

**CASE STUDY: KBC DECORATING CO.****February Entries**

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 the 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 the 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 the appropriate 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 rent for February, \$2,500 plus GST. Issued Cheque #14. (Continue numbering cheques sequentially. All payments will be by cheque unless stated otherwise.)
- 2 Paid telephone bill for January service, \$145 plus GST and PST.
  - 3 Paid 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 that the account is up to date.)
  - 4 Paid heating (gas) bill for January, \$480 plus taxes.
  - 7 Bought from Major Office Supplies, on terms n/30, on 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 account 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 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 n130.
- 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 insurance policy on building and contents, \$840 plus PST (exempt from GST). Paid by cheque. (Insurance Prepaid)
- 20 Remitted provincial sales tax to the government. The balance in the PST Payable at the end of January was \$1,640. The Manitoba government allows the company to keep 5% of this tax amount ( $\$1,640 \times 5\% = \$82$ ). This will require a 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 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 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 the truck used for occasional deliveries of goods to cash customers, \$82.49 (including \$3.65 GST).

**AT MONTH-END**

- (a) Total, balance, proof, and rule the special journals.
- (b) 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.
- (c) Finally, 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. Hand in your case study for marking.