ALTERNATIVE KBC CASE STUDY

Supplement to

Basic Bookkeeping: An Office Simulation

7th Edition

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KBC Decorating Co. - Case Study

This version of the case study is a supplement to Basic Bookkeeping: An Office Simulation, 7th edition. In this version, KBC Decorating Co. operates in a province where 5% GST and 8% PST are charged on most purchases and sales. Use the preprinted ledger accounts provided with the 7th edition of the textbook and make the necessary modifications to the accounts as described throughout this case study.

Chapter 3: Introducing KBC Decorating Co.

Henri Martin and Wes Corbett were competitors in the home decorating business but have now decided to join forces. They have chosen the name KBC Decorating Co. which will have two main divisions: a retail department that will sell paint, wallpaper, and related supplies; and a service department that will do painting and decorating of office buildings, apartment blocks, and private homes.

KBC Decorating Co. is located in a province where 5% GST and 8% PST are charged on most goods and services. Martin and Corbett have found a suitable location from which to operate their new business, renting half of a warehouse building that includes an office, retail space, and warehouse space.

Your job is to keep the books for KBC Decorating Co. for the first calendar year (January to December). As you progress through the chapters of the textbook, you will *learn* and *do*. Each chapter will introduce new concepts that you will incorporate into the regular bookkeeping activities of KBC Decorating Co. Just as in any new job, each step will be explained and practiced before you are asked to apply it to the company’s activities. You will be learning on the job.

All the supplies necessary for keeping the books for KBC Decorating Co. are found in the package of working papers that is available with the textbook. All ledger accounts are preprinted with the appropriate account names and account numbers. Some modification of the working papers will be necessary but will be fully explained when required. Be sure that the ledger accounts remain in the order given. This will ensure that the ledger remains organized and that the accounts are easy to locate. The chart of accounts for this version of the case study is available at the end of this PDF file.

**January Transactions**

To record the transactions for the first half of January, select a General Journal sheet from your supplies and number this page “GJ1”. Continue numbering the journal pages as you start each new page (GJ2, GJ3, etc.). All entries should be recorded in proper format with suitable explanations. As you proceed further with this case study in later chapters, you will be referring to this journal page again, so keep it handy.

(a) Begin now by recording these transactions in the General Journal:

20–

Jan. 2 The owners started their new business by investing the assets shown here. Notice from the chart of accounts that each owner has his own Capital account. (You will record *two* compound entries for these investments, one for each owner.)

Henri Martin: Cash $22,000

Office Furniture & Equipment 8,000

$30,000

Wes Corbett: Cash $15,000

Vehicle (used van) 15,000

$30,000

2 Issued Cheque #1 for the January rent, $2,500.

2 Issued Cheque #2 for advertising in the newspaper, $565. (Debit Advertising Expense)

4 Bought office supplies, $282.50. Issued Cheque #3. (Debit Office Supplies Expense)

4 Issued Cheque #4 for the installation of our new phone line, $165. (Telephone Expense)

5 Bought merchandise as follows: paint and supplies, $10,000, wallpaper, $5,000. Issued Cheque #5. (Notice on the chart of accounts that there are separate Purchases accounts for these goods.)

9 Bought a paint mixer and colour dispenser from Rainbow Supplies Co., $1,695. Issued Cheque #6. (Tools & Equipment)

10 Cash sales: paint and supplies, $3,000; wallpaper, $1,000. (Notice that there are separate Sales accounts for these goods.)

15 Cash sales: paint and supplies, $6,000; wallpaper, $2,000.

(b) Post the journal entries to the ledger accounts. (All ledger accounts for KBC Decorating Co. should be kept separate from your practice exercise material and should be neatly arranged in a binder or file so you can access them easily.)

(c) After all posting is complete, prepare a trial balance on January 15. If you are using the working papers available with this textbook, prepare your trial balance on Form TB-KBC. If your trial balance does not balance on the first attempt, use the steps for locating errors as described in Chapter 3.

**Chapter 4: Correcting January Transactions**

In this chapter, you learned how to correct writing and recording errors, as well as how to calculate and record GST and PST. You will now apply these concepts to the entries that have already been recorded in the General Journal; therefore, you will need to refer to the journal entries that you recorded in Chapter 3.

Throughout this case study, we will assume KBC Decorating Co. is located in a province where 5% GST and 8% PST are charged. We will also assume that a number of errors were recorded in January. For each of the following transactions, record a *reversing entry*, then record the *correct entry* based on the new information available.

20—

Jan. 2 Cheque #1 issued for rent was actually $2,500 plus GST.

2 Cheque #2 for advertising should have been $500 + GST + PST.

4 Cheque #3 for office supplies should have been $250 + GST + PST.

4 Cheque #4 for the new phone line should have been $165 + GST + PST.

5 The purchase of merchandise on the 5th was recorded without GST. Add GST to values given.

9 Cheque #6 for the paint mixer and colour dispenser should have been $1,695 (including $75 GST).

10 GST and PST were not charged on the sales recorded on the 10th. Add GST and PST to the amounts given.

15 GST and PST were not charged on the sales recorded on the 15th. Add GST and PST to the amounts given.

**At Month End**

1. The following changes are needed in the general ledger accounts to accommodate this version of the KBC Decorating case study:
   1. Change the account name from HST Payable (account #206) to GST Payable. Make this change on all three (3) sheets for this account.
   2. Change the account name from HST-ITC (account #207) to GST-ITC. Make this change on all four (4) sheets for this account.
   3. The PST Payable account does not exist in the ledger accounts available with the textbook. Therefore, select a sheet of ledger accounts normally used for practice exercises (code L). Enter the account name, PST Payable, and the account number, #208, Sheet #1. Insert this page either before or after the GST accounts.
2. Post the journal entries to the ledger accounts and prepare a trial balance on January 15, 20—. Make changes to the account names as explained in (i) and (ii) above. PST Payable does not appear on the printed trial balance; therefore, enter it temporarily on line 211 by crossing out Salaries Payable.

**Chapter 5: January Transactions Continued**

These transactions occurred during the second half of January. Record these in the General Journal. Be sure to account for taxes as indicated.

20—

Jan. 16 Bought advertising space in the local community newspaper, $125 plus taxes. Issued Cheque #7.

16 Paid the shipping costs on the merchandise bought on the 5th, $85 plus taxes. Issued Cheque #8.

17 Paid the transportation cost for the new paint mixer and colour dispenser bought on the 9th and delivered from Toronto. Issued Cheque #9 for $81.36 (includes $3.60 GST).

20 Cash sales: paint and supplies, $2,500; wallpaper, $2,000; plus taxes.

21 Paid delivery costs for paint and supplies delivered to a customer, $60 plus taxes. Cheque #10.

26 Bought paint and supplies, $8,500 plus GST. Cheque #11.

26 Paid for delivery of the paint and supplies bought today, $45 plus taxes. Cheque #12.

30 Cash sales: paint and supplies, $3,000; wallpaper, $1,000; plus taxes.

**At Month End**

Post these entries to the ledger accounts and prepare a trial balance on January 31, 20—.

**Chapter 6: February Transactions**

In this chapter, you learned how to use special journals to record transactions and how to post from these special journals to the ledger accounts. KBC Decorating Co. will now begin to use special journals: Sales Journal, Purchase Journal, Cash Receipts Journal, and Cash Payments Journal. The company also has ledger accounts for its regular customers (Accounts Receivable Ledger) and its suppliers (Accounts Payable Ledger). These ledger accounts are located immediately after the General Ledger accounts that you have already been using.

Set up a Sales Journal (page SJ1) with these headings: Date, Account Dr., Invoice No., Terms, Folio, Accounts Receivable Dr., Sales—Paint & Supplies Cr., Sales—Wallpaper Cr., GST Payable Cr., and PST Payable Cr.

Set up a Purchase Journal (page PJ1) with these headings: Invoice Date, Account Cr., Invoice No., Terms, Folio, Accounts Payable Cr., Purchases—Paint & Supplies Dr., Purchases—Wallpaper Dr., GST–ITC Dr., and Other Accounts Dr. (with subheadings of Account Dr., Folio, and Amount).

Set up a Cash Receipts Journal with these headings: Date, Account Cr., Memo, Folio, Accounts Receivable Cr., Sales Discounts Dr., Sales—Paint & Supplies Cr., Sales—Wallpaper Cr., GST Payable Cr., PST Payable Cr., General Ledger Cr., and Bank Dr.

Set up a Cash Payments Journal with these headings: Date, Account Dr., Memo, Folio, Accounts Payable Dr., Purchase Discounts Cr., GST–ITC Dr., General Ledger Dr., Bank Cr., and Cheque No. (All payments will be by cheque unless otherwise stated.)

Record each of the following transactions in its special journal. Be sure each transaction is recorded as a balanced entry. Post immediately any transaction affecting a customer’s or a supplier’s account.

20—

Feb. 1 Paid the rent for February, $2,500 plus GST. Issued Cheque #14. (Continue numbering the cheques sequentially. All payments will be by cheque unless stated otherwise.)

2 Paid the telephone bill for January service, $145 plus GST and PST.

3 Paid the electricity bill for January service, $160 plus GST and PST.

4 Sold paint and supplies to Beavis & Sons, $375 plus taxes. Terms net 30 days. Sales Invoice #1. (This is your first entry in the Sales Journal. Be sure to post immediately to the customer’s account. This will ensure the account is always up to date.)

4 Paid the heating (gas) bill for January, $480 plus taxes.

7 Bought from Major Office Supplies, on terms n/30, on their Invoice #122 dated February 5, office supplies worth $240 and warehouse supplies worth $210. Add both taxes to these amounts. (Since our Purchase Journal does not have special columns for office and warehouse supplies, two lines will be needed in the Other Accounts column.) Be sure to post immediately to this supplier’s to keep the account up to date.

7 Cash sales this week: paint and supplies, $2,400, and wallpaper, $800. Add taxes as usual.

8 Received Invoice #87 dated February 5 from Reynolds Paper Co. for the purchase of wallpaper, $2,600 plus GST. Terms are n/30.

10 Sold on account to Jay-Mar Co., paint and supplies, $550 plus taxes. Terms n/30. Sales Invoice #2. (Continue numbering sales invoices sequentially.)

10 Sold on account to Dayson & Son, wallpaper, $800 plus taxes. Terms n/30.

12 Sold on account to S. Miller, paint and supplies, $300, and wallpaper, $300; plus taxes. Terms n/30.

14 Cash sales this week: paint and supplies, $2,200, and wallpaper, $1,200. Add taxes as usual.

15 Bought an insurance policy on the building and contents, $840 plus PST (exempt from GST). Paid by cheque. (Insurance Prepaid)

20 Remitted the provincial sales tax to the government. The balance in the PST Payable account at the end of January was $1,640. The provincial government allows us to keep 5% of this tax amount ($1,640 x 5% = $82). Record this two-line entry in the Cash Payments Journal: On the first line, charge PST Payable for $1,640 in the General Ledger column. On the second line, charge PST Commission Revenue for $82, also in the General Ledger column. This commission, however, is to be deducted from the tax owing, so it must be entered in brackets. Next, calculate the difference between the two amounts to find the amount to be remitted to the government ($1,640 - $82 = $1,558), and enter this amount in the Bank column on the same line as the commission.

21 Cash sales this week: paint and supplies, $1,600, and wallpaper, $800. Add taxes as usual.

25 Bought additional wallpaper from Reynolds Paper on their Invoice #98 dated February 24, terms n/30; $1,000 plus GST.

28 Cash sales this week: paint and supplies, $1,400, and wallpaper, $900. Add taxes as usual.

28 Paid for gas and oil for our own truck used for occasional deliveries of goods to some of our cash customers, $82.49 (including $3.65 GST).

**At Month End**

(a) Total, balance, and rule the special journals.

(b) The PST Commission Revenue account does not exist in the ledger accounts available with the textbook. Therefore, select a sheet of ledger accounts normally used for practice exercises (code L). Enter the account name, PST Commission Revenue, and the account number, #410, Sheet #1. Insert this page in the Revenue section of the General Ledger. Also, this account may be entered on the Trial Balance temporarily on line 407 by crossing out Bad Debt Recoveries.

(c) Post all entries to the ledger accounts as discussed in this chapter. Post the journals in this order: Purchase Journal, Sales Journal, Cash Receipts Journal, and Cash Payments Journal. By posting in this order, you may occasionally see the dates of transactions out of sequence. This is normal.

(d) Prepare a trial balance on February 28, 20—. Be sure to double-check that the total of the schedule of Accounts Receivable is equal to the balance in the Accounts Receivable Control account. As well, check to see that the total of the schedule of Accounts Payable is equal to the balance in the Accounts Payable Control account.

**Chapter 7: March Transactions**

In this chapter, you learned about accounting for credit notes, refunds, and discounts. You will now apply these concepts to the regular activities of KBC Decorating Co.

From this point forward, some sales invoices will carry terms of 2/10,n/30. If the invoice is paid within the discount period, the discount will be based on the pre-tax value of the goods.

Credit notes and refunds should be recorded in the same journal as the original entry to which the credit note or refund relates. Take care to record these amounts in brackets as they are to be deducted from the accounts affected.

20—

Mar. 1 Sold paint and supplies, $600, and wallpaper, $500, to K. Young Painting on terms of 2/10,n/30. Add taxes as usual. (Check last month’s Sales Journal to see what invoice number this should be.)

1 Paid rent for March, $2,500 plus GST. (Check last month’s payment journal to see what cheque number should be used here.)

3 Paid the electricity bill for February, $184 plus taxes.

3 Paid the heating (gas) bill for February, $510 plus taxes.

3 Paid a courier for the delivery of the goods to K. Young Painting, $45 plus taxes.

4 Received payment from Beavis & Sons on Invoice #1. Check their account to find the amount owing.

5 Paid the phone bill, $188.50 plus taxes.

7 Paid Major Office Supplies for the amount owing on Invoice #122. Check their account to find the amount owing.

7 Paid Reynolds Paper for the amount owing on Invoice #87.

11 Received payment from K. Young Painting on Invoice #5. This invoice is being paid within the discount period.

12 Bought paint and supplies from Coleman Industries, $3,000 plus GST, on their Invoice #407 dated March 11. Terms 2/10,n/30.

12 Paid a courier for delivering to us the goods bought from Coleman Industries, $38 plus taxes.

12 Sold wallpaper to Beavis & Sons, $570 plus taxes, on terms n/30.

14 Received payments from Dayson & Son, Jay-Mar Co., and S. Miller for the invoices owing.

15 Returned defective supplies to Coleman Industries on their Invoice #407, $200 plus GST. They have issued a credit note to us.

18 A couple of rolls of wallpaper sold to Beavis & Sons on the 12th are badly damaged. We have issued credit note #6CN for $85 plus taxes.

20 Made a donation to the Cancer Society, $500, by cheque.

20 Bought paint and supplies, $3,500 plus GST, from Rainbow Supplies on their Invoice #49, terms 1/10,n/30.

22 Remitted the provincial sales tax for February’s sales. Check the balance in the PST Payable account at the end of February for the amount. Since this amount is more than $400, we are entitled to keep 5% as our commission. Make the necessary entry in the Cash Payments Journal just as you did last month.

24 Found damaged goods in the order from Rainbow Supplies, $300 plus GST. They have issued a credit note to us.

30 Paid Rainbow Supplies for the balance owing on Invoice #49. We have taken advantage of the eligible discount based on the pre-tax value. Look back at your entries in the Purchase Journal to find the pre-tax value of the original purchase and of the credit note. The difference between the two amounts is the base amount on which the discount is calculated.

30 Cash sales for the month: paint and supplies, $12,400, and wallpaper, $4,600. Add taxes as usual.

30 During the month, we gave refunds to cash customers for goods that were returned damaged or unwanted: paint and supplies, $420, and wallpaper, $160. Add taxes as usual. Since these amounts were paid from the cash register, make this entry in the Cash Receipts Journal as a bracketed entry.

31 Paid for gas and oil for our own truck used for deliveries of goods to some of our cash customers, $95 plus taxes.

**At Month End**

(a) Total, balance, and rule the special journals. When adding up the columns, be sure to subtract any amounts that are in brackets.

(b) Post all entries to the ledger accounts.

(c) Prepare a trial balance on March 31, 20—. Be sure to double-check that the total of the schedule of Accounts Receivable is equal to the balance in the Accounts Receivable Control account. As well, check to see that the total of the schedule of Accounts Payable is equal to the balance in the Accounts Payable Control account.

**Chapter 8: April Transactions**

In this chapter, you learned about filling out the GST/HST tax return and remitting the tax to the federal government. KBC Decorating Co. has now completed three months of business activity (January to March) and will file the GST return this month.

Record the following transactions in the usual way:

20—

April 2 Paid the rent as usual.

2 Issued a cheque to Reynolds Paper Co. in full payment of Invoice #98. This payment is late; however, Reynolds has agreed not to charge interest because we are a good customer and our payment is only a few days overdue.

3 Issued cheques to pay these bills:

* + - * electricity, $160 plus taxes
      * heating (gas), $410 plus taxes

6 Bought on account from Rainbow Supplies, Invoice #66 dated today, terms 1/10,n/30: paint and supplies, $3,600 plus GST.

6 Paid RamJet Courier for the shipping of the order from Rainbow Supplies, $55 plus taxes.

9 Paid the phone bill, $189 plus taxes.

10 Paid Coleman Industries for the amount owing on Invoice #407.

10 Sold on account to Dayson & Son, paint and supplies, $1,450 plus taxes; terms 2/10,n/30.

13 Bought a new office desk and chair from Major Office Supplies on Invoice #167 dated yesterday; $485 plus taxes. Terms n/30.

13 Paid RamJet Courier $56 plus taxes to deliver the desk and chair from Major Office Supplies.

14 Dayson & Son has reported damaged goods in our order of the 10th. We have given them a credit note for $80 plus taxes.

15 Bought from Coleman Industries, paint and supplies, $2,600, and wallpaper, $2,000. Add GST as usual. Terms n/30 on Invoice #430 dated today.

15 Cash sales to date: paint and supplies, $4,800, and wallpaper, $2,200. Add taxes as usual.

17 Received payment from Beavis & Sons for the balance owing on Invoice #6.

20 Remitted the provincial sales tax for March’s sales. Check the balance in the PST Payable account at the end of March for the amount. Since this amount is more than $400, we are entitled to keep 5% as our commission. Make the entry as usual in the Cash Payments Journal.

20 Received payment from Dayson & Son for the balance owing on Invoice #7. As usual, the discount is on the pre-tax value.

21 Sold on account to Jay-Mar Co., wallpaper, $450 plus taxes. Terms 2/10,n/30.

24 Remitted the GST charged and collected during the first quarter of the year (January to March). To complete the GST return (available in the package of working papers available with this textbook), you will need the March 31 balances for these accounts:

* GST Payable balance on March 31
* GST-ITC balance on March 31
* Sales—Paint & Supplies
* Sales—Wallpaper

Record the necessary entries in the Cash Payments Journal for this remittance to the federal government.

30 Cash sales to date: paint and supplies, $8,200, and wallpaper, $2,000. Add taxes as usual.

30 Paid for gas and oil for our own truck used for occasional deliveries of goods to some of our cash customers, $135 plus taxes.

**At Month End**

(a) Total, balance, and rule the special journals.

(b) Post all entries to the ledger accounts.

(c) Prepare a trial balance on April 30, 20—.

**Chapter 9: May Transactions**

In this chapter, you learned about using the petty cash fund for small cash expenditures, and about bank reconciliation. Both of these concepts will be included in KBC Decorating’s activities this month.

Last month, the owners negotiated the purchase of the building that they have been renting. They have come to an agreement on the price of the property, and have agreed to continue the rental arrangement with the other tenant, Clear-Vu Windows, who has been renting a small portion of the building. Beginning this month, Clear-Vu will pay rent to KBC Decorating at $1,500 per month plus GST.

This month, KBC will launch a major advertising campaign for painting and decorating. They have contracted the services of Mitchell Advertising to look after all newspaper, radio, and TV advertising.

Record these transactions for the month of May:

20—

May 1 KBC has arranged a $150,000 mortgage for the purchase of the land and building, valued as follows:

Land $ 40,000

Building 160,000

Total $ 200,000

The difference between the value of the property and the amount of the mortgage ($200,000 – $150,000 = $50,000) will be paid from company funds as the down payment. However, to ensure that the owners leave enough money in the bank account for ongoing business needs, each partner will invest an additional $10,000. Here is what you will do:

First, record entries in the Cash Receipts Journal for the investment of $10,000 cash by each partner.

Next, record the entry in the Cash Receipts Journal for the $150,000 mortgage. Credit Mortgage Payable. (Figure 9.22 shows this entry in General Journal format.)

Finally, issue a cheque for $200,000 for the purchase of the property. In the Cash Payments Journal, debit Land for $40,000 and debit Building for $160,000.

1 Received a cheque from Clear-Vu Windows for rent for the month of May, $1,500 plus GST. Credit Rental Revenue.

1 Received a cheque from Jay-Mar Co. as full payment on Invoice #8, less discount.

1 Issued a cheque for $50 to establish the petty cash fund.

2 Bought office supplies, $240, and warehouse supplies, $120, from Major Office Supplies on Invoice #203 dated today; terms n/30. Add taxes to these amounts.

4 Paid Rainbow Supplies in full for Invoice #66.

4 Issued cheques to pay the phone bill, $182 plus taxes; the electricity bill, $133 plus taxes; and the gas (heating) bill, $146 plus taxes.

5 Sold paint and supplies, $620 plus taxes, to Edna Morton on terms 2/10,n/30.

5 Bought wallpaper from Reynolds Paper Co., $6,200 plus GST, on Invoice #153 dated yesterday. Terms n/30.

6 Contracted with Mitchell Advertising for the new advertising campaign. Mitchell has invoiced us for $4,859 (includes $215 GST) on Invoice #255 dated today, terms n/10. (Charge Advertising Expense)

6 Paid from petty cash: postage, $6 plus GST; and pens and pencils for the office, $4.50 plus taxes.

8 Bought paint and supplies, $10,500 plus GST, from Rainbow Supplies on Invoice #91 dated today. Terms 1/10,n/30.

9 Edna Morton has asked for a price adjustment for damaged goods on her order of the 5th. We have issued a credit note for $30 plus taxes.

9 Paid RamJet Courier for shipping this unusually large order of paint and supplies from Rainbow Supplies, $170 plus taxes.

10 Received a credit note from Rainbow Supplies for damage to our order on the 8th, $150 plus GST.

10 Paid from petty cash: courier charges for delivering documents to the lawyer, $8 plus taxes (Miscellaneous Expense); postage, $5.50 plus GST.

10 Received the April bank statement (see below). Assume a bank reconciliation was done last month which showed two cheques outstanding. Notice these cheques have now cleared the bank because they appear on the April bank statement:

Cheque #31 $ 3,328.00

Cheque #32 107.35

Prepare the Bank Reconciliation Statement and record the necessary entries for items not yet recorded on the books.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank Statement - April** | | | | |
| **Date** | **Details** | **Cheques** | **Deposits** | **Balance** |
| Apr 1 |  |  |  | 50,320.83 |
| Apr 2 | CHQ0031 | 3,328.00 |  | 46,992.83 |
| Apr 4 | CHQ0033 | 2,625.00 |  | 44,367.83 |
| Apr 4 | CHQ0035 | 180.80 |  | 44,187.03 |
| Apr 4 | CHQ0036 | 463.30 |  | 43,723.73 |
| Apr 4 | CHQ0032 | 107.35 |  | 43,616.38 |
| Apr 6 | CHQ0034 | 1,050.00 |  | 42,566.38 |
| Apr 10 | CHQ0037 | 62.15 |  | 42,504.23 |
| Apr 12 | CHQ0038 | 213.57 |  | 42,290.66 |
| Apr 15 | DEP |  | 7,910.00 | 50,200.66 |
| Apr 16 | CHQ0040 | 63.28 |  | 50,137.38 |
| Apr 17 | DEP |  | 548.05 | 50,685.43 |
| Apr 18 | CHQ0039 | 2,940.00 |  | 47,745.43 |
| Apr 20 | CHQ0041 | 1,368.38 |  | 46,377.05 |
| Apr 20 | DEP |  | 1,520.70 | 47,897.75 |
| Apr 24 | CHQ0042 | 317.97 |  | 47,579.78 |
| Apr 30 | SERVICE FEE | 12.00 |  | 47,567.78 |

12 Paid Major Office Supplies in full for Invoice #167.

14 Sold paint and supplies, $2,300, and wallpaper, $800, to S. Miller on terms 2/10,n/30.

15 Received payment from Edna Morton for the net amount owing on Invoice #9.

15 Paid Coleman Industries in full for Invoice #430.

16 Paid Mitchell Advertising for Invoice #255.

16 Cash sales to date: paint and supplies, $6,800, and wallpaper, $4,400. Add taxes as usual.

18 Paid from petty cash: coffee, cream, and sugar for the office, $12.45. (Assume there are no taxes on these items.)

18 Paid Rainbow Supplies for the balance owing on Invoice #91.

22 Remitted PST for the month of April. Since the amount collected was more than $400, we are entitled to keep 5% as compensation. Record the remittance as usual.

23 Received full payment from S. Miller for Invoice #10.

24 Paid from petty cash: postage, $7.50 plus GST.

24 Reimbursed the petty cash fund: The cash left in the petty cash drawer was $3.07. Any difference between the calculated cash on hand and the actual cash on hand is charged to Cash Over and Short. Issued a cheque to reimburse the fund.

31 Cash sales to date: paint and supplies, $8,600, and wallpaper, $2,000. Add taxes as usual.

31 Paid for gas and oil for our own truck used for occasional deliveries of goods to cash customers, $180 plus taxes.

**At Month End**

(a) Total, balance, and rule the journals.

(b) Post all entries to the ledger accounts as usual.

(c) Prepare a trial balance on May 31, 20—.

**Chapter 10: June Transactions**

In this chapter, you learned about calculating and recording payroll. Until now, the owners of KBC Decorating Co. have been doing all the work themselves. But starting this month, they will take on new employees:

Saul Firestone In-Store Sales Clerk

Peter Harluck Painter-Decorator

Peggy Mann Painter-Decorator

< your name > Bookkeeper

The owners have decided to add a painting and decorating division to the business. The painter-decorators will handle all such contracts. The owners have already lined up customers for this kind of service.

Record the June transactions as usual:

20—

June 1 Received payment from Clear-Vu Windows for rent, $1,500 plus GST.

1 Made the first mortgage payment. The mortgage calls for monthly payments of $1,220, part of which is interest and part is repayment of the loan itself. In the Cash Payments Journal, debit Mortgage Payable for $220 in the General Ledger column. This is the portion of the payment that applies against the principal loan. On the next line, debit Interest on Mortgage for $1,000 in the General Ledger column and enter the total payment, $1,220, in the Bank column. This payment was not by cheque; therefore, it does not have a cheque number. Instead, you can write a dash (—) or a check mark (√) to show that an actual cheque was not issued.

1 Paid Major Office Supplies for Invoice #203.

3 Issued cheques to pay these bills:

* telephone, $158 plus taxes
* gas (heating), $47 plus taxes
* electricity, $122 plus taxes

3 Paid Reynolds Paper Co. for Invoice #153.

5 Sold wallpaper to S. Miller, $750 plus taxes; terms 2/10,n/30.

5 Paid for Workers Compensation coverage for our new employees, $4,600. (Charge Workers Compensation Expense)

8 Sold paint and supplies, $1,300, and wallpaper, $400, to K.Young Painting on terms of 2/10,n/30. Add taxes as usual.

8 Completed painting and decorating work for cash customers, $3,250 plus taxes. All painting and decorating work will be charged to Sales—Service.

8 S. Miller reported that one roll of wallpaper was damaged. We have issued a credit note for $40 plus taxes.

10 Paid from petty cash: postage, $13.80 plus GST.

10 Received the bank statement for May (see below). Complete the bank reconciliation for May using the information from last month’s reconciliation statement, last month’s cash journals, and the May bank statement. Record the necessary entry for the bank charges.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank Statement - May** | | | | |
| **Date** | **Details** | **Cheques** | **Deposits** | **Balance** |
| May 1 |  |  |  | 47,567.78 |
| May 1 | DEP |  | 11,526.00 | 59,093.78 |
| May 1 | CHQ0043 | 152.55 |  | 58,941.23 |
| May 1 | DEP |  | 150,000.00 | 208,941.23 |
| May 1 | DEP |  | 20,000.00 | 228,941.23 |
| May 1 | DEP |  | 2,074.50 | 231,015.73 |
| May 1 | CHQ0045 | 50.00 |  | 230,965.73 |
| May 2 | CHQ0044 | 200,000.00 |  | 30,965.73 |
| May 6 | CHQ0047 | 205.66 |  | 30,760.07 |
| May 7 | CHQ0046 | 3,780.00 |  | 26,980.07 |
| May 8 | CHQ0049 | 164.98 |  | 26,815.09 |
| May 9 | CHQ0048 | 150.29 |  | 26,664.80 |
| May 12 | CHQ0050 | 192.10 |  | 26,472.70 |
| May 15 | DEP |  | 654.90 | 27,127.60 |
| May 15 | CHQ0051 | 548.05 |  | 26,579.55 |
| May 16 | DEP |  | 12,656.00 | 39,235.55 |
| May 18 | CHQ0052 | 4,830.00 |  | 34,405.55 |
| May 21 | CHQ0054 | 10,764.00 |  | 23,641.55 |
| May 22 | CHQ0053 | 4,859.00 |  | 18,782.55 |
| May 22 | CHQ0055 | 1,445.52 |  | 17,337.03 |
| May 23 | DEP |  | 3,441.00 | 20,778.03 |
| May 24 | CHQ0056 | 46.93 |  | 20,731.10 |
| May 31 | DEP |  | 11,978.00 | 32,709.10 |
| May 31 | SERVICE FEE | 12.00 |  | 32,697.10 |

14 Cash sales: paint and supplies, $4,600, and wallpaper, $1,800. Add taxes as usual.

15 Received a cheque from S. Miller for the balance of Invoice #11.

15 Bought paint and supplies, $5,300, and wallpaper, $4,100, from Rainbow Supplies on their Invoice #130 dated today. Terms 1/10,n/30. Add GST as usual.

18 Received payment from K.Young Painting for Invoice #12.

19 Completed painting and decorating work for cash customers, $2,150 plus taxes.

20 Sold to Beavis & Sons, paint and supplies, $1,400 plus taxes, terms n/30.

20 Paid from petty cash: coffee supplies for the staff room, $7.40 (no taxes). (Miscellaneous Expense)

23 Remitted PST for the month of May. Since the amount collected was more than $400, we are entitled to keep 5% as compensation. Record the remittance as usual.

30 Cash sales: paint and supplies, $3,200, and wallpaper, $1,100. Add taxes as usual.

30 Paid for gas and oil for our own truck used for occasional deliveries of goods to cash customers, $245 plus taxes.

30 There is still more than $28 in the petty cash drawer, so the fund will not be reimbursed at this time.

30 Prepared the payroll for June. The monthly gross pay for each employee is:

* Saul Firestone $ 2,100 Claim Code 5 Married
* Peter Harluck 2,200 Claim Code 1 Single
* Peggy Mann 2,200 Claim Code 1 Single
* < your name > 2,100 Claim Code 1 Single

(a) Prepare a Payroll Record for this month’s payroll. Use the payroll deductions tables (see **Moodle)** to find the deductions for each employee.

* Federal income tax (Figure 10.12)
* Provincial income tax (Figure 10.13)
* Canada Pension Plan (Figure 10.14)
* Employment Insurance (Figure 10.15)
* Life/Health Insurance Plan: $10 per month for single employees, $16 per month for married employees

(b) Record the General Journal entries for the basic payroll and the employer’s contributions to CPP, EI, and life/health. The company contributes an equal amount to the life/health plan.

(c) Record the entry in the Cash Payments Journal to issue the pay cheques.

**At Month End**

(a) Total, balance, and rule the journals.

(b) Post all entries to the ledger accounts as usual, including the payroll entries in the General Journal.

(c) Prepare a trial balance on June 30, 20—.

**Chapter 11: July Transactions**

In this chapter, you learned about recording investment and withdrawal transactions for partnerships. The partners of KBC Decorating Co. have decided to make regular withdrawals from the business as a form of “salary” for the time and energy they put into running their business. Each partner will have a Drawings account (numbers 302 and 304) for this purpose.

Record the July transactions as usual.

20—

July 2 Received payment from Clear-Vu Windows for rent, $1,500 plus GST.

2 Made the mortgage payment, $1,220, which includes $998.53 for mortgage interest and $221.47 for mortgage principal. Look back at your mortgage payment entry in last month’s Cash Payment’s Journal to recall how this entry is to be recorded. No cheque was issued.

4 Issued cheques to pay these bills:

* phone bill, $175 plus taxes
* gas/heating bill, $30 plus taxes
* electricity bill, $135.60 (includes $6 GST)

8 Petty cash expenditure: postage stamps, $15 plus GST. (The petty cash fund was not reimbursed at the end of last month. Therefore, you will enter this expenditure on the same petty cash sheet.)

8 Bought office supplies from Major Office Supplies on Invoice #286 dated today, terms n/30, $390 plus taxes.

9 Completed painting and decorating work for cash customers, $3,500 plus taxes.

10 Sold paint to K.Young Painting on terms 2/10,n/30, $1,750 plus taxes.

10 Received the bank statement for June (see below). Complete the bank reconciliation for June using the information from last month’s reconciliation statement, last month’s cash journals, and the June bank statement. Record the necessary entry for the bank charges.

13 Paid Rainbow Supplies in full for Invoice #130.

13 Sold wallpaper to S.Miller on terms 2/10,n/30, $880 plus taxes.

14 Remitted the payroll deductions withheld from last month’s payroll.

* Look up the balances in these accounts: Fed. Income Tax Payable, Prov. Income Tax Payable, CPP Payable, EI Payable, and Life/Health Plan Payable. These are the amounts that you will remit.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank Statement - June** | | | | |
| **Date** | **Details** | **Cheques** | **Deposits** | **Balance** |
| June 1 |  |  |  | 32,697.10 |
| June 1 | DEP |  | 1,575.00 | 34,272.10 |
| June 1 | MORTGAGE | 1,220.00 |  | 33,052.10 |
| June 5 | CHQ0059 | 178.54 |  | 32,873.56 |
| June 5 | CHQ0061 | 137.86 |  | 32,735.70 |
| June 6 | CHQ0057 | 203.40 |  | 32,532.30 |
| June 6 | CHQ0058 | 406.80 |  | 32,125.50 |
| June 6 | CHQ0060 | 53.11 |  | 32,072.39 |
| June 6 | CHQ0063 | 4,600.00 |  | 27,472.39 |
| June 8 | DEP |  | 3,672.50 | 31,144.89 |
| June 8 | CHQ0062 | 6,510.00 |  | 24,634.89 |
| June 14 | DEP |  | 7,232.00 | 31,866.89 |
| June 15 | DEP |  | 788.10 | 32,654.99 |
| June 18 | DEP |  | 1,887.00 | 34,541.99 |
| June 19 | DEP |  | 2,429.50 | 36,971.49 |
| June 25 | CHQ0064 | 1,937.24 |  | 35,034.25 |
| June 30 | SERVICE FEE | 15.00 |  | 35,019.25 |
|  |  |  |  |  |

* Issue one cheque to the Receiver General of Canada for the income tax, CPP and EI amounts. See Figure 10.10 (Chapter 10) to recall how to record this entry in the Cash Payments Journal.
* Issue a cheque to Sun Life Insurance Company for the amount owing for the life/health plan.

15 The partners have withdrawn company funds for personal use, $2,000 each. Issued separate cheques for these withdrawals.

15 Cash sales: paint and supplies, $3,100, and wallpaper, $1,800. Add taxes as usual.

18 Bought paint and supplies from Rainbow Supplies on terms 1/10,n/30, Invoice #245 dated yesterday, $4,650 plus GST.

20 Petty cash expenditure: coffee supplies for the staff room, $12 (no GST).

20 Completed painting and decorating work for cash customers, $4,200 plus taxes.

20 Received payment in full from K.Young Painting on their latest invoice.

22 Remitted PST for the month of June. Since the amount collected was more than $400, we are entitled to keep 5% as compensation. Record the remittance as usual.

23 Bought wallpaper, $3,240 plus GST, from Reynolds Paper on Invoice #202 dated July 21, terms n/30.

24 Remitted the GST charged and collected during the second quarter of the year. To complete the GST return, you will need the following information from your ledger accounts:

* Sales—Paint & Supplies: total sales for April, May and June
* Sales—Wallpaper: total sales for April, May, and June
* Sales Service: total sales for June
* Rental Revenue: balance on June 30
* GST Payable: balance on June 30
* GST-ITC: balance on June 30

Record the necessary entries in the Cash Payments Journal for this remittance to the federal government. Look back at the April 24 entry to see how this entry should be recorded.

27 Paid Rainbow Supplies in full for Invoice #245.

31 Issued a cheque to reimburse the petty cash fund. A count of the cash on hand today is $0.36.

31 The partners have asked you to write cheques for the following withdrawals: Martin, $2,000, and Corbett, $2,200.

31 Cash sales: paint and supplies, $3,000, and wallpaper, $2,100. Add taxes as usual.

31 Prepared the month-end payroll for July. All employees’ salaries are the same as last month, therefore you can use the same amounts from last month’s payroll.

* Prepare a Payroll Record using the same amounts as in June.
* Record General Journal entries for the payroll and the employer’s contributions. Look back at last month’s General Journal to recall how to record these entries.
* Issue the pay cheques in the Cash Payments Journal.

**At Month End**

(a) Total, balance, and rule the journals.

(b) Post all entries to the ledger accounts as usual.

(c) Prepare a trial balance on July 31, 20—.

**Chapter 12: August Transactions**

Record the August transactions as usual.

20—

Aug 1 Paid the mortgage: interest, $997.06; principal, $222.94.

1 Received rent from Clear-Vu as usual.

4 Issued cheques to pay these bills:

* electricity, $125 plus taxes
* phone, $167 plus taxes
* gas/heat, $26 plus taxes

7 Paid Major Office Supplies in full for Invoice #286.

9 Received the bank statement for July (see below). Complete the bank reconciliation for July using the information from last month’s reconciliation statement, last month’s cash journals, and the July bank statement. Record the entry for the bank charges as usual.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | |  |  |  |
| **Bank Statement - June** | | | | | |
| **Date** | **Details** | **Cheques** | | **Deposits** | **Balance** |
| 01-Jul |  |  | |  | 35,019.25 |
| 02-Jul | DEP |  | | 1,575.00 | 36,594.25 |
| 02-Jul | MORTGAGE | 1,220.00 | |  | 35,374.25 |
| 02-Jul | CHQ0066 | 1,812.31 | |  | 33,561.94 |
| 02-Jul | CHQ0067 | 1,773.23 | |  | 31,788.71 |
| 02-Jul | DEP |  | | 4,859.00 | 36,647.71 |
| 03-Jul | CHQ0068 | 1,773.23 | |  | 34,874.48 |
| 03-Jul | CHQ0069 | 1,701.11 | |  | 33,173.37 |
| 04-Jul | CHQ0065 | 276.85 | |  | 32,896.52 |
| 06-Jul | CHQ0071 | 33.9 | |  | 32,862.62 |
| 07-Jul | CHQ0072 | 135.6 | |  | 32,727.02 |
| 08-Jul | CHQ0070 | 197.75 | |  | 32,529.27 |
| 09-Jul | DEP |  | | 3,955.00 | 36,484.27 |
| 15-Jul | DEP |  | | 5,537.00 | 42,021.27 |
| 16-Jul | CHQ0074 | 2,070.35 | |  | 39,950.92 |
| 16-Jul | CHQ0076 | 2,000.00 | |  | 37,950.92 |
| 18-Jul | CHQ0075 | 92 | |  | 37,858.92 |
| 18-Jul | CHQ0077 | 2,000.00 | |  | 35,858.92 |
| 20-Jul | DEP |  | | 6,688.50 | 42,547.42 |
| 20-Jul | CHQ0073 | 9,870.00 | |  | 32,677.42 |
| 23-Jul | CHQ0078 | 1,513.16 | |  | 31,164.26 |
| 25-Jul | CHQ0079 | 1,160.26 | |  | 30,004.00 |
| 31-Jul | DEP |  | | 5,763.00 | 35,767.00 |
| 31-Jul | CHQ0080 | 4,836.00 | |  | 30,931.00 |
| 31-Jul | CHQ0081 | 49.64 | |  | 30,881.36 |
| 31-Jul | SERVICE FEE | 15 | |  | 30,866.36 |

Error In Table Above:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| July 2 | CHQ0066 | 1,856.16 |  | 33,518.09 |
| July 2 | CHQ0067 | 1,808.18 |  | 31,709.91 |
| July 3 | CHQ0068 | 1,808.18 |  | 34,760.73 |
| July 3 | CHQ0069 | 1,731.76 |  | 33,028.97 |
| July 16 | CHQ0074 | 1,944.01 |  | 39,932.86 |

12 Received payment from S. Miller on Invoice #15.

15 Remitted the payroll deductions withheld from last month’s payroll.

* Look up the balances in these accounts: Federal Income Tax Payable, Provincial Income Tax Payable, CPP Payable, EI Payable, and Life/Health Plan Payable. These are the amounts that you will remit.
* Issue one cheque to the Receiver General of Canada for the income tax, CPP and EI amounts. Look back at your entry in last month’s Cash Payments Journal to see how this remittance is recorded.
* Issue a cheque to Sun Life Insurance Company for the amount owing for the life/health plan.

20 Issued a cheque to Reynolds Paper Co. to pay off Invoice #202.

20 We have just received notice that Beavis & Sons has gone out of business and will not be able to pay off their outstanding invoice. Write off this invoice.

22 Bought paint and supplies from Coleman Industries, $5,700 plus GST, on Invoice #582 dated August 21, terms n/30.

23 Remitted PST for the month of July, less the usual 5% commission.

26 Bought wallpaper from Reynolds Paper Co., $4,150 plus GST, on Invoice #317 dated August 24, terms n/30.

31 Cash sales for the month: paint and supplies, $8,300, and wallpaper, $4,300. Add taxes as usual.

31 Completed painting and decorating work for cash customers during the month, $11,200 plus taxes.

31 The partners have asked you to write cheques for the following withdrawals: Martin, $4,000, and Corbett, $4,000.

31 Prepared the month-end payroll for August. The employees’ salaries are the same as last month, therefore you can use the same amounts from last month’s payroll.

* Prepare a Payroll Record using the same amounts as in July.
* Record General Journal entries for the payroll and the employer’s contributions. Look back at last month’s General Journal to recall how to record these entries.
* Issue the pay cheques in the Cash Payments Journal.

**At Month End**

(a) Total, balance, and rule the journals.

(b) Post all entries to the ledger accounts as usual.

(c) Prepare a trial balance on August 31, 20—.

**Chapter 12: September Transactions**

Record the September transactions as usual.

20—

Sept 1 Paid the mortgage: interest, $995.57; principal, $224.43.

2 Received rent from Clear-Vu as usual.

2 Began a new advertising campaign for fall home decorating. Received Invoice #407 dated September 1 from Mitchell Advertising, $5,240 plus taxes. Terms net 10 days.

3 Paid these bills:

* phone: $134 plus taxes
* electricity: $135 plus taxes
* gas/heat: $28 plus taxes

3 Sold wallpaper to K.Young Painting, $1,870 plus taxes. Terms 2/10,n/30.

8 Sold paint and supplies to Dayson & Son, $2,460 plus taxes. Terms 2/10,n/30.

10 Paid Mitchell Advertising for the balance owing.

10 Received the bank statement for August (see below). Complete the bank reconciliation for August using the information from last month’s reconciliation statement, last month’s cash journals, and the latest bank statement. Record the entry for the bank charges as usual.

12 Received payment from K.Young Painting on Invoice #16.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank Statement - August** | | | | |
| **Date** | **Details** | **Cheques** | **Deposits** | **Balance** |
| 01-Aug |  |  |  | 30,866.36 |
| 01-Aug | DEP |  | 1,575.00 | 32,441.36 |
| 01-Aug | MORTGAGE | 1,220.00 |  | 31,221.36 |
| 01-Aug | CHQ0084 | 1,812.31 |  | 29,409.05 |
| 01-Aug | CHQ0085 | 1,773.23 |  | 27,635.82 |
| 01-Aug | CHQ0086 | 1,773.23 |  | 25,862.59 |
| 01-Aug | CHQ0087 | 1,701.11 |  | 24,161.48 |
| 03-Aug | CHQ0082 | 2,000.00 |  | 22,161.48 |
| 03-Aug | CHQ0083 | 2,200.00 |  | 19,961.48 |
| 06-Aug | CHQ0090 | 29.38 |  | 19,932.10 |
| 08-Aug | CHQ0088 | 141.25 |  | 19,790.85 |
| 09-Aug | CHQ0089 | 188.71 |  | 19,602.14 |
| 12-Aug | DEP |  | 994.4 | 20,596.54 |
| 12-Aug | CHQ0091 | 440.7 |  | 20,155.84 |
| 16-Aug | CHQ0092 | 2,070.35 |  | 18,085.49 |
| 19-Aug | CHQ0093 | 92 |  | 17,993.49 |
| 23-Aug | CHQ0094 | 3,402.00 |  | 14,591.49 |
| 23-Aug | CHQ0095 | 1,545.08 |  | 13,046.41 |
| 31-Aug | DEP |  | 26,894.00 | 39,940.41 |
| 31-Aug | CHQ0097 | 4,000.00 |  | 35,940.41 |
| 31-Aug | SERVICE FEE | 15 |  | 35,925.41 |
|  | | | | |

14 Remitted the deductions withheld from last month’s payroll.

18 Paid Coleman Industries in full for Invoice #582.

18 Received payment from Dayson & Son on Invoice #17.

21 Remitted PST for the month of August, less the usual 5% commission.

21 Paid Reynolds Paper Co. in full for Invoice #317.

21 Received payment from Beavis & Sons on their invoice that was previously written off. They have paid only $226 (includes both taxes). The remainder of the invoice amount will never be recovered.

23 Sold paint and supplies, $475, and wallpaper, $380, on account to S. Miller. Terms 2/10,n/30. Add taxes as usual.

30 Cash sales for the month: paint and supplies, $6,250, and wallpaper, $5,150. Add taxes as usual.

30 Completed painting and decorating work for cash customers during this month, $9,375 plus taxes.

30 The partners have withdrawn $4,000 each as usual for personal use.

30 The partners have decided to increase the salaries of Saul Firestone and <your name>. These employees will receive an additional $100 per month on their gross pay. Both employees will, therefore, have a gross pay of $2,200. Look up the new deductions for these employees using the payroll deductions tables at the end of Chapter 10. Prepare the payroll as usual.

**At Month End**

(a) Total, balance, and rule the journals.

(b) Post all entries to the ledger accounts as usual.

(c) Prepare a trial balance on September 30, 20—.

**Chapter 13: October Transactions**

Record these transactions for October.

20—

Oct 1 In this chapter, you learned about recording month-end adjustments to recognize revenues and expenses that are not yet on the books. KBC Decorating had bought an insurance policy in February that was charged to Insurance Prepaid. Since then, no adjustments have been recorded to recognize the expense portion of the cost each month. You will now record a General Journal entry to expense the first 7½ months of the insurance cost (February 15 to September 30). Use this formula:

**Expense = Cost x 7.5 ÷ 12**

1 Paid the mortgage: interest, $994.07; principal, $225.93.

1 Received rent from Clear-Vu as usual.

2 Paid these bills:

* phone: $129 plus taxes
* electricity: $175 plus taxes
* gas/heat: $320 plus taxes

3 Received payment from S. Miller for Invoice #18.

6 Paid from petty cash: postage, $15.75 (includes $0.75 GST); and supplies for the warehouse, $8.30 plus taxes.

7 Bought wallpaper from Reynolds Paper Co., $4,550 plus GST, on their Invoice #411 dated the 6th. Terms net 30 days.

10 Sold on account (add taxes as usual):

* Jay-Mar Co., paint and supplies, $770, terms 2/10,n/30
* Dayson & Son, paint, $1,760, and wallpaper, $480, terms 2/10,n/30

10 Received the bank statement for September (see below). Complete the bank reconciliation for September using the information from last month’s reconciliation statement, last month’s cash journals, and the latest bank statement. Record the entry for the bank charges as usual.

12 Bought paint and supplies from Coleman Industries, $6,780 plus GST, on Invoice #678 dated the 10th. Terms net 30 days.

14 Bought office supplies, $185, and warehouse supplies, $190, from Major Office Supplies on their Invoice #401 dated today. Terms n/30. Add taxes as usual.

15 Remitted payroll deductions as usual.

16 Paid from petty cash: postage, $3.78 (includes $0.18 GST).

19 Sold wallpaper to Edna Morton, $945 plus taxes, terms 2/10,n/30.

20 Received payments from Jay-Mar Co. and Dayson & Son on their invoices.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank Statement - September** | | | | |
| **Date** | **Details** | **Cheques** | **Deposits** | **Balance** |
| Sep 1 |  |  |  | 35,925.41 |
| Sep 1 | CHQ0098 | 1,812.31 |  | 34,113.10 |
| Sep 1 | CHQ0099 | 1,773.23 |  | 32,339.87 |
| Sep 1 | CHQ0101 | 1,701.11 |  | 30,638.76 |
| Sep 1 | MORTGAGE | 1,220.00 |  | 29,418.76 |
| Sep 1 | DEP |  | 1,575.00 | 30,993.76 |
| Sep 2 | CHQ0100 | 1,773.23 |  | 29,220.53 |
| Sep 5 | CHQ0102 | 151.42 |  | 29,069.11 |
| Sep 6 | CHQ0096 | 4,000.00 |  | 25,069.11 |
| Sep 7 | CHQ0103 | 152.55 |  | 24,916.56 |
| Sep 8 | CHQ0104 | 31.64 |  | 24,884.92 |
| Sep 14 | CHQ0106 | 2,070.35 |  | 22,814.57 |
| Sep 15 | CHQ0105 | 5,921.20 |  | 16,893.37 |
| Sep 18 | CHQ0107 | 92.00 |  | 16,801.37 |
| Sep 18 | DEP |  | 4,806.30 | 21,607.67 |
| Sep 21 | CHQ0108 | 5,985.00 |  | 15,622.67 |
| Sep 21 | DEP |  | 226.00 | 15,848.67 |
| Sep 22 | CHQ0109 | 1,702.40 |  | 14,146.27 |
| Sep 26 | CHQ0110 | 4,357.50 |  | 9,788.77 |
| Sep 30 | DEP |  | 23,475.75 | 33,264.52 |
| Sep 30 | CHQ0111 | 4,000.00 |  | 29,264.52 |
| Sep 30 | CHQ0113 | 1,928.28 |  | 27,380.09 |
| Sep 30 | SERVICE FEE | 15.00 |  | 27,365.09 |
|  |  |  |  |  |

23 Remitted PST as usual, less the 5% commission.

26 Remitted the GST for the third quarter of the year. To complete the GST return, you will need the following information from your ledger accounts:

* Sales—Paint & Supplies: sales for three months ending September 30
* Sales—Wallpaper: sales for three months ending September 30
* Sales Service: sales for three months ending September 30
* Rental Revenue: rental for three months ending September 30
* Bad Debt Expense: balance on September 30
* Bad Debt Recoveries: balance on September 30
* GST Payable: balance on September 30
* GST-ITC: balance on September 30

Note: To calculate the amount for Line 101 on the GST Return, find the total sales for the three months ending September 30, including Rental Revenue. Add the balance of the Bad Debt Recoveries account and subtract the balance of the Bad Debt Expense account. Including these bad debt account balances is necessary as they also were the cause of adjustments to the GST Payable during this fiscal quarter.

Typically, we would enter the GST Payable balance on Line 103. However, our ledger account is showing us the amount *after* the adjustment to GST when Beavis & Sons’ account was written off. Enter the amount of the adjustment (negative $60) on Line 104 and the GST Payable balance on Line 105. Add the two amounts together and enter it on Line 103. By doing this, Line 103 now shows the amount of GST Payable *before* the adjustments, Line 104 shows the net adjustment that is being subtracted ($70 of tax written off minus $10 of tax recovered), and Line 105 shows the GST *after* the adjustment. (It is necessary to show this adjustment on the GST Return because CRA auditors will expect to see it to support the existence of the bad debt accounts on the books.)

Finish the GST Return in the usual way. Record the necessary entries in the Cash Payments Journal. If necessary, look back at the July 24 entry to recall how this entry should be recorded.

30 The partners have withdrawn $4,500 each for personal use.

31 Cash sales for the month: paint and supplies, $13,380, and wallpaper, $10,125. Add taxes as usual.

31 Completed painting and decorating work for cash customers during this month, $12,455 plus taxes.

31 Prepared the month-end payroll for October as usual. The employees’ salaries are the same as last month, therefore you can use the same amounts from last month’s payroll.

**At Month End**

(a) Record a month-end adjustment to recognize one month’s worth of insurance expense. Use this formula: **Expense = Cost x 1/12**

(b) There is still more than $20 in the petty cash fund, so the fund will not be reimbursed until next month.

(c) Total, balance, and rule the journals.

(d) Post to the ledger accounts as usual.

(e) Prepare a trial balance on October 31, 20—.

(f) From the trial balance, prepare an Interim Statement of Profit and Loss for 10 months ending October 31, 20—.

**Chapter 13: November Transactions**

Record these transactions for November.

20—

Nov. 1 Received rent from Clear-Vu Windows as usual.

1 Paid the mortgage: $992.57 interest; $227.43 principal.

4 Paid Reynolds Paper Co. for Invoice #411.

4 Bought merchandise from these suppliers on account. All invoices are dated today.

* Reynolds Paper Co., wallpaper, $3,250 plus GST; Invoice #471, terms net 30 days.
* Rainbow Supplies, paint and supplies, $8,555 plus GST; Invoice #408, terms 1/10,n/30.
* Spencer Paper Products (a new supplier), wallpaper, $2,840 plus GST; Invoice #277, terms 2/10,n/30.

5 Paid these bills:

* gas/heat: $403.41 (includes $17.85 GST)
* phone: $137.86 (includes $6.10 GST)
* electricity: $200.01 (includes $8.85 GST)

6 Paid from petty cash: supplies for the staff room, $11.43 (no GST); cleaning supplies, $5.17 (includes $0.23 GST).

6 Reimbursed the petty cash fund. A count of the cash in the petty cash drawer shows $3.49 cash remaining.

8 Paid Coleman Industries for Invoice #678.

10 Sold to Jay-Mar Co., paint and supplies, $1,144 plus taxes. Terms 2/10,n/30.

10 Received the bank statement for October (see below). Complete the bank reconciliation for October.

14 Paid these suppliers:

* Major Office Supplies for Invoice #401
* Rainbow Supplies for Invoice #408
* Spencer Paper Products for Invoice #277

16 Remitted payroll deductions as usual.

16 Sold to S. Wilkinson (a new customer), paint and supplies, $350, and wallpaper, $190. Add taxes as usual. Terms net 30 days.

20 Received a cheque from Jay-Mar Co. for Invoice #22.

20 Sold to K. Young Painting, paint and supplies, $2,450 plus taxes. Terms 2/10,n/30.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank Statement - October** | | | | |
| **Date** | **Details** | **Cheques** | **Deposits** | **Balance** |
| Oct 1 |  |  |  | 27,365.09 |
| Oct 1 | CHQ0114 | 1,773.23 |  | 25,591.86 |
| Oct 1 | CHQ0116 | 1,773.23 |  | 23,818.63 |
| Oct 1 | MORTGAGE | 1,220.00 |  | 22,598.63 |
| Oct 2 | CHQ0115 | 1,773.23 |  | 20,825.40 |
| Oct 3 | CHQ0112 | 4,000.00 |  | 16,825.40 |
| Oct 3 | DEP |  | 2,524.05 | 19,349.45 |
| Oct 4 | CHQ0118 | 197.75 |  | 19,151.70 |
| Oct 4 | CHQ0119 | 361.60 |  | 18,790.10 |
| Oct 5 | CHQ0117 | 145.77 |  | 18,644.33 |
| Oct 16 | CHQ0120 | 2,140.86 |  | 16,503.47 |
| Oct 19 | CHQ0121 | 92 |  | 16,411.47 |
| Oct 20 | DEP |  | 3,341.10 | 19,752.57 |
| Oct 23 | CHQ0122 | 1,988.16 |  | 17,764.41 |
| Oct 26 | CHQ0123 | 2,452.56 |  | 15,311.85 |
| Oct 30 | CHQ0125 | 4,500.00 |  | 10,811.85 |
| Oct 31 | DEP |  | 40,634.80 | 51,446.65 |
| Oct 31 | CHQ0126 | 1,884.43 |  | 49,562.22 |
| Oct 31 | CHQ0128 | 1,773.23 |  | 47,788.99 |
| Oct 31 | CHQ0129 | 1,773.23 |  | 46,015.76 |
| Oct 31 | SERVICE FEE | 19.00 |  | 45,996.76 |
|  |  |  |  |  |

21 Remitted PST as usual, less the 5% commission.

24 K. Young Painting returned painting supplies, $24 plus taxes. We have issued a credit note. (Was 42 in text and 24 in answer key)

24 Edna Morton has made a partial payment of $500 on her account.

24 Paid from petty cash: supplies for the office, $4.88 (includes $0.22 GST).

25 Sold to Dayson & Son, wallpaper, $1,490 plus taxes (was GST). Terms 2/10,n/30.

26 Bought from Rainbow Supplies, paint and supplies, $4,385 plus GST, on Invoice #435 dated yesterday. Terms 1/10,n/30.

29 Received payment from K. Young Painting on Invoice #24.

30 Completed painting and decorating work for cash customers during this month, $11,250 plus taxes.

30 Cash sales for the month: paint and supplies, $12,100, and wallpaper, $8,485. Add taxes as usual.

30 Prepared the month-end payroll for November as usual. The employees’ salaries are the same as last month.

30 The partners have withdrawn money for personal use: Martin, $4,500; Corbett, $4,000.

30 Made an adjustment for one month’s insurance expense. If necessary, look back at the adjustment in the General Journal at the end of October.

**At Month End**

(a) The petty cash fund will not be reimbursed until next month.

(b) Total, balance, and rule the journals.

(c) Post to the ledger accounts as usual.

(d) Prepare a trial balance on November 30, 20—.

(e) From the trial balance, prepare an Interim Statement of Profit and Loss for 11 months ending November 30, 20—.

**Chapter 13: December Transactions**

Record these transactions for December.

20—

Dec 1 Paid the mortgage: $991.05 interest, $228.95 principal.

1 Started an advertising campaign, *Decorate for the Holidays!* Received an invoice from Mitchell Advertising for $2,320 plus taxes. Invoice #533 dated today; terms n/10.

3 Paid from petty cash: coffee, cookies, etc. for the staff room, $24.30 (no GST).

3 Paid these bills:

* gas/heat: $463.30 (includes $20.50 GST)
* phone: $126.56 (includes $5.60 GST)
* electricity: $212.44 (includes $9.40 GST)

3 Received rent from Clear-Vu as usual.

4 Issued cheques to these suppliers:

* Rainbow Supplies for Invoice #435
* Reynolds Paper for Invoice #471

5 Received a cheque from Dayson & Son in full settlement of Invoice #25.

6 Bought from these suppliers on their usual terms. Invoices are dated today. Add GST as usual.

* Coleman Industries, paint and supplies, $4,455; Invoice #707
* Rainbow Supplies, paint and supplies, $2,320, and wallpaper, $2,700; Invoice #470
* Spencer Paper Products, wallpaper, $3,450; Invoice #334
* Reynolds Paper, wallpaper, $2,740; Invoice #534

8 Sold to Jay-Mar Co., paint and supplies, $1,335, and wallpaper, $975, on their usual terms. Add taxes as usual.

11 Paid Mitchell Advertising for Invoice #533.

11 Received the bank statement for November (see below). Complete the bank reconciliation as usual.

12 The partners have withdrawn $2,500 each for personal use.

12 Gave a cheque for $200 as a donation to a children’s charity. (Donations Expense)

14 Remitted the payroll deductions as usual.

14 Sold on account to these customers on their usual terms. Add taxes as usual.

* Dayson & Son, paint and supplies, $1,566
* S. Wilkinson, paint and supplies, $880, and wallpaper, $910

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank Statement - November** | | | | |
| **Date** | **Details** | **Cheques** | **Deposits** | **Balance** |
| Nov 1 |  |  |  | 45,996.76 |
| Nov 1 | CHQ0127 | 1,773.23 |  | 44,223.53 |
| Nov 1 | MORTGAGE | 1,220.00 |  | 43,003.53 |
| Nov 1 | DEP |  | 1,575.00 | 44,578.53 |
| Nov 3 | CHQ0124 | 4,500.00 |  | 40,078.53 |
| Nov 6 | CHQ0134 | 46.51 |  | 40,032.02 |
| Nov 7 | CHQ0130 | 4,777.50 |  | 35,254.52 |
| Nov 7 | CHQ0131 | 403.41 |  | 34,851.11 |
| Nov 7 | CHQ0133 | 200.01 |  | 34,651.10 |
| Nov 8 | CHQ0132 | 137.86 |  | 34,513.24 |
| Nov 10 | CHQ0135 | 7,119.00 |  | 27,394.24 |
| Nov 16 | CHQ0138 | 2,925.20 |  | 24,469.04 |
| Nov 16 | CHQ0139 | 2,140.64 |  | 22,328.18 |
| Nov 17 | CHQ0136 | 423.75 |  | 21,904.43 |
| Nov 20 | CHQ0137 | 8,897.20 |  | 13,007.23 |
| Nov 20 | DEP |  | 1,269.84 | 14,277.07 |
| Nov 21 | CHQ0140 | 92.00 |  | 14,185.07 |
| Nov 21 | CHQ0141 | 3,033.54 |  | 11,151.53 |
| Nov 29 | DEP |  | 3,192.86 | 14,344.39 |
| Nov 30 | CHQ0142 | 1,884.43 |  | 12,459.96 |
| Nov 30 | CHQ0144 | 1,773.23 |  | 10,686.73 |
| Nov 30 | DEP |  | 35,973.55 | 46,660.28 |
| Nov 30 | SERVICE FEE | 19.00 |  | 46,641.28 |

14 Received payment from S. Wilkinson on Invoice #23.

15 Received notice from Edna Morton’s lawyers that her company has gone out of business and will not be able to settle her outstanding balance. Write off this account.

15 Some of the painting supplies that were received in the order from Coleman Industries (Invoice #707) were damaged. Coleman has sent us a credit note for $89.25 (includes $4.25 GST).

16 Paid Rainbow Supplies and Spencer Paper Products to settle their invoices.

17 Paid from petty cash: postage, $3.40 plus GST; cleaning supplies, $8.35 plus taxes.

18 Received payment from Jay-Mar Co. on Invoice #26.

20 Remitted last month’s PST as usual.

21 Sold to K. Young Painting, paint and supplies, $945, and wallpaper, $490, on their usual terms. Add taxes as usual.

23 Reimbursed the petty cash fund. A count of the cash on hand showed the correct amount of cash available.

23 Received payment from Dayson & Son on Invoice #27.

23 Completed painting and decorating work for cash customers during this month, $8,220 plus taxes.

23 Cash sales for the month: paint and supplies, $10,340, and wallpaper, $6,485. Add taxes as usual.

23 The partners have withdrawn an additional $2,000 each for personal use.

23 Prepare the payroll for the month as usual. (The business will be closed for the holiday season, so the employees will be paid today.)

23 Made the usual adjustment for one month’s insurance expense.

**At Month End**

(b) Total, balance, and rule the journals.

(c) Post to the ledger accounts as usual.

(d) Prepare a trial balance on December 31, 20—.

(e) From the trial balance, prepare an Interim Statement of Profit and Loss for 12 months ending December 31, 20—.

**Chapter 14: Preparing to Close the Books at Year End**

(a) Set up a worksheet using the Chart of Accounts from Appendix C at the back of the textbook and the account balances from the December 31 trial balance.

(b) From the following information, enter the adjustments:

1. A physical count of merchandise inventory on hand was taken on December 31: paint and supplies, $2,020; wallpaper, $4,065; total inventory, $6,085.

2. Insurance Prepaid has already been adjusted on a monthly basis; therefore, a year-end adjustment is not required.

3. Amortization of capital assets is calculated from the date of purchase. Some amounts are rounded for convenience.

Building: annual rate of 10%

$160,000 x 10% x 8/12 = $10,670

Office Furniture & Equipment: annual rate of 20%

Jan. 2: $8,000 x 20% x 1 year = $1,600

Apr. 12: $584.28 x 20% x 9/12 = 90 1,690

Vehicles: annual rate of 30%

Jan. 2: $15,000 x 30% x 1 year = 4,500

Tools & Equipment: annual rate of 30%

Jan. 9: $1,697.76 x 30% x 1 year = 510

Total amortization expense $17,370

(c) Complete the worksheet as described and illustrated in this chapter.

(d) Record and post the adjusting entries.

**Chapter 15: Closing the Books at Year End**

To conclude the process of closing the books at the end of the year:

(a) Record and post the following journal entries:

(i) a compound entry to close all the credit-balance accounts listed under Income Statement on the worksheet;

(ii) a compound entry to close the debit-balance accounts listed under Income Statement on the worksheet;

(iii) an entry to close the balance of the Current Earnings account to the partners’ Capital accounts, to be divided equally;

(iv) an entry to close the partners’ Drawings accounts to their respective Capital accounts.

(b) Prepare a post-closing trial balance on December 31, 20–.

(c) Prepare an income statement for the year ending December 31, 20–.

(d) Prepare a classified balance sheet dated December 31, 20–.

**Chart of Accounts - KBC Decorating Co.**

ASSETS

101 Bank

103 Petty Cash Fund

105 Accounts Receivable Control

106 Inventory

108 Insurance Prepaid

120 Land

121 Building

122 Accumulated Amortization—Building

123 Furniture & Equipment

124 Accumulated Amortization—Furniture & Equipment

125 Vehicles

126 Accumulated Amortization—Vehicles

127 Tools & Equipment

128 Accumulated Amortization—Tools & Equipment

LIABILITIES

201 Accounts Payable Control

206 GST Payable

207 GST-ITC

208 PST Payable

211 Salaries Payable

212 Federal Income Tax Payable

213 Provincial Income Tax Payable

214 CPP Payable

215 EI Payable

216 Life/Health Plan Payable

220 Mortgage Payable

OWNER’S EQUITY

301 Capital, Henri Martin

302 Drawings, Henri Martin

303 Capital, Wes Corbett

304 Drawings, Wes Corbett

310 Current Earnings

REVENUES

401 Sales Paint & Supplies

402 Sales Wallpaper

403 Sales Service

406 Sales Discounts

407 Bad Debt Recoveries

410 PST Commission Revenue

412 Rental Revenue

EXPENSES

Note: The expense accounts for KBC Decorating Company are arranged in the following order: merchandise-related expenses, payroll-related expenses, and general expenses. It is common for an accountant to group related accounts so they are easier to find on the chart of accounts and so the accounts appear together on financial statements.

501 Opening Inventory

504 Purchases Paint & Supplies

505 Purchases Wallpaper

507 Purchase Discounts

508 Freight In

509 Closing Inventory

521 Salaries Expense

522 CPP Expense

523 EI Expense

524 Life/Health Plan Expense

530 Advertising Expense

531 Amortization Expense

532 Bad Debts Expense

533 Bank Charges Expense

534 Cash Over/Short

535 Delivery Expense

537 Donations Expense

538 Insurance Expense

539 Interest Expense on Mortgage

540 Miscellaneous Expense

541 Office Supplies Expense

542 Postage Expense

543 Rent Expense

544 Telephone Expense

545 Utilities Expense

546 Warehouse Supplies Expense

547 Workers’ Compensation Expense

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER

150 Beavis & Sons

151 Dayson & Son

152 Jay-Mar Co.

153 S. Miller

154 Edna Morton

155 S. Wilkinson

156 K. Young Painting

ACCOUNTS PAYABLE SUBSIDIARY LEDGER

250 Coleman Industries

251 Major Office Supplies

252 Mitchell Advertising

253 Rainbow Supplies

254 Reynolds Paper Co.

255 Spencer Paper Products