Trading Statement for the year ended 31 March [year] | | | |
|---|---------|----------|------------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 260 000 |
| Less Sales returns | | | (2 800) |
| Net sales | | | 257 200 |
| Less Cost of goods sold | | | |
| Opening inventory | | 44 000 | |
| Purchases | 84 000 | | |
| Less Purchase returns | (4 000) | 80 000 | |
| Customs duty | | 6 000 | |
| Freights inwards | | 2 100 | |
| Goods available for sale | | 132 100 | |
| Less Closing inventory | | (33 300) | |
| Cost of goods sold | | | (98 800) |
| Gross profit | | | \$158 400 |

Activity 5D – Income Statement for retail business
(p. 41)

1.

| Suzie's Shoes 4U Income Statement for the year ended 31 March 2022 | | | |
|---|---------|----------|-----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 196 400 |
| Sales returns | | | (2 300) |
| Net sales | | | 194 100 |
| Less Cost of goods sold | | | |
| Opening inventory | | 12 000 | |
| Purchases | 64 000 | | |
| Purchase returns | (2 000) | 62 000 | |
| Customs duty | | 1 300 | |
| Freight inwards | | 4 200 | |
| Goods available for sale | | 79 500 | |
| Less Closing inventory | | (14 400) | |
| Cost of goods sold | | | (65 100) |
| Gross profit | | | 129 000 |
| Add Other income | | | |
| Dividends | | | 340 |
| | | | 129 340 |
| Less Expenses | | | |
| Distribution costs | | | |
| Advertising | 2 400 | | |
| Sales assistants' wages | 50 000 | | |
| Shop cleaning | 6 000 | | |
| Shop rent | 34 000 | 92 400 | |
| Administrative expenses | | | |
| Electricity | 4 000 | | |
| Stationery | 1 600 | | |
| Telephone and internet | 5 000 | | |
| Office salary | 12 800 | 23 400 | |
| Finance costs | | | |
| Interest on loan | 1 100 | 1 100 | |
| Total expenses | | | (116 900) |
| Profit for the year | | | \$12 440 |

2.

| Best Books Income Statement for the year ended 31 March 2024 | | | |
|---|---------|----------|----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 180 000 |
| Sales returns | | | (2 300) |
| Net sales | | | 177 700 |
| Less Cost of goods sold | | | |
| Opening inventory | | 34 000 | |
| Purchases | 76 000 | | |
| Purchase returns | (2 300) | 73 700 | |
| Cartage inwards | | 640 | |
| Goods available for sale | | 108 340 | |
| Less Closing inventory | | (30 800) | |
| Cost of goods sold | | | (77 540) |
| Gross profit | | | 100 160 |
| Add Other income | | | |
| Interest received | | 700 | |
| Dividends | | 540 | 1 240 |
| | | | 101 400 |
| Less Expenses | | | |
| Distribution costs | | | |
| Advertising | 12 000 | | |
| Sales assistants' wages | 37 800 | | |
| Shop cleaning | 980 | 50 780 | |
| Administrative expenses | | | |
| Power | 3 200 | | |
| Postage and stationery | 1 000 | | |
| Telephone and internet | 4 300 | | |
| Rates | 2 000 | | |
| Insurance | 1 400 | 11 900 | |
| Finance costs | | | |
| Interest on mortgage | 4 000 | 4 000 | |
| Total expenses | | | (66 680) |
| Profit for the year | | | \$34 720 |

3.

| Ethnic Food Supplies Income Statement for the year ended 31 March 2024 | | | |
|---|--------|----------|----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 74 000 |
| Sales returns | | | (1 300) |
| Net sales | | | 72 700 |
| Less Cost of goods sold | | | |
| Opening inventory | | 14 000 | |
| Purchases | 36 000 | | |
| Purchase returns | (900) | 35 100 | |
| Freight inwards | | 640 | |
| Goods available for sale | | 49 740 | |
| Less Closing inventory | | (10 800) | |
| Cost of goods sold | | | (38 940) |
| Gross profit | | | 33 760 |
| Add Other income | | | |
| Dividends | | 540 | 540 |
| | | | 34 300 |
| Less Expenses | | | |
| Distribution costs | | | |
| Marketing | 3 200 | | |
| Shop wages | 17 800 | | |
| Shop cleaning | 980 | | |
| Cell-phone (sales) | 1 340 | | |
| Delivery expenses | 2 900 | 26 220 | |
| Administrative expenses | | | |
| Electricity | 2 700 | | |
| Insurance | 1 600 | | |
| General expenses | 1 100 | | |
| Rent | 22 000 | 27 400 | |
| Finance costs | | | |
| Interest on loan | 1 800 | 1 800 | |
| Total expenses | | | (55 420) |
| Loss for the year | | | \$21 120 |

Activity 6A (p. 44)

| Ole's Optometrist Income Statement for the year ended 31 March 2026 | | | |
|--|--------|--------|----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Fees received | | | 168 000 |
| Add Other income | | | |
| Dividends | | | 230 |
| Total income | | | 168 230 |
| Less Expenses | | | |
| Optometry costs | | | |
| Advertising | 1 800 | | |
| Optometrist's wages | 42 000 | | |
| Shop cleaning | 8 350 | | |
| Supplies used | 22 080 | 74 230 | |
| Administrative expenses | | | |
| Electricity | 4 600 | | |
| General expenses | 7 800 | | |
| Rates | 2 100 | | |
| Insurance | 1 400 | 15 900 | |
| Finance costs | | | |
| Interest on mortgage | 4 600 | 4 600 | |
| Total expenses | | | (94 730) |
| Profit for the year | | | \$73 500 |

| Ole's Optometrist Statement of Financial Position as at 31 March 2026 | | | |
|--|-----|---------|------------|
| | | \$ | \$ |
| Current assets | | | |
| Accounts receivable | | 3 000 | |
| Bank | | 2 490 | |
| Petty cash | | 80 | |
| Supplies on hand | | 4 500 | 10 070 |
| Non-current assets | | | |
| Investments | | | |
| Shares in <i>Bright Eyes Ltd</i> | | 10 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 156 400 | 166 400 |
| Total assets | | | 176 470 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 780 | | |
| GST | 920 | 1 700 | |
| Non-current liabilities | | | |
| Mortgage | | 55 000 | |
| Total liabilities | | | (56 700) |
| Net assets | | | \$119 770 |
| Equity | | | |
| Opening capital | | | 54 270 |
| Plus Profit for the year | | | 73 500 |
| Less Drawings | | | (8 000) |
| Closing capital | | | \$ 119 770 |

Note to the Statement of Financial Position

1. Property, plant and equipment

| | Buildings | Equipment | Furniture | Total |
|-------------------------------|-----------|-----------|-----------|---------|
| As at 31 March 2026 | | | | |
| Cost | 135 000 | 12 840 | 8 560 | 156 400 |
| Less Accumulated depreciation | 0 | 0 | 0 | 0 |
| Carrying amount | 135 000 | 12 840 | 8 560 | 156 400 |

Activity 6B (p. 47)

| Zak's Architects Income Statement for the year ended 30 June 2023 | | | |
|--|--------|---------|-----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Fees received | | | 187 600 |
| Add Other income | | | |
| Dividends | | | 330 |
| Total income | | | 187 930 |
| Less Expenses | | | |
| Architect's costs | | | |
| Advertising | 4 090 | | |
| Architect's cell-phone expense | 5 600 | | |
| Architect's wages | 84 500 | | |
| Archited's petrol expense | 18 400 | | |
| Vehicle expenses | 5 100 | 117 690 | |
| Administrative expenses | | | |
| Accountancy fees | 5 000 | | |
| Electricity | 2 100 | | |
| General expenses | 11 250 | | |
| Insurance | 3 800 | | |
| Stationery | 2 600 | 24 750 | |
| Finance costs | | | |
| Interest on loan | 1 800 | 1 800 | |
| Total expenses | | | (144 240) |
| Profit for the year | | | \$43 690 |

| Zak's Architects Statement of Financial Position as at 30 June 2023 | | | |
|--|-------|--------|----------|
| | | \$ | \$ |
| Current assets | | | |
| Accounts receivable | | 8 750 | |
| Cash on hand | | 500 | |
| GST receivable | | 1 200 | 10 450 |
| Non-current assets | | | |
| Investments | | | |
| Shares in <i>Graphic Ltd</i> | | 8 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 78 000 | |
| Intangible assets | | | |
| Goodwill | | 3 200 | 89 200 |
| Total assets | | | 99 650 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 940 | | |
| Bank overdraft | 3 870 | 4 810 | |
| Non-current liabilities | | | |
| Loan | | 15 000 | |
| Total liabilities | | | (19 810) |
| Net assets | | | \$79 840 |
| Equity | | | |
| Opening capital | | | 48 650 |
| Plus Profit for the year | | | 43 690 |
| Less Drawings | | | (12 500) |
| Closing capital | | | \$79 840 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Architect's equipment | Vehicles | Total |
|-------------------------------|--------------------------|----------|--------|
| As at 30 June 2023 | | | |
| Cost | 42 000 | 36 000 | 78 000 |
| Less Accumulated depreciation | 0 | 0 | 0 |
| Carrying amount | 42 000 | 36 000 | 78 000 |

Activity 6C (p. 48)

| Tayla's Temptations Income Statement for the year ended 31 March 2025 | | | |
|--|---------|----------|-----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 238 600 |
| Less Sales returns | | | (3 000) |
| Net sales | | | 235 600 |
| Less Cost of goods sold | | | |
| Opening inventory | | 24 500 | |
| Purchases | 62 800 | | |
| Less Purchase returns | (1 200) | 61 600 | |
| Customs duty | | 2 500 | |
| Goods available for sale | | 88 600 | |
| Less Closing inventory | | (26 900) | |
| Cost of goods sold | | | (61 700) |
| Gross profit | | | 173 900 |
| Add Other income | | | |
| Interest received | | 450 | 450 |
| | | | 174 350 |
| Less Expenses | | | |
| Distribution costs | | | |
| Advertising | 4 800 | | |
| Shop assistants' wages | 54 800 | | |
| Shop rates | 18 600 | 78 200 | |
| Administrative expenses | | | |
| General expenses | 5 800 | | |
| Insurance | 2 500 | | |
| Office cleaning | 2 960 | | |
| Office salary | 22 000 | | |
| Postage | 2 760 | | |
| Power and lighting | 3 840 | | |
| Telephone | 2 080 | 41 940 | |
| Finance costs | | | |
| Interest on mortgage | 1 900 | 1 900 | |
| Total expenses | | | (122 040) |
| Profit for the year | | | \$ 52 310 |

| Tayla's Temptations Statement of Financial Position as at 31 March 2025 | | | |
|--|-------|---------|-----------|
| | \$ | \$ | \$ |
| Current assets | | | |
| Accounts receivable | | 960 | |
| Bank | | 5 420 | |
| Inventory | | 26 900 | 33 280 |
| Non-current assets | | | |
| Investments | | | |
| Term deposit | | 8 700 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 182 400 | |
| Intangible assets | | | |
| Goodwill | | 8 700 | 199 800 |
| Total assets | | | 233 080 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 2 750 | | |
| GST | 740 | 3 490 | |
| Non-current liabilities | | | |
| Mortgage | | 85 000 | |
| Total liabilities | | | (88 490) |
| Net assets | | | \$144 590 |
| Equity | | | |
| Opening capital | | | 112 280 |
| Plus Profit for the year | | | 52 310 |
| Less Drawings | | | (20 000) |
| Closing capital | | | \$144 590 |

Note to the Statement of Financial Position

1. Property, plant and equipment

| | Buildings | Shop furniture and fittings | Total |
|-------------------------------|-----------|-----------------------------|---------|
| As at 31 March 2025 | | | |
| Cost | 160 000 | 22 400 | 182 400 |
| Less Accumulated depreciation | 0 | 0 | 0 |
| Carrying amount | 160 000 | 22 400 | 182 400 |

Activity 6D (p. 49)

| Jen's Jewellery Income Statement for the year ended 31 March 2024 | | | |
|--|---------|----------|-----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 238 500 |
| Less Sales returns | | | (3 000) |
| Net sales | | | 235 500 |
| Less Cost of goods sold | | | |
| Opening inventory | | 44 500 | |
| Purchases | 89 000 | | |
| Less Purchase returns | (1 200) | 87 800 | |
| Freight inwards | | 500 | |
| Goods available for sale | | 132 800 | |
| Less Closing inventory | | (42 300) | |
| Cost of goods sold | | | (90 500) |
| Gross profit | | | 145 000 |
| Add Other income | | | |
| Interest received | | 190 | 190 |
| | | | 145 190 |
| Less Expenses | | | |
| Distribution costs | | | |
| Advertising | 4 800 | | |
| Shop assistants' wages | 31 800 | | |
| Shop cleaning | 4 120 | | |
| Shop electricity | 2 660 | 43 380 | |
| Administrative expenses | | | |
| General expenses | 11 600 | | |
| Insurance | 3 400 | | |
| Internet and phone | 3 900 | | |
| Office salary | 13 000 | | |
| Rent | 22 100 | | |
| Stationery | 2 080 | 56 080 | |
| Finance costs | | | |
| Interest on Loan | 1 900 | 1 900 | |
| Total expenses | | | (101 360) |
| Profit (loss) for the year | | | \$43 830 |

| Jen's Jewellery Income Statement for the year ended 31 March 2024 | | | |
|--|-------|--------|----------|
| | \$ | \$ | \$ |
| Current assets | | | |
| Accounts receivable | | 2 470 | |
| Bank | | 8 230 | |
| Petty cash | | 40 | |
| Inventory | | 42 300 | 53 040 |
| Non-current assets | | | |
| Intangibles | | | |
| Goodwill | | 5 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 20 360 | 25 360 |
| Total assets | | | 78 400 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 3 480 | | |
| GST | 1 740 | 5 220 | |
| Non-current liabilities | | | |
| Loan | | 25 000 | |
| Total liabilities | | | (30 220) |
| Net assets | | | \$48 180 |
| Equity | | | |
| Opening capital | | | 19 350 |
| Plus Profit for the year | | | 43 830 |
| Less Drawings | | | (15 000) |
| Closing capital | | | \$48 180 |

Note to the Statement of Financial Position

1. Property, plant and equipment

| | Computer | Shop fittings | Total |
|-------------------------------|----------|---------------|--------|
| As at 31 March 2024 | | | |
| Cost | 1 800 | 18 560 | 20 360 |
| Less Accumulated depreciation | 0 | 0 | 0 |
| Carrying amount | 1 800 | 18 560 | 20 360 |

Activity 7A – Accounting entity (p. 51)

- The financial affairs of the owners must be kept separate and distinct from the financial affairs of the business. This means that only the business's assets and liabilities will be reported in the Statement of Financial Position, and only the incomes and expenses pertaining to the business in the Income Statement.
- Hui Ling may not record her own car as an asset of the business because it is a personal asset, not a business one. The accounting entity concept states that she must keep her personal financial affairs separate from the financial affairs of her business.
- In terms of the accounting entity concept, Tracey needs to keep her personal financial affairs (in this case her home electricity bills) and her business financial affairs (business electricity bills) separate. Because she paid the home electricity bills using the business's cheque account, she needs to record this amount as drawings because it is a personal

expense. Only the business electricity payments can be recorded as an expense in the Income Statement of *Tracey's Truckstop*.

Activity 7B – Historical cost (p. 52)

- All transactions are recorded at the original acquisition cost to the business as at the time of purchase.
- The equipment should be recorded at a value of \$9 000. This is because of the historical cost concept which states that the equipment should be recorded at its original acquisition cost. *Tracey's Truckstop* paid \$9 000 when it purchased the equipment.

Activity 7C – Period reporting (p. 52)

- Period reporting. This concept states that the life of the business is broken up into fixed time periods of equal length for reporting purposes; for example, to calculate the profit for the year and to make decisions using this information. This means Hui Ling must prepare her shop's statements for the same time period each year.
- By preparing the Income Statement for the year ended 31 March each year, *Tracey's Truckstop's* accountant is making sure that the life of the business is broken up into equal time periods – in this case, one year, ending 31 March. This means that the financial results can be compared with those of previous years to see if *Tracey's Truckstop* has improved financially, i.e. has made more profit.

Activity 7D – Monetary measurement (p. 53)

- All transactions, assets, liabilities, incomes, expenses, and equity are recorded in terms of New Zealand dollars.
- Tracey will need to convert the cost price from euros to the New Zealand dollar value in order to record the oven in New Zealand dollar terms in accordance with the monetary measurement concept because her business is situated in New Zealand.

Activity 7E – Going concern (p. 54)

The entity is going to continue to operate into the foreseeable future.

Activity 7F – Accrual basis (p. 55)

- Accrual basis means that all transactions are recognised when they occur. They are recorded in the financial records and reported in the financial statements of the period to which they relate regardless of when cash changes hands.
- The work has been done during this accounting period, so the amount of wages involved needs to be recorded. *Tracey's Truckstop* must increase 'Wages' in the Income Statement by the amount owed, and must create a corresponding 'Accrued expenses' liability in the Statement of Financial Position as the wages will be paid next month. This needs to be done to ensure that the wages are recognised when they occur and reported in the financial statement of the period to which they relate – which is this period.
- Tracey will decrease it, because the business has paid for insurance that hasn't yet been used up. Therefore the payment relates to the next financial year so 'Insurance' has to be decreased in the business's Income Statement.
 - Tracey's Truckstop* is meeting the accrual basis concept which states that transactions are recognised when they occur – all the insurance was paid. The transactions are reported in the financial statement of the period to which they relate – 'Insurance' is decreased in the business's Income Statement, so that only this year's insurance is included, and the prepayment asset is created to represent the amount paid in advance that will be used during the next period.

Activity 8A – Capital and revenue expenditure (p. 56)

1. Best Buns Bakery

| | Capital expenditure | Revenue expenditure |
|---------------------------|---------------------|---------------------|
| Purchased oven | ✓ | |
| Paid installation of oven | ✓ | |
| Bakers' wages | | ✓ |
| Electricity to run oven | | ✓ |
| Insurance on the oven | | ✓ |
| Repairs to the oven | | ✓ |

2. a. Purchase of new van is capital expenditure because the van will benefit *Cool Couriers* for longer than just the current accounting period. It is unlikely that the business will purchase a new van every year. It will increase assets in the Statement of Financial Position.
- b. Purchase of new tyres for the old van is revenue expenditure because the new tyres replace the old tyres and do not increase the value of the van beyond its original value. Repair and maintenance are recurring expenditure, and will decrease profit in the Income Statement.

3. a. Christie's Cycles

| | Capital expenditure | Revenue expenditure |
|--------------------------------------|---------------------|---------------------|
| Purchased cash register | ✓ | |
| Delivery costs for the cash register | ✓ | |
| Cash register tape | | ✓ |
| Shop assistants' wages | | ✓ |
| Cash register installation | ✓ | |
| Advertising for new inventory | | ✓ |

- b. The purchase of the cash register is capital expenditure because *Christie's Cycles* has bought it and intends to use it to generate income for more than one year. It is more of a one-off type purchase. OR The installation costs/delivery of the cash register increase the cost of purchasing the register and getting it ready for use. This is a one-off cost and the register will be used by *Christie's Cycles* for more than the current year.
- c. The cash register tape (or wages, or advertising) is a revenue expenditure because it is an expense which is paid by *Christie's Cycles* on a regular/ongoing basis and will be used up (cost incurred in the current accounting period).

Activity 8B – Depreciation (p. 58)

1. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.
2. *Henrietta's Hairworx* depreciates its hairdressing equipment every year because it needs to systematically allocate the depreciable amount of the equipment over its useful life. This helps account for the loss in future economic benefit of the equipment over the past year.
3. The depreciation is an expense because it decreases the asset 'Equipment' that is used by the hairdressers to generate fees. The depreciation decreases profit which in turn decreases equity, and the depreciation is not drawings by the owner, *Henrietta*.

Activity 8C – Types of accounting entity (p. 60)

1. a. Sole proprietorship
- b. Unincorporated club/organisation
- c. Incorporated organisation
- d. Sole proprietorship
- e. Unincorporated club/organisation

2. *Henrietta's Hairworx / Fresh Fish*. Unlimited liability means that if the entity gets into financial difficulty and is unable to pay its debts, the owner's personal assets can be sold to repay the entity's debts.

OR

Andy's Angling Club / Knitters United Organisation. Unlimited liability means that if an unincorporated club or organisation gets into financial difficulty and is unable to pay its debts, the members' personal assets can be sold to repay the debts.

3. *Better Boxers Incorporated*. Limited liability means that even if an incorporated club gets into financial difficulty and cannot repay its debts, the members' personal assets are protected and cannot be sold to repay the club's debts.
4. Samantha should join *Huntly Hockey Inc.* because this is an incorporated club which means that she will have limited liability. This is a big advantage because if the club gets into financial difficulty and cannot repay its debts, then Samantha's personal assets are protected and cannot be sold to meet those debts. A second reason is that, to be incorporated, the club has to have a minimum of 15 members, and so is likely to be more viable than an unincorporated club.
5. Because the club has more legal responsibilities (as a result of being incorporated), Samantha might have to pay a higher subscription.

Activity 8D – Describe accounting (recap) (p. 61)

1. a. Accounting technician or financial/chartered accountant.
- b. Financial/chartered accountant.
2. The Income Statement for the most recent financial year will contain calculations of the value of income and expenses and the business's profit for the year. Yun Ji can compare these figures with those of last year to see if *Full of Flowers* is more profitable than it was last year.
3. The bank manager might want to read *Full of Flowers'* Statement of Financial Position as this will show the value of existing liabilities. The bank manager will then be able to assess whether the bank should lend the business more money. Another reason is that the Statement of Financial Position will show the value of assets owned by the business that could be used as potential security on the potential loan. This information can be used by the bank manager to decide how much money to lend the business.
4. The cash budget will show the expected cash receipts and expected/estimated cash payments for a set period of time and can be used to calculate the cash surplus or deficit. By including the amount of new mortgage repayments in the budget, the bank manager can see whether or not *Full of Flowers* can afford the increased repayment. If the increase in repayment will create a deficit, the bank should not increase the mortgage.
5. The Inland Revenue Department (IRD) would want to see *Full of Flowers'* Income Statement to help calculate the GST and tax it owes and to ensure the business is paying the correct amount. Accounts payable (suppliers/creditors) would want to see the Statement of Financial Position to see how many other liabilities *Full of Flowers* has before deciding to let it buy on credit or before setting the credit limit allowed.

6.

| | Capital expenditure | Revenue expenditure |
|---------------------------------------|---------------------|---------------------|
| Purchased neon signage | ✓ | |
| Paid for installation of neon signage | ✓ | |
| Paid for new shelves and refrigerator | ✓ | |
| Paid shop assistants' wages | | ✓ |
| Purchased new flowers and ribbons | | ✓ |
| Paid yearly insurance | | ✓ |

7. *Student's own answer.*

8. Inc.: Incorporated
- Advantage 1: Limited liability. If *City of Sails Yacht Club Inc.* gets into financial difficulty and cannot repay its debts, then the personal assets of the members such as Yun Ji are protected and cannot be sold to repay the club's debts.
- Advantage 2: Can sell debentures. Because *City of Sails Yacht Club Inc.* is incorporated, it can sell debentures which allows it to raise more money easily and expand the club more easily.
9. This means that the auditor has to check the accuracy of the financial statements and accounting systems of *City of Sails Yacht Club Inc.* to ensure that their contents are true and fair.
10. This means that the personal assets of Yun Ji are not protected and if the *City of Sails Table Tennis Club* gets into financial difficulty and cannot repay its debts, then Yun Ji (and other members) can be forced to sell some of her (their) personal assets to help repay those debts.

Activity 9A (p. 64)

| 1. Person | Specialised area | Main role |
|-----------|--------------------------------|---|
| Jason | Cost and Management Accountant | Keeping records of costs of production and preparing costing reports. |
| Apirana | Financial Accountant | Analysing and interpreting the financial statements; giving financial advice and helping with financial decision making. |
| Hine | Auditor | Checking the accuracy of financial statements and accounting systems to ensure that they are true and fair. |
| Eva | Accounting Technician | Preparing journals, ledgers and financial statements for the financial accountant to use. / Preparing GST returns and bank reconciliation statements. |

| 2. Assets | Liabilities |
|-----------------|----------------------|
| Bank | Accrued expenses |
| Gas appliances | Revenue in advance |
| Lodge furniture | Accounts payable |
| Shop inventory | |
| Income | Expense |
| Shop sales | Cleaner's wages |
| | Diesel for generator |
| | Telephone |

3. a.

| Transaction | Capital expenditure | Revenue expenditure |
|---|---------------------|---------------------|
| Purchase of a new diesel generator | ✓ | |
| Cost of installing the new diesel generator at <i>Whatipu Lodge</i> | ✓ | |
| Payment of annual insurance on the new generator | | ✓ |
| Purchase of diesel and oil for the new generator | | ✓ |

b.

| Characteristic of asset | Explanation |
|-------------------------|--|
| Past transaction | <i>Whatipu Lodge</i> paid for the diesel generator in the past. |
| Present control | Only <i>Whatipu Lodge</i> can use the generator to generate power; <i>Whatipu Lodge</i> has the exclusive right to use it. |
| Future economic benefit | <i>Whatipu Lodge</i> will use the generator to make electricity which will encourage guests to stay there. The guests will pay fees, so the generator will help earn income by more fees received in the future when <i>Whatipu Lodge</i> receives cash from guests. |

c.

| Characteristic of liability | Explanation |
|-----------------------------|--|
| Past transaction | <i>Whatipu Lodge</i> received the loan from a bank or other financial institution in the past. |
| Present obligation | <i>Whatipu Lodge</i> is now obliged to repay the bank or financial institution which lent it the money (this is stated in the loan agreement). |
| Future sacrifice of assets | <i>Whatipu Lodge</i> will need to use some of its money in the future to repay the loan. |

- d. Repairs to the diesel generator are an expense for *Whatipu Lodge* because the cost of repairs decreases the asset 'Bank' when the lodge pays the repairer. The repairs decrease profit, which decreases equity, and the repairs are not drawings by the owner, Ali.
4. a. Ali will want to read the Income Statement for *Whatipu Lodge* because it will show her how much her business's income and expenses were for the period and also the final profit. She can compare this profit figure with last year's, or can use it to help her try to improve next year's profit.
- b. Historical cost.
- c. Accrual basis.
- d. *Whatipu Lodge* will record and report the diesel generators in NZ\$ terms, not in Australian dollars, in its financial records and statements.
- e. Ali will prepare her financial statement for the same period / on the same balance date each year. This is because she needs to split the life of *Whatipu Lodge* up into time periods of equal length for reporting purposes. Then she can compare her business's statements from this year with those of last year to see whether the profit has improved / whether her business's liabilities have decreased (etc.).
- f. The accounting entity concept states that Ali must keep her personal financial affairs separate from her business ones. Her personal groceries are not a business expense so need to be recorded as drawings; however, the business supplies are a business expenses and will appear in *Whatipu Lodge's* Income Statement.
- g. Ali gets to keep all the profit. Ali gets to be her own boss and make all the decisions herself.
- h. Unlimited liability means that if *Whatipu Lodge* gets into financial difficulty and cannot repay its debts, then Ali can be forced to sell her personal assets (e.g. car, house) to pay the business debts.

5. *Whatipu Lodge* accounting equation

| | Bank | Equipment and furniture | Expenses | = | Accounts payable | Capital | Income |
|---|--------|-------------------------|----------|---|------------------|---------|--------|
| A | -600 | | + 600 | | | | |
| B | +1 100 | | | | | | +1 100 |
| C | | | + 900 | | + 900 | | |
| D | -500 | | | | | -500 | |
| E | -800 | + 2 000 | | | + 1 200 | | |
| F | + 200 | -1 000 | + 800 | | | | |

6. B. Purchased new beds (or other appropriate example) \$2 000 on credit.
- C. Paid wages (or other appropriate example, but NOT 'account' or 'bill') \$800.
- D. Paid \$1 470 to Accounts payable in full settlement of \$2 000 account. Received a \$30 discount for early payment.
- E. Paid \$1 000 off the loan and \$500 interest on loan.
7. a. Assets: Increase Furniture asset \$2 400
Liabilities: Increase Accounts payable liability \$2 400
- b. Assets: Increase Bank asset \$3 680
Income: Increase Income (Accommodation) Fees received \$3 680
- c. Assets: Increase Bank asset \$5 000
Liabilities: Increase Loan liability \$5 000

Activity 9B (p. 68)

1. *Avonside League Club Inc.*

- a. Subscriptions received (I); Bank (A); Barbeque food purchases (Ex); Equipment (A); Prizes and certificates (Ex); Term loan (L); Depreciation – equipment (Ex); Accumulated funds (Eq); Barbeque food sales (I); Debentures issued (L).
- b. The grant/donation is an income for *Avonside League Club Inc.* because it will increase the club's asset 'Bank' when it receives the money. This grant will increase the club's surplus which increases its accumulated funds. The grant is not a contribution by the club's members.
- c. The barbecue is depreciated every year to systematically allocate the depreciable amount of the barbecue over its useful life.
- d. The clubrooms are an asset for *Avonside League Club Inc.* because *Avonside League Club Inc.* paid for them at some time in the past *Avonside League Club Inc.* has exclusive rights to using the clubrooms and decides what they are used for. The clubrooms will be used by members who pay membership for that right, which will generate economic benefit in the future as the cash received from the members increases the club's asset 'Bank'.
- e. The assets minus the liabilities of the *Avonside League Club Inc.* equals the accumulated funds.
- f. The barbecue repairs are an expense for *Avonside League Club Inc.* because the repairs decrease the club's bank account when it pays for them. The repairs decrease the surplus and therefore decrease the accumulated funds of the club. Payment for repairs is not drawings by the members.
2. a. Concept: Historical cost
Explanation: The equipment must be recorded at its original acquisition cost to the *Avonside League Club Inc.*, which was \$10 000.
- b. The accrual basis concept states that transactions are recognised when they occur. They are reported in the financial statements in the period to which they relate. The food was purchased in this accounting period and therefore must be recorded as an expense in the Income Statement. The amount owed is the current liability recorded in the Statement of Financial Position, and it represents the present obligation to pay that amount in the next period.
- c. This means that the *Avonside League Club Inc.* will continue to operate into the foreseeable future.

d. Concept: Period reporting

Explanation: The life of the entity (*Avonside League Club Inc.*) is broken up into time periods of equal length for reporting purposes. This enables the entity to calculate its surplus and compare this with last year's figure. This in turn helps in the making of financial decisions.

- e. No transaction has taken place therefore the amount cannot be recorded in New Zealand dollar terms.

Activity 10 (p. 72)

1. a. \$24 000 (i.e. the building cost \$160 000 + \$24 000 (GST) = \$184 000)
- b. \$600
- c. \$180
- d. No GST involved in the transaction.
- e. No GST involved in the transaction.
- f. \$810
- g. \$27
- h. \$102
- i. No GST involved in the transaction.
- j. \$1 090.43
- k. \$10.20

| | GST-exclusive price \$ | GST \$ | GST-inclusive price \$ |
|--|------------------------|------------------|------------------------|
| | 1 400.00 | 210.00 | 1 610.00 |
| | 640.00 | 96.00 | 736.00 |
| | 8 000.00 | 1 200.00 | 9 200.00 |
| | 12 000.00 | 1 800.00 | 13 800.00 |
| | 890.00 | 133.50 | 1 023.50 |
| | 210.00 | 31.50 | 241.50 |
| | 2 000.00 | 300.00 | 2 300.00 |
| | 93 913.04 | 14 086.96 | 108 000.00 |

Activity 11A (p. 74)

1. Receipt no. 290

Date: 1 July 20XX

Issued to: J Smith

Address: 124 Oxford St

..... Greymouth

For: Cut and dye

Amount received: \$ \$ 92 (GST-inclusive)

Type of payment (circle) Cash Credit card **EFTPOS** Cheque

Authorised by: Henrietta

Thank you for your custom – please call again



2. Receipt no. 76

Date: 26 June 20XX

Issued to: Artworks Studio

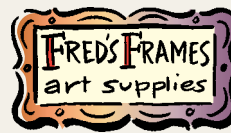
Address: 145 Brush Rd

..... Petone

For:

| QTY | Description | Unit price | Total price |
|-----|----------------------|------------|-------------|
| 2 | 10 × 18 prints | 60.00 | 120.00 |
| 1 | Monk original | 280.00 | 280.00 |
| | | | |
| | Subtotal | | 400.00 |
| | GST | | 60.00 |
| | GST-inclusive amount | | \$ 460.00 |

Authorised by: Fred



148 Artway Street
Wellington
GST number: 12-277-455

3.

Receipt 267

Date: 4 April 20XX

To: Sally Crayon

Address: 127 Kirk St

..... Wellington

For:

| QTY | Description | Unit price excl. | Total price |
|-----|---------------|------------------|-------------|
| 1 | Large print | 320.00 | 320.00 |
| 2 | Size 8 canvas | 40.00 | 80.00 |
| | | | |
| | Subtotal | | 400.00 |
| | GST | | 60.00 |
| | GST-inclusive | | \$ 460.00 |


Cash / **Cheque** EFTPOS / Credit card

Authorised by: Fred




148 Artway Street
Wellington
GST number: 12-277-455

Activity 11B (p. 77)


1. Date 14/7/2024 Fern Bank NZ Riccarton Branch. Date 14 / 7 / 2024
 To Power Works
 For Electricity Pay Power Works Ltd or bearer 
 Balance \$ \$900 The sum of Two hundred and eighty-six dollars \$ \$286.00
 Deposits \$ \$0
 Total \$ \$900
 This chq \$ \$286 S Smith S Smith
 Balance \$ \$614
 100213 100213 190448 002967850 00

Not transferable

2. Date 2/10/2024 Fern Bank NZ Riccarton Branch. Date 2 / 10 / 2024
 To Car World
 For Servicing Pay Car World or bearer 
 Balance \$ \$1340 The sum of Three hundred and fifty dollars only \$ \$350.00
 Deposits \$ \$370
 Total \$ \$1710
 This chq \$ \$350 Hone's Homes Hone Rata
 Balance \$ \$1360
 102299 102299 190448 00134870 00

Not transferable


Activity 11C (p. 78)

Payment voucher 29
 Date: 20/8/20XX 
 Payment to: True Power Invoice ref. no. 123980 18 Smith Street
 For: Monthly electricity Amount: \$ 240.00 New Plymouth
 GST number: 22-545-998
 Type of payment: Direct debit Electronic transfer Internet Telephone
 Authorised by: Hone Rata L Lowe
 H Rata L Lowe

Activity 11D (p. 79)

1. Invoice 50
 Date: 1/12/2023 
 Sold to: Julie Greene
 Address: 82 Main Rd
Greymouth 287 High Street
 Greymouth
 GST number: 11-889-425
 Description: Wedding (3 cuts and styling)
 Amount (excluding GST): \$180.00
 GST amount: \$27.00
 Total amount due (including GST): \$207.00
 Authorised by: Henrietta
 H Hair
 Please pay on this invoice by the 20th of next month.

2. Tax invoice 162
 Date: 3 September 2024




148 Artway Street, Wellington
 GST number: 12-277-455

Sold to: Brit Waters
 Address: 38 Tasman Road
Newlands

| QTY | Description | Unit price | Total price |
|-----|---------------|---------------|-------------|
| 3 | Size 6 canvas | 32.00 | 96.00 |
| 1 | Trendy print | 160.00 | 160.00 |
| | | Subtotal | 256.00 |
| | | GST | 38.40 |
| | | GST-inclusive | \$ 294.40 |

Authorised by: Fred

3. Invoice 98
 Date: 12/3/2022



18 Smith Street
 New Plymouth
 GST number: 22-545-998

Sold to: Daisy Ward
 Address: 32 King Street
New Plymouth

Description: One custom-made home


Amount due: \$ 276 000.00 This includes GST of: \$ 36 000.00

To be paid by: 20 April 2022

Authorised by: Hone Rata

Activity 11E (p. 81)

1. Credit note 23
 Date: 10/8/2022



287 High Street
 Greymouth
 GST number: 11-889-425

Issued to: Julie Straight
 Address: 131 Curly Rd
Greymouth

Reason for credit: faulty shampoo (mislabelled)

Amount (excluding GST): \$ 12.65

Authorised by: Henrietta

2. Credit note 23
 Date: 18/9/2024



148 Artway Street, Wellington
 GST number: 12-277-455

Issued to: Brit Water
 Address: 38 Tasman Rd
Newlands

Reason for credit: One size 6 canvas damaged

Amount of credit (including GST): \$36.80


Authorised by: Fred

Activity 11F (p. 82)

Invoice 89
 Date: 24/2/20XX
 Sold to: Toby Hanson
 Address: 48 Mount Rd
Tauranga
 Description:


| Qty | Description | Unit price | Total price |
|---------------------|-------------|------------|-------------|
| 3 | Surfboards | 220 | 660.00 |
| 1 | Board Wax | 30 | 30.00 |
| Subtotal | | | 690.00 |
| GST | | | 103.50 |
| GST-inclusive price | | | \$ 793.50 |

Authorised by: Sophie


 Big Wave Surf Shop
 145 Mount Road
 Tauranga
 GST no: 34-858-923

Please pay on this invoice by the 20th of next month.

Credit note 5
 Date: 26/2/20XX
 Issued to: Toby Hanson
 Address: 48 Mount Rd
Tauranga
 Reason for credit: Returned 1 surfboard – wrong size
 Amount of credit given (including GST): \$ 253.00
 Authorised by: Sophie



 Big Wave Surf Shop
 145 Mount Road
 Tauranga
 GST no: 34-858-923

Date 18/3/20XX Fern Bank NZ Riccarton Branch. Date 18 / 3 / 20XX
 To Big Wave
 For surf gear account
 Balance \$
 Deposits \$
 Total \$
 This chq \$ 540.50
 Balance \$ 107 039


Pay Big Wave Surf Shop or bearer
 The sum of Five hundred and forty dollars and fifty cents \$ 540.50
 T N Hanson T Hanson

107039 107039 190448 00134870 00

Not transferable



Receipt no. 83
 Date: 18/3/20XX
 Issued to: Toby Hanson
 Address: 48 Mount Rd
Tauranga
 For: Payment of account
 Amount received: \$ 540.50 (GST-inclusive)
 Type of payment (circle) Cash Credit card EFTPOS Cheque
 Authorised by: Sophie


 Big Wave Surf Shop
 145 Mount Road
 Tauranga
 GST no: 34-858-923

Thank you for your custom – please call again

Activity 12A (p. 87)

1. Cash receipts journal – *Max's Music*

| Date | Particulars | F | SD | Receipts | Bank | GST | Sales | Fees received | Other |
|-------|--------------------------|---|-----|----------|-----------|----------|----------|---------------|-----------|
| May 1 | Sales | | CRS | 4 600.00 | | 600.00 | 4 000.00 | | |
| 1 | Fees received | | CRS | 1 840.00 | 6 440.00 | 240.00 | | 1 600.00 | |
| 2 | Interest on term deposit | | DC | | 92.00 | | | | 92.00 |
| | Sales | | CRS | 1 380.00 | | 180.00 | 1 200.00 | | |
| | Fees received | | CRS | 920.00 | 2 300.00 | 120.00 | | 800.00 | |
| | Sales | | EFT | 1 840.00 | 1 840.00 | 240.00 | 1 600.00 | | |
| 3 | Capital | | Et | | 10 350.00 | | | | 10 350.00 |
| | Fees received | | CRS | 9 200.00 | 9 200.00 | 1 200.00 | | 8 000.00 | |
| | Fees received | | EFT | 5 520.00 | 5 520.00 | 720.00 | | 4 800.00 | |
| 4 | Sales | | CRS | 1 380.00 | 1 380.00 | 180.00 | 1 200.00 | | |
| | Sales | | EFT | 460.00 | | 60.00 | 400.00 | | |
| | Fees received | | EFT | 276.00 | 736.00 | 36.00 | | 240.00 | |
| 5 | Furniture | | CRS | 138.00 | 138.00 | 18.00 | | | 120.00 |
| | | | | | 37 996.00 | 3 594.00 | 8 400.00 | 15 440.00 | 10 562.00 |

2. Cash receipts journal – *Brent's Butchery*

| Date | Particulars | F | SD | Receipts | Bank | GST | Sales | Interest received | Other |
|--------|-------------------|---|-----|----------|----------|----------|----------|-------------------|--------|
| Oct 10 | Sales | | CRS | 46.00 | | 6.00 | 40.00 | | |
| | Sales | | CRS | 460.00 | 506.00 | 60.00 | 400.00 | | |
| | Sales | | EFT | 138.00 | | 18.00 | 120.00 | | |
| | Sales | | EFT | 276.00 | 414.00 | 36.00 | 240.00 | | |
| 12 | Sales | | Cc | 1 380.00 | | 180.00 | 1 200.00 | | |
| | Sales | | Cc | 621.00 | 2 001.00 | 81.00 | 540.00 | | |
| | Sales | | CRS | 3 680.00 | 3 680.00 | 480.00 | 3 200.00 | | |
| 14 | Sales | | IT | | 920.00 | 120.00 | 800.00 | | |
| | Sales | | CRS | 92.00 | | 12.00 | 80.00 | | |
| | Sales | | CRS | 138.00 | | 18.00 | 120.00 | | |
| | Sales | | CRS | 460.00 | 690.00 | 60.00 | 400.00 | | |
| | Sales | | EFT | 644.00 | 644.00 | 84.00 | 560.00 | | |
| 18 | Equipment | | 219 | 368.00 | 368.00 | 48.00 | | | 320.00 |
| | Interest received | | BS | | 23.00 | | | 23.00 | |
| | Sales | | EFT | 69.00 | | 9.00 | 60.00 | | |
| | Sales | | EFT | 276.00 | 345.00 | 36.00 | 240.00 | | |
| | | | | | 9 591.00 | 1 248.00 | 8 000.00 | 23.00 | 320.00 |

3. Cash receipts journal – *Sam's Superstore and Deliveries Services*

| Date | Particulars | F | SD | Receipts | Bank | GST | Sales | Fees Received | Other |
|-------|--------------------|---|-----|-----------|-----------|----------|-----------|---------------|-----------|
| Apr 1 | Sales | | | 8 700.00 | 8 700.00 | 1 134.78 | 7 565.22 | | |
| 2 | Fees received | | | 2 460.00 | | 320.87 | | 2 139.13 | |
| | Dividends received | | | 188.00 | 2 648.00 | | | | 188.00 |
| 3 | Sales | | EFT | 4 400.00 | 4 400.00 | 573.91 | 3 826.09 | | |
| | Sales | | | 7 360.00 | | 960.00 | 6 400.00 | | |
| | Capital | | | 30 000.00 | 37 360.00 | | | | 30 000.00 |
| 4 | Sales | | | 5 600.00 | | 730.43 | 4 869.57 | | |
| | Fees received | | | 4 500.00 | 10 100.00 | 586.96 | | 3 913.04 | |
| | Fees received | | EFT | 2 450.00 | | 319.56 | | 2 130.43 | |
| | Sales | | EFT | 1 800.00 | 4 250.00 | 234.78 | 1 565.22 | | |
| 5 | Sales | | EFT | 4 500.00 | | 586.96 | 3 913.04 | | |
| | Fees received | | EFT | 8 260.00 | 12 760.00 | 1 077.39 | | 7 182.61 | |
| | Vehicle | | | 6 300.00 | | 821.74 | | | 5 478.26 |
| | Sales | | | 1 380.00 | 7 680.00 | 180.00 | 1 200.00 | | |
| 6 | Fees received | | | 1 800.00 | 1 800.00 | 234.78 | | 1 565.22 | |
| | | | | | 89 698.00 | 7 762.17 | 29 339.14 | 16 930.43 | 35 666.26 |

Activity 12B (p. 91)

1. Cash payments journal – *Max's Music*

| Date | Particulars | F | SD | Bank | GST | Purchases | Supplies | Wages | Drawings | Other |
|-------|-------------|---|-----|-----------|----------|-----------|----------|--------|----------|----------|
| May 1 | Purchases | | 120 | 4 800.00 | 626.09 | 4 173.91 | | | | |
| 1 | Wages | | AP | 621.00 | | | | 621.00 | | |
| 2 | Supplies | | 121 | 2 700.00 | 352.17 | | 2 347.83 | | | |
| 3 | Electricity | | DD | 184.00 | 24.00 | | | | | 160.00 |
| | Postage | | DD | 50.00 | 6.52 | | | | | 43.48 |
| 4 | Drawings | | 122 | 280.00 | | | | | 280.00 | |
| | Purchases | | 123 | 1 840.00 | 240.00 | 1 600.00 | | | | |
| | Drawings | | IT | 368.00 | | | | | 368.00 | |
| 5 | Supplies | | IT | 1 380.00 | 180.00 | | 1 200.00 | | | |
| 6 | Computer | | 124 | 1 564.00 | 204.00 | | | | | 1 360.00 |
| | Rent | | AP | 460.00 | 60.00 | | | | | 400.00 |
| | | | | 14 247.00 | 1 692.78 | 5 773.91 | 3 547.83 | 621.00 | 648.00 | 1 963.48 |

2. Cash payments journal – *Sophie's Spa*

| Date | Particulars | F | SD | Bank | GST | Purchases | Supplies | Wages | Drawings | Other |
|-------|----------------------|---|-----|----------|--------|-----------|----------|--------|----------|----------|
| Aug 1 | Purchases | | 675 | 368.00 | 48.00 | 320.00 | | | | |
| | Telephone | | DD | 136.00 | 17.74 | | | | | 118.26 |
| 2 | Equipment | | 676 | 1 300.00 | 169.57 | | | | | 1 130.43 |
| 3 | Supplies | | IT | 276.00 | 36.00 | | 240.00 | | | |
| 4 | Wages | | AP | 484.00 | | | | 484.00 | | |
| | Drawings | | 677 | 250.00 | | | | | 250.00 | |
| | Wages | | 678 | 184.00 | | | | 184.00 | | |
| 5 | Supplies | | ET | 440.00 | 57.39 | | 382.61 | | | |
| 6 | Bank fees | | DD | 23.00 | | | | | | 23.00 |
| | Electricity | | DD | 207.00 | 27.00 | | | | | 180.00 |
| 7 | Mortgage | | AP | 437.00 | | | | | | 437.00 |
| | Interest on mortgage | | AP | 230.00 | | | | | | 230.00 |
| | | | | 4 335.00 | 355.70 | 320.00 | 622.61 | 668.00 | 250.00 | 2 118.69 |

Activity 12C – Putting it all together (p. 92)

1. Cash payments journal – *Petra's Photography*

| Date | Particulars | F | SD | Bank | GST | Camera and frame purchases | Photography supplies | Wages | Drawings | Other |
|-------|------------------|---|-----|-----------|----------|----------------------------|----------------------|--------|----------|-----------|
| Jun 1 | Advertising | | 809 | 276.00 | 36.00 | | | | | 240.00 |
| | Drawings | | 810 | 92.00 | | | | | 92.00 | |
| 2 | Electricity | | DD | 184.00 | 24.00 | | | | | 160.00 |
| | Drawings | | DD | 138.00 | | | | | 138.00 | |
| | Equipment | | 811 | 13 800.00 | 1 800.00 | | | | | 12 000.00 |
| 4 | Purchases | | 812 | 4 600.00 | 600.00 | 4 000.00 | | | | |
| 5 | Wages | | AP | 644.00 | | | | 644.00 | | |
| | Rent | | AP | 760.00 | 99.13 | | | | | 660.87 |
| 6 | Wages | | 813 | 45.00 | | | | 45.00 | | |
| | Purchases | | 814 | 1 940.00 | 253.04 | 1 686.96 | | | | |
| 7 | Insurance | | DD | 46.00 | 6.00 | | | | | 40.00 |
| | Bank fees | | BS | 23.00 | | | | | | 23.00 |
| | Supplies | | 815 | 276.00 | 36.00 | | 240.00 | | | |
| | Loan | | AP | 460.00 | | | | | | 460.00 |
| | Interest on loan | | AP | 92.00 | | | | | | 92.00 |
| | Supplies | | IT | 621.00 | 81.00 | | 540.00 | | | |
| | | | | 23 997.00 | 2 935.17 | 5 686.96 | 780.00 | 689.00 | 230.00 | 13 675.87 |

Cash receipts journal – *Petra's Photography*

| Date | Particulars | F | SD | Receipts | Bank | GST | Camera and frame sales | Photo sales | Fees received | Other |
|-------|----------------|---|-----|----------|-----------|----------|------------------------|-------------|---------------|----------|
| Jun 1 | Photo sales | | CRS | 1 380.00 | | 180.00 | | 1 200.00 | | |
| | Camera sales | | CRS | 2 300.00 | 3 680.00 | 300.00 | 2 000.00 | | | |
| 2 | Photo sales | | EFT | 2 760.00 | | 360.00 | | 2 400.00 | | |
| | Camera sales | | EFT | 1 564.00 | 4 324.00 | 204.00 | 1 360.00 | | | |
| | Fees received | | 23 | 720.00 | 720.00 | 93.91 | | | 626.09 | |
| | Photo sales | | CC | 276.00 | 276.00 | 36.00 | | 240.00 | | |
| 4 | Sales – frames | | CRS | 552.00 | | 72.00 | 480.00 | | | |
| | Photo sales | | CRS | 760.00 | | 99.13 | | 660.87 | | |
| | Fees received | | 24 | 1 242.00 | 2 554.00 | 162.00 | | | 1 080.00 | |
| | Photo sales | | EFT | 460.00 | | 60.00 | | 400.00 | | |
| | Camera sales | | EFT | 621.00 | 1 081.00 | 81.00 | 540.00 | | | |
| | Dividends | | BS | | 92.00 | | | | | 92.00 |
| 5 | Loan | | BS | | 5 000.00 | | | | | 5 000.00 |
| 6 | Camera sales | | 25 | 368.00 | | 48.00 | 320.00 | | | |
| | Photo sales | | CRS | 276.00 | | 36.00 | | 240.00 | | |
| | Furniture | | 26 | 46.00 | 690.00 | 6.00 | | | | 40.00 |
| 7 | Capital | | 27 | 3 680.00 | | | | | | 3 680.00 |
| | Camera sales | | CRS | 460.00 | | 60.00 | 400.00 | | | |
| | Photo sales | | CRS | 621.00 | 4 761.00 | 81.00 | | 540.00 | | |
| | Fees received | | EFT | 920.00 | | 120.00 | | | 800.00 | |
| | Camera sales | | EFT | 414.00 | 1 334.00 | 54.00 | 360.00 | | | |
| | | | | | 24 512.00 | 2 053.04 | 5 460.00 | 5 680.87 | 2 506.09 | 8 812.00 |

2.

Cash payments journal – *Techno Geeks*

| Date | Particulars | F | SD | Bank | GST | Computer and software purchases | Computer supplies | Wages | Drawings | Other |
|-------|------------------|---|-----|----------|--------|---------------------------------|-------------------|--------|----------|----------|
| Jun 1 | Advertising | | IT | 280.00 | 36.52 | | | | | 243.48 |
| | Drawings | | 809 | 460.00 | | | | | 460.00 | |
| 2 | Electricity | | 810 | 180.00 | 23.48 | | | | | 156.52 |
| | Drawings | | 810 | 135.00 | | | | | 135.00 | |
| | Equipment | | 811 | 3 680.00 | 480.00 | | | | | 3 200.00 |
| 4 | Supplies | | IT | 460.00 | 60.00 | | 400.00 | | | |
| 5 | Wages | | AP | 640.00 | | | | 640.00 | | |
| | Purchases | | AP | 920.00 | 120.00 | 800.00 | | | | |
| 6 | Wages | | ET | 92.00 | | | | 92.00 | | |
| | Advertising | | 812 | 92.00 | 12.00 | | | | | 80.00 |
| 7 | Insurance | | DD | 36.00 | 4.70 | | | | | 31.30 |
| | Bank fees | | BS | 46.00 | | | | | | 46.00 |
| | Supplies | | 815 | 270.00 | 35.22 | | 234.78 | | | |
| | Loan | | AP | 460.00 | | | | | | 460.00 |
| | Interest on loan | | AP | 90.00 | | | | | | 90.00 |
| | | | | | | | | | | |
| | | | | 7 841.00 | 771.92 | 800.00 | 634.78 | 732.00 | 595.00 | 4 307.30 |

Cash receipts journal – *Techno Geeks*

| Date | Particulars | F | SD | Receipts | Bank | GST | Computer and software sales | Fees received | Interest received | Other |
|-------|----------------|---|-----|----------|-----------|----------|-----------------------------|---------------|-------------------|----------|
| Jun 1 | Fees received | | CRS | 1 380.00 | | 180.00 | | 1 200.00 | | |
| | Computer sales | | CRS | 4 600.00 | 5 980.00 | 600.00 | 4 000.00 | | | |
| 2 | Computer sales | | EFT | 2 900.00 | | 378.26 | 2521.74 | | | |
| | Fees received | | EFT | 621.00 | 3 521.00 | 81.00 | | 540.00 | | |
| | Software sales | | CRS | 414.00 | 414.00 | 54.00 | 360.00 | | | |
| | Fees received | | IT | | 540.00 | 70.43 | | 469.57 | | |
| 4 | Fees received | | CRS | 828.00 | | 108.00 | | 720.00 | | |
| | Software sales | | CRS | 368.00 | 1 196.00 | 48.00 | 320.00 | | | |
| | Laptop sales | | EFT | 4 280.00 | | 558.26 | 3 721.74 | | | |
| | Fees received | | EFT | 1 840.00 | 6 120.00 | 240.00 | | 1 600.00 | | |
| | Dividends | | DC | | 92.00 | | | | | 92.00 |
| 5 | Loan | | BS | | 5 000.00 | | | | | 5 000.00 |
| 6 | Computer sales | | CC | 9 200.00 | | 1 200.00 | 8 000.00 | | | |
| | Fees received | | CC | 450.00 | 9 650.00 | 58.70 | | 391.30 | | |
| | Software sales | | CRS | 840.00 | | 109.57 | 730.43 | | | |
| | Furniture | | 26 | 130.00 | 970.00 | 16.96 | | | | 113.04 |
| | Software sales | | IT | | 180.00 | 23.48 | 156.52 | | | |
| 7 | Capital | | 27 | 4 200.00 | | | | | | 4 200.00 |
| | Fees received | | CRS | 460.00 | | 60.00 | | 400.00 | | |
| | Computer sales | | CRS | 4 140.00 | 8 800.00 | 540.00 | 3600.00 | | | |
| | Computer sales | | EFT | 1 380.00 | | 180.00 | 1200.00 | | | |
| | Fees received | | EFT | 621.00 | 2 001.00 | 81.00 | | 540.00 | | |
| | | | | | 44 464.00 | 4 587.66 | 24 610.43 | 5 860.87 | 0 | 9 405.04 |

Activity 13A (p. 96)

| Effect on account | Debit | Credit |
|--|-------|--------|
| Increase bank (<i>example</i>) | ✓ | |
| Increase wages | ✓ | |
| Decrease loan | ✓ | |
| Increase sales | | ✓ |
| Increase capital | | ✓ |
| Increase furniture | ✓ | |
| Decrease vehicles | | ✓ |
| Increase accounts payable | | ✓ |
| Increase accounts receivable | ✓ | |
| Increase electricity | ✓ | |
| Increase fees received | | ✓ |
| Decrease bank | | ✓ |
| Increase drawings (<i>remember, decrease equity</i>) | ✓ | |
| Increase mortgage | | ✓ |
| Increase rent | ✓ | |

Activity 13B (p. 97)

| Transaction | Accounts | Element (A, Ex, L, Eq, I) | Increase / Decrease | Amount | Debit / Credit |
|--|---------------------|---------------------------|---------------------|--------|----------------|
| Received \$414 cash from sales | Sales | I | INC | 360 | Cr |
| | GST | L | INC | 54 | Cr |
| | Bank | A | INC | 414 | Dr |
| Purchased inventory for cash \$460 | Purchases | EX | INC | 400 | Dr |
| | GST | A | INC | 60 | Dr |
| | Bank | A | DEC | 460 | Cr |
| Paid wages \$760 | Wages | EX | INC | 760 | Dr |
| | Bank | A | DEC | 760 | Cr |
| Owner invested cash \$8 400 | Bank | A | INC | 8 400 | Dr |
| | Capital | EQ | INC | 8 400 | Cr |
| Credit sales \$621 | Sales | I | INC | 540 | Cr |
| | GST | L | INC | 81 | Cr |
| | Accounts receivable | A | INC | 621 | Dr |
| Cash drawings \$1 380 | Drawings | EQ | DEC | 1 380 | Dr |
| | Bank | A | DEC | 1 380 | Cr |
| Paid electricity \$276 | Bank | A | DEC | 276 | Cr |
| | Electricity | EX | INC | 240 | Dr |
| | GST | A | INC | 36 | Dr |
| Paid loan \$460 and interest on loan \$138 | Loan | L | DEC | 460 | Dr |
| | Bank | A | DEC | 598 | Cr |
| | Interest on loan | EX | INC | 138 | Dr |
| Purchased inventory on credit \$299 | Purchases | EX | INC | 260 | Dr |
| | GST | A | INC | 39 | Dr |
| | Accounts payable | L | INC | 299 | Cr |
| Received cash for services performed \$644 | Bank | A | INC | 644 | Dr |
| | Fee received | I | INC | 560 | Cr |
| | GST | L | INC | 84 | Cr |

2.

| Transaction | Accounts | Element (A, Ex, L, Eq, I) | Increase / Decrease | Amount | Debit / Credit |
|--|----------------------|---------------------------|---------------------|----------|----------------|
| Received \$760 cash from sales | Bank | A | INC | 760.00 | Dr |
| | GST | L | INC | 99.13 | Cr |
| | Sales | I | INC | 660.87 | Cr |
| Purchased inventory for cash \$920 | Purchases | EX | INC | 800.00 | Dr |
| | GST | A | INC | 120.00 | Dr |
| | Bank | A | DEC | 920.00 | Cr |
| Paid salary \$1 380 | Bank | A | DEC | 1 380.00 | Cr |
| | Salary | EX | INC | 1 380.00 | Dr |
| Owner invested cash \$2 760 and furniture \$460 | Capital | EQ | INC | 3 220.00 | Cr |
| | Bank | A | INC | 2 760.00 | Dr |
| | Furniture | A | INC | 460.00 | Dr |
| Paid repairs \$276 | Bank | A | DEC | 276.00 | Cr |
| | GST | A | INC | 36.00 | Dr |
| | Repairs | EX | INC | 240.00 | Dr |
| Paid mortgage \$920 and interest on mortgage \$276 | Bank | A | DEC | 1 196.00 | Cr |
| | Interest on mortgage | EX | INC | 276.00 | Dr |
| | Mortgage | L | DEC | 920.00 | Dr |
| Purchased supplies on credit \$621 | Supplies | EX | INC | 540.00 | Dr |
| | GST | A | INC | 81.00 | Dr |
| | Account payable | L | INC | 621.00 | Cr |

Activity 14A (p. 100)

1. **Note:** Provided the number is one from the correct classification and has not yet been allocated, the answer is correct – use first digit for accuracy.

| | | |
|--------------------------|------------------|-----------------------|
| Bank 1001 | Loan 2001 | Accounts payable 2002 |
| Accounts receivable 1002 | Electricity 5003 | Capital 3002 |
| Wages 5001 | Drawings 3001 | Vehicles 1010 |
| Advertising 5002 | Equipment 1003 | Interest on loan 5008 |
| Sales 4001 | Insurance 5004 | Purchases 5020 |

2. **Note:** Provided the number is one from the correct classification and has not yet been allocated, the answer is correct – use first two digits for accuracy.

| | | |
|-----------------|----------------------|-------------------------|
| Bank 101 | Drawings 302 | Sales 403 |
| Inventory 102 | Furniture 131 | Fees received 405 |
| Rent 541 | Goodwill 181 | Dividends 421 |
| Advertising 510 | Accounts payable 202 | Stationery 550 |
| Purchases 501 | Capital 301 | Petty cash 110 |
| Mortgage 251 | Van 135 | Accounts receivable 113 |
| Electricity 542 | Interest on loan 581 | Shares 162 |

Activity 14B (p. 104)

General Ledger – Brent's Butchery

Bank 1001

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|----------------------|---|-----------|-----------|-----------|---------|
| Jan 1 | Capital | | 4 000.00 | | 4 000.00 | Dr |
| 2 | Sales and GST | | 276.00 | | 4 276.00 | Dr |
| 3 | Loan | | 15 000.00 | | 19 276.00 | Dr |
| 4 | Delivery van and GST | | | 13 800.00 | 5 476.00 | Dr |
| 5 | Sales and GST | | 4 600.00 | | 10 076.00 | Dr |
| 5 | Wages | | | 414.00 | 9 662.00 | Dr |
| 6 | Drawings | | | 345.00 | 9 317.00 | Dr |
| 7 | Loan | | | 230.00 | 9 087.00 | Dr |
| 8 | Purchases and GST | | | 299.00 | 8 788.00 | Dr |
| 9 | Electricity and GST | | | 184.00 | 8 604.00 | Dr |
| 10 | Sales and GST | | 552.00 | | 9 156.00 | Dr |

Equipment 1002

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|----------|--------|----------|---------|
| Jan 1 | Capital | | 8 000.00 | | 8 000.00 | Dr |

Inventory 1003

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|----------|--------|----------|---------|
| Jan 1 | Capital | | 2 000.00 | | 2 000.00 | Dr |

Capital 3001

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-----------------|---|-------|-----------|-----------|---------|
| Jan 1 | Opening balance | | | 14 000.00 | 14 000.00 | Cr |

Purchases 5001

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|---------|---------|
| Jan 8 | Bank | | 260.00 | | 260.00 | Dr |

Sales 4001

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|----------|----------|---------|
| Jan 2 | Bank | | | 240.00 | 240.00 | Cr |
| 5 | Bank | | | 4 000.00 | 4 240.00 | Cr |
| 10 | Bank | | | 480.00 | 4 720.00 | Cr |

GST 2001

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|----------|--------|----------|---------|
| Jan 2 | Bank | | | 36.00 | 36.00 | Cr |
| 4 | Bank | | 1 800.00 | | 1 764.00 | Dr |
| 5 | Bank | | | 600.00 | 1 164.00 | Dr |
| 8 | Bank | | 39.00 | | 1 203.00 | Dr |
| 9 | Bank | | 24.00 | | 1 227.00 | Dr |
| 10 | Bank | | | 72.00 | 1 155.00 | Dr |

Loan 2002

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|-----------|-----------|---------|
| Jan 3 | Bank | | | 15 000.00 | 15 000.00 | Cr |
| 7 | Bank | | 230.00 | | 14 770.00 | Cr |

Delivery van 1004

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-----------|--------|-----------|---------|
| Jan 4 | Bank | | 12 000.00 | | 12 000.00 | Dr |

Wages 5002

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|---------|---------|
| Jan 5 | Bank | | 414.00 | | 414.00 | Dr |

Drawings 3002

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|---------|---------|
| Jan 6 | Bank | | 345.00 | | 345.00 | Dr |

Electricity 5003

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|---------|---------|
| Jan 9 | Bank | | 160.00 | | 160.00 | Dr |

| Trial Balance for Brent's Butchery as at 10 January 20XX | | |
|--|--------------|--------------|
| | \$ | \$ |
| Bank | 9 156.00 | |
| Equipment | 8 000.00 | |
| Inventory | 2 000.00 | |
| Sales | | 4 720.00 |
| Purchases | 260.00 | |
| GST | 1 155.00 | |
| Capital | | 14 000.00 |
| Loan | | 14 770.00 |
| Delivery van | 12 000.00 | |
| Wages | 414.00 | |
| Drawings | 345.00 | |
| Electricity | 160.00 | |
| | \$ 33 490.00 | \$ 33 490.00 |

Activity 14C (p. 107)

General Ledger – Sophie's Spa

Bank 100

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-----------------------|---|----------|----------|----------|---------|
| Oct 1 | Balance | | | | 3 530.00 | Dr |
| 2 | Fees received and GST | | 1 380.00 | | 4 910.00 | Dr |
| 3 | Mortgage | | | 5 000.00 | 90.00 | Cr |
| 4 | Equipment and GST | | 345.00 | | 255.00 | Dr |
| 5 | Fees received and GST | | 460.00 | | 715.00 | Dr |
| 5 | Wages | | | 552.00 | 163.00 | Dr |
| 6 | Drawings | | | 345.00 | 182.00 | Cr |
| 7 | Equipment and GST | | | 2 300.00 | 2 482.00 | Cr |
| 8 | Supplies and GST | | | 322.00 | 2 804.00 | Cr |
| 9 | Interest on mortgage | | | 299.00 | 3 103.00 | Cr |
| 10 | Fees received and GST | | 621.00 | | 2 482.00 | Cr |

Equipment 101

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|----------|--------|----------|---------|
| Oct 1 | Balance | | | | 7 500.00 | Dr |
| 4 | Bank | | | 300.00 | 7 200.00 | Dr |
| 7 | Bank | | 2 000.00 | | 9 200.00 | Dr |

Supplies on hand 102

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|----------|---------|
| Oct 1 | Balance | | | | 1 200.00 | Dr |

Capital 301

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|-----------|---------|
| Oct 1 | Balance | | | | 79 850.00 | Cr |

Purchases of supplies 501

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|---------|---------|
| Oct 8 | Bank | | 280.00 | | 280.00 | Dr |

Fees received 401

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|----------|-----------|---------|
| Oct 1 | Balance | | | | 12 000.00 | Cr |
| 2 | Bank | | | 1 200.00 | 13 200.00 | Cr |
| 5 | Bank | | | 400.00 | 13 600.00 | Cr |
| 10 | Bank | | | 540.00 | 14 140.00 | Cr |

GST 201

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|----------|---------|
| Oct 1 | Balance | | | | 780.00 | Cr |
| 2 | Bank | | | 180.00 | 960.00 | Cr |
| 4 | Bank | | | 45.00 | 1 005.00 | Cr |
| 5 | Bank | | | 60.00 | 1 065.00 | Cr |
| 7 | Bank | | 300.00 | | 765.00 | Cr |
| 8 | Bank | | 42.00 | | 723.00 | Cr |
| 10 | Bank | | | 81.00 | 804.00 | Cr |

Mortgage 202

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|----------|--------|-----------|---------|
| Oct 1 | Balance | | | | 39 600.00 | Cr |
| 3 | Bank | | 5 000.00 | | 34 600.00 | Cr |

Buildings 103

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|------------|---------|
| Oct 1 | Balance | | | | 120 000.00 | Dr |

Wages 502

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|---------|---------|
| Oct 5 | Bank | | 552.00 | | 552.00 | Dr |

Drawings 302

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|---------|---------|
| Oct 6 | Bank | | 345.00 | | 345.00 | Dr |

Interest on mortgage 503

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|--------|--------|---------|---------|
| Oct 9 | Bank | | 299.00 | | 299.00 | Dr |

| Trial Balance for Sophie's Spa as at 10 October 2024 | | |
|---|--------------|---------------|
| | \$ | \$ |
| Bank | | 2 482.00 |
| Equipment | 9 200.00 | |
| Supplies in hand | 1 200.00 | |
| Capital | | 79 850.00 |
| Purchases of supplies | 280.00 | |
| Fees received | | 14 140.00 |
| GST | | 804.00 |
| Mortgage | | 34 600.00 |
| Buildings | 120 000.00 | |
| Wages | 552.00 | |
| Drawings | 345.00 | |
| Interest on mortgage | 299.00 | |
| | \$131 876.00 | \$ 131 876.00 |

Activity 15 (p. 117)

1. General Ledger – Jen's Jewellery

Bank 101

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|----------------|---|--------|--------|---------|---------|
| Oct 1 | Balance | | | | 2 450 | Dr |
| 14 | Total receipts | | 20 975 | | 23 425 | Dr |
| | Total payments | | | 14 424 | 9 001 | Dr |

Inventory 102

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 22 300 | Dr |

Equipment 103

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 29 700 | Dr |
| 12 | Bank | | | 480 | 29 220 | Dr |
| 13 | Bank | | 1 200 | | 30 420 | Dr |

Computer 104

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 2 870 | Dr |

Capital 301

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 22 800 | Cr |
| 7 | Bank | | | 4 300 | 27 100 | Cr |

Loan 201

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 16 400 | Cr |
| 4 | Bank | | 3 200 | | 13 200 | Cr |

GST 202

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 1 120 | Cr |
| 14 | Bank | | | 2 169 | 3 289 | Cr |
| | Bank | | 1 164 | | 2 125 | Cr |

Sales 501

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 145 000 | Cr |
| 14 | Bank | | | 13 980 | 158 980 | Cr |

Wages 401

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 37 000 | Dr |
| 14 | Bank | | 1 242 | | 38 242 | Dr |

Rent 402

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 26 000 | Dr |
| 14 | Bank | | 960 | | 26 960 | Dr |

Interest received 502

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Oct 12 | Bank | | | 46 | 46 | Cr |

Purchases 403

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 60 000 | Dr |
| 14 | Bank | | 5 120 | | 65 120 | Dr |

Drawings 302

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Balance | | | | 5 000 | Dr |
| 14 | Bank | | 690 | | 5 690 | Dr |

Advertising 404

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 1 | Bank | | 240 | | 240 | Dr |

Interest on loan 405

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|-------|-------------|---|-------|--------|---------|---------|
| Oct 4 | Bank | | 368 | | 368 | Dr |

Telephone 406

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Oct 13 | Bank | | 240 | | 240 | Dr |

**Trial Balance for Jen's Jewellery
as at 14 October 2024**

| | \$ | \$ |
|-------------------|-----------|-----------|
| Bank | 9 001 | |
| Inventory | 22 300 | |
| Equipment | 30 420 | |
| Computer | 2 870 | |
| Capital | | 27 100 |
| Loan | | 13 200 |
| GST | | 2 125 |
| Sales | | 158 980 |
| Wages | 38 242 | |
| Rent | 26 960 | |
| Interest received | | 46 |
| Purchases | 65 120 | |
| Drawings | 5 690 | |
| Advertising | 240 | |
| Interest on loan | 368 | |
| Telephone | 240 | |
| | | |
| | \$201 451 | \$201 451 |

2. a.

| Cash receipts journal – Toupili's Truckstop | | | | | | | | |
|---|-------------------|---|-----|----------|-----------|--------|----------|----------|
| Date | Particulars | F | Ref | Receipts | Bank | GST | Sales | Other |
| Sep 10 | Sales | | CRS | 460.00 | 460.00 | 60.00 | 400.00 | |
| 12 | Sales | | CRS | 138.00 | | 18.00 | 120.00 | |
| | Sales | | CRS | 414.00 | 552.00 | 54.00 | 360.00 | |
| | Sales | | EFT | 138.00 | | 18.00 | 120.00 | |
| | Sales | | EFT | 644.00 | 782.00 | 84.00 | 560.00 | |
| | Interest received | | DC | | 46.00 | | | 46.00 |
| 14 | Sales | | CRS | 736.00 | | 96.00 | 640.00 | |
| | Capital | | CRS | 4 600.00 | 5 336.00 | | | 4 600.00 |
| | Sales | | EFT | 552.00 | 552.00 | 72.00 | 480.00 | |
| 16 | Sales | | EFT | 460.00 | 460.00 | 60.00 | 400.00 | |
| | Sales | | CRS | 1 380.00 | | 180.00 | 1 200.00 | |
| | Equipment | | CRS | 552.00 | 1 932.00 | 72.00 | | 480.00 |
| | | | | | | | | |
| | | | | | 10 120.00 | 714.00 | 4 280.00 | 5 126.00 |

| Cash payments journal – Toupili's Truckstop | | | | | | | | | |
|---|-------------|---|-----|----------|--------|----------|--------|----------|----------|
| Date | Particulars | F | Ref | Bank | GST | Supplies | Wages | Drawings | Other |
| Sep 10 | Supplies | | 120 | 276.00 | 36.00 | 240.00 | | | |
| | Wages | | AP | 276.00 | | | 276.00 | | |
| | Drawings | | IT | 460.00 | | | | 460.00 | |
| 12 | Supplies | | 121 | 230.00 | 30.00 | 200.00 | | | |
| 14 | Rent | | AP | 621.00 | 81.00 | | | | 540.00 |
| | Supplies | | 122 | 184.00 | 24.00 | 160.00 | | | |
| | Telephone | | DD | 184.00 | 24.00 | | | | 160.00 |
| | Drawings | | DD | 460.00 | | | | 460.00 | |
| 15 | Supplies | | IT | 138.00 | 18.00 | 120.00 | | | |
| | Electricity | | 123 | 276.00 | 36.00 | | | | 240.00 |
| 16 | Loan | | AP | 1 380.00 | | | | | 1 380.00 |
| | Equipment | | 124 | 1 564.00 | 204.00 | | | | 1 360.00 |
| | | | | | | | | | |
| | | | | 6 049.00 | 453.00 | 720.00 | 276.00 | 920.00 | 3 680.00 |

b., c. and d. General ledger – Toupili's Truckstop

Bank 101

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|----------------|---|-----------|----------|----------|-------|
| Sep 10 | Balance | | | | 2 480.00 | Cr |
| 17 | Total receipts | | 10 120.00 | | 7 640.00 | Dr |
| | Total payments | | | 6 049.00 | 1 591.00 | Dr |

Inventory 102

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|----------|-------|
| Sep 10 | Balance | | | | 3 350.00 | Dr |

Equipment 103

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|----------|--------|-----------|-------|
| Sep 10 | Balance | | | | 13 000.00 | Dr |
| 16 | Bank | | | 480.00 | 12 520.00 | Dr |
| | Bank | | 1 360.00 | | 13 880.00 | Dr |

Term deposit 104

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|----------|-------|
| Sep 10 | Balance | | | | 9 000.00 | Dr |

Capital 301

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|----------|--------|-----------|-------|
| Sep 10 | Balance | | | | 16 520.00 | Cr |
| 14 | Bank | | 4 600.00 | | 21 120.00 | Cr |

Loan 210

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|----------|--------|-----------|-------|
| Sep 10 | Balance | | | | 12 000.00 | Cr |
| 16 | Bank | | 1 380.00 | | 10 620.00 | Cr |

GST 201

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|----------|-------|
| Sep 10 | Balance | | | | 1 850.00 | Cr |
| 17 | Bank | | | 714.00 | 2 564.00 | Cr |
| | Bank | | 453.00 | | 2 111.00 | Cr |

Sales 501

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|----------|--------|-----------|-------|
| Sep 10 | Balance | | | | 13 000.00 | Cr |
| 17 | Bank | | 4 280.00 | | 17 280.00 | Cr |

Wages 410

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|-----------|-------|
| Sep 10 | Balance | | | | 12 000.00 | Dr |
| 17 | Bank | | 276.00 | | 12 276.00 | Dr |

Supplies 411

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|----------|-------|
| Sep 10 | Balance | | | | 4 500.00 | Dr |
| 17 | Bank | | 720.00 | | 5 220.00 | Dr |

Drawings 302

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|----------|-------|
| Sep 10 | Balance | | | | 4 000.00 | Dr |
| 17 | Bank | | 920.00 | | 4 920.00 | Dr |

Interest revenue 510

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|---------|-------|
| Sep 12 | Bank | | | 46.00 | 46.00 | Cr |

Telephone 412

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|---------|-------|
| Sep 14 | Bank | | 160.00 | | 160.00 | Dr |

Electricity 413

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|---------|-------|
| Sep 15 | Bank | | 240.00 | | 240.00 | Dr |

Rent 414

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|---------|-------|
| Sep 14 | Bank | | 540.00 | | 540.00 | Dr |

e.

| Trial Balance for Toupili's Truckstop as at 17 September 20XX | | |
|--|-------------|-------------|
| | \$ | \$ |
| Bank | 1 591.00 | |
| Inventory | 3 350.00 | |
| Equipment | 13 880.00 | |
| Term deposit | 9 000.00 | |
| Capital | | 21 120.00 |
| Loan | | 10 620.00 |
| GST | | 2 111.00 |
| Sales | | 17 280.00 |
| Wages | 12 276.00 | |
| Supplies | 5 220.00 | |
| Drawings | 4 920.00 | |
| Interest revenue | | 46.00 |
| Telephone | 160.00 | |
| Electricity | 240.00 | |
| Rent | 540.00 | |
| | \$51 177.00 | \$51 177.00 |

3. General ledger – Lewis' Law

Bank 101

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|----------------|---|--------|--------|---------|---------|
| Jun 14 | Balance | | | | 9 450 | Dr |
| 20 | Total receipts | | 26 772 | | 36 222 | Dr |
| | Total payments | | | 11 661 | 24 561 | Dr |

Buildings 102

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 223 000 | Dr |

Furniture 103

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 29 700 | Dr |
| 18 | Bank | | | 540 | 29 160 | Dr |
| 15 | Bank | | 960 | | 30 120 | Dr |

Computers 104

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 3 750 | Dr |

Capital 301

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 75 780 | Cr |
| 16 | Bank | | 4 600 | | 80 380 | Cr |

Mortgage 201

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 64 000 | Cr |
| 18 | Bank | | 2 714 | | 61 286 | Cr |

GST 202

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 1 120 | Cr |
| 20 | Bank | | | 2 892 | 4 012 | Cr |
| | Bank | | 723 | | 3 289 | Cr |

Fees received 501

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 195 000 | Cr |
| 20 | Bank | | | 18 740 | 213 740 | Cr |

Wages 401

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 54 000 | Dr |
| 20 | Bank | | 2 208 | | 56 208 | Dr |

Rates 402

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 2 000 | Dr |

Supplies 403

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 6 000 | Dr |
| 20 | Bank | | 3 220 | | 9 220 | Dr |

Drawings 302

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Balance | | | | 8 000 | Dr |
| 20 | Bank | | 920 | | 8 920 | Dr |

Advertising 404

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 14 | Bank | | 400 | | 400 | Dr |

Interest on mortgage 405

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 18 | Bank | | 276 | | 276 | Dr |

Electricity 406

| Date | Particulars | F | Debit | Credit | Balance | Dr / Cr |
|--------|-------------|---|-------|--------|---------|---------|
| Jun 16 | Bank | | 240 | | 240 | Dr |

| Trial Balance for <i>Lewis' Law</i> as at 20 June 2024 | | |
|---|-----------|-----------|
| | \$ | \$ |
| Bank | 24 561 | |
| Buildings | 223 000 | |
| Furniture | 30 120 | |
| Computer | 3 750 | |
| Capital | | 80 380 |
| Mortgage | | 61 286 |
| GST | | 3 289 |
| Fees received | | 213 740 |
| Wages | 56 208 | |
| Rates | 2 000 | |
| Supplies | 9 220 | |
| Drawings | 8 920 | |
| Advertising | 400 | |
| Interest on mortgage | 276 | |
| Electricity | 240 | |
| | \$358 695 | \$358 695 |

Activity 16 (p. 132)

1. *Mele's market*

Cash receipts journal

| Date | Particulars | Ref # | Receipts | Bank | GST | Sales | Dividends | Sundry |
|--------|-------------|-------|----------|--------|-------|-------|-----------|--------|
| Jul 20 | Dividends | BS | | 130 | | | 130 | |
| | | | | 18 118 | 1 068 | 6 640 | 130 | 10 280 |

Cash payments journal

| Date | Particulars | CHQ # | Bank | GST | Purchases | Wages | Drawings | Sundry |
|--------|-------------|-------|--------|-----|-----------|-------|----------|--------|
| Jul 20 | Insurance | BS | 92 | 12 | | | | 80 |
| | Electricity | BS | 69 | 9 | | | | 60 |
| | Bank fee | BS | 23 | | | | | 23 |
| | Interest | | 15 | | | | | 15 |
| | | | 13 769 | 507 | 1 080 | 9 200 | 644 | 2 338 |

Bank ledger account

| Date | Particulars | Debit | Credit | Balance | Dr / Cr |
|---------|----------------|--------|--------|---------|---------|
| 14/7/12 | Balance | | | 1 389 | Dr |
| 20/7/12 | Total receipts | 18 118 | | 19 507 | Dr |
| | Total payments | | 13 769 | 5 738 | Dr |

Mele's Market
Bank reconciliation statement
as at 20 July 2022

| Un-presented payments | | Outstanding deposits | |
|-----------------------|--------------------------|----------------------|---------|
| Ref | \$ | | |
| 238 | 230 | | 230 |
| 240 | 1 380 | | 3 174 |
| 241 | 460 | | |
| | Balance from statement → | 4 404 | |
| | Deposits | 3 404 | ← 3 404 |
| | Subtotal | 7 808 | |
| 2 070 | Less Payments → | (2 070) | |
| | Closing balance | 5 738 | |

2. *Crunchy Apple Orchard*

a. Update journal extracts

Cash receipts journal

| Date | Particulars | Bank |
|--------|-------------------|-------|
| Oct 31 | Total to date | 3 289 |
| | Interest received | 18 |
| | Total | 3 307 |

Cash payments journal

| Date | Particulars | Bank |
|--------|---------------|-------|
| Oct 31 | Total to date | 2 784 |
| | Bank fees | 9 |
| | Rent | 900 |
| | Total | 3 693 |

- b. Prepare bank ledger account

Bank ledger account

| Date | Particulars | Debit | Credit | Balance |
|-------|----------------|-------|--------|----------|
| Oct 1 | Balance | | | 1 445 dr |
| 31 | Total receipts | 3 307 | | 4 752 dr |
| | Total payments | | 3 693 | 1 059 dr |

- c.

| Crunchy Apple Orchard Bank reconciliation statement as at 31 October 2022 | | |
|---|-------|----------|
| Credit balance as per bank statement | | 2 396 CR |
| Add Deposits outstanding | | 1 800 |
| | | 4 196 |
| Less Unpresented cheques | | |
| # 235 | 90 | |
| # 236 | 147 | |
| # 240 | 2 900 | (3 137) |
| Debit balance as per bank ledger account | | 1 059 Dr |

3. Pam's Plumbing

- a. and b.

Cash receipts journal

| Date | Particulars | F | SD | Receipts | Bank | GST | Sales | Fees received | Other |
|-------|---------------|---|-----|----------|-----------|----------|----------|---------------|----------|
| Nov 1 | Sales | | CRS | 920.00 | 920.00 | 120.00 | 800.00 | | |
| 7 | Fees received | | CRS | 1 840.00 | | 240.00 | | 1 600.00 | |
| | Sales | | CRS | 1 104.00 | 2 944.00 | 144.00 | 960.00 | | |
| | Sales | | EFT | 552.00 | | 72.00 | 480.00 | | |
| | Fees received | | EFT | 644.00 | 1 196.00 | 84.00 | | 560.00 | |
| 14 | Sales | | EFT | 920.00 | | 120.00 | 800.00 | | |
| | Fees received | | EFT | 840.00 | 1 760.00 | 109.57 | | 730.43 | |
| | Sales | | CRS | 736.00 | | 96.00 | 640.00 | | |
| | Fee received | | CRS | 671.00 | | 87.52 | | 583.48 | |
| | Capital | | 83 | 4 600.00 | 6 007.00 | | | | 4 600.00 |
| 22 | Fees received | | CRS | 460.00 | | 60.00 | | 400.00 | |
| | Sales | | CRS | 552.00 | 1 012.00 | 72.00 | 480.00 | | |
| | Fees received | | EFT | 2 760.00 | | 360.00 | | 2 400.00 | |
| | Sales | | EFT | 1 840.00 | 4 600.00 | 240.00 | 1 600.00 | | |
| 30 | Sales | | EFT | 759.00 | | 99.00 | 660.00 | | |
| | Fees received | | EFT | 828.00 | 1 587.00 | 108.00 | | 720.00 | |
| | Van | | 84 | 2 300.00 | 2 300.00 | 300.00 | | | 2 000.00 |
| | Dividends | | BS | | 69.00 | | | | 69.00 |
| | | | | | 22 395.00 | 2 312.09 | 6 420.00 | 6 993.91 | 6 669.00 |

Cash payments journal

| Date | Particulars | F | SD | Bank | GST | Purchases | Supplies | Wages | Drawings | Other |
|-------|-------------|---|-----|----------|--------|-----------|----------|--------|----------|----------|
| Nov 1 | Purchases | | 120 | 460.00 | 60.00 | 400.00 | | | | |
| | Wages | | AP | 621.00 | | | | 621.00 | | |
| | Drawings | | IT | 920.00 | | | | | 920.00 | |
| 7 | Supplies | | 121 | 299.00 | 39.00 | | 260.00 | | | |
| 14 | Purchases | | 122 | 506.00 | 66.00 | 440.00 | | | | |
| | Telephone | | DD | 184.00 | 24.00 | | | | | 160.00 |
| | Electricity | | DD | 460.00 | 60.00 | | | | | 400.00 |
| 22 | Supplies | | IT | 1 380.00 | 180.00 | | 1 200.00 | | | |
| | Drawings | | 123 | 276.00 | | | | | 276.00 | |
| 30 | Equipment | | 124 | 506.00 | 66.00 | | | | | 440.00 |
| | Insurance | | AP | 92.00 | 12.00 | | | | | 80.00 |
| | Bank fees | | ET | 9.00 | | | | | | 9.00 |
| | | | | | | | | | | |
| | | | | 5 713.00 | 507.00 | 840.00 | 1 460.00 | 621.00 | 1 196.00 | 1 089.00 |

| Pam's Plumbing Bank reconciliation statement as at 30 November 2025 | | |
|---|----------|------------|
| Credit balance as per bank statement | | 15 016.00 |
| Add Deposits outstanding | 1 587.00 | |
| | 2 300.00 | 3 887.00 |
| | | 18 903.00 |
| Less Unpresented cheques/payments | | |
| #121 | 299.00 | |
| #123 | 276.00 | |
| #124 | 506.00 | (1 081.00) |
| Debit balance as per bank ledger account | | 17 822.00 |

c. General ledger – Pam's Plumbing

Bank 101

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|----------------|---|--------|--------|-----------|-------|
| Nov 1 | Balance | | | | 1 140.00 | Dr |
| 30 | Total receipts | | 22 395 | | 23 535.00 | Dr |
| | Total payments | | | 5 713 | 17 822.00 | Dr |

Inventory 102

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|----------|-------|
| Nov 1 | Balance | | | | 5 430.00 | Dr |

Plumbing equipment 103

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|--------|-----------|-------|
| Nov 1 | Balance | | | | 24 000.00 | Dr |
| 30 | Bank | | 440.00 | | 24 440.00 | Dr |

Van 104

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|----------|-----------|-------|
| Nov 1 | Balance | | | | 24 500.00 | Dr |
| 30 | Bank | | | 2 000.00 | 22 500.00 | Dr |

Capital 301

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|----------|--------|-----------|-------|
| Nov 1 | Balance | | | | 15 210.00 | Cr |
| 14 | Bank | | 4 600.00 | | 19 810.00 | Cr |

Loan 201

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|-----------|-------|
| Nov 1 | Balance | | | | 21 000.00 | Cr |

GST 202

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|----------|----------|-------|
| Nov 1 | Balance | | | | 2 390.00 | Cr |
| 30 | Bank | | | 2 312.09 | 4 702.09 | Cr |
| | Bank | | 507.00 | | 4 195.09 | Cr |

Fees received 501

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|----------|-----------|-------|
| Nov 1 | Balance | | | | 13 000.00 | Cr |
| 30 | Bank | | | 6 993.91 | 19 993.91 | Cr |

Sales 502

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|----------|-----------|-------|
| Nov 1 | Balance | | | | 6 000.00 | Cr |
| 30 | Bank | | | 6 420.00 | 12 420.00 | Cr |

Wages 401

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|---------|-------|
| Nov 30 | Bank | | 621.00 | | 621.00 | Dr |

Purchases 402

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|--------|----------|-------|
| Nov 1 | Balance | | | | 2 530.00 | Dr |
| 30 | Bank | | 840.00 | | 3 370.00 | Dr |

Supplies 403

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|----------|--------|----------|-------|
| Nov 30 | Bank | | 1 460.00 | | 1 460.00 | Dr |

Drawings 302

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|----------|--------|----------|-------|
| Nov 30 | Bank | | 1 196.00 | | 1 196.00 | Dr |

Dividends 504

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|---------|-------|
| Nov 30 | Bank | | | 69.00 | 69.00 | Cr |

Telephone 404

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|---------|-------|
| Nov 14 | Bank | | 160.00 | | 160.00 | Dr |

Electricity 405

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|--------|--------|---------|-------|
| Nov 14 | Bank | | 400.00 | | 400.00 | Dr |

Insurance 406

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|---------|-------|
| Nov 30 | Bank | | 80.00 | | 80.00 | Dr |

Bank fees 407

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|---------|-------|
| Nov 30 | Bank | | 9.00 | | 9.00 | Dr |

d.

| Trial Balance for Pam's Plumbing as at 30 November 2025 | | |
|--|--------------|-------------|
| | \$ | \$ |
| Bank | 17 822.00 | |
| Inventory | 5 430.00 | |
| Equipment | 24 440.00 | |
| Van | 22 500.00 | |
| Capital | | 19 810.00 |
| Loan | | 21 000.00 |
| GST | | 4 195.09 |
| Fees received | | 19 993.91 |
| Sales | | 12 420.00 |
| Wages | 621.00 | |
| Purchases | 3 370.00 | |
| Supplies | 1 460.00 | |
| Drawings | 1 196.00 | |
| Dividends | | 69.00 |
| Telephone | 160.00 | |
| Electricity | 400.00 | |
| Insurance | 80.00 | |
| Bank fees | 9.00 | |
| | \$ 77 488.00 | \$77 488.00 |

Activity 17 (p. 143)

1. a.

Cash receipts journal – Colin's Carworld

| Date | Particulars | F | Ref | Receipts | Bank | GST | Sales – petrol and oil | Sales – shop | Repairs fees | Other |
|-------|------------------|---|-----------|----------|-----------------|----------|------------------------|--------------|--------------|-----------------|
| Jun 1 | Repair fees | | CRS | 1 350.00 | | 176.09 | | | 1 173.91 | |
| | Petrol sales | | CRS | 450.00 | 1 800.00 | 58.70 | 391.30 | | | |
| 2 | Petrol sales | | EFT | 135.00 | | 17.61 | 117.39 | | | |
| | Repair fees | | EFT | 630.00 | 765.00 | 82.17 | | | 547.83 | |
| | Petrol sales | | CRS | 720.00 | | 93.91 | 626.09 | | | |
| | Shop sales | | CRS | 184.00 | 904.00 | 24.00 | | 160.00 | | |
| | Repair fees | | ET | | 540.00 | 70.43 | | | 469.57 | |
| | Shop sales | | CC | 46.00 | | 6.00 | | 40.00 | | |
| | Petrol sales | | CC | 90.00 | 136.00 | 11.74 | 78.26 | | | |
| 4 | Repair fees | | CRS | 810.00 | | 105.65 | | | 704.35 | |
| | Petrol sales | | CRS | 360.00 | 1 170.00 | 46.96 | 313.04 | | | |
| 5 | Loan | | | | 5 000.00 | | | | | 5 000.00 |
| 6 | Shop sales | | EFT | 90.00 | | 11.74 | | 78.26 | | |
| | Repair fees | | EFT | 450.00 | 540.00 | 58.70 | | | 391.30 | |
| | Petrol sales | | CRS | 810.00 | | 105.65 | 704.35 | | | |
| | Office furniture | | 26 | 138.00 | 948.00 | 18.00 | | | | 120.00 |
| | Petrol sales | | CC | 180.00 | | 23.48 | 156.52 | | | |
| | Petrol sales | | CC | 270.00 | 450.00 | 35.22 | 234.78 | | | |
| 7 | Repair fees | | CRS | 450.00 | | 58.70 | | | 391.30 | |
| | Shop sales | | CRS | 90.00 | 540.00 | 11.74 | | 78.26 | | |
| | <i>Dividends</i> | | <i>BS</i> | | <i>47.00</i> | | | | | <i>47.00</i> |
| | <i>Capital</i> | | <i>BS</i> | | <i>3 000.00</i> | | | | | <i>3 000.00</i> |
| | | | | | | | | | | |
| | | | | | 15 840.00 | 1 016.49 | 2 621.73 | 356.52 | 3 678.26 | 8 167.00 |

Cash payments journal – Colin's Carworld

| Date | Particulars | F | Ref | Bank | GST | Purchases – petrol and oil | Purchases – shop | Drawings | Wages | Other |
|-------|-------------------------|---|-----------|-----------------|--------|----------------------------|------------------|----------|--------|-----------------|
| Jun 1 | Advertising | | 807 | 270.00 | 35.22 | | | | | 234.78 |
| | Purchases – petrol | | 808 | 879.00 | 114.65 | 764.35 | | | | |
| | Drawings | | IT | 900.00 | | | | 900.00 | | |
| 2 | Electricity | | IT | 180.00 | 23.48 | | | | | 156.52 |
| | Drawings | | IT | 138.00 | | | | 138.00 | | |
| | Garage equipment | | 809 | 1 380.00 | 180.00 | | | | | 1 200.00 |
| 4 | Petrol purchases | | 810 | 450.00 | 58.70 | 391.30 | | | | |
| 5 | Wages | | AP | 630.00 | | | | | 630.00 | |
| | Rent | | AP | 540.00 | 70.43 | | | | | 469.57 |
| 6 | Wages | | 811 | 45.00 | | | | | 45.00 | |
| | Advertising | | 812 | 90.00 | 11.74 | | | | | 78.26 |
| 7 | Insurance | | DD | 36.00 | 4.70 | | | | | 31.30 |
| | Shop purchases | | 813 | 270.00 | 35.22 | | 234.78 | | | |
| | <i>Bank fee</i> | | <i>BS</i> | <i>12.00</i> | | | | | | <i>12.00</i> |
| | <i>Loan</i> | | <i>BS</i> | <i>1 200.00</i> | | | | | | <i>1 200.00</i> |
| | <i>Interest on loan</i> | | <i>BS</i> | <i>360.00</i> | | | | | | <i>360.00</i> |
| | | | | | | | | | | |
| | | | | 7 380.00 | 534.14 | 1 155.65 | 234.78 | 1 038.00 | 675.00 | 3 742.43 |

b.

| Colin's Carworld Bank reconciliation statement as at 30 June 20__ | | |
|---|----------|------------|
| Credit balance as per bank statement | | 3 150.00 |
| Add Deposits outstanding | 948.00 | |
| | 540.00 | 1 488.00 |
| | | 4 638.00 |
| Less Unpresented cheques/payments | | |
| #808 | 879.00 | |
| #809 | 1 380.00 | |
| #812 | 90.00 | |
| #813 | 270.00 | (2 619.00) |
| Debit balance as per bank ledger account | | 2 019.00 |

c. and d. General ledger – Colin's Carworld

Bank 101

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|----------------|---|-----------|----------|----------|-------|
| Jun 1 | Balance | | | | 6 441.00 | Cr |
| 7 | Total receipts | | 15 840.00 | | 9 399.00 | Dr |
| | Total payments | | | 7 380.00 | 2 019.00 | Dr |

Inventory on hand 102

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|-----------|-------|
| Jun 1 | Balance | | | | 10 000.00 | Dr |

Garage equipment 103

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|----------|--------|-----------|-------|
| Jun 1 | Balance | | | | 15 000.00 | Dr |
| 2 | Bank | | 1 200.00 | | 16 200.00 | Dr |

Office furniture 104

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|----------|-------|
| Jun 1 | Balance | | | | 4 200.00 | Dr |
| 6 | Bank | | | 120.00 | 4 080.00 | Dr |

Shares in Diesel Ltd 105

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|-----------|-------|
| Jun 1 | Balance | | | | 12 000.00 | Dr |

Capital 301

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|----------|-----------|-------|
| Jun 1 | Balance | | | | 22 379.00 | Cr |
| 7 | Bank | | | 3 000.00 | 25 379.00 | Cr |

Loan 201

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|----------|----------|-----------|-------|
| Jun 1 | Balance | | | | 6 000.00 | Cr |
| 5 | Bank | | | 5 000.00 | 11 000.00 | Cr |
| 7 | Bank | | 1 200.00 | | 9 800.00 | Cr |

GST 202

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|----------|----------|-------|
| Jun 1 | Balance | | | | 380.00 | Cr |
| 7 | Bank | | | 1 016.49 | 1 396.49 | Cr |
| | Bank | | 534.14 | | 862.35 | Cr |

Sales – Petrol and oil 501

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|----------|-----------|-------|
| Jun 1 | Balance | | | | 36 000.00 | Cr |
| 7 | Bank | | | 2 621.73 | 38 621.73 | Cr |

Sales – Shop 502

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|---------|-------|
| Jun 7 | Bank | | | 356.52 | 356.52 | Cr |

Wages 401

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|--------|-----------|-------|
| Jun 1 | Balance | | | | 45 000.00 | Dr |
| 7 | Bank | | 675.00 | | 45 675.00 | Ddr |

Purchases – Petrol and oil 402

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|----------|--------|-----------|-------|
| Jun 1 | Balance | | | | 12 000.00 | Dr |
| 7 | Bank | | 1 155.65 | | 13 155.65 | Dr |

Purchases – Shop 403

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|--------|---------|-------|
| Jun 7 | Bank | | 234.78 | | 234.78 | Dr |

Car repair fees received 503

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|----------|-----------|-------|
| Jun 1 | Balance | | | | 28 000.00 | Cr |
| 7 | Bank | | | 3 678.26 | 31 678.26 | Cr |

Dividends 504

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|---------|-------|
| Jun 7 | Bank | | | 47.00 | 47.00 | Cr |

Advertising 404

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|--------|----------|-------|
| Jun 1 | Balance | | | | 1 000.00 | Dr |
| 1 | Bank | | 234.78 | | 1 234.78 | Dr |
| 6 | Bank | | 78.26 | | 1313.04 | Dr |

Electricity 405

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|--------|---------|-------|
| Jun 2 | Bank | | 156.52 | | 156.52 | Dr |

Drawings 303

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|----------|--------|----------|-------|
| Jun 7 | Bank | | 1 038.00 | | 1 038.00 | Dr |

Insurance 406

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|---------|-------|
| Jun 7 | Bank | | 31.30 | | 31.30 | Dr |

Rent 407

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|--------|---------|-------|
| Jun 4 | Bank | | 469.57 | | 469.57 | Dr |

Interest on loan 408


| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|--------|--------|---------|-------|
| Jun 7 | Bank | | 360.00 | | 360.00 | Dr |

Bank fees 409

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-------|-------------|---|-------|--------|---------|-------|
| Jun 7 | Bank | | 12.00 | | 12.00 | Dr |

e.


| Trial balance for <i>Colin's Carworld</i> as at _____ | | |
|--|--------------|--------------|
| | \$ | \$ |
| Bank | 2 019.00 | |
| Inventory on hand | 10 000.00 | |
| Garage equipment | 16 200.00 | |
| Office furniture | 4 080.00 | |
| Shares in <i>Diesel Ltd</i> | 12 000.00 | |
| Capital | | 25 379.00 |
| Loan | | 9 800.00 |
| GST | | 862.35 |
| Sales – petrol and oil | | 38 621.73 |
| Sales – shop | | 356.52 |
| Wages | 45 675.00 | |
| Purchases – petrol and oil | 13 155.65 | |
| Purchases – shop | 234.78 | |
| Car repairs fees received | | 31 678.26 |
| Dividends | | 47.00 |
| Advertising | 1 313.04 | |
| Electricity | 156.52 | |
| Drawings | 1 038.00 | |
| Insurance | 31.30 | |
| Rent | 469.57 | |
| Interest on loan | 360.00 | |
| Bank fees | 12.00 | |
| | \$106 744.86 | \$106 744.86 |

f. Invoice: 289 Colin's  **Carworld**
 183 Fast Lane
 Oamaru
 Date: 24/6/20XX
 GST Number: 34-858-923

Sold to: Bob Auto
 Address: 138 Pit Lane
Oamaru

| Description | Price (excl) |
|--------------------------------|---------------|
| <u>Car repair</u> | <u>600.00</u> |
| <u>Petrol</u> | <u>80.00</u> |
| Subtotal <u>680.00</u> | |
| GST <u>102.00</u> | |
| GST inclusive \$ <u>782.00</u> | |

Authorised by: Colin


Credit note: 12 Colin's  **Carworld**
 183 Fast Lane
 Oamaru
 Date: 28/6/20XX
 GST Number: 34-858-923

Issued to: Bob Auto
 Address: 138 Pit Lane
Oamaru

Reason for credit given: faulty fanbelt returned

Amount of credit given: \$ 138.00 (GST inclusive)
 Authorised by: Colin

Date: 30 June Fern Bank NZ Riccarton Branch. Date: 30 / 6 / 20XX

To: That Media
 For: Advertising
 Pay That Media or bearer 


Balance \$ 1 389
 Deposits \$ 1 630
 Total \$ 3 019.00
 This chq \$ 276.00
 Balance \$ 2 743.00

The sum of Two hundred and seventy-six dollars \$ 276.00

Colin's Carworld Colin

107039 107039 190448 00134870 00

Not transferable

Receipt: 87 Colin's  **Carworld**
 183 Fast Lane
 Oamaru
 Date: 30/6/20XX
 GST Number: 34-858-923

Issued to: Bob Auto
 Address: 138 Pit Lane
Oamaru

For: Payment of account

Amount of received: \$ 740.00 (GST inclusive)
 Type of payment (circle) Cash Credit card EFTPOS Cheque

Authorised by: Colin

2. a. i.

Tax invoice: 216 **Makeit Wholesalers** Date: 8 May XX
 249 Craftwise Street
 Auckland
 GST Number: 11-889-425

Sold to: Cailey's Crafts
 Address: 249 Wool Street
Wellington

| QTY | Description | Unit price | Total price |
|---------------|------------------|------------|-------------|
| 12 | Hanks of wool | 8.40 | 100.80 |
| 4 | Knitting kits | 24.96 | 99.84 |
| 1 | Quilt-making set | 49.99 | 49.99 |
| Subtotal | | | 250.63 |
| GST | | | 37.59 |
| GST-inclusive | | | \$ 288.22 |


Authorised by: J Makeit

ii.

Date 18/9/18 Fern Bank NZ Ngaio Branch Date 18 / 6 / 18 Cheque duty paid
 To Makeit Wholesalers
 For Accounting payment
 Balance \$ 2,380.90 Pay Makeit Wholesalers or bearer
 Deposits \$ 0 The sum of Two hundred and \$ 288.22
eighty-eight dollars and twenty-two cents
 Total \$
 This chq \$ 288.22 Cailey's Crafts Cailey
 Balance \$ 2,092.68
 100213 100213 190448 00296780 00

Not transferable

iii.

Receipt no 28  249 Wool Street
 Date 20 June 2018 Wellington
 GST Number: 34-858-923

Issued to: Quilters Club
 Address: 159 Tidy Drive
Wellington

For: 30% deposit paid for fabric order

Amount of received: \$ 310.50 (GST inclusive)

Type of payment (circle) Cash Credit card EFTPOS Cheque Electronic

Authorised by: Cailey

b. Cash journals

Cash receipts journal – *Cailey's Crafts*

| Date | Particulars | F | Ref # | Receipts | Bank | GST | Sales of gifts | Sales of craft supplies | Other |
|--------|------------------------|---|-------|----------|----------|--------|----------------|-------------------------|----------|
| May 14 | Sales – Gifts | | CRS | 164.00 | | 21.39 | 142.61 | | |
| | Sales – Craft supplies | | CRS | 346.80 | 510.80 | 45.23 | | 301.57 | |
| | Sales – Gifts | | EFT | 380.90 | | 49.68 | 331.22 | | |
| | Sales – Craft supplies | | EFT | 434.25 | 815.15 | 56.64 | | 377.61 | |
| 15 | Office furniture | | BS/IT | | 92.00 | 12.00 | | | 80.00 |
| 16 | Interest received | | DC | | 64.40 | | | | 64.40 |
| 17 | Sales – Gifts | | CRS | 186.40 | 186.40 | 24.31 | 162.09 | | |
| | Sales – Craft supplies | | EFT | 140.90 | 140.90 | 18.38 | | 122.52 | |
| 19 | Capital | | IT | | 4 000.00 | | | | 4 000.00 |
| 20 | Sales – Gifts | | EFT | 940.50 | | 122.67 | 817.83 | | |
| | Sales – Craft supplies | | EFT | 383.50 | 1 324.00 | 50.02 | | 333.48 | |
| | Sales – Gifts | | CRS | 240.80 | 240.80 | 31.41 | 209.39 | | |
| | Sales – Gifts | | BS/IT | | 274.56 | 35.81 | 238.75 | | |
| | Dividends | | BS/IT | | 93.60 | | | | 93.60 |
| | Sales – Craft supplies | | BS/IT | | 222.64 | 29.04 | | 193.60 | |
| | | | | | 7 965.25 | 496.58 | 1 901.89 | 1 328.78 | 4 238.00 |

Cash payments journal – *Cailey's Crafts*

| Date | Particulars | F | Ref # | Bank | GST | Purchases of gifts | Purchases of craft supplies | Drawings | Wages | Other |
|--------|----------------------------|---|-------|-----------|--------|--------------------|-----------------------------|----------|----------|----------|
| May 14 | Wages | | IT | 1 240.67 | | | | | 1 240.67 | |
| | Insurance | | 875 | 230.00 | 30.00 | | | | | 200.00 |
| 15 | Drawings | | ATM | 500.00 | | | | 500.00 | | |
| 16 | Electricity | | DD | 168.86 | 22.03 | | | | | 146.83 |
| | Purchases – Gifts | | 876 | 220.80 | 28.80 | 192.00 | | | | |
| 17 | Drawings | | IT | 129.80 | | | | 129.80 | | |
| | Purchases – Craft supplies | | EFT | 324.00 | 42.26 | | 281.74 | | | |
| 19 | Security system | | 877 | 5 260.00 | 686.09 | | | | | 4 573.91 |
| 20 | Purchases – Gifts | | EFT | 580.30 | 75.69 | 504.61 | | | | |
| | Mortgage | | AP | 950.00 | | | | | | 950.00 |
| | Advertising | | BS | 181.50 | 23.67 | | | | | 157.83 |
| | Bank fees | | BS | 10.40 | | | | | | 10.40 |
| | Rates | | BS | 228.26 | 29.77 | | | | | 198.49 |
| | | | | | | | | | | |
| | | | | 10 024.59 | 938.31 | 696.61 | 281.74 | 629.80 | 1 240.67 | 6 237.46 |

c.

| Cailey's Crafts Bank reconciliation statement as at 20 May ____ | | |
|--|----------|------------|
| Closing bank statement balance | | 7 059.42 |
| Add Deposits not on the bank statement | | 240.80 |
| | | 7 300.22 |
| Less Withdrawals not on the bank statement | | |
| #875 | 230.00 | |
| #877 | 5 260.00 | |
| EFT | 580.30 | (6 070.30) |
| Closing balance in bank account | | 1 229.92 |

d. General ledger – *Cailey's Crafts*

Advertising No. 500

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|---------|-------|
| May 20 | Bank | CPJ | 157.83 | | 157.83 | Dr |
| | | | | | | |

Bank No. 100

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|----------------|-----|----------|-----------|-----------|-------|
| May 14 | Balance | | | | 3 289.26 | Dr |
| 20 | Total receipts | CRJ | 7 965.25 | | 11 254.51 | Dr |
| | Total payments | CPJ | | 10 024.59 | 1 229.92 | Dr |
| | | | | | | |

Bank fees No. 508

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|-------|--------|---------|-------|
| May 14 | Balance | | | | 24.00 | Dr |
| 20 | Bank | CPJ | 10.40 | | 34.40 | Dr |

Capital No. 300

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|-------|----------|------------|-------|
| May 14 | Balance | | | | 228 568.77 | Cr |
| 19 | Bank | CRJ | | 4 000.00 | 232 568.77 | Cr |
| | | | | | | |

Dividends received No. 400

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|-----------|-------------|-----|-------|--------|---------|-------|
| May 16/20 | Bank | CRJ | | 93.60 | 93.60 | Cr |
| | | | | | | |

Drawings No. 301

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|----------|-------|
| May 14 | Balance | | | | 1 500.00 | Dr |
| 20 | Bank | CPJ | 629.80 | | 2 129.80 | Dr |
| | | | | | | |

Electricity No. 501

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|---------|-------|
| May 14 | Balance | | | | 420.50 | Dr |
| 16 | Bank | CPJ | 146.83 | | 567.33 | Dr |
| | | | | | | |

GST No. 200

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|----------|-------|
| May 14 | Balance | | | | 830.40 | Cr |
| 20 | Bank | CRJ | | 496.58 | 1 326.98 | Cr |
| | Bank | CPJ | 938.31 | | 388.67 | Cr |
| | | | | | | |

Insurance No. 509

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|---------|-------|
| May 14 | Balance | | | | 82.24 | Dr |
| | Bank | CPJ | 200.00 | | 282.24 | Dr |
| | | | | | | |

Interest received No. 410

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|---------|-------|
| May 14 | Balance | | | | 60.00 | Cr |
| 16 | Bank | | | 64.40 | 124.40 | Cr |
| | | | | | | |

Interest on mortgage No. 502

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|---------|-------|
| May 14 | Balance | | | | 382.25 | Dr |
| | | | | | | |

Inventory – Gifts No. 102

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|----------|-------|
| May 14 | Balance | | | | 3 170.30 | Dr |
| | | | | | | |

Inventory – Craft Supplies No. 103

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|----------|-------|
| May 14 | Balance | | | | 4 129.88 | Dr |
| | | | | | | |

Land and buildings No. 104

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|------------|-------|
| May 14 | Balance | | | | 384 000.00 | Dr |
| | | | | | | |

Mortgage No.201

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|------------|-------|
| May 14 | Balance | | | | 185 500.00 | Cr |
| 20 | Bank | CPJ | 950.00 | | 184 550.00 | Cr |
| | | | | | | |

Office furniture No. 105

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|-------|--------|-----------|-------|
| May 14 | Balance | | | | 11 800.00 | Dr |
| 15 | Bank | CRJ | | 80.00 | 11 720.00 | Dr |
| | | | | | | |

Purchases – Gifts No. 503

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|----------|-------|
| May 14 | Balance | | | | 1 376.16 | Dr |
| 20 | Bank | CPJ | 696.61 | | 2 072.77 | Dr |
| | | | | | | |

Purchases – Craft Supplies No. 504

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|----------|-------|
| May 14 | Balance | | | | 2 207.68 | Dr |
| 20 | Bank | CPJ | 281.74 | | 2 489.42 | Dr |
| | | | | | | |

Rates No. 505

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|--------|--------|---------|-------|
| May 14 | Balance | | | | 243.50 | Dr |
| 20 | Bank | CPJ | 198.49 | | 441.99 | Dr |
| | | | | | | |

Sales – Craft Supplies No. 401

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|-------|---------|----------|-------|
| May 14 | Balance | | | | 3 076.50 | Cr |
| 20 | Bank | CRJ | | 1328.78 | 4 405.28 | Cr |
| | | | | | | |

Sales – Gifts No. 402

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|-------|---------|-----------|-------|
| May 14 | Balance | | | | 11 172.20 | Cr |
| 20 | Bank | CRJ | | 1901.89 | 13 074.09 | Cr |
| | | | | | | |

Security system No. 101

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|---------|--------|----------|-------|
| May 19 | Bank | CPJ | 4573.91 | | 4 573.91 | Dr |
| | | | | | | |

Shares in various companies No. 106

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|----------|-------|
| May 14 | Balance | | | | 8 000.00 | Dr |
| | | | | | | |

Telephone expenses No. 506

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|---------|-------|
| May 14 | Balance | | | | 312.32 | Dr |
| | | | | | | |

Term deposit No. 120

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|---|-------|--------|----------|-------|
| May 14 | Balance | | | | 5 000.00 | Dr |
| | | | | | | |

Wages No. 507

| Date | Particulars | F | Debit | Credit | Balance | Dr/Cr |
|--------|-------------|-----|----------|--------|----------|-------|
| May 14 | Balance | | | | 3 269.78 | Dr |
| 20 | Bank | CPJ | 1 240.67 | | 4 510.45 | Dr |
| | | | | | | |

| Trial Balance for <i>Cailey's Crafts</i> as at 20 May 20XX | | |
|---|---------------|---------------|
| | \$ | \$ |
| Advertising | 157.83 | |
| Bank | 1 229.92 | |
| Bank fees | 34.40 | |
| Capital | | 232 568.77 |
| Dividends received | | 93.60 |
| Drawings | 2 129.80 | |
| Electricity | 567.33 | |
| GST | | 388.67 |
| Insurance | 282.24 | |
| Interest received | | 124.40 |
| Interest on mortgage | 382.25 | |
| Inventory – Gifts | 3 170.30 | |
| Inventory – Craft Supplies | 4 129.88 | |
| Land and buildings | 384 000.00 | |
| Office furniture | 11 720.00 | |
| Purchases – Gifts | 2 072.77 | |
| Purchases – Craft Supplies | 2 489.42 | |
| Mortgage | | 184 550.00 |
| Rates | 441.99 | |
| Sales – Gifts | | 13 074.09 |
| Sales – Craft Supplies | | 4 405.28 |
| Security system | 4 573.91 | |
| Shares in various companies | 8 000.00 | |
| Telephone expenses | 312.32 | |
| Term deposit | 5 000.00 | |
| Wages | 4 510.45 | |
| | | |
| | \$ 435 204.81 | \$ 435 204.81 |

Activity 18A (p. 161)

| Rebecca's Resthome Income Statement for the year ended 31 March 2024 | | | |
|---|--------|--------|-----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Accommodation fees | | | 198 725 |
| Add Other income | | | |
| Interest received | | | 145 |
| Total income | | | 198 870 |
| Less Expenses | | | |
| Accommodation costs | | | |
| Depreciation on bedroom furniture | 2 800 | | |
| Carers' wages | 60 000 | | |
| Room cleaning | 10 000 | | |
| Supplies expense | 18 350 | 91 150 | |
| Administrative expenses | | | |
| Accountant's fees | 3 200 | | |
| Electricity | 6 200 | | |
| Depreciation on equipment | 1 500 | | |
| Depreciation on buildings | 6 600 | | |
| Insurance | 3 400 | | |
| Rates | 3 100 | 24 000 | |
| Finance costs | | | |
| Interest on mortgage | 9 500 | 9 500 | |
| Total expenses | | | (124 650) |
| Profit (loss) for the year | | | \$74 220 |

| Rebecca's Resthome Statement of Financial Position as at 31 March 2024 | | | |
|---|--------|---------|-----------|
| | \$ | \$ | \$ |
| Current assets | | | |
| Accounts receivable | | 8 500 | |
| Bank | | 7 600 | |
| Petty cash | | 120 | |
| Supplies on hand | | 4 500 | 20 720 |
| Non-current assets | | | |
| Intangibles | | | |
| Goodwill | | 12 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 256 800 | 268 800 |
| Total assets | | | 289 520 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 2 380 | | |
| GST | 1 920 | 4 300 | |
| Non-current liabilities | | | |
| Mortgage | 94 000 | 94 000 | |
| Total liabilities | | | (98 300) |
| Net assets | | | \$191 220 |
| Equity | | | |
| Opening capital | | | 129 000 |
| Plus Profit (loss) for the year | | | 74 220 |
| Less Drawings | | | (12 000) |
| Closing capital | | | \$191 220 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Bedroom furniture | Buildings | Equipment | Total |
|-------------------------------|-------------------|-----------|-----------|----------------|
| As at 31 March 2024 | | | | |
| Cost | 56 000 | 220 000 | 15 000 | 291 000 |
| Less Accumulated depreciation | (11 200) | (20 000) | (3 000) | (34 200) |
| Carrying amount | 44 800 | 200 000 | 12 000 | 256 800 |

Depreciation is calculated using the straight-line method at the following rates:

- bedroom furniture 5% p.a.
- buildings 3% p.a.
- equipment 10%

Activity 18B (p. 165)

| Asset cost | Rate | Working | Depreciation \$ |
|---------------------|------|---------------------|-----------------|
| Vehicle \$20 000 | 20% | 20/100 × 20 000 | \$4 000 |
| Equipment \$12 000 | 8% | 8/100 × 12 000 | \$960 |
| Buildings \$180 000 | 4% | 4/100 × 180 000 | \$7 200 |
| Shop fittings | | (24 000 – 2 000)/11 | \$2 000 |
| Machinery | | (60 000 – 3 500)/10 | \$5 650 |

Activity 18C (p. 167)

| | Equipment | Furniture | Machinery | Vehicles | |
|---------------------------------|------------------|-----------|---------------------------------------|--------------------------------------|--------|
| Cost \$ | 10 000 | 26 000 | 84 000 | 36 000 | |
| Depreciation rate | 6% | 10% | Residual value \$4 000, life 10 years | Residual value \$6 000, life 6 years | |
| Depreciation \$ | 600 | 2 600 | 8 000 | 5 000 | |
| Accumulated depreciation | 31/3/2020 | 600 | 2 600 | 8 000 | 5 000 |
| | 31/3/2021 | 1 200 | 5 200 | 16 000 | 10 000 |
| | 31/3/2022 | 1 800 | 7 800 | 24 000 | 15 000 |
| | 31/3/2023 | 2 400 | 10 400 | 32 000 | 20 000 |

Activity 18D (p. 167)

1. **Income Statement (extract) for Bridget's Bagels for the year ended 31 March 2022**

| | | |
|--------------------------------|-------|-------|
| Bakery costs | | |
| Depreciation on oven | 600 | |
| Depreciation on shop fittings | 1 000 | 1 600 |
| Administrative expenses | | |
| Depreciation on buildings | 9 000 | 9 000 |
| | | |

Statement of Financial Position (extract) for Bridget's Bagels as at 31 March 2022

| | | |
|---|--|---------|
| Non-current assets | | |
| Property, plant and equipment (Note 1) | | |
| Total carrying amount | | 167 200 |

Note to the Statement of Financial Position:

1. **Property, plant and equipment**

| | Buildings | Oven | Shop Fittings | Total |
|-------------------------------|-----------|---------|---------------|----------------|
| As at 31 March 2022 | | | | |
| Cost | 180 000 | 6 000 | 14 000 | 200 000 |
| Less Accumulated depreciation | (27 000) | (1 800) | (4 000) | (32 800) |
| Carrying amount | 153 000 | 4 200 | 10 000 | 167 200 |

Depreciation is calculated on the straight-line basis using the following rates:

- buildings 5% p.a.
- oven 10% p.a.
- shop fittings \$1 000 p.a.

2.

| Fresh Fruit & Veges Income Statement for the year ended 31 March 2024 | | | |
|--|---------|---------|------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 208 800 |
| Sales returns | | | (3 000) |
| Net sales | | | 205 800 |
| Less Cost of goods sold | | | |
| Opening inventory | | 4 500 | |
| Purchases | 109 000 | | |
| Purchase returns | (1 200) | 107 800 | |
| Goods available for sale | | 112 300 | |
| Less closing inventory | | 6 300 | |
| Cost of goods sold | | | (106 000) |
| Gross profit | | | 99 800 |
| Less Expenses | | | |
| Distribution costs | | | |
| Advertising | 2 700 | | |
| Shop assistant's wages | 26 800 | | |
| Shop electricity | 3 880 | | |
| Vehicle expenses | 13 200 | | |
| Depreciation on shop fittings | 1 800 | | |
| Depreciation on delivery vehicle | 4 000 | 52 380 | |
| Administrative expenses | | | |
| General expenses | 19 600 | | |
| Internet and phone | 3 900 | | |
| Office salary | 13 000 | | |
| Rent | 22 100 | | |
| Depreciation on office equipment | 544 | 59 144 | |
| Finance costs | | | |
| Interest on loan | 1 900 | 1 900 | |
| Total expenses | | | (113 424) |
| Loss for the year | | | \$(13 624) |

| Fresh Fruit & Veges Statement of Financial Position as at 31 March 2024 | | | |
|--|--------|--------|----------|
| | | \$ | \$ |
| Current assets | | | |
| Bank | | 4 580 | |
| Petty cash | | 80 | |
| Inventory | | 6 300 | 10 960 |
| Non-current assets | | | |
| Intangibles | | | |
| Goodwill | | 7 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 27 224 | 34 224 |
| Total assets | | | 45 184 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 3 480 | | |
| GST | 1 740 | 5 220 | |
| Non-current liabilities | | | |
| Loan | 15 000 | 15 000 | |
| Total liabilities | | | (20 220) |
| Net assets | | | \$24 964 |
| | | | |
| Equity | | | |
| Opening capital | | | 58 088 |
| Less Loss for the year | | | (13 624) |
| Less Drawings | | | (19 500) |
| Closing capital | | | \$24 964 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Delivery vehicle | Shop fittings | Office equipment | Total |
|-------------------------------|------------------|---------------|------------------|----------|
| As at 31 March 2024 | | | | |
| Cost | 22 000 | 18 000 | 6 800 | 46 800 |
| Less Accumulated depreciation | (12 000) | (5 400) | (2 176) | (19 576) |
| Carrying amount | 10 000 | 12 600 | 4 624 | 27 224 |

Depreciation is calculated on the straight-line basis using the following rates:

- depreciation on shop fittings 10%
- depreciation on office equipment 8%
- depreciation on delivery vehicle \$4 000 p.a.

Activity 19A (p. 172)

| 1. | Adjustment | Trial Balance | Adjustment | Income Statement | Statement of Financial Position |
|----|------------------------------------|------------------------------|------------|--------------------------------|---------------------------------|
| | Wages owing on balance day \$580 | Wages \$33 200 | +580 | Wages \$33 780 | Accrued expenses \$580 |
| | Advertising paid in advance \$175 | Advertising \$9 000 | -175 | Advertising \$8 825 | Prepayments \$175 |
| | Interest owed on term deposit \$55 | Interest received \$210 | +55 | Interest on term deposit \$265 | Accrued income \$55 |
| | Sales received in advance \$5 600 | Sales \$289 000 | -5 600 | Sales \$283 400 | Income in advance \$5 600 |
| | Interest on mortgage owing \$1 300 | Interest on mortgage \$6 000 | +1 300 | Interest on mortgage \$7 300 | Accrued expenses \$1 300 |

2. **Income Statement (extract) for Bridget's Bagels for the year ended 31 March 2022**

| Revenue | | |
|---------|--|--------|
| Sales | | 93 400 |

| Other income | | |
|--------------|--|-----|
| Dividends | | 260 |

| Bakery costs | | |
|-------------------------------|--------|--------|
| Wages | 54 540 | |
| Depreciation on shop fittings | 1 920 | 56 460 |

| Administrative expenses | | |
|-------------------------|-------|--|
| Rates | 1 360 | |

Statement of Financial Position (extract) for Bridget's Bagels as at 31 March 2022

| Current assets | | |
|----------------|-----|-----|
| Prepayments | 240 | |
| Accrued income | 60 | 300 |

| Current liabilities | | |
|---------------------|-------|-------|
| Accrued expenses | 540 | |
| Income in advance | 2 600 | 3 140 |

Activity 19B (p. 176)

| 1. | Adjustment | Trial balance | Workings | Income Statement | Statement of Financial Position |
|----|--|--|------------------------------------|------------------------|--|
| | Invoice issued for sales \$1 380 | Sales \$120 000 GST \$960 cr | dr = 1 380 cr = 1 200 + 180 | Sales \$121 200 | Accounts receivable \$1 380 GST \$1 140 |
| | Invoices received for purchases \$805 | Purchases \$35 800 GST \$1 300 cr | dr = 700 + 105 cr = 805 | Purchases \$36 500 | Accounts payable \$805 GST \$1 195 |
| | Invoice issued for fees received \$1380 | Fees received \$96 000 GST \$1 120 cr | dr = 1 380 cr = 1 200 + 180 | Fees received \$97 200 | Accounts receivable \$1 380 GST \$1 300 cr |
| | Invoices received for supplies \$621 | Supplies \$21 800 GST \$830 cr | dr = 540 + 81 cr = 621 | Supplies \$22 340 | Accounts payable \$621 GST \$749 cr |
| | Performed fees on credit \$920 | Fees received \$96 000 GST \$1 120 cr | dr = 920 cr = 800 + 120 | Fees received \$96 800 | Accounts receivable \$920 GST \$1 240 cr |
| | Purchased inventory on credit \$460 | Purchases \$67 500 GST \$960 dr | dr = 400 + 60 cr = 460 | Purchases \$67 900 | Accounts payable \$460 GST \$1 020 dr |
| | Received invoice for buying new vehicle on credit \$14 260 | Vehicles \$12 000 GST \$2 400 cr | dr = 12 400 + 1 860 cr = 14 260 | Not affected | Vehicle \$12 400 Account payable \$14 260 GST \$540 cr |

2. **Income Statement (extract) for *Christie's Christmas Shop* for the year ended 31 March 2022**

| | \$ | \$ | \$ |
|--------------------------------|--------|----------|----------|
| Revenue | | | |
| Sales | | | 187 200 |
| Less Cost of goods sold | | | |
| Opening inventory | | 11 600 | |
| Purchases | 43 600 | | |
| Freight inwards | 1 200 | 44 800 | |
| Goods available for sale | | 56 400 | |
| Less closing inventory | | (12 400) | |
| Cost of goods sold | | | (44 000) |
| Gross profit | | | 143 200 |

Statement of Financial Position (extract) for *Christie's Christmas Shop* as at 31 March 2022

| | | | |
|---|--------|--------|--|
| Current assets | | | |
| Inventory | 12 400 | | |
| Accounts receivable | 1 380 | 13 780 | |
| Current liabilities | | | |
| Accounts payable | 2 760 | | |
| GST | 4 120 | 6 880 | |
| Non-current assets | | | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | 21 800 | | |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Shop fittings | Total |
|-------------------------------|---------------|---------|
| As at 31 March 2022 | | |
| Cost | 26 000 | 26 000 |
| Less Accumulated depreciation | (4 200) | (4 200) |
| Carrying amount | 21 800 | 21 800 |

Activity 19C (p. 178)

1.

| <i>We Insure U</i> | | | |
|---|--------|--------|-----------|
| Income Statement | | | |
| for the year ended 31 March 2026 | | | |
| | \$ | \$ | \$ |
| Revenue | | | |
| Premium fees | | | 116 200 |
| Other income | | | |
| Interest received | | | 1 370 |
| Total income | | | 117 570 |
| Less Expenses | | | |
| Insurance costs | | | |
| Advertising | 4 700 | | |
| Cell-phone expense – insurance | 3 520 | | |
| Sales person's wages | 42 250 | | |
| Stationery – insurance | 17 664 | 68 134 | |
| Administrative expenses | | | |
| Cell-phone expense – administration | 880 | | |
| Electricity | 2 880 | | |
| General expenses | 12 800 | | |
| Rates | 2 700 | | |
| Office cleaning | 8 350 | | |
| Stationery – administration | 4 416 | | |
| Depreciation on office equipment | 2 500 | | |
| Depreciation on buildings | 4 050 | 38 576 | |
| Finance costs | | | |
| Interest on mortgage | 3 900 | 3 900 | |
| Total expenses | | | (110 610) |
| Profit for the year | | | \$6 960 |

| We Insure U Statement of Financial Position as at 31 March 2026 | | | |
|--|-------|---------|----------|
| | \$ | \$ | \$ |
| Current assets | | | |
| Bank | | 12 000 | |
| Petty cash | | 200 | |
| Prepayments | | 800 | |
| Accrued income | | 120 | |
| Accounts receivable | | 2 300 | 15 420 |
| Non-current assets | | | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 114 450 | 114 450 |
| Total assets | | | 129 870 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accrued expenses | 250 | | |
| GST | 1 220 | 1 470 | |
| Non-current liabilities | | | |
| Mortgage | | 65 000 | |
| Total liabilities | | | (66 470) |
| Net assets | | | \$63 400 |
| Equity | | | |
| Opening capital | | | 68 440 |
| Add Profit for the year | | | 6 960 |
| Less Drawings | | | (12 000) |
| Closing capital | | | \$63 400 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Office equipment | Buildings | Total |
|-------------------------------|------------------|-----------|----------|
| As at 31 March 2026 | | | |
| Cost | 16 000 | 135 000 | 151 000 |
| Less Accumulated depreciation | (7 500) | (29 050) | (36 550) |
| Carrying amount | 8 500 | 105 950 | 114 450 |

Depreciation is calculated on the straight-line basis at the following rates:

- depreciation on office equipment \$2 500 p.a.
- depreciation on buildings at 3% p.a.

2.

| Icing on the Cake Income Statement for the year ended 31 March 2024 | | | |
|--|--------|---------|------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Sales | | | 127 750 |
| Less Sales returns | | | (3 000) |
| Net sales | | | 124 750 |
| Less Cost of goods sold | | | |
| Opening inventory | | 9 500 | |
| Purchases | 51 040 | | |
| Less Purchase returns | (800) | 50 240 | |
| Customs duty | | 500 | |
| Goods available for sale | | 60 240 | |
| Less Closing inventory | | (8 300) | |
| Cost of goods sold | | | (51 940) |
| Gross profit | | | 72 810 |
| Less Expenses | | | |
| Distribution costs | | | |
| Marketing | 4 800 | | |
| Shop rent | 8 840 | | |
| Shop assistants' wages | 31 800 | | |
| Shop cleaning | 4 120 | | |
| Depreciation on shop fittings | 1 200 | 50 760 | |
| Administrative expenses | | | |
| General expenses | 8 400 | | |
| Insurance | 2 800 | | |
| Telephone | 3 900 | | |
| Office salary | 13 000 | | |
| Office rent | 13 260 | | |
| Electricity | 2 660 | | |
| Stationery | 2 080 | | |
| Depreciation on equipment | 2 256 | 48 356 | |
| Finance costs | | | |
| Interest on loan | 1 500 | 1 500 | |
| Total expenses | | | (100 616) |
| Loss for the year | | | (\$27 806) |

| Icing on the Cake Statement of Financial Position as at 31 March 2024 | | | |
|--|-------|--------|----------|
| | \$ | \$ | \$ |
| Current assets | | | |
| GST | | 3 536 | |
| Inventory | | 8 300 | |
| Prepayments | | 600 | |
| | | | 12 436 |
| Non-current assets | | | |
| Intangible assets | | | |
| Goodwill | | 5 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 24 392 | 29 392 |
| Total assets | | | 41 828 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Bank | 1 040 | | |
| Accounts payable | 2 346 | | |
| Accrued expenses | 300 | | |
| Income in advance | 450 | 4 136 | |
| Non-current liabilities | | | |
| Loan | | 15 000 | |
| Total liabilities | | | (19 136) |
| Net assets | | | \$22 692 |
| | | | |
| Equity | | | |
| Opening capital | | | 60 298 |
| Less Loss for the year | | | (27 806) |
| Less Drawings | | | (9 800) |
| Closing capital | | | \$22 692 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Equipment | Shop fittings | Total |
|-------------------------------|-----------|---------------|----------|
| As at 31 March 2024 | | | |
| Cost | 18 800 | 18 560 | 37 360 |
| Less Accumulated depreciation | (6 768) | (6 200) | (12 968) |
| Carrying amount | 12 032 | 12 360 | 24 392 |

Depreciation is calculated on the straight-line basis at the following rates:

- depreciation on equipment 12% p.a.
- depreciation on shop fittings \$1 200 p.a.

Activity 20 (p. 182)

1.

| Ruth's Rest B&B Cash budget for July 2026 | | |
|--|-------|----------|
| | \$ | \$ |
| Estimated receipts | | |
| Accommodation fees | | 8 000 |
| Loan | | 10 000 |
| Dividends | | 80 |
| Total estimated receipts | | 18 080 |
| Estimated payments | | |
| Supplies | 1 200 | |
| Bed deposit | 6 000 | |
| Drawings | 3 000 | |
| Wages | 1 000 | |
| Electricity | 320 | |
| Office expenses | 240 | |
| Interest on loan | 120 | |
| Total estimated payments | | (11 880) |
| Surplus / Deficit | | 6 200 |
| Opening bank balance | | 1 470 |
| Estimated closing bank balance | | \$7 670 |

2.

| Michelle's Magic Shop Cash budget for December 20__ | | |
|--|-------|--------------|
| | \$ | \$ |
| Estimated receipts | | |
| Sales | | 6 240 |
| Loan | | 3 000 |
| Accounts receivable | | 640 |
| Total estimated receipts | | 9 880 |
| Estimated payments | | |
| Purchases | 5 300 | |
| Loan | 1 280 | |
| Interest on loan | 280 | |
| Rent | 1 000 | |
| Furniture deposit | 1 000 | |
| Wages | 1 280 | |
| General expenses | 285 | |
| Drawings | 400 | |
| Electricity | 280 | |
| Total estimated payments | | (11 105) |
| Surplus / Deficit | | (1 225) |
| Opening bank balance | | (1 240) |
| Estimated closing bank balance | | \$(2 465) OD |

3.

| Pete's Perfect Pictures Photography Cash Budget for June 20__ | | |
|--|-------|----------|
| | \$ | \$ |
| Estimated receipts | | |
| Fees received | | 19 000 |
| Camera sale deposit | | 50 |
| Capital | | 2 000 |
| <i>Total estimated receipts</i> | | 21 050 |
| Estimated payments | | |
| Rent | 3 000 | |
| Electricity | 350 | |
| Wages | 2 500 | |
| Cell phone | 100 | |
| Drawings | 2 000 | |
| Loan | 1 400 | |
| Interest on loan | 400 | |
| Photographic supplies | 7 000 | |
| Cleaning expenses | 250 | |
| Camera equipment deposit | 1 200 | |
| <i>Total estimated payments</i> | | (18 200) |
| Surplus /-Deficit | | 2 850 |
| Opening bank balance | | 2 576 |
| Estimated closing bank balance | | \$5 426 |

Activity 21A (p. 184)

1. a.

| Pele's Physiotherapy Income Statement for the year ended 31 March (current year) | | | |
|---|--------|---------|-----------|
| Revenue | | | |
| Physiotherapy fees received | | | 125 600 |
| Other income | | | |
| Interest received | | | 760 |
| Total income | | | 126 360 |
| Less Expenses | | | |
| Physio costs | | | |
| Advertising | 3 700 | | |
| Cell-phone expense | 4 400 | | |
| Electricity | 3 904 | | |
| Physio room rent | 12 000 | | |
| Physio's wages | 58 550 | | |
| Supplies used | 26 000 | | |
| Depreciation on physiotherapy equipment | 4 000 | 112 554 | |
| Administrative expenses | | | |
| Electricity | 976 | | |
| General expenses | 8 800 | | |
| Insurance | 900 | | |
| Office cleaning | 750 | | |
| Stationery and internet | 2 080 | | |
| Depreciation on office equipment | 600 | 14 106 | |
| Finance costs | | | |
| Interest on loans | 3 900 | 3 900 | |
| Total expenses | | | 130 560 |
| Loss for the year | | | (\$4 200) |

b.

| Pele's Physiotherapy Statement of Financial Position as at 31 March (current year) | | | |
|---|--------|--------|-----------|
| Current assets | | | |
| Bank | | 4 500 | |
| Petty cash | | 100 | |
| Supplies on hand | | 6 500 | |
| Prepayments | | 1 600 | |
| Accrued income | | 120 | |
| Accounts receivable | | 4 600 | 17 420 |
| Non-current assets | | | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 22 220 | |
| Intangible assets | | | |
| Goodwill | | 13 000 | |
| Investments | | | |
| Term deposit | | 8 000 | 43 220 |
| Total assets | | | |
| | | | 60 640 |
| Less liabilities | | | |
| Current liabilities | | | |
| Loan (due next year) | 5 000 | | |
| GST | 2 040 | | |
| Accrued expenses | 250 | | |
| Accounts payable | 2 300 | 9 590 | |
| Non-current liabilities | | | |
| Loan (due 10 years) | 24 000 | 24 000 | |
| Total liabilities | | | (33 590) |
| Net assets | | | \$ 27 050 |
| Equity | | | |
| Opening capital | | | 63 250 |
| Loss for the year | | | (4 200) |
| Less Drawings | | | (32 000) |
| Closing capital | | | \$ 27 050 |

Note 1. Property, plant and equipment

| | Office equipment | Physiotherapy equipment | Total |
|-----------------------------------|------------------|-------------------------|----------|
| As at 31 March (this year) | | | |
| Cost | 8 000 | 26 000 | 34 000 |
| Less Accumulated depreciation | (2 400) | (9 380) | (11 780) |
| Carrying amount | 5 600 | 16 620 | 22 220 |

Depreciation is measured using the straight-line method at the following rates:

- office equipment \$600 per year
- physiotherapy equipment based on a life of 6 years and a residual value of \$2 000 (or \$4 000 p.a.)

2.

| Pele's Physiotherapy Cash budget for the year ended August (current year) | | |
|--|-------|----------|
| Estimated receipts | | |
| Fees received / Physio fees received | | 25 460 |
| Interest received | | 80 |
| Accounts receivable | | 400 |
| Capital | | 5 000 |
| <i>Estimated receipts</i> | | 30 940 |
| Estimated payments | | |
| Supplies | 2 300 | |
| Drawings | 2 000 | |
| Rent | 1 040 | |
| Advertising | 300 | |
| Physio equipment (deposit) | 1 920 | |
| Wages | 4 400 | |
| General expenses | 675 | |
| <i>Estimated payments</i> | | (12 635) |
| Increase in cash / surplus | | 18 305 |
| Opening bank balance | | 900 |
| Closing bank balance | | 19 205 |

3.

| Timaru Creations Cash budget for 11–27 June 2024 | | |
|---|-------|---------|
| | \$ | \$ |
| Estimated receipts | | |
| Sales | | 9 700 |
| Commission received | | 1 200 |
| <i>Total estimated receipts</i> | | 10 900 |
| Estimated payments | | |
| Electricity | 250 | |
| Wages | 800 | |
| Drawings | 600 | |
| Loan | 480 | |
| Interest on loan | 240 | |
| Advertising | 400 | |
| Insurance | 120 | |
| Purchases | 4 140 | |
| Computer deposit | 600 | |
| <i>Total estimated payments</i> | | (7 630) |
| Surplus | | 3 270 |
| Opening bank balance | | (1 050) |
| Closing bank balance | | \$2 220 |

Activity 21B (p. 187)

| Hope's Homewares Income Statement for the year ended 31 March (current year) | | | |
|---|--------|---------|----------|
| Revenue | | | |
| Sales | | | 182 820 |
| Less Sales returns | | | (3 000) |
| | | | 179 820 |
| Less Cost of goods sold | | | |
| Opening inventory | | 9 500 | |
| Purchases | 53 040 | | |
| Less Purchase returns | (800) | 52 240 | |
| Customs duty | | 500 | |
| Goods available for sale | | 62 240 | |
| Less Closing inventory | | (7 380) | |
| Cost of goods sold | | | (54 860) |
| Gross profit | | | 124 960 |
| | | | |
| Other income | | | |
| Dividends | | | 420 |
| | | | 125 380 |
| Less Expenses | | | |
| Distribution costs | | | |
| Marketing | 4 800 | | |
| Shop cleaning | 4 120 | | |
| Wages | 23 850 | | |
| Depreciation on shop fittings | 1 676 | 34 446 | |
| | | | |
| Administrative expenses | | | |
| Electricity | 2 660 | | |
| General expenses | 8 400 | | |
| Insurance | 2 600 | | |
| Rates | 1 700 | | |
| Stationery | 2 080 | | |
| Telephone | 3 900 | | |
| Wages | 7 950 | | |
| Depreciation on office equipment | 1 400 | 30 690 | |
| | | | |
| Finance costs | | | |
| Interest on mortgage | | 1500 | |
| | | | |
| Total expenses | | | (66 636) |
| Profit for the year | | | \$58 744 |

| Hope's Homewares Statement of Financial Position as at 31 March (current year) | | | |
|---|--------|---------|-----------|
| Current assets | | | |
| Inventory | | 7 380 | |
| Prepayments | | 800 | |
| Accrued income | | 80 | |
| Accounts receivable | | 6 210 | 14 470 |
| | | | |
| Non-current assets | | | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 194 564 | |
| | | | |
| Intangible assets | | | |
| Goodwill | | 5 000 | |
| | | | |
| Investments | | | |
| Shares in C&C Ltd | | 10 000 | 209 564 |
| | | | |
| Total assets | | | 224 034 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Bank | 2 040 | | |
| GST | 3 455 | | |
| Accrued expenses | 300 | | |
| Accounts payable | 4 485 | | |
| Income in advance | 780 | 11 060 | |
| | | | |
| Non-current liabilities | | | |
| Mortgage | 65 000 | 65 000 | |
| Total liabilities | | | (76 060) |
| Net assets | | | \$147 974 |
| | | | |
| Equity | | | |
| Opening capital | | | 109 030 |
| Profit for the year | | | 58 744 |
| Less Drawings | | | (19 800) |
| Closing capital | | | \$147 974 |

Note 1. Property, plant and equipment

| | Buildings | Office equipment | Shop fittings | Total |
|-----------------------------------|------------------|-------------------------|----------------------|--------------|
| As at 31 March (this year) | | | | |
| Cost | 168 000 | 20 660 | 18 560 | 207 220 |
| Less Accumulated depreciation | 0 | (5 980) | (6 676) | (12 656) |
| Carrying amount | 168 000 | 14 680 | 11 884 | 194 564 |

Depreciation is measured using the straight-line method at the following rates:

- office equipment \$1 400 per year
- shop fittings based on a life of 10 years and a residual value of \$1 800 (or \$1 676 p.a.).

Activity 21C (p. 189)

1. **Fashion World**
Income Statement (trading statement extract)
for the year ended 31 March 2024

| | | | |
|--------------------------------|---------|----------|-----------|
| Revenue | | | |
| Sales | | | 174 000 |
| Less Sales returns | | | (3 000) |
| Net sales | | | 171 000 |
| Less Cost of goods sold | | | |
| Opening inventory | | 12 500 | |
| Purchases | 51 700 | | |
| Less Purchase returns | (4 800) | 46 900 | |
| Freight inwards | | 3 900 | |
| Goods available for sale | | 63 300 | |
| Less Closing inventory | | (14 300) | |
| Cost of goods sold | | | (49 000) |
| Gross profit | | | \$122 000 |

2. **Fashion World**
Income Statement (administration expenses extract)
for the year ended 31 March 2024

| | | | |
|----------------------------------|-------|--------|--|
| Administration expenses | | | |
| Electricity | 2 660 | | |
| General expenses | 9 600 | | |
| Insurance | 3 180 | | |
| Rates | 4 100 | | |
| Stationery | 2 080 | | |
| Telephone | 3 900 | | |
| Office wages | 3 900 | | |
| Depreciation on building | 1 720 | | |
| Depreciation on office equipment | 880 | 32 020 | |

2. **Fashion World**
Statement of Financial Position
as at 31 March 2024

| | \$ | \$ | \$ |
|---|-------|---------|-----------|
| Current assets | | | |
| Petty cash | | 130 | |
| Inventory | | 14 300 | |
| Prepayments | | 460 | |
| Accrued income | | 120 | |
| Accounts receivable | | 6 210 | 21 220 |
| Non-current assets | | | |
| Investments | | | |
| Shares in <i>Jean Co. Ltd</i> | | 12 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 255 100 | |
| Intangible assets | | | |
| Goodwill | | 6 000 | 273 100 |
| Total assets | | | 294 320 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Bank | 3 090 | | |
| GST | 3 455 | | |
| Accrued expenses | 960 | | |
| Accounts payable | 3 105 | 10 610 | |
| Non-current liabilities | | | |
| Mortgage | | 175 000 | |
| Total liabilities | | | (185 610) |
| Net assets | | | \$108 710 |
| Equity | | | |
| Opening capital | | | 69 130 |
| Plus Profit for the year | | | 65 080 |
| Less Drawings | | | (25 500) |
| Closing capital | | | \$108 710 |

Note to the Statement of Financial Position

1. Property, plant and equipment

| | Buildings | Land | Office equipment | Shop fittings | Total |
|-------------------------------|-----------|---------|------------------|---------------|----------|
| As at 31 March 2024 | | | | | |
| Cost | 86 000 | 160 000 | 8 800 | 28 400 | 283 200 |
| Less Accumulated depreciation | (16 400) | 0 | (3 280) | (8 420) | (28 100) |
| Carrying amount | 69 600 | 160 000 | 5 520 | 19 980 | 255 100 |

Depreciation is calculated on the straight-line basis at the following rates:

- depreciation on office equipment 10% p.a.
- depreciation on buildings \$1 720 p.a.
- depreciation on shop fittings \$2 800 p.a.

2. **Fashion World**
Cash budget for October 2024

| | \$ | \$ |
|---------------------------------|--------|----------|
| Estimated receipts | | |
| Sales | | 25 460 |
| Accounts receivable | | 1 400 |
| Dividends | | 240 |
| <i>Total estimated receipts</i> | | 27 100 |
| Estimated payments | | |
| Purchases | 10 300 | |
| Interest on overdraft | 80 | |
| Drawings | 1 000 | |
| Rent | 1 280 | |
| Office equipment deposit | 1 280 | |
| Wages | 2 500 | |
| General expenses | 175 | |
| <i>Total estimated payments</i> | | (16 615) |
| Surplus | | 10 485 |
| Opening bank balance | | (1 240) |
| Closing bank balance | | \$9 245 |

Activity 22A (p. 191)

Students' individual answers will differ. Examples: Taranaki Tennis Club, St Paul's Youth Group, Red Cross Inc., etc.

Activity 22B (p. 193)

1. Cash Flow Statement extract

| Receipts | \$ |
|---------------|--------|
| Subscriptions | 34 800 |

Income Statement extract

| Revenue | \$ |
|---------------|--------|
| Subscriptions | 35 502 |

Statement of Financial Position extract

| Current assets | \$ |
|-----------------------|-----|
| Accrued subscriptions | 702 |

2. Cash Flow Statement extract

| Receipts | \$ |
|---------------|--------|
| Subscriptions | 21 900 |

Income Statement extract

| Revenue | \$ |
|---------------|--------|
| Subscriptions | 21 540 |

Statement of Financial Position extract

| Current liabilities | \$ |
|-----------------------------------|-----|
| Subscriptions received in advance | 360 |

3. Cash Flow Statement extract

| Receipts | \$ |
|---------------|--------|
| Subscriptions | 62 970 |

Income Statement extract

| Revenue | \$ |
|---------|--------|
| | 63 015 |

Statement of Financial Position extract

| Current assets | \$ |
|--------------------------|-----|
| Accrued subscriptions | 745 |
| | |
| Current liabilities | |
| Subscriptions in advance | 700 |

Activity 22C (p. 195)

1. **Wanganui Squash Club**
Dance Activity Statement
for the year ended 31 March 2024

| | \$ | \$ |
|----------------------------|-------|---------|
| Dance revenue | | |
| Dance door sales | | 4 200 |
| | | |
| Less Dance expenses | | |
| Dance music | 1 000 | |
| Dance spot prizes | 150 | |
| Dance venue hire | 500 | |
| Dance decorations | 200 | |
| Dance refreshments | 800 | (2 650) |
| Surplus from dance | | \$1 550 |

2. **Balclutha Harriers Inc.**
Sausage Sizzle Activity Statement
for the year ended 31 March 2024

| | \$ | \$ |
|-------------------------------------|-----|-------|
| Sausage sizzle revenue | | |
| Sausage sales | | 375 |
| | | |
| Less Sausage sizzle expenses | | |
| Sausages | 150 | |
| Serviettes | 40 | |
| BBQ hire | 150 | |
| Tomato sauce | 20 | |
| Bread | 80 | (440) |
| Deficit from sausage sizzle | | (65) |

Activity 22D (p. 197)

1. **Avondale Yacht Club**
Canteen Trading Statement
for the year ended 31 March 2022

| | \$ | \$ |
|---------------------------------|-------|---------|
| Revenue | | |
| Canteen sales | | 13 700 |
| Less Cost of goods sold | | |
| Opening canteen inventory | 500 | |
| Canteen purchases | 6 000 | |
| Goods available for sale | 6 500 | |
| Less Closing canteen inventory | (380) | |
| Cost of goods sold | | (6 120) |
| Gross surplus from canteen | | 7 580 |
| Less Canteen expenses | | |
| Canteen cleaning | 1 100 | |
| Dishwasher repairs | 96 | |
| Canteen signage | 400 | |
| Oven depreciation | 210 | |
| Canteen wages | 3 500 | |
| Total canteen expenses | | (5 306) |
| Net surplus from canteen | | \$2 274 |

2. **Quick Stitch Crochet Club**
Bar trading statement
for the year ended 31 March 2025

| | \$ | \$ |
|--------------------------------|---------|---------|
| Revenue | | |
| Bar sales | | 13 700 |
| Less Cost of goods sold | | |
| Opening bar inventory | 1 880 | |
| Bar purchases | 6 500 | |
| Good available for sale | 8 380 | |
| Less Closing bar inventory | (2 500) | |
| Cost of goods sold | | (5 880) |
| Gross surplus from bar | | 7 820 |
| Less Bar expenses | | |
| Bar cleaning | 760 | |
| Refrigerator repairs | 180 | |
| Refrigerator depreciation | 276 | |
| Bar Wages | 1 500 | |
| Total bar expenses | | (2 716) |
| Net surplus from bar | | \$5 104 |

3. **Southside Softball Club**
Dance Activity Statement
for the year ended 31 March 2020

| | | |
|-----------------------|-------|----------|
| Dance revenue | | |
| Dance drink sales | 1 000 | |
| Dance door sales | 4 200 | 5 200 |
| Dance expenses | | |
| Dance music | 950 | |
| Dance spot prizes | 125 | |
| Dance decorations | 200 | |
| Ticket printing | 300 | |
| Dance venue hire | 500 | |
| Dance refreshments | 800 | (2 875) |
| Surplus from dance | | \$ 2 325 |

Southside Softball Club
Bar Trading Statement
for the year ended 31 March 2020

| | | |
|--------------------------------|---------|----------|
| Bar revenue | | |
| Bar sales | | 23 700 |
| Less Cost of goods sold | | |
| Opening bar inventory | 2 180 | |
| Bar purchases | 12 500 | |
| Goods available for sale | 14 680 | |
| Less Closing bar inventory | (2 240) | |
| Cost of goods sold | | (12 440) |
| Gross surplus | | 11 260 |
| Less Bar expenses | | |
| Refrigerator depreciation | 276 | |
| Refrigerator repairs | 180 | |
| Bar wages | 1 900 | |
| Bar cleaning | 1 460 | (3 816) |
| Surplus from bar | | \$7 444 |

Activity 23 (p. 202)

1

| Rocking Rock 'n Roll Club Inc. Income Statement for the year ended 31 March 2023 | | | |
|---|----|--------|----------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Subscriptions | | | 58 700 |
| Surplus from cafeteria | | | 1 270 |
| Dividends | | | 270 |
| Total revenue | | | 60 240 |
| Less Expenses | | | |
| Deficit from concert | | 2 400 | |
| General operating expenses | | 29 720 | |
| Interest on mortgage | | 4 700 | |
| Promotion | | 2 700 | |
| Secretary's honorarium | | 8 000 | |
| Uniform expenses | | 1 380 | |
| Depreciation on equipment | | 1 600 | |
| Depreciation on hall | | 7 250 | |
| Total expenses | | | (57 750) |
| Net surplus for the year | | | \$2 490 |

| Rocking Rock 'n Roll Club Inc. Statement of Financial Position as at 31 March 2023 | | |
|---|---------|----------|
| | \$ | \$ |
| Current assets | | |
| Bank | 2 670 | |
| Petty cash | 100 | |
| Accrued subscriptions (income) | 200 | 2 970 |
| Non-current assets | | |
| Investments | | |
| Shares in <i>Boogie Ltd</i> | 5 000 | |
| Property, plant and equipment (Note 1) | | |
| Total carrying amount | 135 350 | 140 350 |
| Total assets | | 143 320 |
| Less Liabilities | | |
| Current liabilities | | |
| Accrued expenses | 120 | |
| Non-current liabilities | | |
| Mortgage | 98 000 | |
| Total liabilities | | (98 120) |
| Net assets | | \$45 200 |
| Accumulated funds | | |
| Opening balance | | 42 710 |
| Surplus (Deficit) | | 2 490 |
| Closing balance | | \$45 200 |

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Equipment | Hall | Total |
|-------------------------------|-----------|----------|----------------|
| As at 31 March 2023 | | | |
| Cost | 16 000 | 145 000 | 161 000 |
| Less Accumulated depreciation | (3 400) | (22 250) | (25 650) |
| Carrying amount | 12 600 | 122 750 | 135 350 |

Depreciation is calculated using the straight-line method at the following rates:

- equipment 10% p.a.
- hall 5% p.a.

2.

| Rocket Rowers Club Inc. Canteen Trading Statement for the year ended 31 March 2024 | | |
|---|---------|---------|
| | \$ | \$ |
| Revenue | | |
| Canteen sales | | 10 500 |
| Less Cost of goods sold | | |
| Opening canteen inventory | 800 | |
| Canteen purchases | 5 860 | |
| Good available for sale | 6 660 | |
| Less Closing canteen inventory | (1 600) | |
| Cost of goods sold | | (5 060) |
| Gross surplus from canteen | | 5 440 |
| Less Canteen expenses | | |
| Canteen cleaning | 4 800 | |
| Depreciation on canteen equipment | 430 | |
| Insurance – canteen | 600 | |
| | | (5 830) |
| Deficit from canteen | | \$(390) |

| Rocket Rowers Club Inc. Dance Activity Statement for the year ended 31 March 2024 | | |
|--|-----|---------|
| | \$ | \$ |
| Revenue | | |
| Dance ticket sales | | 5 000 |
| Dance raffle sales | | 275 |
| Total dance revenue | | 5 275 |
| Less Dance expenses | | |
| Dance cleaning | 600 | |
| Dance decorations | 450 | |
| Dance promotion | 310 | |
| Dance ticket printing | 200 | |
| Dance refreshments | 860 | |
| | | (2 420) |
| Surplus from dance | | \$2 855 |

| Rocket Rowers Club Inc. | | |
|---|--------|------------------|
| Income Statement | | |
| for the year ended 31 March 2024 | | |
| | \$ | \$ |
| Revenue | | |
| Surplus from dance | | 2 855 |
| Sponsorship | | 34 000 |
| Subscriptions | | 130 900 |
| Total revenue | | 167 755 |
| Less Expenses | | |
| Deficit on canteen | 390 | |
| Affiliation fees | 26 100 | |
| Clubrooms cleaning | 240 | |
| General expenses | 8 600 | |
| Insurance | 2 400 | |
| Interest on loan | 3 800 | |
| Secretary's honorarium | 10 450 | |
| Stationery and postage | 1 500 | |
| Telephone and internet | 900 | |
| Depreciation on boats and equipment | 5 250 | |
| Depreciation on clubrooms | 3 500 | |
| Total expenses | | (63 130) |
| Net surplus for the year | | \$104 625 |

| Rocket Rowers Club Inc. | | | |
|---|-------|---------|------------------|
| Statement of Financial Position | | | |
| as at 31 March 2024 | | | |
| | \$ | \$ | \$ |
| Current assets | | | |
| Cash on hand | | 600 | |
| Canteen inventory | | 1 600 | |
| Accrued income (subscriptions) | | 7 200 | 9 400 |
| Non-current assets | | | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 188 440 | 188 440 |
| Total assets | | | 197 840 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Bank | 3 400 | | |
| Income (subscriptions) in advance | 2 800 | | |
| Accrued expenses | 860 | 7 060 | |
| Non-current liabilities | | | |
| Loan | | 57 000 | |
| Total liabilities | | | (64 060) |
| Net assets | | | \$133 780 |
| Accumulated funds | | | |
| Opening balance | | | 29 155 |
| Surplus | | | 104 625 |
| Closing balance | | | \$133 780 |

Note to the Statement of Financial Position

1. Property, plant and equipment

| | Canteen equipment | Boats and equipment | Clubrooms | Total |
|-------------------------------|-------------------|---------------------|-----------|----------|
| As at 31 March 2024 | | | | |
| Cost | 8 600 | 186 600 | 35 000 | 230 200 |
| Less Accumulated depreciation | (2 130) | (31 230) | (8 400) | (41 760) |
| Carrying amount | 6 470 | 155 370 | 26 600 | 188 440 |

Depreciation is calculated using the straight-line method using the following rates:

- canteen equipment 5% p.a.
- boats and equipment \$5 250 p.a.
- clubrooms 10% p.a.

3.

| Happy Hoppers Hop-Scotch Club | | |
|---|---------|----------------|
| Bar Trading Statement | | |
| for the year ended 31 March 2024 | | |
| | \$ | \$ |
| Revenue | | |
| Bar sales | | 22 500 |
| Less Cost of goods sold | | |
| Opening bar inventory | 2 600 | |
| Bar purchases | 11 000 | |
| Goods available for sale | 13 600 | |
| Less Closing bar inventory | (2 400) | |
| Cost of goods sold | | (11 200) |
| Gross surplus from bar | | 11 300 |
| Less Bar expenses | | |
| Bar wages | 5 100 | |
| Bar cleaning | 72 | |
| Depreciation on bar equipment | 660 | |
| Total bar expenses | | (5 832) |
| Surplus from bar | | \$5 468 |

| Happy Hoppers Hop-Scotch Club Income Statement for the year ended 31 March 2024 | | |
|--|--------|----------|
| | \$ | \$ |
| Revenue | | |
| Surplus from bar | | 5 468 |
| Interest received | | 210 |
| Subscriptions | | 74 700 |
| Total revenue | | 80 378 |
| Less Expenses | | |
| Administration expenses | 1 600 | |
| Advertising | 6 150 | |
| Cleaning – clubrooms | 168 | |
| Insurance | 10 000 | |
| Interest on loan | 2 500 | |
| Photocopying | 4 500 | |
| Secretary's honorarium | 6 200 | |
| Depreciation on clubrooms | 850 | |
| Total expenses | | (31 968) |
| Net surplus for the year | | \$48 410 |

| Happy Hoppers Hop-Scotch Club Statement of Financial Position as at 31 March 2024 | | | |
|--|-----|--------|----------|
| | \$ | \$ | |
| Current assets | | | |
| Bank | | 5 880 | |
| Petty cash | | 100 | |
| Bar Inventory | | 2 400 | |
| Accrued income (subscriptions) | | 1 200 | 9 580 |
| Non-current assets | | | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 81 310 | 81 310 |
| Total assets | | | 90 890 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Income (subscriptions) in advance | 800 | | |
| Accrued expenses | 300 | 1 100 | |
| Non-current liabilities | | | |
| Loan | | 37 000 | |
| Total liabilities | | | (38 100) |
| Net assets | | | \$52 790 |
| Accumulated funds | | | |
| Opening balance | | | 4 380 |
| Surplus | | | 48 410 |
| Closing balance | | | \$52 790 |

Note to the Statement of Financial Position

1. Property, plant and equipment

| | Bar equipment | Clubrooms | Total |
|----------------------------------|------------------|-----------|----------|
| As at 31 March 2024 | | | |
| Cost | 6 600 | 85 000 | 91 600 |
| Less Accumulated depreciation | (2 640) | (7 650) | (10 290) |
| Carrying amount | 3 960 | 77 350 | 81 310 |

Depreciation is calculated using the straight-line method, at the following rates:

- equipment 10% p.a.
- clubrooms \$850 p.a.

Activity 24 (p. 208)

1.

| Slide Softball Club Cash Flow Statement for the year ended 31 March 2025 | | |
|---|--------|----------|
| | \$ | \$ |
| Cash receipts | | |
| Subscriptions | | 38 000 |
| Grant | | 2 000 |
| Equipment | | 400 |
| Canteen sales | | 12 000 |
| Total receipts | | 52 400 |
| Less Cash payments | | |
| Affiliation fees | 18 000 | |
| Equipment deposit | 1 000 | |
| Uniforms | 3 200 | |
| Electricity | 800 | |
| Rent | 8 000 | |
| General expenses | 1 200 | |
| Loan | 5 000 | |
| Interest on loan | 1 800 | |
| Canteen purchases / accounts payable | 4 760 | |
| Secretary's honorarium | 3 000 | |
| Canteen expenses | 2 400 | |
| Total payments | | (49 160) |
| Net increase / decrease in cash | | 3 240 |
| Opening bank balance | | 2 960 |
| Closing bank balance | | \$6 200 |

2.

| Kia Ora Kapa Haka Club Cash Flow Statement for the year ended 31 March 2024 | | |
|--|-------|----------|
| | \$ | \$ |
| Cash receipts | | |
| Koha | | 24 000 |
| Concerts door takings | | 8 000 |
| Travel sponsorship | | 3 000 |
| Bank loan | | 2 000 |
| Total receipts | | 37 000 |
| Less Cash payments | | |
| Concert expenses | 1 200 | |
| Sound equipment deposit | 520 | |
| Uniforms | 3 200 | |
| Electricity | 1 500 | |
| General expenses | 4 200 | |
| Travel expenses | 4 000 | |
| Concert ticket printing | 120 | |
| Secretary's koha | 1 000 | |
| Kai and refreshments | 2 500 | |
| Total payments | | (18 240) |
| Net increase / decrease in cash | | 18 760 |
| Opening bank balance | | (860) |
| Closing bank balance | | \$17 900 |

3.

| Sweet Sounds Choir Cash Flow Statement for the year ended 31 March 2023 | | |
|--|-------|----------|
| | \$ | \$ |
| Cash receipts | | |
| Subscriptions | | 2 660 |
| Sponsorship | | 1 000 |
| Concert ticket sales | | 500 |
| Equipment | | 400 |
| Total receipts | | 4 560 |
| Less Cash payments | | |
| Room rental | 500 | |
| Competitions entry fees | 250 | |
| Keyboard deposit | 700 | |
| Uniforms | 900 | |
| General expenses | 450 | |
| Concert advertising | 120 | |
| Concert expenses | 160 | |
| Treasurer's honorarium | 500 | |
| Music licensing fee | 1 800 | |
| Total payments | | (5 380) |
| Net increase / decrease in cash | | (820) |
| Opening bank balance | | 1 850 |
| Closing bank balance | | \$ 1 030 |

4.

| Beachside Surf Club Cash Flow Statement for the year ended 31 March 2022 | | |
|---|--------|----------|
| | \$ | \$ |
| Cash receipts | | |
| Subscriptions | | 92 200 |
| Sponsorship | | 6 000 |
| Bar sales | | 18 500 |
| Total receipts | | 116 700 |
| Less Cash payments | | |
| Administration expenses | 7 600 | |
| Advertising | 6 150 | |
| Bar purchases | 11 000 | |
| Bar wages | 4 800 | |
| Cleaning | 940 | |
| Insurance | 8 000 | |
| Interest on loan | 2 500 | |
| Cell-phone expenses | 3 300 | |
| Secretary's honorarium | 6 200 | |
| Loan | 7 000 | |
| Lifesaving equipment deposit | 1 000 | |
| Total payments | | (58 490) |
| Net increase / decrease in cash | | 58 210 |
| Opening bank balance | | (53 130) |
| Closing bank balance | | \$5 080 |

Activity 25 (p. 220)

1. **Treasurer's Report (extract) for
Better Ball Volleyball Club
for the year ended 31 March 2024**

MEMBERSHIPS AND SUBSCRIPTIONS

It is pleasing to report that our club has had an increase in membership this year, from 120 to 165. This is particularly gratifying in light of the fact that we increased the subscription price by \$5, to \$45. The increase in both membership numbers and subscription fee has led to an increase in cash received from subscriptions, from \$4 800 in the previous year to \$7 300 this year. In turn, this was the main factor contributing to the higher net surplus for the year – our club's surplus grew from \$1 300 to \$4 000. The Volleyball NZ promotion which encouraged people to have a go at volleyball was the main reason for the sharp increase in membership. Our two open days were well attended and generated 45 new memberships directly after the second day. Of importance is to retain these members in future.

FUNDRAISING ACTIVITIES

Our main fundraising activity this year was the dance. This generated a good \$1 100 surplus which improved the club's cash position and was also a contributing factor to the increase in the club's overall net surplus. Last year we did not have any major fundraising events, so this was all additional income for this year.

LOAN

During the year we increased our term loan borrowing from \$5 000 to \$8 400. This was necessary to help fund the upgrading of amenities at the club, which, we hope, will help to attract new members and retain current members. This increase in the loan must be managed carefully, especially in the light of an increase in the interest rate on the loan (from 7% to 8%), and we need to try to pay it back as soon as we can. Loan repayment will increase our cash payments and expenses in the next

year, which will put pressure on the club's bank account and could lead to a decrease in the surplus.

Signed: *Sarah Jones*
Treasurer

2. **Treasurer's Report (extract) for
Moby Dick Swim Club
for the year ended 31 March 2024**

MEMBERSHIPS AND SUBSCRIPTIONS

It is disappointing to report that this year our club faced a fall in membership numbers, from 80 to 65. One main contributing factor was that during the summer Rugby NZ ran an extensive advertising campaign promoting touch rugby as a great way to get fit. As a result, several of our members resigned and have taken up touch rugby instead. The increase in the club's subscription fee, from \$40 to \$50 (a 25% increase) might also have contributed to the drop in membership numbers. We increased the subscription fee to help cover the increase in the club's expenses – a necessary step, considering that the net surplus still fell by \$1 000 – however, in hindsight, this increase in the subscription fee may have been too big in the current economic climate. The cash received from subscriptions remained the same as last year (the decrease in membership numbers was balanced by the increase in the fee). The club needs to consider ways to increase its membership in the next year.

FUNDRAISING ACTIVITIES

Our main fundraising activity this year was the annual raffle. This year the ticket sales receipts were the same as last year; however, the expenses increased by \$150, resulting in a surplus from the raffle of \$100. The main reason for the increase in expenses was that we had to purchase some of the prizes. For raffles to be profitable, we need to ensure that the prizes are donated, as this will minimise expenses. A \$100 surplus from the raffle is, nonetheless, a positive result, and contributed to the net surplus for the year. If membership numbers continue to fall, then more fundraising activities will have to be undertaken in the future in order to ensure a positive cash flow and to consolidate the club's net surplus.

LOAN

During the past year, we repaid \$1 600 off the club's loan. This is a very positive step, as it will reduce the amount of interest payable on the loan in future years. It will also increase the club's chances of being able to borrow more money in the future if necessary. However, I recommend that we try to clear this debt as soon as possible and that we do not rely on borrowing as the interest is a large expense, and with a falling membership, meeting repayments could become a problem.

CONCLUSION

It is important that *Moby Dick Swim Club* increase its membership. The club could also consider charging more for learn-to-swim lessons to generate more income. We might need to think about advertising to attract new members and about holding a free open day to promote our facilities and services.

Signed: *Robert Wheeler*
Treasurer

3. **Treasurer's Report (extract)
for Chesterville Church Youth Group
for the year ended 31 March 2024**

Membership and Subscriptions – It is very pleasing to report that we had an increase in members from 90 to 100, which generated an increase in cash from membership subscriptions of \$840 (as one member has paid in advance for next year). There was no need to increase the cost of membership and – given the increase in members and our excellent fundraising activities – this will not be required next year either. The cash from subscriptions is the major item of income for the club. In addition, controlling expenses has helped the club increase its net surplus from \$3 300 to \$4 300 this year. The other contributing income was the surplus from the production.

Fundraising activities – Our main activity was the club production of the

musical *Joseph*. Our members performed this for two nights and the show generated door sales of \$1 200 and a surplus of \$650. As a result of the large amount of volunteer work our members do in the community, attendance was high. For future productions we should consider opening for a third night to generate more sales, as an extra night's performance will not increase the expenses much at all.

Other – One of the biggest expenses of our club is the money spent on youth team-building activities. This increased by 33% this year, to \$2 000. This increase is quite understandable, because the club now has more members. It is important to ensure that these expenses are all necessary and that they are monitored. However, the expense involved in carrying out these activities appears to be justified as our club's good reputation in the community is in part a result of the team atmosphere in the club.

During the year we purchased a good-quality sound system. This has been very well received by teenagers and younger members. In the future it could be used to generate income by having dances for which we could charge a small attendance fee.

Signed: *Savita Singh*
Treasurer

4. **Treasurer's Report (extract)
for Cheviet Cricket Club
for the year ended 31 March 2024**

Membership and Subscriptions – It is pleasing to report an increase in the number of members this year. Although we kept the subscription at the same price, as a result of the increase in membership the cash from subscriptions increased by \$720, from \$2 820 to \$3 540. Sadly, this increase in income from subscriptions was not enough to generate a surplus for the club, due to large increases in expenses. (*Note to students: The specific expenses are not listed in the information provided but if they were, you would talk about them, too.*) It is likely that the club will need to increase its subscription price this year to help cover the increase in costs resulting from the increase in both GST and inflation.

Bar – We have continued to operate our bar and this is the club's main income that supplements our membership subscriptions. Sadly, despite the 'doing up' of the clubrooms, our bar takings fell from \$5 000 last year to \$4 100 this year. The main contributing factors to this fall were the closure of clubrooms for a few weeks while they were refurbished, and the regular 'drink-driving' blitzes carried out by the New Zealand Police, which led to our members being more careful about drink driving and not buying as much alcohol at the bar this year. Because we were aware of these factors we used more volunteers and cut back on our expenses to finish with an increase in our bar surplus of \$150, to be \$1 150. This cash has been used to help finance the purchase of equipment and uniforms.

Mortgage – It is pleasing to report that we paid \$6 600 off the club's mortgage. This is very good considering we also had to pay for the clubroom refurbishment. The decrease in mortgage will result in lower interest payments in upcoming years, which should help improve the club's net surplus in the future.

Clubrooms – This year we refurbished the clubrooms and now they are looking great. This will, we hope, attract more members who will want to use our facilities and this in turn will increase the subscription receipts and surplus. The clubrooms can now be hired out to other groups for functions and this is another form of income. There should now be fewer repairs required to the clubrooms, so taking into consideration all these factors, the clubrooms will, it is hoped, contribute to increased surpluses in the future.

Signed: *Tracey Thompson*
Treasurer

Activity 26A (p. 222)

1. A.

| Cash Flow Statement Meremere Tennis Club for the year ended 31 March 2023 | | |
|---|--------|----------|
| | \$ | \$ |
| Cash receipts | | |
| Subscriptions | | 43 500 |
| <i>The Tennis Shop</i> sales | | 31 500 |
| Donations | | 2 300 |
| Interest received | | 300 |
| Total receipts | | 77 600 |
| Less Cash payments | | |
| Cleaning | 1 860 | |
| Electricity | 9 300 | |
| Refreshment expenses | 4 200 | |
| Repairs and maintenance | 13 000 | |
| Supplies | 840 | |
| Affiliation fees | 500 | |
| <i>The Tennis Shop</i> advertising | 1 800 | |
| <i>The Tennis Shop</i> purchases | 18 600 | |
| <i>The Tennis Shop</i> wages | 5 200 | |
| Treasurer's honorarium | 600 | |
| Mortgage | 22 000 | |
| Tennis balls | 160 | |
| Equipment deposit | 840 | |
| Total payments | | (78 900) |
| Net increase / decrease in cash | | (1 300) |
| Opening bank balance | | 2 500 |
| Closing bank balance | | \$1 200 |

B.

| Meremere Tennis Club The Tennis Shop trading statement for the year ended 31 March 2023 | | |
|---|----------|----------|
| | \$ | \$ |
| Revenue | | |
| <i>The Tennis Shop</i> sales | | 31 500 |
| Less Cost of goods sold | | |
| Opening tennis shop inventory | 12 500 | |
| Tennis shop purchases | 19 400 | |
| Good available for sale | 31 900 | |
| Less Closing inventory of <i>The Tennis Shop</i> | (13 600) | |
| Cost of goods sold | | (18 300) |
| Gross surplus from <i>The Tennis Shop</i> | | 13 200 |
| Less The Tennis Shop expenses | | |
| Tennis shop cleaning | 1 116 | |
| <i>The Tennis Shop</i> advertising | 1 550 | |
| <i>The Tennis Shop</i> wages | 5 200 | |
| Total expenses for <i>The Tennis Shop</i> | | (7 866) |
| Surplus from <i>The Tennis Shop</i> | | \$5 334 |

C.

| Meremere Tennis Club Income Statement for the year ended 31 March 2023 | | |
|--|--------|----------|
| | \$ | \$ |
| Revenue | | |
| Surplus from <i>The Tennis Shop</i> | | 5 334 |
| Interest received | | 450 |
| Donations | | 2 300 |
| Subscriptions | | 44 760 |
| Total revenue | | 52 844 |
| Less Expenses | | |
| Cleaning – general | 744 | |
| Electricity | 9 300 | |
| Refreshment expenses | 4 200 | |
| Repairs and maintenance | 13 000 | |
| Supplies used | 840 | |
| Affiliation fees | 500 | |
| Treasurer's honorarium | 600 | |
| Depreciation on buildings | 4 800 | |
| Depreciation on equipment | 1 560 | |
| Total expenses | | (35 544) |
| Net surplus for the year | | \$17 300 |

D.

| Meremere Tennis Club Statement of Financial Position as at 31 March 2023 | | | |
|--|-------|---------|-----------|
| | \$ | \$ | \$ |
| Current assets | | | |
| Bank | | 1 200 | |
| Tennis balls on hand | | 160 | |
| <i>The Tennis Shop</i> inventory | | 13 600 | |
| Accrued income | | 150 | |
| Accrued subscriptions | | 1 260 | |
| Prepayments | | 250 | 16 620 |
| Non-current assets | | | |
| Investment assets | | | |
| Term deposit | | 20 000 | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 197 840 | 217 840 |
| Total assets | | | 234 460 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Account payable | 4 160 | | |
| | | 4 160 | |
| Non-current liabilities | | | |
| Mortgage | | 103 000 | |
| Total liabilities | | | (107 160) |
| Net assets | | | \$127 300 |
| Accumulated funds | | | |
| Opening balance | | | 110 000 |
| Surplus | | | 17 300 |
| Closing balance | | | \$127 300 |

Note to the Statement of Financial Position**1. Property, plant and equipment**

| | Equipment | Clubrooms | Land | Total |
|-------------------------------|-----------|-----------|---------|----------|
| As at 31 March 2023 | | | | |
| Cost | 13 000 | 120 000 | 100 000 | 233 000 |
| Less Accumulated depreciation | (3 960) | (31 200) | 0 | (35 160) |
| Carrying amount | 9 040 | 88 800 | 100 000 | 197 840 |

Depreciation is calculated using the straight-line method using the following rates:

- equipment 12% p.a.
- buildings 4% p.a.

E. Example**Meremere Tennis Club****Treasurer's Report****for the year ended 31 March 2023**

During the financial year ended 31 March 2023, *Meremere Tennis Club* has experienced many positive financial points. The most important of these was turning the bank overdraft into a positive bank balance. The large increase in junior membership numbers has also been very pleasing, and has contributed to the club's net surplus for the year.

MEMBERSHIP AND SUBSCRIPTIONS

This year the number of adult members fell from 75 to 70. This is disappointing, but the large increase in junior members – from 90 to 132 – was a very good aspect of the club's activities this year. The most likely reason for this large increase was the 'Try Tennis' promotion funded by Tennis NZ and run just prior to the summer season last year. The large increase in junior membership led to an increase in cash received from subscriptions (this totalled \$43 500), compared with the \$38 700 [Note: *These figures can be calculated using the information provided*] earned from subscriptions last year. This money has been used to help repay \$22 000 off the club's mortgage. The increase in membership subscription fees was the main contributing factor to the net surplus for the year. As the price of the subscription did not increase it is a shame we lost five adult members, but the increase in juniors well outweighed that decrease. It is important to keep our subscription cost effective, especially in comparison with that of other tennis clubs and of other summer sports. So far, we have achieved this while at the same time covering our costs.

THE TENNIS SHOP

The club continued to run the shop this year, and it is gratifying to be able to report that the surplus from the shop was \$5 334. We extend our thanks to the members who continue to buy their clothing and tennis gear from *The Tennis Shop*, as the profit is used to help pay for some of the club's expenses, e.g. the expenses of refreshments for members. We hope that your support for the shop will continue in the future.

OTHER INCOME

The donations received were used to assist in running the junior tournament – a very successful event, and a contributing factor in the increase in junior membership numbers. The main costs of this tournament were refreshment expenses as all prizes were donated. We cannot expect to receive donations every year, so we need to cut back on other expenses if we want to continue to run member tournaments.

MORTGAGE REPAYMENT

This year we paid \$22 000 off the mortgage, which is excellent. This

will result in lower interest payments in future years and will free up more funds to pay for other expenses. We hope that all of these factors will lead to an increased net surplus.

NET SURPLUS

The net surplus for the year is \$17 300 – a very good result. The main reasons for this are the large number of subscriptions (\$43 500) and the fact that expenses were kept to a minimum. The large amount spent on electricity is of concern. Most of the electricity used was for the night lighting, which is necessary if we are to maintain high membership numbers, so this is a cost we have to budget for. This year the club spent a lot more than last year on repairs and maintenance, as we repainted the clubrooms. Next year's expenditure for maintenance should be much less. The repainting has made the clubrooms a much more attractive venue and we might be able to generate extra income by renting them out for small functions.

CONCLUSION

On the whole our club is in a much healthier financial position than it was this time last year. If we can maintain the number of members and continue to monitor expenses closely, it will not be necessary to increase the subscription fee for next season.

Signed: *Sacha Lauder*

Treasurer

2. A.

| Hunters Rugby Club | | |
|---|--------|----------|
| Cash Flow Statement | | |
| for the year ended 31 March 2025 | | |
| | \$ | \$ |
| Cash receipts | | |
| Subscriptions | | 13 500 |
| Gate takings | | 15 000 |
| Social ticket sales | | 900 |
| Grant | | 2 500 |
| Interest received | | 150 |
| Total receipts | | 32 050 |
| Less Cash payments | | |
| Postage and stationery | 300 | |
| Secretary's honorarium | 200 | |
| Social music | 650 | |
| Social lighting | 200 | |
| Travel subsidy to players | 11 400 | |
| Loan | 6 000 | |
| Uniforms | 4 000 | |
| Other expenses | 2 900 | |
| Scrum machine deposit | 3 900 | |
| Interest on loan | 1 300 | |
| Total payments | | (30 850) |
| | | |
| Net increase / decrease in cash | | 1 200 |
| Opening bank balance | | 4 280 |
| Closing bank balance | | \$5 480 |

**B. Hunters Rugby Club
Social Activity Statement
for the year ended 31 March 2025**

| | \$ | \$ |
|-----------------------------|-----|-------|
| Revenue | | |
| Social ticket sales | | 900 |
| Total social revenue | | 900 |
| Less Social expenses | | |
| Social music | 650 | |
| Social lighting | 200 | |
| | | (850) |
| Surplus from social | | \$50 |

**C. Hunters Rugby Club
Income Statement
for the year ended 31 March 2025**

| | \$ | \$ |
|---------------------------------|--------|----------|
| Revenue | | |
| Surplus social | | 50 |
| Gate takings | | 15 000 |
| Interest received | | 200 |
| Grant from council | | 2 500 |
| Subscriptions | | 14 500 |
| Total revenue | | 32 250 |
| Less Expenses | | |
| Postage and stationery | 300 | |
| Secretary's honorarium | 280 | |
| Travel subsidy | 11 400 | |
| Uniforms | 4 000 | |
| Other expenses | 2 900 | |
| Interest on loan | 1 300 | |
| Depreciation on clubrooms | 4 000 | |
| Depreciation on equipment | 2 560 | |
| Total expenses | | (26 740) |
| Net surplus for the year | | \$5 510 |

**D. Hunters Rugby Club
Statement of Financial Position
as at 31 March 2025**

| | \$ | \$ | |
|---|--------|--------|----------|
| Current assets | | | |
| Bank | | 5 480* | |
| Supplies on hand | | 560 | |
| Accrued income | | 50 | |
| Accrued subscriptions | | 1 000 | |
| Petty cash | | 120 | 7 210 |
| Non-current assets | | | |
| Property, plant and equipment (Note 1) | | | |
| Total carrying amount | | 83 040 | 83 040 |
| Total assets | | | 90 250 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 7 800# | | |
| Accrued expenses | 80 | 7 880 | |
| Non-current liabilities | | | |
| Loan | | 22 000 | |
| Total liabilities | | | (29 880) |
| Net assets | | | 60 370 |
| Equity | | | |
| Opening balance | | | 54 860** |
| Surplus / Deficit | | | 5 510 |
| Closing balance | | | \$60 370 |

* = closing bank from the cash flow statement

= difference between scrum machine purchase and the amount paid as the deposit

** = work backwards from your closing balance (=net assets) minus surplus

Note to the Statement of Financial Position:

1. Property, plant and equipment

| | Equipment | Clubrooms | Total |
|-------------------------------|-----------|-----------|----------|
| As at 31 March 2025 | | | |
| Cost | 32 000 | 80 000 | 112 000 |
| Less Accumulated depreciation | (8 960) | (20 000) | (28 960) |
| Carrying amount | 23 040 | 60 000 | 83 040 |

Depreciation is calculated using the straight-line method at the following rates:

- equipment 8% p.a.
- clubrooms \$4 000 p.a.

E. Example

Treasurer's Report – Hunters Rugby Club

It is my pleasure to present to our members a positive treasurer's report which shows an improved financial position compared with this time last year.

MEMBERSHIP AND SUBSCRIPTIONS

Cash received from subscriptions totalled \$13 500 which was an increase from last year resulting from both an increase in the number

of members and an increase in the price of the subscription. This cash was used to purchase new uniforms, and to repay \$6 000 off the loan, in addition to meeting the general operating expenses of the club. Fifteen members have not paid their subscriptions, which is disappointing. We are still trying to chase those payments, and as they have been included in the Income Statement (to make subscriptions earned \$14 500) this has slightly inflated our surplus.

FUNDRAISING ACTIVITIES

Although the social event was enjoyed by many, it is disappointing that it only raised \$50 surplus. We need either to sell more tickets or to cut costs in the future; for example if we intend to have another dance social next year.

We received \$15 000 from gate takings, and if it were not for this income, the club would be in deficit, as well as in overdraft. This is a great income stream and has very few expenses off-set against it. This is the main reason that we can keep our subscriptions so low. Without this income, we would not be able to subsidise travel for our players, so whenever you are rostered on to help at the gate, please remember how important this is to our finances.

EQUIPMENT PURCHASE

This year we invested in a new scrum machine. We paid a deposit of \$3 900. There is still \$7 800 owing, and this needs to be paid off next year. This money is most likely to come from the gate takings so that we can avoid borrowing further.

NET SURPLUS AND ACCUMULATED FUNDS

It is pleasing to report that we made a surplus of \$5 510. Although this is not a large amount, we did keep expenses to a minimum, with the exception of the travel subsidies. The travel subsidy accounts for nearly half the club's expenses and in future we will need to consider fundraising, increasing subscriptions, or charging players or spectators to help cover the travel costs. Because new uniforms were purchased this year we shouldn't need to buy any more for another two years. The surplus has increased the accumulated funds balance to \$60 370 which is very strong. The decrease in the loan every year (this year \$6 000) is strengthening our net assets and making the club more financially stable should we need to borrow again in the future. It also ensures that the interest on loan repayments is decreasing.

CONCLUSION

There are no reasons for concern providing we can continue to receive good gate takings and maintain high membership numbers.

Activity 26B – Formative activity (p. 225)

Part A

1.

| Northend Netball Club Cash Flow Statement for the year ended 30 September 2019 | | |
|---|--------|----------|
| | \$ | \$ |
| Receipts | | |
| Canteen sales | 16 500 | |
| Court hire fees | 5 000 | |
| Dance refreshment sales | 600 | |
| Dance ticket sales | 4 800 | |
| Interest received | 540 | |
| Sponsorship | 4 300 | |
| Subscriptions | 26 730 | |
| Loan | 12 000 | |
| Sale of equipment | 500 | |
| Total receipts | | 70 970 |
| Less Payments | | |
| Advertising | 3 800 | |
| Canteen purchases | 8 600 | |
| Canteen wages | 1 000 | |
| Caretaker's wages | 5 200 | |
| Cleaning | 2 400 | |
| Coaching expenses | 7 800 | |
| Dance decorations and music | 1 420 | |
| Dance refreshments | 200 | |
| Dance ticket printing | 90 | |
| Electricity | 4 300 | |
| General expenses | 3 780 | |
| Interest on loan | 5 020 | |
| NZ Netball Affiliation fees | 2 500 | |
| Treasurer's honorarium | 600 | |
| Court lights | 15 000 | |
| Uniforms | 4 800 | |
| Netball equipment deposit | 750 | |
| Total payments | | (67 260) |
| Net Increase in cash | | 3 710 |
| Less Opening bank balance | | 490 |
| Equals Closing bank balance | | \$4 200 |

2.

| Northend Netball Club Dance Activity Statement for the year ended 30 September 2019 | | |
|--|-------|----------------|
| | \$ | \$ |
| Income | | |
| Dance ticket sales | | 4 800 |
| Dance refreshment sales | | 600 |
| Total income | | 5 400 |
| Less Dance expenses | | |
| Dance decorations and music | 1 570 | |
| Dance refreshments expense | 200 | |
| Dance ticket printing | 90 | |
| Dance cleaning | 240 | |
| Total expenses | | (2 100) |
| Surplus from dance | | \$3 300 |

3.

| Northend Netball Club Canteen Trading Statement for the year ended 30 September 2019 | | |
|---|---------|----------------|
| | \$ | \$ |
| Revenue | | |
| Canteen sales | | 16 500 |
| Less Cost of goods sold | | |
| Opening inventory | 2 500 | |
| Purchases | 8 600 | |
| Goods available for sale | 11 100 | |
| Closing inventory | (2 800) | |
| Cost of goods sold | | (8 300) |
| Gross surplus | | 8 200 |
| Less Canteen expenses | | |
| Canteen wages | 1 000 | |
| Depreciation on canteen equipment | 400 | |
| Cleaning – canteen | 480 | |
| Total expenses | | (1 880) |
| Surplus from the canteen | | \$6 320 |

4.

| Northend Netball Club Income Statement for the year ended 30 September 2019 | | |
|--|--------|-----------------|
| | \$ | \$ |
| Income | | |
| Surplus from dance | 3 300 | |
| Surplus from canteen | 6 320 | |
| Court hire fees | 5 000 | |
| Interest received | 540 | |
| Sponsorship | 4 300 | |
| Subscriptions | 25 950 | |
| Total income | | 45 410 |
| Less Expenses | | |
| Advertising | 3 680 | |
| Caretaker's wages | 5 200 | |
| Cleaning – clubrooms | 1 680 | |
| Coaching expenses | 7 800 | |
| Electricity | 4 300 | |
| General expense | 3 780 | |
| Interest on loan | 5 590 | |
| NZ Netball Affiliation fees | 2 500 | |
| Treasurer's honorarium | 600 | |
| Depreciation on courts and clubrooms | 4 800 | |
| Depreciation on netball equipment and uniforms | 2 343 | |
| Total expenses | | (42 273) |
| Net surplus for the year | | \$ 3 137 |

5.

| Northend Netball Club Statement of Financial Position as at 30 September 2019 | | | |
|--|---------|--------|----------|
| | \$ | \$ | \$ |
| Current assets | | | |
| Bank | | 4 200 | |
| Canteen inventory | | 2 800 | |
| Prepayments | | 120 | 7 120 |
| Non-current assets | | | |
| Investments | | | |
| Term deposit | | 9 000 | |
| Property, plant and equipment (Note 1) | | 99 777 | 108 777 |
| Total assets | | | 115 897 |
| Less Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | * 2 250 | | |
| Accrued expenses | 720 | | |
| Income (subscriptions) in advance | * 780 | 3 750 | |
| Non-current liabilities | | | |
| Loan | | 86 000 | |
| Total liabilities | | | (89 750) |
| Net assets | | | \$26 147 |
| Accumulated funds | | | |
| Opening balance | | | 23 010 |
| Net surplus (for the year) | | | 3 137 |
| Closing balance | | | \$26 147 |

Accounts payable \$2 400 and Accrued expenses \$570 allowed

Note to the Statement of Financial Position

1. Property, plant and equipment

| | Courts and clubrooms \$ | Canteen equipment \$ | Netball equipment and uniforms \$ | Total \$ |
|--------------------------|-------------------------|----------------------|-----------------------------------|----------|
| Cost | 120 000 | 5 000 | 15 620 | 140 620 |
| Accumulated depreciation | (29 800) | (1 700) | (9 343) | (40 843) |
| Carrying amount | 90 200 | 3 300 | 6 277 | 99 777 |

Depreciation is calculated on a straight-line basis at the following rates:

Courts and clubrooms at 4% p.a.

Canteen equipment at \$2 343 p.a. (or 15.6% p.a.)

Equipment and uniforms at 8% p.a.

Part B

Treasurer's Report for Northend Netball Club

(Note: This is not a complete Treasurer's Report because that would provide too much guidance. You cannot write the report in bullet points, but these answers outline the key points and linkages that should have been made.)

SUBSCRIPTIONS AND MEMBERSHIP

Cash received from subscriptions has increased from \$20 000 to \$26 730, caused by the increase in membership numbers, especially juniors, which increased by 60 players, and a small increase in the price of the subscription.

The increase in membership is possibly linked to the successful results from and media exposure for the Silver Ferns, which has again made netball a popular sport that young girls want to play.

This has helped increase the bank balance (by \$3 710).

Cash earned from subscriptions increased from \$20 000 to \$25 950 helping generate a net surplus for the year as opposed to the deficit last year.

FUNDRAISING

This year we had one major fundraising activity in the form of a dance. The dance generated a surplus of \$3 300 making it a very successful fundraising activity, and much better than last year's raffle, which generated a surplus of only \$300. The surplus from the dance was partly used to fund the operating expenses and purchase of uniforms (*or other example*).

The dance was so successful because ...

CANTEEN

After a disappointing deficit of \$350 last year it is pleasing to report that this year we generated a very healthy surplus of \$6 320.

A big 'thank you' to members, with more volunteers making themselves available to help man the canteen, reducing the amount we had to pay for wages, which decreased the expenses and increased the surplus.

Another reason for this turn-around was the increase in mark-up (prices), which led to an increase in cash received from sales of \$4 500. Both these factors contributed to the healthy increase in surplus, of \$6 670.

This was a vital contribution to both the increase in cash at bank and the overall surplus for the year. Without the surplus from the canteen, the club would have run at a deficit and remained in overdraft. It is important that we keep the canteen staffed with volunteer workers and ensure that we support it.

COURT LIGHTS

The biggest purchase this year was the lighting for our courts, which cost \$15 000. These form a big improvement to our facilities, which has helped increase the use of our courts. By installing the lights we were able to cater for more practice times, which was important with new members, and possibly a reason for the new members.

Having the lighting also contributed to the increase in court-hire fees from the tennis club. These increased from \$2 400 to \$5 000. Without this increase and the surplus from the canteen, we would have made another deficit for the year.

The lighting, however, did lead to higher electricity expenses, which increased by \$2 500 and these are likely to continue to increase in the future.

The lights themselves were mostly funded by an increase in the loan, of \$12 000.

UNIFORMS

New uniforms were purchased totalling \$4 800, which was mostly funded by the sponsorship received, of \$4 300.

There was a need for more uniforms because of the large increase in the number of members (10 more seniors and 60 more juniors). It was great to have the uniforms funded mostly by the local sports trust, supporting our members, which allowed us to not increase the subscriptions more than we had to.

LOAN

This year we increased the loan by \$12 000 to help purchase the court lights, which led to an increase in interest payments and will mean paying more interest next year.

It was great that we were able to refinance our loan to a lower interest rate of 6.5% and we did not increase the length of the loan. The lower interest rate will help keep the interest affordable.

BANK BALANCE

It is pleasing to announce that the *Northend Netball Club* is stronger, with the balance now being \$4 200. This is especially pleasing considering the purchase of the lighting and of new uniforms, helped by the loan and sponsorship receipts.

The increase in the bank balance was mainly caused by the increase in

subscriptions, this year being \$26 730, canteen sales of \$16 500 and the cash received from hiring the courts at night. The reduction in canteen wages also helped.

ACCUMULATED FUNDS AND NET SURPLUS

The accumulated funds closing balance is \$26 147, an increase of \$3 137 which is this year's surplus. This is an improvement (approximately 25% increase), and a big improvement from last year.

The reasons for the improvement in the surplus are very similar to the increase in cash at bank, primarily the increase in subscriptions earned (this year \$25 950, compared with last year's \$20 000), the increase in court hire and the surplus from the canteen of \$8 320.

Signed: *B. Person*
Treasurer

Activity 27A (p. 229)

| 1. | Percentage | Working | Answer 2020 |
|----|-----------------------------|---|--------------|
| | Percentage change in sales | $\frac{(120\,000 - 100\,000) \times 100}{100\,000}$ | 20% increase |
| | Percentage change in profit | $\frac{(18\,000 - 20\,000) \times 100}{20\,000}$ | 10% decrease |
| | Mark-up % | $\frac{60\,000 \times 100}{60\,000}$ | 100% |
| | Gross profit % | $\frac{60\,000 \times 100}{120\,000}$ | 50% |
| | Distribution cost % | $\frac{15\,000 \times 100}{120\,000}$ | 12.50% |
| | Administrative expense % | $\frac{22\,000 \times 100}{120\,000}$ | 18.33% |
| | Finance cost % | $\frac{5\,000 \times 100}{120\,000}$ | 4.17% |
| | Profit % | $\frac{18\,000 \times 100}{120\,000}$ | 15% |

| 2. | Percentage | Working | Answer 2020 |
|----|-----------------------------|---|-----------------|
| | Percentage change in sales | $\frac{(126\,000 - 100\,000) \times 100}{100\,000}$ | 26% increase |
| | Percentage change in profit | $\frac{(17\,000 - 12\,000) \times 100}{12\,000}$ | 41.67% increase |
| | Mark-up % | $\frac{40\,000 \times 100}{86\,000}$ | 46.51% |
| | Gross profit % | $\frac{40\,000 \times 100}{126\,000}$ | 31.75% |
| | Distribution cost % | $\frac{12\,000 \times 100}{126\,000}$ | 9.52% |
| | Administrative expense % | $\frac{8\,000 \times 100}{126\,000}$ | 6.35% |
| | Finance cost % | $\frac{3\,000 \times 100}{126\,000}$ | 2.38% |
| | Profit % | $\frac{17\,000 \times 100}{126\,000}$ | 13.49% |

| 3. | Percentage | Working | Answer 2022 |
|----|---------------------------|--|-------------|
| | Percentage change in fees | $\frac{(75\,000 - 60\,000) \times 100}{60\,000}$ | 25% |
| | Cleaning cost % | $\frac{35\,000 \times 100}{75\,000}$ | 46.67% |
| | Administrative expense % | $\frac{9\,000 \times 100}{75\,000}$ | 12% |
| | Finance cost % | $\frac{4\,000 \times 100}{75\,000}$ | 5.33% |
| | Profit % | $\frac{27\,000 \times 100}{75\,000}$ | 36% |

Activity 27B (p. 231)

| 1. | Sales | Cost of goods sold | Gross profit |
|----|----------------|--------------------|---------------|
| | 80 000 | 40 000 | 40 000 |
| | 150 000 | 100 000 | 50 000 |
| | 135 000 | 71 000 | 64 000 |
| | 144 000 | 60 000 | 84 000 |
| | 130 000 | 70 000 | 60 000 |
| | 80 000 | 25 000 | 55 000 |

| 2. | Percentage | Working | Answer 2022 |
|----|----------------|---|-------------|
| | Mark-up % | $\frac{60\,000 \times 100}{(90\,000 - 60\,000)}$ | 200% |
| | Gross profit % | $\frac{60\,000 \times 100}{90\,000}$ | 66.67% |
| | Profit % | $\frac{(60\,000 - 15\,000 - 5\,000 - 22\,000) \times 100}{90\,000}$ | 20% |

| 3. | Percentage | Working | Answer 2024 |
|----|------------------|--|-------------|
| | Mark-up % | $\frac{(126\,000 - 40\,000) \times 100}{40\,000}$ | 215% |
| | Gross profit % | $\frac{(126\,000 - 40\,000) \times 100}{126\,000}$ | 68.25% |
| | Total expenses % | $\frac{52\,300 \times 100}{126\,000}$ | 41.51% |
| | Profit % | $\frac{(126\,000 - 40\,000 - 52\,300) \times 100}{126\,000}$ | 26.75% |

Activity 27C (p. 238)

A. Mark-up percentage: 67% in 2021 and 54% in 2022.

Meaning: This means that in 2022 *Better Books* has increased the cost price of its inventory by 54% to get its selling price. This means that if a book cost *Better Books* \$10, the shop will sell it for \$15.40.

Reason for trend: One reason for the decrease in the mark-up percentage is that *Better Books* has deliberately decreased the selling price of its inventory (i.e. books). This has decreased the business's profit margin and has decreased its gross profit and mark-up percentages.

OR

One reason for the decrease in mark-up percentage is that *Better Books'* inventory suppliers increased the prices of their inventory (i.e. books) and *Better Books* kept its prices the same – this decreased *Better Books'* profit margin by increasing the cost of goods sold, and also decreased the business's gross profit and mark-up percentages.

- B. Gross profit percentage: 40% in 2021 and 35% in 2022.

Meaning: This means that *Better Books* has kept 35% of its sales (or 35 cents for every \$1 of sales) as gross profit in 2022.

Reason for trend: One reason for the decrease in gross profit percentage could be that *Better Books* decreased its mark-up percentage from 67% to 54% (OR decreased its selling price OR its suppliers increased the costs of purchases) which reduced *Better Books'* profit margin. This decreased the gross profit and gross profit percentages.

- C. Distribution cost percentage: 18% in 2021 and 15% in 2022.

Meaning: This means that in 2022 *Better Books* spent 15% of its sales (or 15 cents for every \$1 sales) on distribution costs, e.g. advertising and sales wages. This is a smaller percentage than last year, which is pleasing.

Reason for trend: One reason for the decrease in the distribution cost percentage might have been that *Better Books* spent less on advertising – perhaps it used black-and-white fliers this year instead of the full-colour ones it distributed last year – and this would have reduced the advertising costs, which in turn would have decreased the distribution costs and the distribution cost percentage.

(OR use other relevant distribution cost example, but NOT wages.)

- D. Finance cost percentage: 2% in 2021 and 3% in 2022.

Meaning: This means that in 2022 *Better Books* spent 3% of its sales (or 3 cents for every \$1 sales) on finance costs, e.g. interest on loan, which is a higher percentage than last year's – a disappointing result.

Reason for trend: One reason for the increase in the finance cost percentage was that *Better Books* might have spent more on interest payments on its loan because it borrowed more money this year than it did last year, or because the interest rate increased. This would have increased the interest expenses, which increased finance costs and the finance cost percentage.

- E. Profit percentage: 8% in 2021 and 7% in 2022.

Meaning: This means that in 2022 *Better Books* has retained 7% of its sales as profit after all expenses have been accounted for. This is a smaller percentage than last year, which is a disappointing result.

Reason for trend: One reason for this trend is that *Better Books* might have spent a lot more on administration costs, e.g. office electricity, this year. This would cause an increase in total expenses and a decrease in profit and profit percentage.

OR

The decrease in mark-up % reduced the profit margin, which resulted in a decrease in profit, and profit percentage.

- F. Percentage change in sales: 15% in 2021 and 5% in 2022.

Meaning: This means that in 2022 *Better Books* increased its total sales from last year (2021) by 5%, which is a pleasing trend.

Reason for trend: One reason for this might have been a decrease in mark-up percentage, caused by decreasing the selling price which made the books on offer more affordable, so customers spent more. This would increase *Better Books'* sales and therefore the sales percentage.

OR

One reason for this might have been an increase in advertising which attracted more customers who purchased more books, which increased *Better Books'* sales and therefore the sales percentage.

Activity 27D (p. 243)

- A. Mark-up percentage

Recommendation:

Increase selling price of the books / Find a cheaper book supplier and keep selling price the same.

Justification:

The increase in selling price increases the project margin on each item sold, which increases gross profit and mark-up %, as the cost of goods sold stays constant. / This will decrease cost of goods sold, while keeping selling price constant; increases profit margin, which increases gross profit and mark-up %.

- B. Gross profit percentage

Recommendation: *Better Books* should increase its mark-up by increasing the selling price of its inventory (books).

Justification: This will increase the profit margin on each item sold and will lead to an increase in gross profit and gross profit percentage.

OR

Recommendation: *Better Books* could find a cheaper inventory supplier for its books and other inventory and keep its selling price the same.

Justification: This will increase the profit margin by decreasing the cost of goods sold, which will increase the gross profit and gross profit percentage.

- C. Distribution cost percentage

Recommendation: *Better Books* could reduce the amount it spends on advertising by using black-and-white fliers instead of colour / by cutting back on delivery expenses, providing its sales do not decrease.

Justification: This will decrease the amount *Better Books* spends on advertising / delivery expenses, which will decrease its distribution costs and distribution costs percentage.

- D. Finance cost percentage

Recommendation: *Better Books* needs to reduce its interest expenses by paying off some of its loan.

Justification: By paying off the loan, *Better Books'* interest payments on the loan will decrease which in turn will decrease finance costs and finance cost percentage.

(OR refinance to have a lower interest rate on its loan.)

- E. Profit percentage

Recommendation: *Better Books* could increase the selling price of its books and other inventory.

Justification: This will increase the profit margin on each item sold, which will increase the gross profit and in turn the profit for the year and profit percentage.

OR

Recommendation: *Better Books* could cut back on some of its expenses; for example, it could try to reduce electricity costs by making sure the lights and computer are turned off at night and use energy-saving light bulbs during the day.

(OR decrease any other relevant expense but not wages / salaries.)

Justification: This decrease in electricity usage or costs will lead to a decrease in administrative costs and in total expenses and in turn lead to an increase in profit and profit percentage.

- F. Percentage change in sales

Recommendation: To increase the dollar value of sales, *Better Books* could increase its advertising which will increase the number of customers it gets.

Justification: By increasing the number of its customers, *Better Books* should increase the number and dollar value of sales.

OR

Recommendation: To increase its sales, *Better Books* could increase its mark-up percentage by increasing the selling price of its inventory.

Justification: The increase in selling price (providing it doesn't alienate (scare away) customers) will lead to an increase in sales dollars, providing the same amount of inventory is sold.

Activity 27E (p. 245)

1. Increase in selling price: mark-up percentage increases; gross profit percentage increases, profit percentage increases.

2. Spend more on telephone and internet expenses: administration expenses percentage increases/worsens; profit percentage decreases/worsens.
3. Find a cheaper inventory supplier: mark-up percentage increases; gross profit percentage increases/improves; profit percentage increases/improves.
4. Increase advertising: distribution costs percentage increases/worsens; profit percentage decreases/worsens. Increase sales.
5. Repay loan: finance cost percentage decreases/improves; profit percentage increases/improves.
6. Turn computers and lights off at night: administration expenses percentage decreases/improves; profit percentage increases/improves.
7. Decrease selling price: mark-up percentage decreases; gross profit percentage decreases/worsens; profit percentage decreases/worsens.
Could increase positive percentage change in sales.

Activity 27F (p. 246)

Your Mart Department Store

1. A.

| Analysis | Working 2023 | Answer 2023 |
|-----------------------------------|---|-------------|
| Gross profit percentage | $(80\,000/140\,000) \times 100$ | 57.14% |
| Mark-up percentage | $(80\,000/60\,000) \times 100$ | 133.33% |
| Distribution cost percentage | $(30\,000/140\,000) \times 100$ | 21.43% |
| Administrative expense percentage | $(18\,000/140\,000) \times 100$ | 12.86% |
| Finance cost percentage | $(10\,000/140\,000) \times 100$ | 7.14% |
| Profit percentage | $(22\,000/140\,000) \times 100$ | 15.71% |
| Percentage change in sales | $((140\,000 - 100\,000) / 100\,000) \times 100$ | 40% |
| Gross profit percentage | $((22\,000 - 24\,000)/24\,000) \times 100$ | - 8.33% |

| Analysis | Working 2024 | Answer 2024 |
|-----------------------------------|---|-------------|
| Gross profit percentage | $(100\,000/160\,000) \times 100$ | 62.50% |
| Mark-up percentage | $(100\,000/60\,000) \times 100$ | 166.67% |
| Distribution cost percentage | $(40\,000/160\,000) \times 100$ | 25.00% |
| Administrative expense percentage | $(16\,000/160\,000) \times 100$ | 10.00% |
| Finance cost percentage | $(18\,000/160\,000) \times 100$ | 11.25% |
| Profit percentage | $(26\,000/160\,000) \times 100$ | 16.25% |
| Percentage change in sales | $((160\,000 - 140\,000) / 140\,000) \times 100$ | 14.29% |
| Gross profit percentage | $((26\,000 - 22\,000) / 22\,000) \times 100$ | 18.18% |

B. Gross profit percentage – this means that *Your Mart Department Store* has 62.5% of sales as gross profit to cover its operating expenses. This percentage has improved from last year.

Mark-up percentage – this means that in 2024 *Your Mart Department Store* increased the cost price of its inventory by 166.67% to get the selling price. This means if it purchased an item for \$10, it would sell that item for \$26.67.

Distribution costs percentage – this means that in 2024 *Your Mart Department Store* has used 25% of its sales on distribution costs, e.g. advertising. This percentage has increased from last year, which has helped lead to the increase in sales.

Administration expenses percentage – this means that *Your Mart Department Store* has spent 10% of its sales on administration expenses, which is an improvement from last year showing that *Your Mart Department Store* is being more efficient this year.

Finance costs percentage – this means that *Your Mart Department Store* has spent 11.25% of its sales on finance costs, e.g. interest on loan. This is a large increase from last year, which is not good.

Profit percentage – this means that in 2024 *Your Mart Department Store* has 16.25% of its sales left as profit after all expenses have been accounted for. This is a pleasing result and an improvement on last year's percentage.

Percentage change in sales – this means that *Your Mart Department Store* increased its sales by 14.29% from last year, which is a very pleasing trend.

Percentage change in profit – this means that *Your Mart Department Store* increased its profit in 2024 by 18.18% compared with last year's figure, which is a very good trend.

C. **Gross profit percentage** – *Your Mart Department Store's* gross profit percentage increased from 57.14% to 62.50%. One reason for this trend could be that *Your Mart Department Store* increased its mark-up percentage (by increasing the selling price of its inventory). This would result in a greater profit margin for each item sold, which would increase the gross profit and the gross profit percentage.

OR

One reason for this trend could be that *Your Mart Department Store* increased its mark-up percentage by finding a cheaper supplier for its purchases while keeping its selling price the same. This would result in a greater profit margin for each item sold which would decrease the cost of goods sold and increase the gross profit and the gross profit percentage.

Mark-up percentage – *Your Mart Department Store's* mark-up percentage increased from 133.33% to 166.67%. One reason for this trend could be that *Your Mart Department Store* increased the selling price of its inventory. This would result in a greater profit margin for each item sold, which would increase the gross profit and the mark-up percentage.

OR

One reason for this trend could be that *Your Mart Department Store* found a cheaper supplier for its purchases while keeping its selling price the same. This would result in a greater profit margin for each item sold, which would decrease the cost of goods sold and increase the gross profit and the mark-up percentage.

Distribution costs percentage – *Your Mart Department Store's* distribution cost percentage increased from 21.34% to 25.00%. One reason for this trend could be that *Your Mart Department Store* spent a lot more on advertising and sales wages this year compared with last year, as its expenses increased by \$10 000. *Your Mart Department Store* might have had to pay staff more as it is now open more hours (Note: Or give another relevant example). This would increase the wage expenses, which would increase the distribution costs and the distribution costs percentage.

Administration expenses percentage – *Your Mart Department Store's* administration expenses percentage decreased from 12.86% to 10.00%. One reason for this trend could be that *Your Mart Department Store* spent less on electricity in the office by asking staff to turn off lights and computers at night, which decreased the administration expenses by \$2 000 (Note: Or give another relevant example – but **not** a decrease in wages/salaries). This would decrease the office electricity expenses, which would decrease the administration expenses and the administration expenses percentage.

Finance costs percentage – *Your Mart Department Store's* finance cost percentage increased from 7.14% to 11.25%. One reason for this trend could be that *Your Mart Department Store* spent a lot more on interest payments on its loan and overdraft as the finance costs increased by \$8 000. *Your Mart Department Store* might have borrowed more money to purchase some furniture, or the interest rate on loans might have increased during the year. This would increase the interest expenses, which would increase the finance costs and the finance costs percentage.

Profit percentage – *Your Mart Department Store* profit percentage increased from 15.71% to 16.25%. One reason for this trend could be that *Your Mart Department Store* increased its mark-up percentage by increasing the selling price of its inventory. This resulted in a greater profit margin on each item sold. This would have led to an increase in gross profit which in turn led to an increase in profit for the year and an increase in the profit percentage.

OR

One reason for this trend could be that *Your Mart Department Store* increased its mark-up percentage by finding a cheaper supplier for its purchases while keeping its selling price the same. This would result in a greater profit margin for each item sold, which would decrease the cost of goods sold and increase the gross profit, which in turn led to an increase in profit for the year and in the profit percentage.

Percentage change in sales – One reason for this trend is that *Your Mart Department Store* increased its mark-up percentage by increasing its sales prices and this led to an increase in sales dollars overall, which gave a positive percentage increase in sales.

OR

One reason for the increase in sales was that *Your Mart Department Store* increased its advertising – this conclusion is backed up by the increase in distribution costs. The increase in advertising would have led to an increase in customers who spent more, and a resulting increase in sales dollars. The percentage change in sales would therefore also have increased.

Percentage change in profit – One reason for the increase in profit from last year was that *Your Mart Department Store* increased its mark-up percentage by increasing the price of sales. This led to an increase in sales dollars overall and an increase in the profit margin, gross profit, and profit for the year. All of this resulted in a positive percentage change in profit. (This increase was accentuated by the fact that profit had fallen the year before.)

OR

One reason for the increase in profit from last year was that *Your Mart Department Store* decreased its administration expenses, which led to an increase in profit for the year. In turn, this resulted in a positive percentage change in profit. (This increase was accentuated by the fact that profit had fallen the year before.)

- D. i. **Gross profit percentage** – one way to increase the gross profit percentage is to increase the selling price of *Your Mart Department Store's* inventory. This would increase the profit margin of each item sold, which in turn would increase the gross profit and the gross profit percentage.

OR decrease price of inventory from suppliers (see earlier answers).

ii. **Administration costs percentage** – one way to improve the administration cost percentage for *Your Mart Department Store* is to reduce the amount of electricity used in the shop. This can be done by using energy-saving light bulbs and not having all the lights on 24 hours a day. This will reduce the shop's electricity usage and in turn reduce the administration costs and administration costs percentage.

iii. **Finance cost percentage** – one way in which *Your Mart Department Store* could decrease its finance cost percentage is to repay some of its loan. This will reduce the amount of interest that it has to pay, thus decreasing the finance costs paid and the finance cost percentage.

iv. **Profit percentage** – one way in which *Your Mart Department Store* could increase its profit percentage is by reducing some of its expenses, e.g. repaying its loan to reduce the interest expenses or using e-mail communications instead of stationery and postage, which will reduce the total expenses. This will then increase *Your Mart Department Store's* profit for the year and its profit percentage. (OR see e. below.)

v. **Profit (dollar amount)** – one way in which *Your Mart Department Store* could increase its profit dollars is by increasing its mark-up percentage by finding a cheaper supplier for its inventory. This will increase the profit marking on each item of inventory sold, which should lead to an increase in gross profit and increase in profit dollars. (OR see d. above.)

2. A.

| Analysis | Working 2023 | Answer 2023 |
|----------------------------|--|-------------|
| Mark-up % | $(160\,000 \div 60\,000) \times 100$ | 266.67% |
| Gross profit % | $(160\,000 \div 220\,000) \times 100$ | 72.73% |
| Distribution costs % | $(60\,000 \div 220\,000) \times 100$ | 27.28% |
| Administrative expenses % | $(22\,000 \div 220\,000) \times 100$ | 10.00% |
| Finance cost % | $(22\,000 \div 220\,000) \times 100$ | 10.00% |
| Profit % | $(56\,000 \div 220\,000) \times 100$ | 25.45% |
| Percentage change in sales | $((220\,000 - 100\,000) \div 100\,000) \times 100$ | 120.00% |

| Analysis | Working 2024 | Answer 2024 |
|----------------------------|--|-------------|
| Mark-up % | $(200\,000 \div 100\,000) \times 100$ | 200.00% |
| Gross profit % | $(200\,000 \div 300\,000) \times 100$ | 66.67% |
| Distribution costs % | $(80\,000 \div 300\,000) \times 100$ | 26.67% |
| Administrative expenses % | $(36\,000 \div 300\,000) \times 100$ | 12.00% |
| Finance cost % | $(18\,000 \div 300\,000) \times 100$ | 6.00% |
| Profit % | $(66\,000 \div 300\,000) \times 100$ | 22.00% |
| Percentage change in sales | $((300\,000 - 220\,000) \div 220\,000) \times 100$ | 36.36% |

- B. **Mark-up %** – This means that *Best Meat Butchery* increased the cost price of its inventory by 200% to get the selling price in 2024. This means if *Best Meat Butchery* purchased an item for \$10, it would sell it for \$30.

Gross profit % – This means that *Best Meat Butchery* has 66.67% of sales as gross profit to cover its operating expenses. This percentage has fallen in comparison with last year's.

Distribution costs % – This means that in 2023 *Best Meat Butchery* used 26.67% of its sales on distribution costs, e.g. advertising. This

percentage has decreased in comparison with last year's.

Administration expenses % – This means that *Best Meat Butchery* has spent 12% of its sales on administration expenses which is an increase from last year showing it has been less efficient this year.

Finance costs % – This means that *Best Meat Butchery* has spent 6% of its sales on finance costs, e.g. interest on loan. This is a large decrease from last year, which is a good thing.

Profit % – This means that in 2024 *Best Meat Butchery* has 22% of its sales left as profit after all expenses have been accounted for. This is a pleasing result although the percentage has decreased in comparison with last year's.

Percentage change in sales – This means that *Best Meat Butchery* increased its sales by 36.36% from last year, which is a very pleasing result.

- C. **Mark-up%** – *Best Meat Butchery's* mark-up % decreased from 266.67% to 200%. One reason for this trend could be that *Best Meat Butchery* decreased the selling price of its inventory to try to attract more customers. This would have resulted in a smaller profit margin on each item sold, which would decrease the gross profit and the mark-up%.

OR

One reason for this trend could be that the meat suppliers for *Best Meat Butchery* increased the price of their meat which increased purchase costs for *Best Meat Butchery* while it kept its selling price the same. This would result in a smaller profit margin on each item sold, which would increase the cost of goods sold and decrease both the gross profit and the mark-up %.

Gross profit % – *Best Meat Butchery's* gross profit % decreased from 72.72% to 66.67%. One reason for this trend could be that *Best Meat Butchery* decreased its mark-up % by decreasing the selling price of its inventory to try to attract more customers. This would have resulted in a smaller profit margin on each item sold, which would decrease the gross profit and the gross profit %.

OR

One reason for this trend could be that *Best Meat Butchery* decreased its mark-up percentage by keeping its selling prices the same despite facing increased costs on purchases. This would result in a smaller profit margin for each item sold which would increase the cost of goods sold and decrease the gross profit and the gross profit %.

Distribution costs % – *Best Meat Butchery's* distribution cost % decreased from 27.28% to 26.67%. One reason for this trend could be that *Best Meat Butchery* spent less on advertising by using black-and-white fliers instead of colour posters. (Note: Or other relevant example but **not** wages.) This would decrease advertising costs which would decrease distribution costs and the distribution costs %.

OR

Best Meat Butchery increased the amount it spent on advertising as distribution costs increased by \$20 000. This year's advertising was really effective in that it attracted more customers and they spent a lot more, thus increasing sales by a greater percentage than the increase in distribution costs. This resulted in a decrease in the distribution costs %.

Administration expenses % – *Best Meat Butchery* administration expenses % increased from 10% to 12%. One reason for this trend could be that *Best Meat Butchery* spent \$14 000 more on administration this year than it did last year, because it employed an addition office worker to help with the accounting work. (Note: Or other relevant example.) This would have led to an increase in the office salaries which would have increased the administration expenses and the administration expenses %.

Finance costs % – *Best Meat Butchery's* finance cost % decreased from 10% to 6%. One reason for this trend could be that *Best Meat Butchery* spent \$4 000 less on interest repayment on its loan and

overdraft as the finance costs decreased. *Best Meat Butchery* might have repaid some of its loan/mortgage or refinanced its debts at a lower interest rate. This would have decreased the interest expenses, which would, in turn, have decreased the finance costs and the finance costs %.

Profit % – *Best Meat Butchery's* profit % decreased from 25.45% to 22%. One reason for this trend could be that *Best Meat Butchery* decrease its mark-up % by decreasing the selling price of its inventory. This resulted in a lower profit margin on each item sold. This would have led to a decrease in gross profit. Even though the profit increased, it didn't increase by as much as the increase in sales, resulting in a decrease in the profit %.

OR

Best Meat Butchery increased its expenses, especially administration expenses, perhaps by having to pay higher insurance premiums. Although the profit increased, because of the increase in administration expenses, the increase in profit was smaller than the increase in sales, resulting in a decrease in the profit %.

Percentage change in sales – One reason for the increase of 36.36% is that *Best Meat Butchery* decreased its mark-up % by decreasing the selling price of inventory, which led to an increase in customers, which in turn increased the sales dollars overall which gave a positive percentage increase in sales.

- D. i. **Gross profit %** – One way to increase the gross profit % is to increase the selling price of *Best Meat Butchery's* meat. This would increase the profit margin on each item sold which in turn will increase the gross profit and the gross profit %.

OR: Decrease price of meat from suppliers. (Note: See earlier answers.)

- ii. **Administration costs %** – One way to improve the administrative expenses % for *Best Meat Butchery* is to reduce the amount of stationery and postage used in the office, for example by e-mailing accounts instead of posting them. This will reduce the stationery expenses and in turn reduce the administrative expenses and administrative expenses %.

- iii. **Distribution cost %** – One way to improve the distribution cost % for *Best Meat Butchery* is to reduce the amount it spends on petrol by streamlining deliveries to make them more efficient. This will reduce the amount spent on delivery expenses and in turn reduce the distribution costs and distribution costs %.

- iv. **Profit %** – One way in which *Best Meat Butchery* could increase its profit percentage is by increasing its mark-up %, by increasing the selling price of some of its meat. This will increase the profit margin on the inventory sold which will increase the gross profit. This will then increase the profit for the year and the profit %.

- v. **Percentage change in sales** – *Best Meat Butchery* could increase its advertising to attract more customers. This will increase the amount of meat being sold and so sales will increase, increasing the percentage change in sales even further.

OR: *Best Meat Butchery* could increase the selling price to gain increased sales dollars, providing this course of action doesn't scare too many customers away.

Activity 28A (p. 250)

| 1. | Percentage | Working | Answer 2022 |
|----|---------------|----------------------------|-------------|
| | Current ratio | 28 000 / 18 000 | 1.56 : 1 |
| | Liquid ratio | (28 000 – 12 000) / 18 000 | 0.89 : 1 |
| | Equity ratio | 42 000 / 60 000 | 0.70 : 1 |

| 2. Percentage | Working | Answer 2023 |
|---------------|--|-------------|
| Current ratio | $\frac{(5\,000 + 3\,000 + 15\,000)}{(4\,200 + 1\,200)}$ | 4.26 : 1 |
| Liquid ratio | $\frac{(3\,000 + 5\,000)}{(4\,200 + 1\,200)}$ | 1.48 : 1 |
| Equity ratio | $\frac{(5\,000 + 3\,000 + 15\,000 + 22\,000 + 100\,000) = 145\,000}{(145\,000 - 4\,200 - 1\,200 - 60\,000) = 79\,600 \text{ equity}}$ $\frac{79\,600}{145\,000} = 0.55$ | 0.55 : 1 |

| 3. Percentage | Working | Answer 2024 |
|--|---|-------------|
| Current ratio | $\frac{(5\,000 + 26\,400)}{(3\,800 + 1\,910 + 800)}$ | 4.82:1 |
| Liquid ratio (assume overdraft is secured) | $\frac{5\,000}{(1\,920 + 800)}$ | 1.84:1 |
| Liquid ratio (assume overdraft is unsecured) | $\frac{5\,000}{(1\,920 + 3\,800 + 800)}$ | 0.77:1 |
| Equity ratio | $\frac{(5\,000 + 26\,400 + 12\,000 + 18\,000 - 3\,800 - 1\,920 - 800 - 22\,000)}{(5\,000 + 26\,400 + 12\,000 + 18\,000)}$ | 0.54:1 |

| 4. Percentage | Working | Answer 2024 |
|---------------|--|-------------|
| Current ratio | $\frac{(5\,000 + 9\,600 + 440 + 420)}{(5\,800 + 3\,100 + 120)} = \frac{15\,460}{9\,020}$ | 1.71:1 |
| Liquid ratio | $\frac{(5\,000 + 440)}{(3\,100 + 120)}$ | 1.69:1 |
| Equity ratio | $\frac{(5\,000 + 9\,600 + 440 + 420 + 14\,400 + 9\,000 - 5\,800 - 3\,100 - 120 - 8\,500)}{(5\,000 + 9\,600 + 440 + 420 + 14\,400 + 9\,000)}$ | 0.55:1 |

Activity 28B (p. 255)

1. A. Current ratio percentage – 1.60:1 in 2021 and 2.20:1 in 2022.

Meaning: The current ratio of 2.20 : 1 means that in 2022 *Better Books* has \$2.20 in current assets to repay every \$1 of current liabilities. This means that it should be able to repay its current/short-term debts as they fall due.

Reason for trend: The increase in current ratio for *Better Books* could have been caused by *Better Books* receiving a new term loan. This would have increased the current asset 'Bank' while not increasing the business's current liabilities, which would then increase the current ratio.

- B. Liquid ratio percentage – 1.30 : 1 in 2021 and 1.50 : 1 in 2022.

Meaning: The liquid ratio of 1.50 : 1 means that in 2022 *Better Books* has \$1.50 in liquid assets to repay every \$1 of liquid liabilities. This means that it should be able to repay its immediate debts as they fall due.

Reason for trend: The increase in liquid ratio for *Better Books* could have been caused by the owner of *Better Books* investing more cash into the business. This would have increased the liquid asset 'Bank', which would in turn increase the liquid ratio.

- C. Equity ratio percentage – 0.60 : 1 in 2021 and 0.70 : 1 in 2022.

Meaning: The equity ratio of 0.70 : 1 in 2022 means that 70% (or 70 cents for every \$1) of *Better Books'* total assets have been funded by the owner. This means that the business is financially stable as the owner has funded more than half the business's assets (*Note: NOT 'owns' or 'controls'*).

Reason for trend: One reason for the increase in equity ratio could be that the owner of *Better Books* has invested more money into the business. This would have caused an increase in the asset 'Bank' and the owner's capital account, which would increase the closing balance of equity and *Better Books'* equity ratio.

Activity 28C (p. 258)

- A. Current ratio

Recommendation: *Better Books* could improve its current ratio if the owner were to invest more cash into the business.

Justification: By investing more cash, the owner will increase *Better Books'* bank balance, which will result in an increase in the current asset 'Bank'. This will increase (improve) the current ratio.

OR

Recommendation: *Better Books* could improve its current ratio by receiving a long-term bank loan.

Justification: By getting a bank loan, *Better Books*' bank balance will increase, which will result in an increase in the current asset 'Bank'. At the same time, current liabilities will not increase, and this will lead to an increase (improvement) in the current ratio.

B. Liquid ratio

Recommendation: *Better Books* could improve its liquid ratio if the owner were to invest more cash into the business.

Justification: By investing more cash, the owner will increase *Better Books*' bank balance, which will result in an increase in the liquid asset 'Bank'. This will increase (improve) the liquid ratio.

OR

Recommendation: *Better Books* could improve its liquid ratio by receiving a long-term bank loan.

Justification: By getting a bank loan, *Better Books*' bank balance will increase, which will result in an increase in the liquid asset 'Bank'. At the same time, liquid liabilities will not increase, and this will lead to an increase (improvement) in the liquid ratio.

OR

Recommendation: *Better Books* could improve its liquid ratio by having a large sale of its inventory, for cash.

Justification: By selling inventory for cash, *Better Books*' bank balance will increase, which will result in an increase in the liquid asset 'Bank'. At the same time, liquid liabilities will not increase, and this will lead to an increase (improvement) in the liquid ratio.

C. Equity ratio

Recommendation: *Better Books* could improve its equity ratio if the owner were to invest more cash into the business.

Justification: By investing more cash, the owner will increase *Better Books*' bank balance, and also the capital account. This will result in an increase in equity, which will increase (improve) the equity ratio.

OR

Recommendation: *Better Books* could improve its equity ratio by repaying some of the mortgage/loans that it already has.

Justification: If some of the term liabilities are repaid, *Better Books*' total liabilities and assets will decrease while its equity will stay the same. As a result, the proportion of assets funded by the owner will increase, which will increase the equity ratio.

Activity 28D (p. 259)

| Transaction | Current ratio | Liquid ratio | Equity ratio |
|--|---------------|--------------|--------------|
| Paid off loan | Decrease | Decrease | Increase |
| Owner invested vehicle into the business | No effect | No effect | Increase |
| Purchased furniture using accounts payable | Decrease | Decrease | Decrease |
| Sold inventory for cash ¹ | Increase | Increase | Increase |
| Owner took cash for personal use | Decrease | Decrease | Decrease |
| Purchased inventory on credit ² | No effect | Decrease | Decrease |
| Purchased inventory for cash ³ | No effect | decrease | No effect |
| Sold vehicle for cash | Increase | Increase | No effect |
| Received a term loan | Increase | Increase | Decrease |

Notes:

- Assuming that the inventory is sold for more than it was purchased for.
- The same amount would be added to both assets and liabilities so the change would be neutral or indeterminable as it would differ, depending on what the totals were initially.
- Increase and decrease current assets by the same amount.

Activity 28E – consolidation (p. 260)

| 1. A. | Analysis | Working 2023 | Answer 2023 |
|-------|---------------|----------------------------|-------------|
| | Current ratio | 22 800 ÷ 11 200 | 2.04 : 1 |
| | Liquid ratio | (22 800 – 8 400) ÷ 11 200 | 1.29 : 1 |
| | Equity ratio | 52 600 ÷ (22 800 + 83 000) | 0.50 : 1 |

| | Analysis | Working 2024 | Answer 2024 |
|--|---------------|-----------------------------|-------------|
| | Current ratio | 26 400 ÷ 15 000 | 1.76 : 1 |
| | Liquid ratio | (26 400 – 10 600) ÷ 15 000 | 1.05 : 1 |
| | Equity ratio | 71 400 ÷ (26 400 + 120 000) | 0.49 : 1 |

B. Current ratio percentage – The current ratio of 1.76 : 1 means that in 2024 *Your Mart Department Store* has \$1.76 in current assets to repay every \$1 of current liabilities. This means that it should be able to repay its current/short-term debts as they fall due.

Liquid ratio percentage – The liquid ratio of 1.05 : 1 means that in 2024 *Your Mart Department Store* has \$1.05 in liquid assets to repay every \$1 of liquid liabilities. This means that it should just be able to repay its immediate debts as they fall due in the normal course of business.

Equity ratio percentage – The equity ratio of 0.49 : 1 in 2024 means that 49% (or 49 cents for every \$1) of *Your Mart Department Store*'s total assets have been financed by the owner. This is not a very stable financial situation, since the owner has funded (*Note: NOT 'owns' or 'controls'*) less than half the business's assets.

C. Current ratio percentage – One reason for the trend in the current ratio decreasing from 2023 to 2024 for *Your Mart Department Store* is that it purchased some new shop fittings on short-term credit. This would have led to an increase in accounts payable which increased current liabilities which decreased the current ratio.

Liquid ratio percentage – One reason for the trend in the liquid ratio decreasing from 2023 to 2024 for *Your Mart Department Store* is that it purchased some new shop fittings on short-term credit. This would have led to an increase in accounts payable which increased liquid liabilities which decreased the liquid ratio.

OR

One reason for the trend in the current ratio decreasing from 2023 to 2024 for *Your Mart Department Store* is that it purchased large amounts of inventory using cash. This led to a decrease in the liquid asset 'Cash' at bank, which decreased the liquid ratio.

Equity ratio percentage – One reason for the decrease in equity ratio for *Your Mart Department Store* from 2023 to 2024 was a large increase in its liabilities, caused by taking on a bank loan to purchase some equipment. This resulted in an increase in liabilities and assets, without increasing capital in this transaction. As a result, *Your Mart Department Store*'s equity ratio decreased.

D. Current ratio

Recommendation: *Your Mart Department Store* could improve its current ratio if the owner were to invest more cash into the business.

Justification: By investing more cash, the owner will increase *Your Mart Department Store*'s bank balance, which will result in an increase in the current asset 'Bank'. This will increase (improve) the current ratio.

Liquid ratio

Recommendation: *Your Mart Department Store* could improve its liquid ratio by having a large sale of its inventory for cash.

Justification: By selling inventory for cash, *Your Mart Department Store* will increase its bank balance, which will result in increasing the liquid asset 'Bank' and not increasing liquid liabilities. This will increase (improve) the liquid ratio.

OR

Recommendation: *Your Mart Department Store* could improve its liquid ratio if the owner were to invest more cash into the business.

Justification: By investing more cash, the owner will increase *Your Mart Department Store's* bank balance, which will result in an increase in the liquid asset 'Bank'. This will increase (improve) the liquid ratio.

Equity ratio

Recommendation: *Your Mart Department Store* could improve its equity ratio if the owner were to invest more cash into the business.

Justification: By investing more cash, the owner will increase *Your Mart Department Store's* bank balance, which will result in an increase in the current asset 'Bank' and the business's capital, which in turn will increase equity and increase (improve) the equity ratio.

- E. *Your Mart Department Store* could get a five-year bank loan. This will increase the current asset 'Bank', so both the current assets and the current ratio would increase, since the loan is not a current liability. The loan also increases non-current liabilities and does not affect *Your Mart Department Store's* capital, therefore the liabilities would be financing more assets than before – this situation decreases the business's equity ratio.
- F. One transaction that would improve all three ratios is investment of more money into *Your Mart Department Store* by the owner of the business. This transaction will result in an increase in the business's bank account which is both a liquid and a current asset. Such an increase would therefore increase both the liquid and the current ratios. Because it is the owner who is investing the money there will also be an increase in capital. This then increases the closing equity which increases *Your Mart Department Store's* equity ratio.

2. A.

| Analysis | Working 2023 | Answer 2023 |
|---------------|---|-------------|
| Current ratio | $\frac{4\,600 + 6\,400 + 100 + 1\,820}{3\,100 + 800}$ | 3.31:1 |
| Liquid ratio | $\frac{4\,600 + 1\,820}{3\,100 + 800}$ | 1.65:1 |
| Equity ratio | $\frac{84\,020}{147\,920}$ | 0.57:1 |

| Analysis | Working 2024 | Answer 2024 |
|---------------|---|-------------|
| Current ratio | $\frac{2\,300 + 8\,100 + 120 + 2\,100}{2\,800 + 650}$ | 3.66:1 |
| Liquid ratio | $\frac{2\,300 + 2\,100}{2\,800 + 650}$ | 1.28:1 |
| Equity ratio | $\frac{83\,170}{160\,620}$ | 0.52:1 |

- B. **Current ratio** – The current ratio of 3.66:1 means that in 2024 *Best Meat Butchery* has \$3.66 current assets to repay every \$1 of current liabilities. This means that it should be able to repay its current/short-term debts as they fall due.

Liquid ratio – The liquid ratio of 1.28:1 means that in 2024 *Best Meat Butchery* has \$1.28 liquid assets to repay every \$1 of liquid liabilities. This means that it should be able to repay its immediate debts as they fall due in the normal course of business.

Equity ratio – The equity ratio of 0.52:1 in 2024 means that 52% (or 52 cents for every \$1) of *Best Meat Butchery's* total assets have been financed by the owner. This is a reasonably stable position as the owner has funded (Note: NOT 'owns' or 'controls') just over half the business assets, and this amount is greater than *Best Meat Butchery's* liabilities.

- C. **Current ratio** – The increase in current ratio for *Best Meat Butchery* could have been caused when *Best Meat Butchery* increased its mortgage and used the money to buy inventory. This would have increased the current asset inventory while not increasing the current liabilities, which in turn would increase the current ratio.

Liquid ratio – The decrease in *Best Meat Butchery's* liquid ratio could have been caused by purchasing more inventory with cash which resulted in an increase in the current asset 'Inventory' but a decrease in the liquid asset 'Bank'. This decrease in liquid assets led to a decrease in liquid ratio.

Equity ratio – The decrease in equity ratio of *Best Meat Butchery* was probably caused by the increase in the mortgage of \$14 000 and by Accounts payable being used to purchase the new equipment and inventory. This resulted in an increase in liabilities and assets which led to a decrease in the equity ratio. (Note: *Equity increased overall but by not as much as the increase in liabilities, so it is not appropriate to use an answer which states that equity decreased – because it didn't.*)

- D. **Current ratio** – One way in which to improve the current ratio is for the owner of *Best Meat Butchery* to invest more cash into the business. This will increase the bank account which increases the current assets and therefore also the current ratio as current liabilities are not being increased in the transaction.

Liquid ratio – One way to improve the liquid ratio is for the owner of *Best Meat Butchery* to invest more cash into the business. This will increase the bank account which increases the liquid assets and therefore the liquid ratio, as liquid liabilities are not being increased in the transaction.

Equity ratio – One way to improve the equity ratio is for the owner of *Best Meat Butchery* to invest more cash into the business. This will increase the business's capital (and its bank account), which increases the equity and the equity ratio.

- E. During the year, the owner of *Best Meat Butchery* took cash drawings. Cash drawings will cause a decrease in both the current ratio and the equity ratio. It will decrease the current ratio because there would have been a decrease in the bank account, which decreased current assets and therefore the current ratio. The increased drawings would have decreased the equity of the business, and therefore also the equity ratio.

Activity 29A (p. 262)

Part A: Profitability

| Analysis measure | Analysis measures for <i>Teens Gearz</i> | |
|------------------------------------|--|--------|
| | 2024 % | 2025 % |
| Mark-up percentage | 100 | 132.6 |
| Gross profit percentage | 50 | 57 |
| Distribution costs percentage | 18.5 | 20 |
| Administration expenses percentage | 12 | 9 |
| Finance costs percentage | 4.5 | 6 |
| Profit percentage | 16 | 22 |
| Percentage change in sales | | +28 |

1. The distribution costs percentage tells Jessica that in 2024, *Teens Gearz* spent 18.5% of its sales on distribution costs, e.g. advertising and sales wages.
2. *Teens Gearz* could improve its distribution cost percentage by decreasing some of its distribution costs. For example, *Teens Gearz* could decrease the amount it spends on advertising by using black-and-white fliers instead of colour ones, which will mean advertising will not cost as much.
3. Decreasing the amount that *Teens Gearz* spends on advertising should help increase the profit for the year, and as a result the profit percentage should increase/improve.

5. The administration percentage has decreased from 2024 to 2025. One possible reason for this could be that *Teens Gearz* cut back on its electricity use by using energy-saving light bulbs and turning off lights and computers at night. This would have led to a decrease in administration expenses and therefore the administration expense percentage.
6. The profit percentage of 22% tells Jessica that *Teens Gearz* has 22 cents for every \$1 sales (or 22% of sales) left in the business as profit after all expenses have been accounted for. This was a good improvement on last year's figure.
7. This tells Jessica that sales in 2025 have increased by 28% from the sales in 2024, which is a very good result.
8. One possible reason for the increase in sales is that *Teens Gearz* did more advertising in 2025, which encouraged more customers to come to the shop, thus increasing sales.

OR

One possible reason for the increase in sales is that *Teens Gearz* increased its mark-up percentage, which increased the selling price which in turn increased sales dollars, even though the same amount of stock was sold.

Part B: Liquidity and financial stability

| Analysis measure | 2024 | 2025 |
|------------------|----------|----------|
| Current ratio | 2 : 1 | 1.5 : 1 |
| Liquid ratio | 0.75 : 1 | 0.70 : 1 |
| Equity ratio | 0.78 : 1 | 0.64 : 1 |

2. In 2024 the current ratio was 2 : 1 which means that *Teens Gearz* has \$2 of current assets to repay every \$1 of current liability. This means that it should be able to repay its short-term/current debts as they fall due in the normal course of business, since the current assets are greater than the current liabilities.
3. In 2024 the liquid ratio was 0.75 : 1 which means that *Teens Gearz* only has 75 cents of liquid assets to repay every \$1 of liquid liability. As a result, it is unlikely that it will be able to repay its immediate debts as they fall due, and Jessica will want to improve this result so that she can repay the immediate debts without having to borrow money.
4.
 - a. Jessica should invest \$15 000 cash into *Teens Gearz*.
 - b. If Jessica invests more money into the business, this will cause an increase in the liquid asset 'Bank', resulting in an increase in the liquid assets overall. This will also increase *Teens Gearz*'s equity ratio as it will increase capital.
5. The equity ratio in 2025 of 0.64 : 1 means that Jessica has financed 64% (or 64 cents in every \$1) of *Teens Gearz*'s assets. This means that the business is in a stable financial position because Jessica, the owner, has financed more than half the business assets – that is, more than the liabilities, which is a good position for the business to be in.

Activity 29B (p. 266)

Profitability analysis

1. Analysis measures chart for *Hatty's Hats*

| Analysis measure | 2023 | 2024 |
|-----------------------------------|--------|--------|
| Gross profit percentage | 40% | 45% |
| Distribution costs percentage | 10% | 20% |
| Administration expense percentage | 12% | 12.5% |
| Interest expense percentage | 3% | 2% |
| Profit percentage | 15% | 10.5% |
| Mark-up percentage | 66.67% | 81.82% |
| Percentage increase in sales | 20% | 33.33% |

2.
 - a. In 2024 the interest expense percentage for *Hatty's Hats* is 2% which means that it has spent 2% of its sales (or 2 cents in every \$1 of sales) on finance expenses such as interest payments on the loan.

- b. One reason for the decrease in the interest cost percentage is that *Hatty's Hats* paid off some of its loan. This would result in *Hatty's Hats* paying less interest on the loan, which decreased the finance costs and the finance cost percentage.
3. The mark-up percentage for *Hatty's Hats* is 81.82%, and this means that the cost price of the inventory it sells has been increased by 81.82% to get the selling price. For example, if a hat cost \$10 to buy, *Hatty's Hats* would sell it for \$18.18.

4.
 - a. One reason for the decrease in profit despite the increase in sales is the large increase in distribution costs (or administration expenses). This could have been caused by an increase in advertising expenses, for example if television instead of radio advertising was used (OR by a large increase in office salaries as Hatty employed another worker in the office). The wider advertising (OR extra worker in the office) has contributed to the increase in sales – but has also increased distribution (OR administration) and total expenses a great deal, resulting in a decrease in profit for the year.

- b. *Hatty's Hats* could decrease the amount it spends on administration by reducing its electricity costs. This could be done by using power-saving light bulbs and turning all computers off at night, or by trying to find a cheaper electricity supplier. Such measures would result in a decrease in administration expenses and therefore in total expenses, and in turn this would increase the profit for the year and the profit percentage.

OR

Hatty's Hats could increase its selling price to increase the business's mark-up percentage. This would increase the profit margin on each item of inventory sold, which would increase *Hatty's Hats*' gross profit and, it is hoped, also the profit for the year. An increase in profit for the year would increase the profit percentage.

5.
 - a. **2023:** Equity ratio 0.62 : 1; Liquid ratio 0.64 : 1; **2024:** Current ratio 1.80 : 1.
 - b. This means that Terry, the owner of *Cover Up* has financed 70 cents for every dollar of assets in 2024. This is a strength as the owner has financed more than half of the business assets.
 - c. The current ratio of 2 : 1 in 2024 tells Terry that *Cover Up* has \$2 current assets to repay every \$1 of current liabilities. This means that *Cover Up* should be able to repay its short-term/current debts as they fall due because it has more current assets than it has liabilities.
 - d. One possible reason for the decrease in liquid ratio is that *Cover Up* repaid a lot of its non-current liabilities, e.g. a bank loan. Because it paid off its loan, *Cover Up*'s bank account would have decreased. This would have decreased its liquid asset and also its liquid ratio. As a result, the current ratio would also have decreased due to the decrease in the asset 'Bank' being a decrease in *Cover Up*'s current assets.

OR

One possible reason for the decrease in liquid ratio is that *Cover Up* purchased a large amount of inventory with cash and on credit. As a consequence of purchasing the inventory, its liquid asset 'Bank' has decreased and the Accounts payable liquid liability has increased. Both of these have the result of decreasing the liquid ratio. This would have no effect on the current ratio as the current assets are increasing and decreasing by the same amount if all transactions are made in cash, or are cancelling out the increase in Accounts payable if transactions are made on credit.

- e. *Cover Up*'s liquid ratio could improve in the future if Terry the owner invests more cash into the business. This will result in an increase in *Cover Up*'s bank account. This will then increase the liquid assets because the liquid liabilities have not increased. Recommending that the owner invest more cash into the business will also improve *Cover Up*'s equity ratio because it will increase the capital, which increases the business's equity.

Activity 29C (p. 270)

Part A: Profitability

- Percentage change in sales = 50% increase
Mark-up % = 150%
Gross profit % = 60%
- This means that in 2022 *Seconds* has increased the cost price of its inventory by 186% to get the selling price for its second-hand items. For example, if a top cost \$10, it would be sold for \$28.60.
- Seconds'* sales have increased by 50% from last year, which is a positive trend. One possible reason for the increase is that *Seconds* opened an online store in November. *This would have increased the number of its customers, which would have increased the number of sales and therefore the percentage change in sales.*

OR

Seconds has spent more money on advertising this year, which is shown as 'the distribution expense increased from \$10 000 to \$18 000'. With more advertising, more people would have known about *Seconds*, therefore more customers would have been attracted, increasing the number of sales and raising the percentage increase in sales.

OR

Seconds lowered its mark-up % to lower the selling price to deliberately attract more customers, which increased the % change in sales.

- Lulu had to pay more for her second-hand purchases because she decided to stock better-quality label items, so she would have to pay more to buy these. She kept her selling prices the same because she did not want to scare away her customers. This increased *Seconds'* cost of goods sold and decreased the profit margin, which decreased both the mark-up percentage and the gross profit percentage.

Part B: Expenses

- Distribution costs % = 24%
Administrative expense % = 12%
Finance cost % = 3%
Profit for the year % = 21%
- The profit for the year percentage of 21% tells *Seconds* that in 2013 21% of its sales was left in the business after accounting for all expenses.

Reason:

This is a decrease from last year (down from 33%) and below the industry average of 25%. One possible reason for the decreasing trend is the large increase in distribution costs, of 24%. This is much larger than the industry average of 14%, indicating that *Seconds* is spending a lot of its sales on advertising and other delivery expenses, which increases expenses and decreases profit for the year and the profit percentage.

OR

This is a decrease from 33% last year from and below the industry average of 25%. One possible reason for the decreasing trend is the decrease in mark-up %, which means that *Seconds* is not making as much profit on each item sold as it formerly did because the better-quality clothes cost more to buy which raises COGS. This has decreased the percentage of sales left to cover the expenses, which decreased the profit and profit percentage.

Recommendation:

Seconds could improve its profit percentage if it decreased its advertising expenses by using black-and-white fliers instead of colour fliers and by taking advantage of advertising on its website, which is cheaper than other advertising. Decreased advertising would decrease distribution costs and therefore increase profit for the year and the profit percentage.

OR

decrease internet, interest on loan, etc.

OR

Seconds could improve its profit percentage by increasing its mark-up percentage by increasing the selling price of its inventory, which it can do because it is selling better-quality, labelled clothes. This will increase the

profit margin on each item, which will increase gross profit and profit for the year percentage.

Part C: Ratios

- Equity ratio = 0.56 : 1
Liquid ratio = 0.71 : 1
- The equity ratio for 2021 tells Lulu that she has invested 56 cents for every dollar of *Seconds'* total assets. This has decreased from last year but is still more than half / more than the liabilities so it is reasonably stable.
- One reason for the decreasing trend in liquid ratio for *Seconds* in 2021 is that Bank has decreased / Accounts payable has increased. This is possibly because of the increase in inventory being purchased / Lulu took a large amount of drawings / purchased new PPE (for example) for cash, which decreases the bank account. The decrease in Bank has decreased liquid assets, which has decreased the liquid ratio, and the increase in accounts payable has increased the liquid liabilities, which has decreased the liquid ratio.
- Recommendation: Lulu should invest more cash in *Seconds*.
Justification: If Lulu invests more money in *Seconds* this will increase the asset 'Bank', which also increases the capital account. Increasing the capital account increases the equity of *Seconds*, and therefore increases the equity ratio and increases its ability to apply for more funds from the bank.

Activity 30 (p. 277)

- Option One – Catch a flight to Nelson, hire a mini-van there, and stay in the camping ground.

Option Two – Drive to Nelson in mini-van and stay in a motel.

| Comparative cash budget for hockey tournament accommodation and travel | | | | |
|--|---------------------|--------------------------|-----------------------|--|
| | Option One | | Option Two | |
| Flights | 5 040.00 | Mini-van | 1 380.00 | |
| Mini-van | 1 560.00 | – | | |
| Petrol | 160.00 | Petrol | 520.00 | |
| Accommodation | 2 250.00 | Accommodation | 4 644.00 | |
| Laundry | 24.00 | Laundry | 20.00 | |
| Total costs | 9 034.00 | Total costs | 6 564.00 | |
| Budgeted cost per person | 564.63 | Budgeted cost per person | 410.25 | |
| Budget allowed | 550.00 | Budget allowed | 550.00 | |
| Difference | \$14.63 over budget | Difference | \$139.75 under budget | |

Report

I recommend that the hockey manager should choose Option Two for the accommodation and travel arrangements for attending the hockey tournament in Nelson. The reasons for my decision and recommendation are outlined below.

Option Two is the cheaper of the two options. If this option is selected, the players will have to pay \$410.25 each for their travel and accommodation, which is \$154.38 less than the cost involved if Option One is chosen. The cost of Option Two is under the budget (whereas the cost involved with Option One is slightly over budget). In addition, there are the fixed costs of \$250, which brings the total cost to \$660.25 per player for travel, six nights' accommodation in a motel and participating in the tournament.

Option Two offers motel accommodation, and I believe having comfortable accommodation is more important than cutting down on travel time, because the team will be using the motel accommodation for downtime and sleeping for five days, but travelling by will only really save about four hours, if the time it takes to travel to the airport and wait to board the flight is taken into consideration.

Although the travel time in a mini-van and the possibility of team members getting car-sick are disadvantages, the fact that Option Two will be cheaper and includes more comfortable accommodation outweighs these disadvantages. An advantage of travelling in the van is that it will be great for team spirit, as members will be able to bond (for example by singing songs together) during the trip. As this is a team trip, such bonding is important, and the fact that we get to spend an extra night after the tournament will be fun for the players. This is another reason for supporting this option.

While the cheapest way to conduct the trip would be to combine Option Two's transport choice with Option One's accommodation arrangement, I recommend keeping Option Two as described above, despite its more expensive accommodation selection. Each motel unit has its own bathroom facilities, which means that team members won't have to wait in queues for showers – a great advantage, seeing that the tournament is being held in winter. The individual motel units will be more spacious than the camping ground facilities, so team members can spread out, and those who want to read or study will be able to do so – even if others are being noisy! It is also better to sleep in beds instead of bunks, in case someone falls out and injures him- or herself.

Option Two will be more convenient for the parent helpers than Option One, because they'll be able to prepare meals in the motel units and won't have to worry about food disappearing from communal fridges or whether the campsite kitchen will be available when they need to be cooking. They will be extra pleased that the motel owners will do the laundry – and this was also the cheaper laundry option of the two! This will give the parent helpers more time to relax and look after the players. Option Two should ensure that everyone sleeps well, which is really important on sports trips. The adults also have their own units, and will not be accommodated in bunk rooms, which is more pleasant for them. Although some might be sleeping in the lounge of the motel units, this is nevertheless better than falling out of a bunk!

Conclusion

Option Two is the better option, both for financial and non-financial reasons.

2. *Students' own answers. Ensure that you include at least two different savings options, and that you have calculated interest returns, etc. for each of the two. Also outline the fees and other costs for each of the options you present. Your non-financial information should include accessibility and other benefits the option provides as well as any other relevant information that might influence your decision. You should provide a table summary of the financial information and then a written report supporting your recommendation. Include a bibliography.*
3. *Students' own answers. Ensure that you discuss at least two different fundraising options and that you have calculated the income from each one, as well as expenses and profit. Your non-financial information should include details of how easy it will be to set up the fundraising activity, the time it will take, and other relevant information that might influence your decision. You should provide a table summary of the financial information and then a written report supporting your recommendation. Include a bibliography.*

Activity 31A (p. 284)

| Document | Purpose |
|----------------------------|--|
| Pay slip | Evidence of your gross pay, deductions and net pay for a set period of time |
| Credit note | Evidence of a credit amount, that can be spent at another time |
| Cheque and cheque butt | A form of payment, and the copy that you keep recording what you spent |
| Deposit slip | A form filled out when you deposit money manually into a bank account |
| EFTPOS voucher/receipts | Evidence that you bought something using your debit card |
| Discount voucher | A voucher which allows you to receive a discount with your purchase |
| Credit card statement | A summary of the monthly transactions using your credit card, and also how much you owe, how much you need to pay, and the 'due by' date |
| Receipt | Evidence that you have paid money |
| Tax invoice | Evidence that you have purchased a good or service on credit |
| Statement of account | A summary of the month's transactions from a business from which you have purchased items on credit and to which you still owe money |
| Bank statement | A summary of all the payments and deposits in your bank account for a period of time |
| Fixed-term credit contract | A contract stipulating that you have purchased an item on credit, and will pay off the debt in fixed instalments over a set period of time |
| ATM printout | Evidence of a withdrawal or deposit using an ATM machine |

2. An EFTPOS receipt is *proof of payment using a debit card* for a stated amount, from a stated account.
3. An invoice is proof of buying a good or service *on credit*.
4.
 - a. ATM slip: To be kept as proof that you deposited or withdrew a particular amount of money from an account. You should check your bank account statement to make sure that the correct amount was recorded.
 - b. Receipt from tennis club: To be kept as proof that you have paid a certain amount of money to the tennis club (probably for subscriptions). Keeping the receipt will ensure that you don't have to pay a second time.
 - c. EFTPOS voucher/receipt: To be kept as proof of how much money should be deducted from the stated bank account. You need to check it against the bank statement to make sure you weren't overcharged.
 - d. Credit note: To be kept as proof that you have credit to spend at a later date or an amount to be deducted from your monthly account. A credit note is proof of the amount of credit available to you, and also that you won't have to pay for a good you no longer have. It can also be used in case the credit amount is not deducted from your next account, to show that that amount is owing to you.
 - e. Pay slip: To be kept as proof of the number of hours you have been paid for and the net pay you received. You should check your bank account to make sure you received this amount. You should also keep it to help you complete your tax return at the end of March each year. If you were not paid correctly for the number of hours you worked, you can take your pay slip to your employer to solve the problem by comparing the hours on your time sheet with the hours you were paid for according to your pay slip.

Activity 31B (p. 289)

1. EFTPOS voucher/receipt

| Important information | Explanation of its importance |
|-----------------------|--|
| Cutz Rite | The business name is important as it proves that Holly paid \$43.99 to her hairdresser, <i>Cutz Rite</i> . If she is accused of not paying for her haircut she can show this document to <i>Cutz Rite</i> . Because Holly is likely to have many of EFTPOS receipts, the name of the business is important to distinguish between the receipts and so that Holly knows which amount was spent at which business. This helps prevent paying for something twice. |
| Date: 28 March 2022 | Holly can use the date (28 March 2022) to check this voucher against the information on her next VISA statement. (Sometimes transactions take a few days to be processed.) Holly must also make sure that she has enough credit on this date to use her credit card to pay for her purchase of \$43.99. |
| Credit | The credit reference informs Holly which account the payment has been taken from. She has EFTPOS access to her cheque and savings accounts as well as to her credit card, so it is important to check which account this transaction is for. In this case, her credit account has been increased by \$43.99 and she will need to check her credit card statement to ensure that this is correct. She will have to pay this amount along with all other credit purchases this month by the due date shown on the credit card statement. |
| VISA Card ...6539 | Holly has two credit cards so it is important that she knows which one of the two she has used for this payment. This payment was made using the credit card of which the last four digits are '6539', Holly will use this information to this card's statement for accuracy of the amount charged. |
| Total | The total of this EFTPOS payment charged to Holly's credit card, VISA #6539 is \$43.99. Holly needs to check that this amount is correctly recorded on the VISA statement so that she is not overcharged. She will also need to ensure that she has this amount of money in her bank account to repay the credit card company next month. |
| Accepted | This tells Holly that the transaction was accepted and that <i>Cutz Rite</i> has been paid the \$43.99. 'Accepted' also means that now Holly must repay the VISA credit card company this amount. |

2. Receipt

| Important information | Explanation of its importance |
|---|--|
| <i>East High School</i> and its address | This is important for Mrs Smith so that she knows who issued her with a receipt; in this case <i>East High School</i> . Mrs Smith also needs to have the school's address so that she will know where to go if she has any queries (but in this case, since it is her son's school she knows this already). Mrs Smith might file this receipt under the school's name so that it will be easy to find it later if she needs to prove that she has paid for the items listed on the receipt. |
| Date: 23 March 2023 | This tells Mrs Smith that the receipt was issued on 23 March 2023, which is useful information proving for which term the school donation and other fees were paid. If <i>East High School</i> claims that Mrs Smith didn't pay any fees in Term One, she can prove that she did by providing the date of payment and the receipt number (234), which should clear up any problems. |
| Mrs J E Smith and her address | Mrs Smith will want to check that this is her name and address as there might be more than one Smith family with children at the same school. All contact details must be correct so that Mrs Smith can receive any other documents sent to her from <i>East High School</i> , and so she needs to check the address given on the receipt. |
| Student: John Smith | This information is very important for Mrs Smith, especially as she has more than one child who is a student at <i>East High School</i> . It is important that she checks with John that he did take part in all the activities listed on the receipt, to ensure that she has not paid for items that were not for her son. She will also want to keep track of what she has paid for for each of her children over the year. |
| For (description of items paid for) | Mrs Smith needs to check that the items she has paid for are correct, and that John has used them. In this case, the camp, school donation, athletics trip and stationery are the items listed. If John is injured and can't go on the athletics trip she might be able to ask for a refund as she has proof that she paid for it. It is also very important to keep proof of payment of the school donation, so that John gets the year book, etc. |
| Amounts and 'Pd' | Mrs Smith needs to check that the correct amount has been charged for each of the donation, camp, trip and stationery to make sure that she hasn't paid more than she should have for these items. It is important to check prices as mistakes can occur and Mrs Smith doesn't want to spend more than she should. She can check these amounts against the original invoice (number 569) that she will have on file. If Mrs Smith is asked to pay for any of the above items again, she can show this receipt to prove that she has paid for them already. |
| Total received \$681.39 | This states that, on 23 March 2023, Mrs Smith paid a total of \$681.39 for John's school donation and activities. This amount should be checked against her bank statement if she paid by cheque or direct credit and she should update her personal cash records with this amount to help with future budgeting, etc. |

3. Credit note

| Important information | Explanation of its importance |
|--|--|
| Credit Note 12 | This information is important to the treasurer of <i>Gumboot Tennis Club</i> because he can quote the number when making any inquiries of <i>Serve U Sport</i> if the credit does not appear on the next monthly statement. This proves that <i>Gumboot Tennis Club</i> is owed \$13.80 by the shop <i>Serve U Sport</i> and the credit note should be filed until the next statement arrives. It can then be checked against the statement to ensure that the club does not pay for tennis balls it no longer has. |
| <i>Serve U Sport</i> and its address | The name and address of <i>Serve U Sport</i> are important for the treasurer of <i>Gumboot Tennis Club</i> because he needs to know which business has given the club the credit note, so that the club can go back to <i>Serve U Sport</i> and spend the \$13.80 on something else, or check that it has been deducted from the next statement. |
| Date: 3 July 2024 | The date shows that <i>Gumboot Tennis Club</i> returned the tennis balls to <i>Serve U Sport</i> on 3 July 2024. This date could be important because often a credit note has a three-month time limit, so <i>Gumboot Tennis Club</i> must make sure it spends this credit before it expires on 3 October 2024. |
| <i>Gumboot Tennis Club</i> and its address | This is important because the club's treasurer must check that <i>Serve U Sport</i> has the correct contact details on file and the club will keep receiving its invoices and statements. If these address details are wrong then <i>Gumboot Tennis Club</i> might not receive its statement and end up having a bad reputation for not paying its accounts on time – which would not be a good outcome. |
| Quantity and items | This shows that <i>Gumboot Tennis Club</i> returned one tin of tennis balls to <i>Serve U Sport</i> , and this is important information because the treasurer needs to check that this is, in fact, what was returned. If these details are incorrect then it is likely that the amount of credit will also be incorrect. |
| Unit price and total including GST \$13.80 | <i>Gumboot Tennis Club's</i> treasurer needs to check that the amount credited is the same as the amount the club paid for the tennis balls when they were purchased. In this case, the balls cost \$13.80 including GST. If the treasurer does not check this detail, then the club might not be receiving the full amount of credit which it is entitled to. This information is important to help <i>Gumboot Tennis Club</i> protect its cash asset. |
| Reason | The reason for the return is more important for <i>Serve U Sport</i> than for <i>Gumboot Tennis Club</i> . It enables <i>Serve U Sport</i> to keep track of why people are returning stock and to see if there are any trends in this. The information is also useful for <i>Gumboot Tennis Club</i> as it enables the club to prove that it is checking the quality of its purchases and is not paying for faulty goods. It might also be useful if the club runs out of balls, because it will indicate why this has happened. |
| Authorised | The authorising signature (Sophie's) is important as it proves that the credit note has been authorised and approved by Sophie on behalf of <i>Serve U Sport</i> . This give the treasurer of <i>Gumboot Tennis Club</i> the reassurance that the credit note is legitimate. If there are problems with the credit note, then the treasurer has the name of the person to contact in order to solve the difficulty. |

Activity 32 (p. 294)

| | Describing the control | Explaining the control |
|-------|---|---|
| 1. a. | Mr Jones has his wages paid by direct credit. This means that his wages are automatically transferred into his bank account from his employer's bank account. | This is an important control as it means the money is electronically put into Mr Jones's account. He has access to his money straight away and does not have to wait five days for a cheque to clear. In addition, the money is safe in the bank, and there is no chance of his losing a pay cheque or having it stolen from him before he gets to the bank. |
| b. | Mr Jones does most of his shopping by EFTPOS which involves him using his debit card. The money is electronically transferred from his bank account to the shop's on the day of the purchase. | This is a good way in which Mr Jones protects his money as it means he does not have to carry large amounts of cash around that he could lose, or that might be stolen. If he carries a large amount of cash it is also easy to waste money by spending it on things he doesn't need. Using EFTPOS means he can only spend what money he has in his account, so this helps prevent overspending. The amount of the transaction will appear on his bank statement which he should check for accuracy. |
| c. | Mr Jones keeps his pay slip until after his bank statement arrives so that he can check whether the correct amount of money was deposited into his bank account. | It is important to check your pay slip to ensure that you have been paid the correct amount of wages. Mr Jones then keeps the pay slip to check against his bank statement. If he doesn't check that the correct amount of pay has been deposited into his bank account, he might be missing out on hard-earned wages. He needs to keep the pay slip as proof of what the amount should be. |
| d. | Mr Jones pays his phone and rates bills by direct debit. This means that those businesses are authorised to have the amount owed electronically transferred from Mr Jones's account into their bank accounts. | This is a great control to help protect Mr Jones's money. The first reason is that he will not forget to pay his bills, so does not risk having to pay interest on sums overdue to the council for rates. Secondly, the phone company has a discount for people who pay their bills on time and Mr Jones gets this discount automatically because the direct debit payment always gets transferred on time. It also means that if Mr Jones is away on holiday his bills will still get paid, with no interest charged and no risk of having his phone disconnected. |

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| e. | Mr Jones pays his mortgage by automatic payment. This means that a fixed amount is taken from his bank account monthly and transferred into the bank account of the bank that he has the mortgage with. In Mr Jones's case this happens on the 15th of each month. | This is a good way to protect Mr Jones's cash as he doesn't have to remember to pay his mortgage and risk being charged even more interest. The automatic payment is set up for the same amount every month so it is easy to keep track of and budget for. This method of payment will also prevent Mr Jones missing repayments which could put his home ownership at risk. |
| f. | Mr Jones withdraws \$50 in cash each week to spend on small items and at shops which don't accept EFTPOS, such as the local farmers' market. | By withdrawing a small amount weekly, Mr Jones only has a small amount of money at risk of being lost or stolen. This helps prevent the loss of lots of money and reduces impulse buying. By making a weekly withdrawal, he keeps his bank fees lower than they would if he took many smaller amounts out. Reducing bank fees and charges is important if you want to make the most of your money. |

| | Describing the control | Explaining the control |
|----|---|---|
| a. | Aunty Mary has her wages paid by cheque every fortnight which means that she has to bank the cheque and wait about five days before being able to access the money. | Aunty Mary gets her wages paid by cheque. This is a lot safer than cash which would be a lot of money that she could lose or that could be stolen. The cheque is safe because even if she loses it, no one else can bank it as it is crossed with the words 'Not transferable', and her employer could cancel the cheque and pay her again. Aunty Mary will have to budget carefully, though, as it will take about five days before she can access her money after banking the cheque. |
| b. | Aunty Mary goes to the bank every second Thursday to bank her wages promptly and to withdraw \$50 cash for small expenses. | By withdrawing \$50 each fortnight, Aunty Mary only has a small amount of money at risk of being lost or stolen. This helps prevent the loss of a lot of money, or impulse buying. By making a fortnightly withdrawal, she keeps her bank fees lower than they would be if she took lots of smaller amounts out or used her EFTPOS card for small amounts, because the bank charges her for each transaction. Reducing bank fees and charges is important if you want to make the most of your money. |

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| c. | Aunty Mary uses her credit card for most of her shopping which means that the shops get the money electronically that same day. Aunty Mary only has to pay her credit card bill once a month. Aunty Mary can only use her credit card if she hasn't spent her limit. | By using the credit card, Aunty Mary does not need to carry much cash around so that if she gets robbed, she wouldn't lose much cash. Having a credit card is safer than carrying large amounts of cash, especially when she is buying expensive products. The credit card also allows Aunty Mary to spend money even if her wage cheque has not yet been cleared by the bank, and to pay for the purchases the next month. Providing Aunty Mary pays her credit card account in full every month, she will not get charged interest. At the same time, she can earn interest on the money in her cheque account as she hasn't spent it yet. |
| d. | Aunty Mary records all her cheque account transaction in a personal cash book to help her keep track of her spending and how much money is left in her account. | By keeping a record of all her banking transactions, Aunty Mary knows how money she has in her account. This enables her to avoid overspending or going into overdraft, which would cost her a lot of money in fees and interest. Aunty Mary can also check to see whether the transactions on her bank statement are the same as the ones she has recorded and to identify any errors. This means that she will not pay for the same thing twice, and will not pay too much for a transaction, which obviously saves her money in the long run. |
| e. | Aunty Mary completes a bank reconciliation each month by checking her personal cash book against her bank statement to check for missing payments or other errors. | Aunty Mary prepares a bank reconciliation monthly. This means that any errors by the bank – or by Aunty Mary – can be identified. For example, if she recorded something for less than she actually spent on it, she might run out of money and that would cost her interest and overdraft charges, so it is important to avoid this type of mistake. Doing a bank reconciliation is a good way to know exactly what your bank account balance is. |

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| f. | Aunty Mary pays her rent by automatic payment which involves an electronic transfer of a fixed amount of money from my Aunty's account into her landlord's account. | The automatic payment is the same amount every month so it is a great way to pay rent as this amount doesn't change from month to month. Aunty Mary can set this up and then not have to worry about paying her rent. If she didn't have this set up and she forgot, her landlord could try to evict her and that would cost her a lot more money – and she might not have anywhere to live for a while. Aunty Mary can check the automatic payments against her bank statement to make sure they are correct. |
| g. | Aunty Mary uses her calendar to record when all her bills are due so that she can check every day and make sure that she doesn't miss a payment. | By recording when all bills are due, Aunty Mary should make all her payments on time. Making payments on time is important and several business often discounts for people who pay by a certain date. This will save Aunty money and she can then spend that money on something else. Other businesses charge fees and interest if you pay late and it is important that Aunty Mary doesn't have to pay more than she needs to. Other businesses disconnect services or stop credit which can cause a variety of problems. Paying on time is essential to save money and also for keeping a good credit rating. |
| g. | Aunty Mary pays her bills by cheque if she is posting her payment. | Aunty Mary pays any bills that she sends in the mail by cheque. This helps protect her money as only the business or the person she is paying can bank that cheque – providing she crosses the cheque with the words 'Non-transferable' or 'Account payee only'. If the cheque gets banked then she has proof that she paid that account. If the cheque gets lost she can cancel it, whereas if she sent cash then the money could be stolen, the payment could not be traced, and she would still owe the amount shown on the bill. |
| g | Aunty Mary pays some of her bills by telephone banking which means she rings the bank and electronically transfers the money from her account to the business's account. She would have already set up the business's details through her banking system and would use a password to gain access to this information. | Payment by telephone banking is easy and convenient and Aunty Mary can do it at any time of the day (or night). By paying using telephone banking she can electronically transfer the amount owed and not have to worry about losing the cash or a cheque. It is safe as she will have a PIN, which no one else knows, to access her account. |

| 3. | Describing the control | Explaining the control |
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| a. | Granny's superannuation is paid by direct credit every second Thursday which means that it is automatically transferred into her bank account and can be spent straight away. | This is an important control as it means the superannuation money is electronically transferred into Granny's account. She has access to her money straight away and will not have to wait five days for a cheque to clear. The money is safe in the bank. There is no chance of her losing her pension or getting it stolen from her before she gets to the bank. |
| b. | Granny uses EFTPOS for most of her payment. This means she uses her debit card with a secure PIN that only she knows and the money is transferred electronically from her account into the shop's account. | This is a good way to protect Granny's money as it means she does not need to carry large amounts of cash around that she could lose or that could be stolen. By having a PIN on her card, only she can access her account so if she loses her wallet whoever finds it or steals it cannot access her account. Granny can also check the amount of the transactions against her bank statement to make sure she isn't charged too much. |
| b. | Granny's bank account has a flat fee of \$5 which means she can do as many transactions as she wants to, while not being charged more than \$5 each month. | By having an account with a flat fee, Granny can easily budget for her bank fees each month. It also means that she can use her debit card for EFTPOS transactions as many times as she wants and only get charged the \$5. This is safe because she doesn't need to carry large amounts of cash, as most shops accept EFTPOS. |
| c. | Granny withdraws \$200 cash every second Friday and keeps \$20 in her wallet for small expenses or to pay for purchases if a shop doesn't have EFTPOS facilities; for example, when she buys her newspaper from the dairy. | By withdrawing \$200 each fortnight, Granny only has a relatively small amount of money at risk of being lost or stolen. This helps prevent the loss of lots of money or impulse buying. By keeping most of it safe at home, she also safeguards the cash. Granny only has \$20 in her wallet so if she loses her wallet she doesn't lose much money. Even though she has a flat fee structure on her account, it is useful and convenient to have a small amount of money, especially when buying items like her newspaper. |

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| d. | Granny has internet banking and uses it to check her transactions and statements to make sure no mistakes have been made. | By using the internet to check her EFTPOS transactions and to make sure her superannuation has been paid correctly, Granny has the convenience of making sure that everything is accurate without having to leave home. It also gives Granny up-to-date information on the balance of her bank account which will prevent her from running out of money. She is also able to set up electronic internet payments if she wants to. This helps safeguard Granny's cash by making sure the amounts withdrawn from her account are the correct ones. |
| e. | Whenever bills arrive in the mail, Granny checks that the details are correct and that she is not being charged too much. | Granny is very good in that she checks whether her bills and accounts are correct. This prevents her paying bills which are not hers, or for goods or services that she did not buy. Granny keeps her invoices and receipts to check against the bank statements to make sure she is not being overcharged, and again this is saving her money. |

| 4. | Describing the control | Explaining the control |
|----|--|--|
| a. | Coach withdraws \$50 cash each week to avoid paying high bank fees and to have money for small payments and when he buys things at shops that don't accept EFTPOS. | Coach is safeguarding his money by not having to spend unnecessary money on bank transaction fees. Making only one withdrawal a week reduces the bank fees he has to pay. It is also important that he withdraws a relatively small amount of money, thus reducing the risk of losing a large sum. It is also often too easy to spend money if it is in your wallet, so by withdrawing only \$50 at a time, Coach will be less likely to overspend or buy on impulse very often as he doesn't have the cash to do so. |
| b. | Coach records all his transactions in a personal cash book so that he can keep track of his spending and how much money he has left in his bank account, in order to avoid running out of money. | By keeping a record of all the transactions in his bank account, Coach has a good idea of how money is in his account at any time. This prevents him from overspending or going into overdraft, which would cost him a lot of money in fees and interest. Coach can also cross-check the transactions noted on his bank statement against those he has recorded, and identify any errors. This means that he will not pay for things twice, or pay too much for a transaction – which obviously saves him money in the long run. |

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| c. | Coach keeps all important receipts in a filing cabinet. This means that he can easily find them when he needs them if he wants to return goods, or check them against bank statements. | Coach has the good habit of keeping his receipts. He has proof of payment, so if he is accused of not paying a bill he can prove that he has in fact done so. This safeguards his money because he will not have to pay for something twice. If he did not keep receipts, it would be difficult to prove what he purchased and paid for. Coach also has the receipt/invoice as proof of purchase so that if the goods are faulty, he can return them to the business where he bought them. Without the receipt (proof of purchase) he might not get a refund or a replacement and would have to spend more money to purchase a replacement. |
| d. | Coach checks his bank statement against his personal cash book to make sure that all transactions are correct. | Coach checks his bank statement against his personal cash book to make sure neither contains any errors. This could save him money in the long run. It also give him a good idea of the amount of money in his account at any time, to help him not to overspend and not to go into overdraft – which will cost him a lot in fees and interest over time. In addition, if Coach identifies any wrong amounts, he can use his receipts to rectify any problems. If he didn't do this checking, he might remain oblivious to having been overcharged. |
| e. | Coach uses his diary to record the due date for all his bills as they arrive, so that he won't forget to pay them. He checks his diary every day and so he will see when a bill is due for payment. | By recording the due dates in his diary, Coach should pay all his bills on time. This will save him money as he will be able to take advantage of any early-bird discounts, and as he will also avoid paying any interest and other charges on late payments. Keeping a record of payment dates and amounts due, he also has an aid to budgeting and can ensure that he doesn't run out of money when there are still large or important bills needing to be paid before he receives his next wages. |
| f. | Coach pays his VISA account by direct debit, which means the amount owing is transferred electronically from his account to his VISA account on the due date. | This is a great control to help protect Coach's money as it avoids the problem of forgetting to pay his VISA bill. The direct debit set-up means that the full amount owed will be paid off every month, and so no interest will be charged. The interest rates charged on credit cards balances are very high, so if you don't pay the full amount every month, or if you pay late, this is an expense. Coach's choice of paying his VISA bill by direct debit is the best way to avoid extra charges, and it saves him money. |

Activity 33 (p. 296)

Part A – Cash controls

Cash receipts and cash on hand

| Describing the control | Explaining the control |
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| Uncle Bob receives his wages by direct credit monthly which means his wages are paid electronically and directly into his bank account. | This is a safe way for Uncle Bob to receive his wages because he does not have to carry large amounts of cash around while waiting to get to the bank, nor does he have to wait for a cheque to clear. This means that he has the money available to pay his bills straight away so he won't incur fees. |
| Uncle Bob receives his dividends by cheque. This arrives in the mail and then he banks it soon after it arrives. | This is a safe way to receive his dividends because the cheque is made out to him and it needs to be deposited into his bank account. If someone else receives the cheque or finds it, they can not get access to Uncle Bob's money. |
| Uncle Bob sells some things on Trade Me and he receives this money in cash or by internet transfer – i.e. the money is paid electronically straight into his bank account. | Uncle Bob never delivers the item he has sold until he has received the money for it. This prevents him from being ripped off by the buyer, and thus protects his assets. The cash he receives is 'bonus' money and he keeps it in his wallet which he always keeps safe on his person. This safeguards against loss of the money. If payment is made by internet transfer, it is placed directly in his account and there is no risk of losing it on the way to the bank. |
| Uncle Bob keeps a limited amount of cash at home or in his wallet which is always with him for safety. A maximum of \$300 is kept hidden in different places around his house. | Because Uncle Bob always has his wallet with him it is safe and he is unlikely to lose it or the cash in it – which is limited to \$100 anyway. If the wallet gets stolen then he will be losing no more than \$100. The money at home is kept in various places which means that if someone broke in, they probably wouldn't find all the money. Uncle Bob keeps all his other money safe in the bank which protects it against burglary and impulse spending – and in the bank it also earns interest, thus increasing in value. |
| Uncle Bob keeps his pay slips so that he can check them against his bank statements. He files the pay slips on his computer for several months so he can refer back to them. | By checking his pay slip against his bank statement online Uncle Bob can ensure that the correct amount of wages was transferred into his bank account. By checking the pay slip Uncle Bob is also checking that he has been paid for the correct number of hours worked, and at the right rate. If this is not the case, he has the evidence and can go back to his employer and complain and get it put right. It is important that Uncle Bob checks whether he has received the right amount of wages, as he needs the money to pay his bills. |

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| Uncle Bob has access to internet banking and he checks his account regularly online to make sure that he knows how much money he has in his account. | Uncle Bob is protecting his money by doing this regular checking. He is ensuring that he hasn't been charged for purchases that he didn't make and is also checking that the amounts are correct. This prevents money being taken from his account incorrectly. It also allows him to monitor his balance closely so that he doesn't run out of money to pay bills or to make payments without going into overdraft – which will cost him fees and interest. |
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Cash payments

| Describing the control | Explaining the control |
|---|---|
| Uncle Bob uses cheques for one-off payments or when he sends payments through the mail. | This is a safe way for Uncle Bob to send money through the mail because he always crosses the cheques with the words 'Non-transferable', which means only the payee can bank the cheque. This means that people cannot steal his cheques. By paying his magazine subscription by cheque Uncle Bob will have the cheque butt for reference later if there are problems with acknowledging his payment. |
| Uncle Bob uses EFTPOS occasionally. This entails using his debit card to electronically transfer money from his account into that of the shops where he is buying items; i.e. at the point of sale. | This safeguards Uncle Bob's money in two main ways. By using EFTPOS he is not carrying large amounts of cash which means there is less money to lose or have stolen. This is a good safety aspect. By using EFTPOS only occasionally, he is not wasting his money by paying a lot of transactions fees when he doesn't have to. (This is the reason he prefers to use his credit card.) |
| Uncle Bob pays for most of his purchases and makes most of his payments by credit card, paying the account monthly. He earns 'rewards' points for using this card. | Because Uncle Bob uses his credit card whenever he can, he is earning interest on his money in the bank – which he isn't spending on a daily basis. At the same time he is not carrying around large amounts of cash which could get stolen. The credit card is also earning reward points which will allow Uncle Bob to buy items without spending more money, which indirectly will save him money. So long as he pays his entire bill every month, he will not get charged interest and the small annual fee is outweighed by the benefits of using a credit card. |

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| Uncle Bob uses the internet to transfer money into accounts and for one-off payments when he can. This involves electronically transferring money from his account to another using the internet. | This is safe because Uncle Bob doesn't have to send cash or worry about large amounts of cash going missing. He can also make the payments at any time during the day or night, which is easy and convenient. If he forgets to pay a bill during work hours he can do it that night to avoid penalties and interest on late payments. Because his internet banking requires a password only he knows, his account should be quite safe – more so than cash. |
| Uncle Bob has direct debits set up for his main regular payments: rates, credit card, phone and electricity. This means that these businesses transfer the amount owed from his bank account to theirs, and it doesn't matter that the amounts are different each month. | This helps Uncle Bob protect his cash because he will not forget to pay his bills, because this is done automatically each month when the bills fall due. This will avoid interest and late fees charges, which is important in protecting money. It also means there is no risk having the power supply or phone disconnected. There is also no risk of theft by strangers with this set-up and Uncle Bob will know how much is being transferred, as he will have received the statement prior to the payment being made. |
| Uncle Bob still uses cash to make some small payments or when the EFTPOS or credit card is not accepted. He uses cash mainly for things like the bus, dairy or takeaways. | This safeguards Uncle Bob's money as by using cash for these small items he is avoiding having to pay lots of EFTPOS transaction fees for small payments. The small amount of cash that he carries means there is no risk of losing a lot of money or having it stolen. |
| Uncle Bob always checks the accuracy of invoices and statements before he pays them. If he has invoices and receipts he will compare these for accuracy. | By checking the accuracy of statements before paying them, Uncle Bob is not paying for things he hasn't bought and is not being overcharged. This means he is keeping his money safe by not paying more than he should. |
| Uncle Bob pays all bills on the day they arrive unless they have already been set up for payment by direct debit. | By writing out a cheque or doing the internet payment straight away, Uncle Bob makes sure he will not forget to make the payment. This means he will always take advantage of any early-payment discounts and avoid being charged interest or late fees. This is good practice and is saving Uncle Bob lots of money in the course of the year. |
| Uncle Bob keeps his receipts and invoices until the statement arrives and checks the details (see above). He also files all major receipts in case he needs proof of purchase. | By keeping receipts, Uncle Bob ensures there will be no argument about non-payment of accounts, and if he needs to return a faulty item, he will be able to do so. This protects Uncle Bob's money because it means he won't have to buy a replacement item if something he has bought is faulty – it will be replaced free of charge. |

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| Uncle Bob records all his credit card transactions in a book so that he knows how much he is spending and can check his expenditure record against the credit card statement when it arrives. | By recording all his credit card transactions and keeping a running total, Uncle Bob knows when he is spending too much. He can then curb his spending to ensure that he only spends what he is able to repay. This means he won't get charged interest for late payments. In addition, by checking his records against the statement he might be able to see if he has been charged twice for the same thing, or too much. He will then be able to contact the bank and have the problem sorted out. Both of these controls avoid the problem of Uncle Bob paying more than he needs to. |
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Part B – Source documents

1. Till receipt

| Important information | Explanation of its importance |
|---|---|
| <i>Henrietta's Hairworx</i> and its address details | This shows where Uncle Bob spent the \$48.20 using his Mastercard. The details are important in case the amount is incorrectly recorded on his credit card statement; or if the shampoo he bought is not the right one, he can take it back to the address on the receipt. |
| Shampoo \$12.20, Hair cut \$36, and Total \$48.20 | Uncle Bob needs to check that he received what he was paying for and that the amounts are correct – i.e. that he wasn't overcharged. This also states that the total paid was \$48.20, and because he paid by Mastercard, he will want to check that this is the amount that appears on his credit card statement. He will also need to record it and keep in mind that he will have to pay it off next month. |
| Mastercard | This receipt states that Uncle Bob paid for the shampoo and hair cut using his Mastercard. This is important information as Uncle Bob has two credit cards and he needs to know which card he used. This also proves that Uncle Bob has paid the hairdresser; i.e. he does not owe <i>Henrietta's Hairworx</i> any money – but instead he owes the money to the Mastercard company. |
| Date: 24/5/2020 | This is the date on which Uncle Bob got his hair cut and purchased the shampoo. The transaction should appear on his credit card statement on this date or during the next couple of days (sometimes it takes a day or two for a transaction to register) and this date can be used as a reference. This date might also be important if there is a time limit on when he can return the shampoo if it is not up to standard. |

2. Invoice

| Important information | Explanation of its importance |
|-----------------------|--|
| Tax invoice 162 | This tells Uncle Bob that he has purchased the warrant of fitness and the car parts on credit, which is important because it reminds Uncle Bob that he still owes the \$73.60 and will have to pay it off in the future. |

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| <i>Better Autos</i> and its address details | This is important information as it lets Uncle Bob know which company he owes money to, and where to send the payment. The address details also let him know where to return to if there is a problem with the car – especially if a problem arises with the window wiper blades. |
| Uncle Bob's name and address | Uncle Bob needs to check these details to make sure that the invoice is for him and that he hasn't been given someone else's invoice. He also needs to check that the address details are correct so that he will receive the statement. If the statement goes astray, he might not pay it and might end up with a bad credit record – which he certainly doesn't want. |
| Description of quantity and items and prices of items purchased on credit | Uncle Bob needs to check that he purchased a warrant of fitness for his car and that the window wiper blades have been replaced, and also that the oil has been changed. He should also verify that the correct prices have been charged for all these goods and services, and that the addition is correct, to make sure that he is not being overcharged. |
| Total GST-inclusive | This is important information for Uncle Bob, because this shows the total amount that he owes <i>Better Autos</i> and must pay at some time in the future – usually within four weeks. In this case he owes \$73.60 and must make sure that he has enough money in the bank to pay this bill next month. |
| Authorised signature | It is important for Uncle Bob to know that Sarah authorised the credit sale, thus verifying that the details are correct. If there are problems he has the name of the person to contact. |

3. Cheque and butt

| Important information | Explanation of its importance |
|------------------------------|---|
| Date: 31/5/2020 | It is important to write the date on the cheque butt so that Uncle Bob knows when last he wrote out a cheque. This might help him when looking for mention of the cheque on the bank statement. More important, <i>Mag Supplies</i> accuses him of not paying, he has a date reference. |
| To: <i>Mag Supplies</i> | This information is important because it tells Uncle Bob who the recipient of this cheque was, so that if he is accused of not paying any accounts he can find the reference on his cheque butts. This is also the payee on the cheque itself. |
| For: <i>The Cut</i> magazine | Uncle Bob needs to know what he used cheque no. 107039 to pay for. In this case, his subscription to <i>The Cut</i> magazine. |
| This chq: \$80 | This tells Uncle Bob that cheque no. 107039 was written out for \$80. He should check that this is the amount deducted from his bank account when he receives his bank statement. |
| 107039 | This is the cheque number of this cheque, and the next cheque number is 107040. This reference is the easiest way for Uncle Bob to check on his bank statement that it has been presented. |

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| Date on the cheque | This is important as the cheque has to be banked within six months of the date on the cheque. After this the cheque becomes 'stale' and will not be honoured. If Uncle Bob has written out cheques that are not banked within six months, he will not need to pay those amounts. |
| Pay ... or bearer | This indicates to whom or to which business the cheque has been written out. Because Uncle Bob protects his cheques, he always crosses out 'or bearer' and stamps the cheques with the words 'Non-transferable'. This means that only the payee can bank the cheque into their account, protecting Uncle Bob if the cheque goes missing. |
| Signature | It is important that Uncle Bob never signs a cheque until it is written out and ready to be used. Without his signature, the cheque is useless and it is difficult to forge my uncle's signature. |
| The sum of ... | This is the amount the cheque is written out for, given in both words and then numbers. The words must match the figures, otherwise the cheque might not be honoured. It is important that Uncle Bob writes this accurately and records the amount accurately on the butt for reference purposes and for checking later against the bank statement. |
| 190448 00134870 00 | This is the bank account number that the cheque is drawn on. This is important information for Uncle Bob, in case he has more than one cheque account. He needs to know which bank account is being used to pay for which transactions. Uncle Bob needs to keep this information safe and secure. |

4. Bank statement

(Note: Uncle Bob has 'twinkled' out the figures for balances, wages and his credit card payment. He has done this to safeguard his privacy, which is allowed.)

| Important information | Explanation of its importance |
|--|--|
| Fern Bank NZ | This is the name of the bank with which Uncle Bob has this bank account. This is important information, since Uncle Bob has more than one bank account at different banks, so he needs this information to file the statement in the correct place. He also needs to know which bank to contact (and what its address is) so that he can follow up if there are any problems with this bank statement. |
| Statement period: 14 May 2020 to 30 May 2020 | This tells Uncle Bob that the statement involves transactions from 14 to 30 May. This information is important, because it will help him when he is reconciling the statement against his records. It will also be useful to make sure that he files his statements in order. |
| Uncle Bob's name and address | It is important that Uncle Bob checks that this statement is his and does not belong to any of his family members. He needs to make sure that his address details are correct so that the bank is sending the statements and other correspondence to the correct address. |

| | |
|-------------|--|
| Particulars | This is important for Uncle Bob because it provides some details of the businesses where transactions took place (if this is known). If Uncle Bob is sure that he didn't spend money at this place, then he can follow up the problem with his bank. |
| Reference | <p>This tells Uncle Bob what type of transaction (e.g. cheque; internet transfer, EFTPOS, etc.) took place, which will help him reconcile the bank statement with his own records. The cheque number is given in this column, and this is important information as it tells Uncle Bob that that particular cheque has been drawn from his account (but note that in this statement period no cheques have been drawn). In this statement, there are three 'IT' transactions – two for Trade Me payments transferred into the account, and one for Uncle Bob's insurance payment, transferred from his account into <i>General Insurance's</i> account.</p> <p>Other examples are the 'EFT' transaction on 14 May, indicating that Uncle Bob spent \$120 at Pak 'n Count using his EFTPOS card. He can now check this entry in the bank statement against his supermarket docket to ensure that this is correct. The 'DC' entry dated 20 May shows that Uncle Bob's wages from <i>Top Timber</i> were banked by direct credit, and the 'DD' entries show that his electricity and credit card accounts were paid by direct debit on 17 and 20 May respectively (the direct debit method of payment means that Uncle Bob avoids paying late fees, or interest on outstanding amounts).</p> |
| Balance | <p>The statement's first entry is the opening balance, which should be the same as the closing balance on the previous statement. Uncle Bob needs to check this every month when he receives a bank statement.</p> <p>The closing balance is the last entry on this bank statement, and it is important as it tells Uncle Bob how much the bank has in his account on the last day of the statement period.</p> <p>The 'Balance' column at the far right of the statement gives a running balance, updated after each transaction, to show Uncle Bob how much money is left in his account. This is useful as it helps prevent him from overspending and going into overdraft, which will incur fees. (Uncle Bob should also be aware of any cheques he has written out that haven't been presented yet, as this will reduce this balance.)</p> |

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