



Computerised Accounting



Level 3

Sample Assignment / Suggested Answers

Effective from 1 March 2004

The Case

Mr John Webber and Mr Richard Ellis are the founding partners of **Webber Ellis & Company**, a home furniture trader that buys furniture from manufacturers and sells them to furniture retailers. The company was set up on 1 July 2003, which is also the first day of commencement of business. The company adopts the standard 12-months financial period, commencing from 1 July 2003.

The company transacts in the local currency (\$) and US Dollars (USD). The USD exchange rates table is found in Appendix A. As a policy, the system's exchange rates table will be updated once a month on the last day of the month.

You may assume that there is no tax for all transactions and accounts.

You are required to use the system to record the transactions below:

- 1 Set up the company data file by selecting the Industry classification: "Retail" and Type of business: "Furniture Dealer" from sample account list provided by the software, with the following company address:

(ID:<Your Candidate No>)
67 Hogget Street
Singapore 034568

[2 marks]

The correct company name, candidate number and address should be shown on the financial reports.
[Total 2 marks]

- Rename the account "4-1300 Cash Sales" to "4-1300 Credit Sales".

[1 mark]

Check the Accounts List for account "4-1300 Cash Sales". **[Total 1 mark]**

- Create the partnership distribution accounts "3-8001" for Mr John Webber and "3-8002" for Mr Richard Ellis.

[1 mark]

Check the Accounts List for accounts "3-8001" for Mr John Webber and "3-8002" for Mr Richard Ellis.
[0.5 marks for each account. Total 1 mark.]

2 The company purchases furniture in US Dollars (USD) from overseas manufacturers and sells them to furniture retailers.

- Update the exchange rates table for the USD rate on 1 July 2003. Generate the Currency List report.

[2 marks]

Currency List report generated **[1 mark]** and USD Exchange rate on 1 July 2003 is 1.70000. **[1 mark]**
[Total of 2 marks]

- Create the following accounts: “1-2201 Trade Debtors – USD” and “2-2201 Trade Creditors – USD”. Link these accounts to the USD currency.

[1 mark]

Check Accounts List for accounts “1-2201 Trade Debtors – USD” and “2-2201 Trade Creditors – USD”. **[0.5 marks for each account. Total of 1 mark.]**

3 On 1 July 2003, each partner contributed \$100,000 towards the set up of their furniture trading business. The two amounts of \$100,000 were deposited into the general cheque account. Record this transaction.

[2 marks]

Check Cash Receipts Report for capital contributions from each partner. There should be 2 entries on 1 July 2003. **[1 mark for each entry. Total of 2 marks.]**

4 An order was placed with **Evertimber Trade Company** for 100 pieces of Dining Chairs (Item No. **DC01**) at USD25.00 each, and 20 pieces of Dining Table (Item No. **DT02**) at USD75.00 each. All goods arrived on 5 July 2003, and the supplier bill was received on the same day.

- Create these two items in the Item List using the following information:
 - Cost of sales account is “5-1000 Purchases”
 - Income account for sales is “4-1300 Credit Sales”
 - Asset account for inventory is “1-2300 Merchandise Inventory”

[2 marks]

Check Items Register report for items DC01 and DT02. **[Total of 2 marks]**

- Create a supplier bill (item layout) from **Evertimber Trade Company** for the purchase above. The supplier requires a 50% payment upon delivery, and the balance 50% within 30 days from date of the bill. Record this partial payment to **Evertimber Trade Company**. Generate this supplier bill from the system

[12 marks]

Check for “Purchase Order” or “Supplier Bill” document to Evertimber Trade Company. Marks to be allocated to:

- Supplier bill is generated. **[0.5 marks]**
- Supplier name is “Evertimber Trade Company”. **[0.5 marks]**
- Date of Bill is “5/7/2003”. **[0.5 marks]**
- Terms is “Net 30”. **[0.5 marks]**
- 100 units of DC01 at USD25.00. **[1.5 marks]**
- 20 units of DT02 at USD75.00 **[1.5 marks]**
- Partial payment of USD2,000 is shown as “Deposit”. **[1 mark]**
- Use of USD exchange rate of 1.72 **[1 mark]**
- Create inventory items DC01 and DT02 **[4 marks]**
- Create supplier card and set currency as USD **[1 mark]**

[Total of 12 marks]

5 The following sales were made during the month of July 2003. Generate the invoices accordingly.

- 7 July 2003. Sold 1 piece of **DT02** and 4 pieces of **DC01** to customer **Trumpet Home Furnishings** at \$250.00 and \$90.00 each respectively. A 14 days credit term is offered.

[5 marks]

Check for "Invoice" document to Trumpet Home Furnishings. Marks to be allocated to:

- Customer name is "Trumpet Home Furnishings". **[0.5 marks]**
- Date of Bill is "7/7/2003". **[0.5 marks]**
- Terms is "Net 14". **[0.5 marks]**
- 4 units of DC01 at \$250.00. **[1.5 marks]**
- 1 units of DT02 at \$90.00 **[1.5 marks]**
- Customer invoice is generated **[0.5 marks]**.

[Total of 5 marks]

- 8 July 2003. Sold 10 pieces of **DC01** to customer **American Dream Homes** at USD75.00 each. A 7 days credit term is offered.

[5 marks]

Check for "Invoice" document to American Dream Homes. Marks to be allocated to:

- Customer name is "American Dream Homes". **[0.5 marks]**
- Customer invoice is generated **[0.5 marks]**
- Date of Bill is "8/7/2003". **[0.5 marks]**
- Terms is "Net 7". **[0.5 marks]**
- 10 units of DC01 at USD75.00. **[1.5 marks]**
- USD exchange rate of 1.75 is used **[1 mark]**
- Set currency of USD in customer card **[0.5 marks]**

[Total of 5 marks]

- 12 July 2003. Sold 1 piece of **DT02** at \$280.00 to customer **Kelly's Homes**, and it has been agreed with the customer that this will be traded-in with 1 piece of used dining table valued at \$50.00. The outstanding balance was settled by the customer on delivery.

You should create a new account "1-9990 Contra Cheque Account" and inventory items "Used Dining Table (Item No. **UDT**)" and "Trade-in Item", to record this transaction and generate this invoice. (Note: Please use the Cash method to handle this transaction)

[11 marks]

Check for "Invoice" document to Kelly's Homes. Marks to be allocated to:

- Customer name is "Kelly's Homes". **[0.5 marks]**
- Date of Bill is "12/7/2003". **[0.5 marks]**
- Terms is "COD". **[0.5 marks]**
- 1 units of DT02 at \$280.00. **[1.5 marks]**
- 1 unit of Trade-in Item at -\$50.00 **[2 marks]**
- Create inventory item UDT **[2 marks]**
- Cash receipts journal for settlement **[1 mark]**
- Create 1-9990 Contra Cheque Account **[2 marks]**
- Zero balance for Contra Cheque Account **[1 mark]**

[Total of 11 marks]

6 On 15 July 2003, the partners decided to place one dining table (**DT02**) and four dining chairs (**DC01**) with **Howard's Showroom** for display. It was also agreed that these items will be held on a consignment basis until they are sold at the usual price of \$250 and \$90 each of **DT02** and **DC01** respectively. Use the following information to record this transaction:

- Create new inventory items **DC01-C** and **DT02-C** to track the corresponding items issued on consignment.
- Create a new asset account "1-2399 Consignment Stock".
- Transfer the appropriate quantities and cost of the items on consignment from the trading stock to the consignment stock.

[7 marks]

Check Item Register report for items "DC01-C" and "DT02-C" for items to be consigned. **[2 marks for each item with appropriate description].**

Check Accounts List report for existence of "1-2399 Consignment Stock". **[1 mark]**

Check Item Register report for transfer of 4 units of DC01 to DC01-C and 1 unit of DT02 to DT02-C. **[2 marks]**

[Total of 7 marks]

All the items consigned to **Howard's Showroom** were sold on 25 July 2003. Create an invoice to record this sale on a 14 days credit term. Generate this invoice.

[6 marks]

Check for "Tax Invoice" document to Howard's Showroom. Marks to be allocated to:

- Date of Bill is "25/7/2003". **[0.5 marks]**
- Terms is "Net 14". **[0.5 marks]**
- 1 units of DT02-C at \$250.00. **[1.5 marks]**
- 1 unit of DC01-C at \$90.00 **[1.5 marks]**
- Customer is "Howard's Showroom" **[0.5 marks]**
- Customer invoice is generated **[0.5 marks]**.

Check Accounts List report that "1-2399 Consignment Stock" has zero balance. **[1 mark]**

[Total of 6 marks]

- 7 On 20 July 2003, the company supplied 10 pieces of **DT02** at \$220 each and 50 pieces of **DC01** at \$80 each to **Midera Resort**. Record this sale on a 30 days credit term, create a new job code "M01" to track all income and expenses relating to this account, and generate the invoice. **[8 marks]**

Record the following payments from the Cheque Account pertaining to this job:

- Paid \$800 for an advertisement in the local newspapers on 7 July 2003.
- Paid \$300 for freight charges on 21 July 2003.
- Paid \$4,000 for the wages and salaries of workers on 25 July 2003, but only \$1,000 was to be allocated to this job.

[4 marks]

Generate a Job Profit & Loss statement for this job only as at 31 July 2003.

[1 mark]

For the invoice to Midera Resort, marks will be allocated as follows:

- Invoice is generated **[0.5 marks]**
- Customer "Midera Resort" is specified **[0.5 marks]**
- Date of bill is 20 July 2003 **[0.5 marks]**
- Term 30 days is used **[0.5 marks]**
- 10 units of DT02 at \$220.00 **[1 mark]**
- 50 units of DC01 at \$80.00 **[1 mark]**.

Check for "Job Profit & Loss Statement" document. Marks to be allocated to:

- Creation of job code "M01" **[1 mark]**
- Job Profit & Loss is generated for 1/7/03 through 31/7/03 for job "M01". **[1 mark]**
- Job code "M01 Midera Resort" is shown. **[2 marks]**
- Total credit sales should be \$6,200. **[1 mark]**
- Freight Paid is \$800 **[1 mark]**
- Advertising \$800 **[1 mark]**
- Wages & Salaries is \$1,000 **[2 marks]**

[Total of 13 marks]

- 8 On 13 July 2003, the company sold 1 unit of **DT02** to **Evergreen Gardening** at \$250.00. **Evergreen Gardening** also supplied potted plants to the company for \$120.00 (to be charged to 6-1500 Office Supplies). It was agreed that **Evergreen Gardening** would pay the difference in 30 days. Record this contra entry accordingly, and generate the sales invoice. (Note : Please use the Credit Note method to handle this transaction.)

[7 marks]

Check the Cash Disbursements report has the following entry on 13/7/03 **[1 mark]**:

Dr 2-2200 Trade Creditors \$120.00
Cr 1-9990 Contra Cheque Account \$120.00

Check the Cash Receipts report has the following entry on 13/7/03 **[1 mark]**:

Dr 1-9990 Contra Cheque Account \$120.00
Cr 1-2200 Trade Debtors \$120.00

Check for "Invoice" document to Evergreen Gardening. Marks to be allocated as follows:

- Invoice generated **[0.5 marks]**
- Invoice shows customer "Evergreen Gardening" **[0.5 marks]**
- Date of bill is 13 July 2003 **[0.5 marks]**
- Term is Net 7 days **[0.5 marks]**
- 1 unit of DT02 at \$250.00 **[1 mark]**
- A deposit of \$120 is shown **[1 mark]**
- A balance of \$130 is shown **[1 mark]**.

[Total of 7 marks]

- 9 It was reported on 28 July 2003 that **Trumpet Home Furnishings** became insolvent. The partners of the company decided to write off the outstanding amount owing by this customer as bad debts, and this would be charged to the account "6-2000 Bad Debts" . Record this entry accordingly.

[4 marks]

Check the Sales & Receivables Journal report has the following entry on 28/7/03:

Dr 6-2000 Bad debts \$610.00
Cr 1-2200 Trade Debtors \$610.00

Marks to be allocated as follows:

- 6-2000 Bad Debts account created **[0.5 marks]**
- Date of transaction is 28/07/03 **[0.5 marks]**
- Credit Note created to offset transaction **[1.5 marks]**
- Zero debtor balance for Trumpet Home Furnishings **[0.5 marks]**

Check that the Aged Receivables Detail report does not show any balance for Trumpet Home Furnishings. **[1 mark]**

[Total of 4 marks]

Update the USD Exchange Rates as at 31 July 2003, and generate the Currency Unrealised Gain/Loss report.

[1 mark]

The USD Exchange rate should be updated to 1.75 as at 31 July 2003, and the Currency Unrealised Gain/Loss report generated on this date. **[1 mark]**

The Company analyses the debtors within the following ranges: 7 days, 14 days, 30 days and over 30 days. Generate the **Receivables Reconciliation Detail** report that shows the aging of debtors as at 31 July 2003 in the local currency.

[4 marks]

Check Receivables Reconciliation Detail shows the following:

- Report generated as of 31/7/03 **[0.5 marks]**
- Outstanding debtors in local currency **[0.5 marks]**
- Date ranges of 0-7 days, 8-14 days, 15 to 30 days and more than 30 days **[2 marks]**
- Shows a total amount due from debtors \$8,215.00 **[1 mark]**

[Total of 4 marks]

The partners decided to set a general provision for bad debts based on 10% of the total trade debtors balance as at 31 July 2003 in local currency. Record this entry accordingly on 31 July 2003.

[2 marks]

Check that the General Journal report shows the following entry **[1 mark]**:

Dr 6-2000 Bad debts
Cr 1-2210 Less Prov'n for Doubtful Debts

Amount of \$825.25 is provided as bad debts. **[1 mark]**

[Total of 2 marks]

- 10 On 1 July 2003, the partners purchased an insurance health and safety policy from **AXON Insure** at \$1,200 per annum. Full payment was made on 1 July 2003. The policy will be effective for 1 year, commencing on 1 July 2003. Create a new account "6-5200 Insurance" and record the entry on 1 July 2003.

Record the entry on 31 July 2003 to recognise the insurance expense for July 2003.

[3 marks]

Creation of "6-5200 Insurance" Account. **[0.5 marks]**

Check that the Cash Disbursements Journal report shows the following entry on 1/7/03 **[1 mark]**:

Dr 1-2400 Prepayments \$1,200.00
Cr 1-2110 Cheque Account \$1,200.00

Check that the General Journal report shows the following entry on 31/7/03 **[1 mark]**:

Dr 6-5200 Insurance \$100.00
Cr 1-2400 Prepayments \$100.00

Amount should be \$100.00 **[0.5 marks]**.

[Total of 3 marks]

- 11 Generate the following financial reports:

- (a) Accounts List Detail, showing balances (including accounts with zero balances) as at 31 July 2003 **[1 mark]**
- (b) Profit & Loss Multi-Period Spreadsheet for the Quarter from 1 July to 30 September 2003. **[1 mark]**
- (c) Balance Sheet Multi-Period Spreadsheet for the Quarter from 1 July to 30 September 2003. **[1 mark]**
- (d) The following reports from 1 to 31 July 2003:
- General Journal
 - Sales & Receivables Journal
 - Purchases & Payables Journal
 - Item Register (Detail)
 - Cash Receipts Journal
 - Cash Disbursements Journal.

[3 marks]

Check that all financial reports generated are the required types and have the required date range(s). **[Total of 6 marks]**

- 12 Assuming that it is now 30 June 2004, and the net profit for FY 2004 is \$30,000. Record the general journal entry to distribute the profit equally among the partners. Generate the General Journal report for June 2004.

[3 marks]

The General Journal report is generated **[0.5 marks]** as of 30/6/04 **[0.5 marks]**.

Check that the General Journal report shows the following entry on 30/6/04 **[2 marks]**:

Dr 3-8000 Retained Earnings \$30,000.00
Cr 3-8001 Mr John Webber Distribution \$15,000
Cr 3-8002 Mr Richard Ellis Distribution \$15,000

[Total of 3 marks]

Appendix A

USD Exchange Rates (local currency to 1 unit of USD)

1 July 2003	1.70000
5 July 2003	1.72000
7 July 2003	1.72800
8 July 2003	1.75000
12 July 2003	1.73000
15 July 2003	1.74000
25 July 2003	1.72000
28 July 2003	1.73000
31 July 2003	1.75000
1 August 2003	1.74500

-- End of assignment --