

CASE STUDY: KBC DECORATING CO.
CORRECTING JANUARY TRANSACTIONS

In this chapter, you learned how to correct writing and recording errors, as well as how to calculate and record GST/HST 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.

KBC Decorating Co. is located in Winnipeg, Manitoba. Most goods and services bought and sold in MA are subject to GST and PST. (For the purposes of this exercise we will calculate GST at 5% and PST at 8%).

We will 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 in your continuing General Journal.

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 color 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.

Post these entries to the general ledger accounts and prepare a trial balance on January 15, 20—. Be sure to use the trial balance sheet from your student handout that contains GST and PST Payable instead of the one from the working papers with HTS. Hand in our completed exercise for marking.