

INTRODUCING THE CASE STUDY: KBC DECORATING CO.

Henri Martin and Wes Corbett have decided to go into business together and have chosen the name KBC Decorating Co. Their business will be 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. Martin and Corbett were previously in this same type of work but operated separate businesses.

KBC Decorating Co. is located in Winnipeg, Manitoba. Martin and Corbett found a suitable location from which to operate their business, renting half of a warehouse building owned by Frank Bailes. Their space 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 these chapters, 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 practised before you are asked to apply it to KBC'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 available with this textbook. All ledger accounts are pre-printed with the appropriate account names and account numbers. The KBC exercise as shown in your textbook uses HST taxation. Since BC still uses GST and PST we want you to practice using this tax scheme. In your student package you will find two ledger pages that you should use to replace the corresponding sheets in the KBC Decorating Co working papers ledger. One re-introduces GST, GST-ITC and PST Payable. The other reintroduces Commission Revenue. Follow the instructions at the bottom of each of these replacement Ledger sheets. Also in your student package you find pre-printed Trial Balance sheets that you will use with the KBC case study instead of the ones you find in your working papers.

Place the KBC Marking Sheet you will find in your student package at the beginning of the KBC case study ledger pages. Be sure that the Ledger accounts remain in the order given. This will ensure that the ledger is organized and that the accounts are easy to locate.

To record the transactions for the first half of January, select a General Journal sheet **from** your supplies and give it **GJ1** as the page number. 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 first journal page again, so include it before the Ledger Pages in your package.

- (a) **Begin now by recording these transactions in the General Journal: 20—**
(If you are unsure of your General Journal entries you may ask your instructor to mark your KBC General before beginning the task of posting your entries to the General Ledger.)

- 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
Furniture & Equipment	<u>8,000</u>
	<u>\$30,000</u>

Wes Corbett:

Cash	\$15,000
Vehicle (used van)	<u>15,000</u>
	<u>\$30,000</u>

- 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; wall-paper, \$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 color 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 and pass them in for marking.**)
- (c) After all posting is complete, prepare a **trial balance** on January 15. You should use the **KBC Trial Balance** forms found in your student materials. If your trial balance does not balance on the first attempt, use the steps for locating errors as described in this chapter.