

BFA104 Accounting Context and Method  
Semester 2, 2020

## Assignment

### Instructions:

This assignment involves completing the accounting records for a small sole trader business for one month and completing the year-end procedures. It is worth 15% of your final grade. It is due by **5 pm on Friday, 25 September, 2020**. A rubric is available in MyLO under the Assessments tab. To begin the assignment you should open the Excel Proforma spreadsheet that is available under Content/Assessments. Save it immediately with your name as part of the filename. If you are not familiar with Excel, a recording is available under the Assessments area to help you with basic Excel skills and this assignment.

**This is an individual assignment. Under no circumstances should you share your workings or any part of your assignment with other students – this constitutes academic misconduct and actions will be taken. In previous years, several students were reported to the Head of School for academic misconduct in BFA104 with regard the assignment so please do your own work.**

You must complete ALL the assignment using the Excel spreadsheet proforma and this is the file you will submit on MyLO. Basic proformas have been created for you. Across the bottom of the Excel file you will see different worksheets for each journal, ledger, trial balance, etc. Where possible, you should attempt to use some basic formula such as the SUM function when totalling journals. Some marks will be allocated for setting out and use of formula. If you are having issues with the use of Excel you should, in the first instance, watch the Week 10 recording on Excel. You can also use the Help function in Excel, or search Google and watch YouTube videos. You may ask some questions about issues with Excel on MyLO discussion boards. You should not discuss how to do the actual accounting in the assignment on MyLO.

### You are required to:

1. Record accurately all transactions in the correct journals. You will need to complete the Inventory Subsidiary Ledger cards for the two items of inventory as you go so that you can calculate the Cost of Goods Sold for each lot of sales. (Topic 5 and Topic 7)
2. Complete adjusting entries but not closing entries at this stage. (Topic 3 and 9 for depreciation methods)
3. Complete a bank reconciliation as at 30<sup>th</sup> June before totalling the cash journals. (Topic 8 – There was a “how to do a bank reconciliation” handout.)
4. Post the journals to the general ledger at the end of the month (and post to the subsidiary ledger daily). The ledger accounts have been created for you but you will firstly need to enter the opening balances in each account on 1<sup>st</sup> June. NOTE: the income and expense accounts will have an opening balance at this point as they are only closed off using closing entries at the end of the financial year. You should get these from the Trial Balance and Schedules above. (Topic 5 – There was a “how to post” special journals handout.)
5. Reconcile your accounts receivable, accounts payable and inventory subsidiary records with control accounts. (Topic 5 and 7)

6. Complete the adjusted Trial Balance (do this BEFORE completing and posting closing entries).
7. Complete closing entries necessary at the end of the accounting period and post them to the Ledger. Balance the Balance Sheet accounts. (Topic 4)
8. Complete an internal Income Statement for period 1-30<sup>th</sup> June, and Balance Sheet as at 30<sup>th</sup> June. You should put aggregated amounts and a “Note” for the following items:
  - Sales and Sales Returns
  - Cost of Sales
  - Depreciation Expense (add the two together)
  - Accounts Receivable and Allowance for Doubtful Debts
  - Fixed assets and their respective accumulated depreciation
  - S O’Brien, Capital (incorporate drawings and profit in the note)

(See Topic 4 and Topic 7 for examples)

**Submission of Assignment:**

Upload your completed spreadsheet file to the MYLO drop box. You may only submit your assignment to the dropbox once. The date stamp on the electronic submission will determine if your assignment has been submitted on time. Late work WILL be penalised unless you have been granted an extension by the Unit Coordinator.

## Information Concerning the Business:

Summer O'Brien is a sole trader who operates Summer's Wilderness Packs, a wholesale business selling hiking backpacks to retail outdoor and camping shops all over Australia, and on the internet. Summer operates her business from a small, rented warehouse in Hobart. She employs a casual worker for four days a week. Summer's bookkeeper has just retired and she asks you if you can help her to record the transactions for June. As you are studying accounting she also asks you to finish off the books for the year and prepare some financial statements for her. She is thinking of expanding and needs the statements to apply for a bank loan. The bookkeeper has been keeping the records manually but Summer is keen for you to use Excel to complete the various records each month. **Ignore GST.**

### Other Information:

- Summer sells two products, the Summer's Wilderness Day Pack (known as the "Day Pack") and the Summer's Wilderness Hiking Pack (known as the "Hiking Pack").
- She uses a perpetual inventory system and the First-in, First-out method to assign costs to Cost of Goods Sold.
- Prepayments (prepaid expenses or unearned revenue) are treated as an Asset or Liability when paid.
- Assume transactions are on credit unless it is stated otherwise.
- All transactions are recorded on the day they occur.
- For convenience, round all figures to the nearest dollar (you can get Excel to do this for you by showing no cents).

### Schedule of Accounts Receivable at 31 May 2020

Acc No	Account	Amount
101	Q Quoll	7 227
102	P Possum	4 221
103	W Wombat	1 055
		<b>12 503</b>

### Schedule of Accounts Payable at 31 May 2020

Acc No	Account	Amount
201	L Lake	4 678
202	T Tarn	6 557
203	M Mountain	5 360
		<b>16 595</b>

### Inventory Subsidiary Ledger at 31 May 2020

Item No	Product Name	Units	Unit Cost	Amount
01	Day Pack	42	45	1 890
02	Hiking Pack	39	112	4 368
				<b>6 258</b>

The May Bank Reconciliation Statement is as follows:

<b>Summer's Wilderness Packs Bank Reconciliation Statement As at 31 May 2020</b>		
Balance as per Bank Statement		76 645 Cr
Add Outstanding Deposit		2 940
		79 585
Less Unpresented cheques		
No 891	3 125	
No 901	480	
No 903	1 450	5 055
Balance as per Cash at Bank Account		74 530 Dr

The Trial Balance as at 31 May 2020 prepared by the old bookkeeper is as follows:

Account Name	Acc No	Debit	Credit
Cash at Bank	1-1100	74 530	
Accounts Receivable Control	1-1104	12 503	
Allowance for Doubtful Debts	1-1105		565
Inventory Control	1-1115	6 258	
Packaging Materials	1-2121	2 480	
Prepaid Insurance	1-2125	1 890	
Warehouse Fixtures and Fittings	1-3175	42 000	
Accum Depn – Warehouse Fixtures and Fittings	1-3176		15 000
Delivery Truck	1-3180	65 000	
Accum Depn – Delivery Truck	1-3181		47 000
Accounts Payable Control	2-1200		16 595
Accrued Expense Payable	2-1215		
S O'Brien, Capital	3-1300		131 600
S O'Brien, Drawings	3-1310	48 205	
Profit and Loss Summary	3-9000		
Sales	4-1000		154 705
Sales Returns and Other Allowances	4-1005	410	
Interest Revenue	4-8410		75
Discount Received	4-8420		74
Cost of Goods Sold	5-1000	89 540	
Salaries and Wages Expense	6-2540	18 350	
Telephone and Internet Expense	6-2545	2 145	
Electricity Expense	6-2547	2 035	
Insurance Expense	6-2550		
Packaging Materials Expense	6-2556		
Depn Expense – Warehouse Fixtures and Fittings	6-2563		
Depn Expense – Delivery Truck	6-2564		
Bank Fee Expense	6-3580	150	
Bad Debts Expense	6-3590		
Discount Allowed	6-3595	118	
		<b>\$365 614</b>	<b>\$365 614</b>

<b>Transactions for the month of June are as follows:</b>	
June 1	Received \$1 000 from W Wombat for full payment of his debt as at 31 May, Receipt No 103 (hint, we may have given him a discount).
1	Paid the annual insurance premium of \$1 956, Cheque 904.
2	Cash Sales, 12 Hiking Packs @ \$180, Receipt No 104.
4	Paid M Mountain the amount owing to them less 5% cash discount for early payment, Cheque 905.
6	Credit sales to P Possum of 20 Day Packs @ \$78, Invoice No. 56.
6	Paid L Lake the amount owing at 31 May and received a 7.5% discount for early payment, Cheque 906.
7	Paid wages owing for the fortnight \$420, Cheque 907.
8	Paid T Tarn the full amount owing as at 31 May, Cheque 908.
9	Received \$7,100 from Q Quoll as full payment of her debt as at 31 May, Receipt No 105.
10	Received a quote from Trucks R Us for \$90 000 for a new delivery truck.
14	Paid Electricity Account \$310, Cheque 909.
15	Purchased 30 Day Packs @ \$48 from T Tarn, Invoice 1290.
16	Purchased 25 Hiking Packs @ \$113 from M Mountain, Invoice 101.
18	Credit sales to W Wombat of 33 Day Packs @ \$80 each, Invoice No 57.
18	Cash sales, 15 Day Packs @ \$78, Receipt No 106.
19	Credit sales to Q Quoll 25 Hiking Packs @ \$180 each, Invoice No. 58.
21	Q Quoll returned 5 Hiking Packs as she decided she only wanted 20. Summer issued Credit Note 19 and gave Q Quoll a credit. As the packs were not damaged they were returned to the inventory.
22	Paid wages owing for the fortnight \$420, Cheque 910.
22	Appointed Tim Brady as Sales Representative starting on 8th July 2020. His retainer wage was agreed at \$1 666 per month with a commission of 5% on products sold.
23	Received \$3,500 from P Possum, Receipt No 107.
24	Credit sales to W Wombat of 15 Hiking Packs @ \$180, Invoice No. 59.
25	Purchased 40 Day Packs @ \$49 each from L Lake, Invoice 277.
26	Cash Sales, 10 Day Packs @ \$80 and 10 Hiking Packs @ \$182, Receipt No 108.
27	Provided a wholesale sales quote to Hobart Hardware for 500 Day Packs @ \$65.
28	Received \$3 600 from Q Quoll, Receipt No 109.

29	Paid M Mountain \$1 200, Cheque 911.				
30	Traded in the delivery truck for \$13 000 in part payment for a new delivery truck costing \$74 000. The remaining \$61 000 was paid in cash, Cheque 912 (see depreciation information below).				
30	<p>End of Month adjustments</p> <ul style="list-style-type: none"> <li>• Insurance is paid once a year in advance on 1 June each year. No adjustment has been made during the year.</li> <li>• Wages owing at 30 June \$220.</li> <li>• A stocktake in the office reveals that Packaging Materials on Hand are \$640.</li> <li>• Depreciation: <ul style="list-style-type: none"> <li>➤ Warehouse Fixtures and Fittings depreciation is based on 15 years usage and the straight line method (residual value \$6 000)</li> <li>➤ The old Delivery Truck sold on 30 June is depreciated at 20% using the diminishing balance method (residual \$8 000).</li> <li>➤ The new Delivery Truck bought on 30 June is to be depreciated at 25% using the diminishing balance method (residual \$10,000).</li> </ul> </li> <li>• The Telephone and Internet account for June for \$250 has not been received or paid.</li> <li>• Allowance for Doubtful Debts needs to be adjusted to equal 8% of Accounts Receivable Control at 30 June.</li> <li>• A stocktake revealed the following closing balances: <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-right: 20px;">Day Pack</td> <td style="text-align: right;">34</td> </tr> <tr> <td>Hiking Pack</td> <td style="text-align: right;">7</td> </tr> </table> </li> </ul>	Day Pack	34	Hiking Pack	7
Day Pack	34				
Hiking Pack	7				

Summer received the following bank statement from her bank for the month of June.

Summer's Wilderness Packs		<b>Community Bank</b>		A/c No 2350	
<b>BANK STATEMENT</b>					
Date	Particulars	Debits	Credits	Balance	
		\$	\$	\$	
2020					
June 1	Balance forward			76 645	Cr
1	Cash and cheques		2 940	79 585	Cr
1	Cash and cheques		1 000	80 585	Cr
2	Cash and cheques		2 160	82 745	Cr
3	Cheque 905	5 092		77 653	Cr
9	Cash and cheques		7 100	84 753	Cr
11	Account Fee	15		84 738	Cr
12	Cheque 903	1 450		83 288	Cr
	Cheque 904	1 956		81 332	Cr
16	Returned Cheque (W Wombat)	1 000		80 332	Cr
18	Cash and cheques		1 170	81 502	Cr
19	Interest Earned		15	81 517	Cr
19	Cheque 909	310		81 207	Cr
20	Cheque 901	480		80 727	Cr
23	Cash and cheques		3 500	84 227	Cr
26	Cash and cheques		2 620	86 847	Cr
29	Cheque 910	420		86 427	Cr
29	Cheque 907	420		86 007	Cr
	Cheque 911	1 200		84 807	Cr
30	Transaction Fees	57		84 750	Cr