

School Accounting Modules Student's Manual

Module 1: Business Startup

Background Information

Chart of Accounts

Source Documents

Accounting Forms

Witness Fitness Centre

An Accounting Simulation

for Students

Background Information

Ted Winslow, a physical education teacher at a local high school, felt his efforts to promote high standards of physical fitness were unappreciated by his students. After a long summer of contemplation, he decided to start his own business. With some personal savings, a bank loan, and a daring entrepreneurial spirit, the WITNESS FITNESS CENTRE was born.

One nagging problem Ted did face was the bookkeeping: he was too busy to do it, and he was concerned that hiring an accountant would be too expensive. A solution was close at hand, however—you! Since you are a beginning accounting student and a friend of the Winslow family, you offered to perform the bookkeeping functions of the Centre free of charge! Ted, who was slightly concerned that your services would be worth the offered price, reluctantly agreed.

The requirements are clear: Ted will give you the source document(s) for each transaction, you will select the proper accounts to debit and credit, then you will make a general journal entry using either pen and paper or accounting software.

After you finish the journal entries for the month of September, Ted wants to see a trial balance, income statement, and balance sheet. You might also want to impress him with a business letter or report that describes and analyzes September's financial activity.

Chart of Accounts

Assets

- 1010 Bank
- 1050 A/R Lynn Ayles
- 1060 A/R Judy Chan
- 1070 A/R Laura Coburn
- 1080 A/R Betty Shantz
- 1250 Supplies
- 1500 Equipment
- 1550 Furniture

Liabilities

- 2010 Bank Loan Payable
- 2050 A/P Buff It Fitness Supplies
- 2060 A/P Cell Tellular Ltd.
- 2070 A/P Contours Fitness Equipment
- 2080 A/P CSS Digital Creations
- 2090 A/P CWHY Radio Station
- 2100 A/P EcoFlair Furniture Ltd.
- 2110 A/P Handy Hardware Ltd.
- 2120 A/P McKill's Marketing Ltd.
- 2130 A/P No Strings Attached Ltd.
- 2140 A/P Outstanding Office Supplies
- 2150 A/P Premium Printing Ltd.
- 2160 A/P Signs and Wonders Ltd.
- 2400 HST Payable

Owner's Equity

- 3010 Ted Winslow, Capital
- 3020 Ted Winslow, Drawings

Revenue

- 4010 Membership Fees
- 4020 Drop-in Fees

Expenses

- 5010 Wages Expense
- 5050 Rent Expense
- 5100 Advertising Expense
- 5150 Renovations Expense
- 5200 Loan Interest Expense
- 5250 Miscellaneous Expense
- 5300 Telephone Expense
- 5350 Utilities Expense
- 5400 Choreography Expense
- 5450 Bank Charges
- 5500 Bookkeeping Expense

Note: If you are setting up the ledger manually, write the above account titles and numbers on the ledger account forms provided. All ledger account forms—other than the bank account—have a standard size. You need four ledger account forms to handle the many entries to 2400 HST Payable and two for 4010 Membership Fees.

Witness Fitness Centre

Memorandum

To: *You, my bookkeeper*
From: *Ted Winslow*



Date: *Sep 2* 20 *10*

Please record the entry for my personal investment in the business of \$20,000. It was deposited in the business' bank account today.
TW



**73 Current Sea Road
 Ciborea City U8H 1L7
 734-4344**

Date: 2010 09 02

On demand, after date for value received, I promise to pay the NORTH 49 COMMERCIAL BANK the sum of \$40,000 payable at a monthly rate of 5.5% per annum.

Ted Winslow
 Witness Fitness Centre

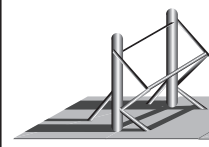
#001	Date <u>September 2</u> 20 <u>10</u>		
Balance Forward	∅	—	
Deposits	<i>9/2</i> 20,000	—	
	<i>9/2</i> 40,000	—	
Total Deposits	60,000	—	
Sub-total	60,000	—	
Invoice (Pre-tax)	<i>7,500</i> —	—	
HST Portion	<i>975</i> —	—	
Other		—	
Cheque Amount	8,475	—	
Balance	51,525	—	

To Reliable Realty
 For September Rent

#002	Date <u>September 2</u> 20 <u>10</u>		
Balance Forward	51,525	—	
Deposits		—	
Total Deposits		—	
Sub-total	51,525	—	
Invoice (Pre-tax)	192	—	
HST Portion		—	
Other		—	
Cheque Amount	192	—	
Balance	51,333	—	

To Ciborea City Hall
 For Business Licence—Charge to Miscellaneous Exp.

FORM 5



Contours Fitness Equipment

1003 POMMEL AVE.
CIBOREA CITY V9Z 1M3 703-742-6904

INVOICE: 8370B
DATE: 2010 09 03
TERMS: Net 15
HST REG. 495039458
SOLD TO:

Witness Fitness Centre
10 Dun Street Ciborea City

Quantity	Particulars	Unit Price	Amount
3	SureStep Treadmills	3,437	10,311.00
5	Spinner Exercise Bikes	1288	6,440.00
2	Mojo Ellipticals	5249	10,498.00
			27,249.00
		HST	3,542.37
		Total	30,791.37

FORM 6



Buff It Fitness Supplies

1977 James Avenue
Ciborea City, V7M 1A3
703-779-9876

Invoice: 4275
Date: 2010 09 04
Terms: Net 30
HST # 89945 5523

Sold To:
Witness Fitness Centre
10 Dun Street, Ciborea City

Quantity	Description	Unit Price	Amount
10	Free Weights—sets	349.00	3,490.00
10	Gymnastic Balls	22.98	229.80
20	Vinyl Mats	188.00	3,760.00
			7,479.80
		HST	972.37
		Total	8,452.17

FORM 7



2572 Main St.
Ciborea City V4B 6C8
703-430-9221

**Handy
Hardware Ltd.**

Rec'd: 9/4/10

Paid:

Charge to:

*Renovations
Expense*

Sold to: Witness Fitness Centre
10 Dun Street
Ciborea City V8A 6L2

Date: Sep 4, 2010
Terms: N30
Order Number: 21945

Quantity	Description	Unit Price	Amount
64 Litres	Latex Paint	6.47	414.08
12	Lighting Fixtures	39.99	479.88
6	Paint brushes	4.39	26.34
			920.30
		HST	119.64
		Total	1,039.94

HST Registration No. 67753 9290

FORM 8

#003

Date September 4, 2010

Balance Forward	51,333	—
Deposits		
Total Deposits		
Sub-total	51,333	—
Invoice (Pre-tax)	1,258.95	
HST Portion	163.66	
Other		
Cheque Amount	1,422	61
Balance	49,910	39

To Cash 'N' Carry Business DepotFor Computer, printer, filing cabinet

FORM 9

EcoFlair Furniture Ltd.*"Good for everyone's home"*

4717 6th Ave., Ciborea City V7H AY2 703-772-4119

2010 09 04

To: Witness Fitness Centre
10 Dun Street
Ciborea City V8A 6L2

Terms: N/30
Invoice: 3452 A
HST Reg. No.R339023902

Quantity	Number	Description	Unit Price	Amount
1	#0314	Desk	515.00	515.00
5	#1214	Chairs	39.00	195.00
1	#0004	Sofa	602.72	602.72
				1,312.72
			HST	170.65
			Total	1,483.37

FORM 10

Outstanding Office Supplies

2999 Oxford Ave.
Ciborea City
V2V 1X9
624-8972
#1904B

Sold To: Witness Fitness Centre
10 Dun Street Ciborea City V8A 6L2

Date: Sep 5, 2010
Terms: Net 30

Quantity	Description	Unit Price	Amount
5 pkgs	28 lb bond paper	9.21	46.05
5 pkgs	file folders	17.33	86.65
2 ea	toner	149.97	299.94
			432.64
		HST	56.24
		Total	488.88

HST Reg. #R83945 8219

FORM 11

McKill's Marketing Ltd.



4679 Madison Avenue
Ciborea City V7B 1A3 693-4747

Sold To: Witness Fitness Centre
10 Dun Street, Ciborea City

Invoice # 052 A
Terms: Net 30
Date: 2010 09 05

Quantity	Description	Unit Price	Amount
500	Advertising Brochures	1.99	995.00
		HST	129.35
		Total	1,124.35
HST Registration No. 496847300			

FORM 12

SIGNS AND WONDERS LTD.

6224 Elm Street
Ciborea City V4L 1B1
703-787-6333

We'll paint you a better profit picture



Sold To:
Witness Fitness Centre
10 Dun Street
Ciborea City V8A 6L2

Invoice #43001

Date: 2010 09 06

Terms: N/30

Quantity	Description	Unit Price	Amount
2	Downtown Billboard Advertising—one month	557.56	1,115.12
		HST	144.97
		Total	1,260.09
HST Registration R88292 3922			

FORM 13



**Premium
Printing
Ltd.**

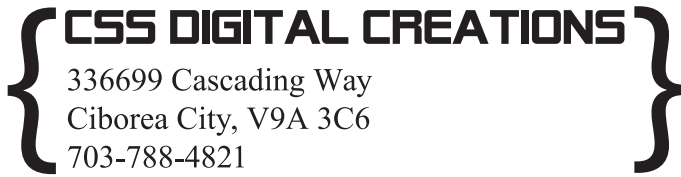
651 Hastings St.
Ciborea City V6A 1R2 703-254-8428

Sold To: Witness Fitness Centre
10 Dun Street
Ciborea City V8A 6L2
703-697-4007

Date: September 6, 2010

Terms: Net 30 days No. 062472

Quantity	Description	Unit Price	Amount
2000	Letterhead sheets	0.17	340.00
2000	Envelopes	0.11	220.00
		HST	72.80
		Total	632.80
HST Registration R98430 4994			



Date: Sep 6, 2010
 Invoice: 00633
 HST No. 69366 3003
 Terms: Net 30 days

Sold To: Witness Fitness Centre
 10 Dun St. Ciborea City, V8A 6L2

Quantity	Description	Amount
	Domain registration, site hosting, website, creation, first month's maintenance, social media marketing services	1,200.00
		156.00
	HST Total	1,356.00

Rec'd: 9/6/10
 Paid:
 Charge to:
 Advertising Expense



No Strings Attached Ltd.
 "Bringing freedom to your musical desires"
 323 Cambridge St. Ciborea City V9U 4C4 703-788-4821

Date: Sep 6, 2010
 Invoice: 3401
 HST Reg. R99388 3212
 Terms: Net 30 Days

Sold To: Witness Fitness Centre
 10 Dun St. Ciborea City, V8A 6L2

Quantity	Description	Amount
10	Choreographed Musical Playlists	350.00
		45.50
	HST Total	395.50

#004 Date September 8 20 10

Balance Forward	49,910	39
Deposits		
Total Deposits		
Sub-total	49,910	39
Invoice (Pre-tax)	1,390.00	
HST Portion	180.70	
Other		
Cheque Amount	1,570	70
Balance	48,339	69

To Ciborea Community Newspaper
 For Advertisements

#005 Date September 9 20 10

Balance Forward	48,339	69
Deposits		
Total Deposits		
Sub-total	48,339	69
Invoice (Pre-tax)	1,215.50	
HST Portion	158.02	
Other		
Cheque Amount	1,373	52
Balance	46,966	17

To Hi-Fidelity Sound
 For Sound System

 <p>Witness Fitness Centre</p> <p>“Become a Fitness Witness”</p>	<p>10 Dun Street Ciborea City V8A 6L2 (703) 697-4007</p>	<p>Invoice: 001A Date: 2010 09 10 Terms: Cash HST Reg. No. R712367927</p>	
Quantity	Particulars	Amount	
1	Quarterly Membership to Rob Beck	270	00
	HST	35	10
	Total	305	10
	Received in Cash	305	10
	Amount Owed	-	

 <p>Witness Fitness Centre</p> <p>“Become a Fitness Witness”</p>	<p>10 Dun Street Ciborea City V8A 6L2 (703) 697-4007</p>	<p>Invoice: 002A Date: 2010 09 10 Terms: N15 HST Reg. No. R712367927</p>	
Quantity	Particulars	Amount	
1	Quarterly Membership to Lynn Ayles	270	00
	HST	35	10
	Total	305	10
	Received in Cash	90	00
	Amount Owed	215	10

#006	Date <u>September 13 20 10</u>
Balance Forward	46,966 17
Deposits	10-Sep 305.10
	11-Sep 90.00
Total Deposits	395 10
Sub-total	47,361 27
Invoice (Pre-tax)	
HST Portion	
Other	
Cheque Amount	1,500 00
Balance	45,861 27
To	<u>Taryn Gordon</u>
For	<u>Bi-weekly wages</u>

#007	Date <u>September 13 20 10</u>
Balance Forward	45,861 27
Deposits	
Total Deposits	45,861 27
Sub-total	
Invoice (Pre-tax)	
HST Portion	
Other	
Cheque Amount	1,200 00
Balance	44,661 27
To	<u>Ted Winslow</u>
For	<u>Personal Use</u>



Journalize the amounts in the Totals column at the far right.
TW

001

Weekly Summary of Drop-in Fees

Week of September 8-13, 2010

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Totals
Drop-in Fees	120.00	180.00	168.00	156.00	144.00	216.00	984.00
HST	15.60	23.40	21.84	20.28	18.72	28.08	127.92
Totals	135.60	203.40	189.84	176.28	162.72	244.08	1,111.92

#008

Date September 15 20 10

Balance Forward	44,661	27
Deposits	<u>Sep 13 1,111.92</u>	
Total Deposits	1,111	92
Sub-total	45,773	19
Invoice (Pre-tax)		
HST Portion		
Other		
Cheque Amount	20,000	00
Balance	25,773	19

To Contours Fitness Equipment

For Partial settlement of account



"Become a Fitness Witness"

**10 Dun Street
Ciborea City V8A 6L2
(703) 697-4007**

Invoice: 003A


Date: 2010 09 19


Terms: Cash

HST Reg. No. R712367927

Quantity	Particulars	Amount
1	Quarterly Membership to Lisa Miller	270 00
	HST	35 10
	Total	305 10
	Received in Cash	305 10
	Amount Owed	—

 <p>Witness Fitness Centre "Become a Fitness Witness"</p>		<p>Invoice: 004A Date: 2010 09 19 Terms: N/15 HST Reg. No. R712367927</p>	
<p>10 Dun Street Ciborea City V8A 6L2 (703) 697-4007</p>			
Quantity	Particulars	Amount	
1	Quarterly Membership to Betty Shantz	270	00
	HST	35	10
	Total	305	10
	Received in Cash	90	00
	Amount Owed	215	10

 <p>Witness Fitness Centre "Become a Fitness Witness"</p>								002
Weekly Summary of Drop-in Fees				Week of September 15-20, 2010				
	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Totals	
Drop-in Fees	144.00	168.00	192.00	144.00	168.00	240.00	1,056.00	
HST	18.72	21.84	24.96	18.72	21.84	31.20	137.28	
Totals	162.72	189.84	216.96	162.72	189.84	271.20	1,193.28	

 <p>Witness Fitness Centre "Become a Fitness Witness"</p>		<p>Invoice: 005A Date: 2010 09 20 Terms: N/15 HST Reg. No. R712367927</p>	
<p>10 Dun Street Ciborea City V8A 6L2 (703) 697-4007</p>			
Quantity	Particulars	Amount	
1	Quarterly Membership to Laura Coburn	270	00
	HST	35	10
	Total	305	10
	Received in Cash	90	00
	Amount Owed	215	10

Invoice #5612C
HST No. 456920497

Sold To:
Witness Fitness Centre
10 Dun Street Ciborea City V8A 6L2
2010 09 22



4711 Airway Road
Ciborea City V4P 2M1
732-0671

Hear Why CWHY is Number 1

Quantity	Description	Unit Price	Amount
12	30 Second Ads	300.00	3,600.00
		HST	468.00
	Terms N/30	Total	4,068.00



**Witness
Fitness
Centre**

**10 Dun Street
Ciborea City V8A 6L2
(703) 697-4007**

"Become a Fitness Witness"

Invoice: 006A

Date: 2010 09 24

Terms: 30/60/90

HST Reg. No. R712367927

Quantity	Particulars	Amount
1	Annual Membership Judy Chan	990 00
	HST	128 70
	Total	1,118 70
	Received in Cash	330 00
	Amount Owed	788 70

FORM 30

**Witness Fitness Centre
Remittance Slip #001**

Cash _____

Cheque _____Amount \$ 215.10

Explanation

From Lynn Ayles in full payment of account

Received by:

TW

Date:

Sep 25, 2010

FORM 31

#009

Date September 26 20 10

Balance Forward

25,773 19

Deposits

*Six deposits**from 9/15 to*

Total Deposits

9/25: 2,223 48

Sub-total

27,996 67

Invoice (Pre-tax)

HST Portion

Other

Cheque Amount

1,500 00

Balance

26,496 67

To *Taryn Gordon*For *Bi-weekly wages*

FORM 32


Cell Tellular Ltd.

 700 Extension Rd.
 Ciboreal City V3G 2A7
 703-491-8876

 Witness Fitness Centre
 (703) 697-4007
 September 27, 2010
 Due October 15, 2010

Quantity	Description	Unit Price	Amount
1	Commercial Access Line	127.00	127.00
1	Monthly Phone Rental	72.00	72.00
1	Internet Access Line	85.00	85.00
			284.00
		HST	36.92
		Total	320.92

HST Reg. #45035 8933 New charges are due on the 15th of the following month



003

Weekly Summary of Drop-in Fees
Week of September 22-27, 2010

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Totals
Drop-in Fees	144.00	192.00	180.00	192.00	168.00	240.00	1,116.00
HST	18.72	24.96	23.40	24.96	21.84	31.20	145.08
Totals	162.72	216.96	203.40	216.96	189.84	271.20	1,261.08



73 Current Sea Road
Ciborea City V8H 1L7
734-4344

To: Witness Fitness Centre
10 Dun Street
Ciborea City V8A 6L2

Date: 2010 09 30

Your account has been charged with:

Interest on Demand Loan

Account Number: 0240121

Dollars

Cents

183

33



73 Current Sea Road
Ciborea City V8H 1L7
734-4344

To: Witness Fitness Centre
10 Dun Street
Ciborea City V8A 6L2

Date: 2010 09 30

Your account has been charged with:

Monthly Service Charges

Account Number: 0240121

Dollars

Cents

12

00



Weekly Summary of Drop-in Fees **Week of** September 29-30, 2010

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Totals
Drop-in Fees	156.00	192.00					348.00
HST	20.28	24.96					45.24
Totals	176.28	216.96	-	-	-	-	393.24

#010 Date September 30 2010

Balance Forward	26,496	67
Deposits	9/27 1,261.08	
	9/30 393.24	
Total Deposits	1,654	32
Sub-total	28,150	99
Invoice (Pre-tax)		
HST Portion	<i>Total bank debits on</i>	
Other	9/30 195	33
Cheque Amount	1,300	00
Balance	26,655	66

To Ted Winslow
For Personal Use

#011 Date September 30 2010

Balance Forward	26,655	66
Deposits		
Total Deposits		
Sub-total	26,655	66
Invoice (Pre-tax)	456.78	
HST Portion	59.38	
Other		
Cheque Amount	516	16
Balance	26,139	50

To Northern Lights Electric Co.
For Utilities bill for September

#012 Date September 30 2010

Balance Forward	26,139	50
Deposits		
Total Deposits		
Sub-total	26,139	50
Invoice (Pre-tax)		
HST Portion		
Other		
Cheque Amount	200	00
Balance	25,939	50

To You
For A bonus for commendable bookkeeping!

ACCOUNT

No.

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	D/C	BALANCE

ACCOUNT

No.

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	D/C	BALANCE

ACCOUNT

No.

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	D/C	BALANCE

ACCOUNT

No.

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	D/C	BALANCE

ACCOUNT

No.

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	D/C	BALANCE

Sage **Simply Accounting**

WITNESS FITNESS CENTRE

Module 1

Introduction

You will enjoy using Simply Accounting to process the transactions for Module 1 of the Witness Fitness Centre. After you analyze the source documents and make the required journal entries, much of your bookkeeping work is finished. Devoting hours to posting, struggling with trial balances, and preparing financial statements is no longer required. Simply Accounting performs these steps of the accounting cycle for you very quickly.

1. Loading Simply Accounting

To work properly, Simply Accounting needs various files and data. These were previously created and entered for the Witness Fitness Centre.

Locate and double-click the main company file named *WitFit1*. Before the file opens completely, you will be prompted to enter the Session Date. Accept the date shown by pressing the Return key or clicking the OK button.

2. The Home Window

When you successfully open the *WitFit1* file and close the introductory windows, Simply Accounting's Home window will appear. It looks similar to Figure 1. This is the "Enhanced View" of Simply Accounting—a view that offers visually appealing and intuitive ways to access the many features of the software.

You will be using Simply Accounting to process the transactions for the Witness Fitness Centre during its first month of business. Your accounting needs at this stage are very basic. Therefore, you will switch to the "Classic View" of Simply Accounting.

Near the top-right corner of the Home window, you will find a link to switch the views. (Also see the magnified portion of Figure 1.) Click that link and Figure 2 appears.

The columns from "General" to "Project" represent key modules of Simply Accounting. If you complete the entire set of Witness Fitness exercises, you will gain experience with all of the major Simply Accounting modules—General, Payables, Receivables, Payroll, Inventory & Services, and Project.

For now, you need only the General module. You can customize Simply Accounting to suit this need by removing all modules in the Home window except the General. From the menu bar near the top of your screen, choose *Setup, User Preferences, View*. Remove the check marks beside everything except General. Your home window will now show only the General Module and the "My Business" column.

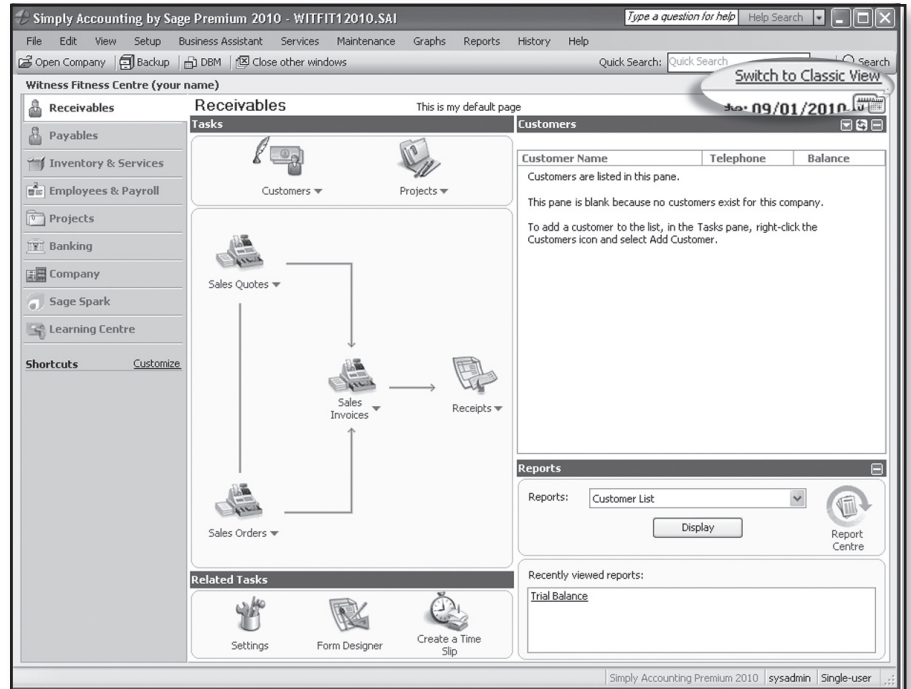


Figure 1 Simply Accounting's Home window in the "Enhanced View"

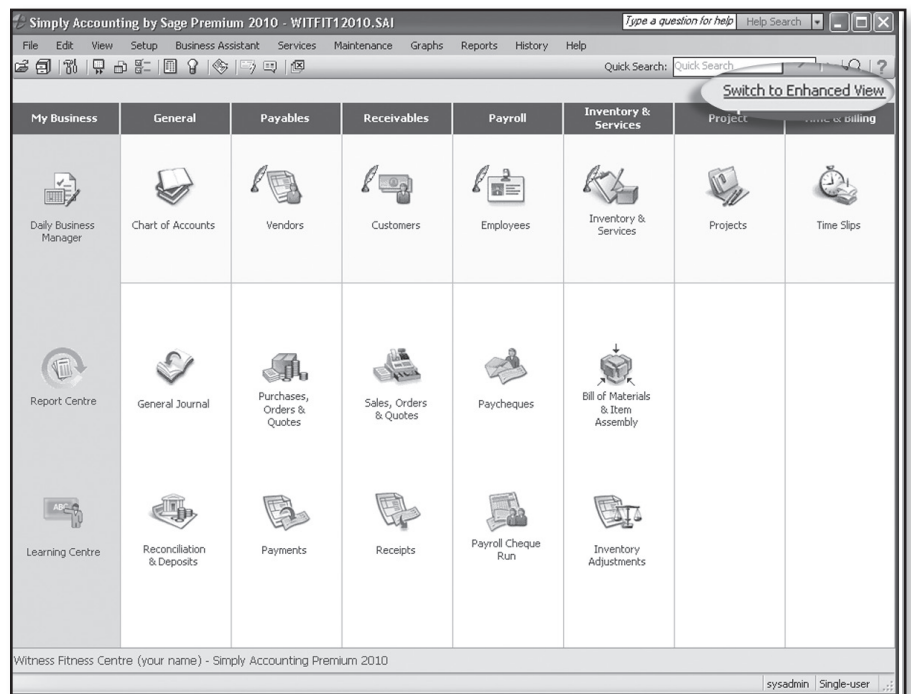


Figure 2 Simply Accounting's Home window in the "Classic View"

Account Number	Account Description	Debits	Credits
1010	Bank	0.00	-
1050	A/R Lynn Ayles	0.00	-
1060	A/R Judy Chan	0.00	-
1070	A/R Laura Coburn	0.00	-
1080	A/R Betty Shantz	0.00	-
1250	Supplies	0.00	-
1500	Equipment	0.00	-
1550	Furniture	0.00	-
2010	Bank Loan Payable	-	0.00
2050	A/P Buff It Fitness Supplies	-	0.00
2060	A/P Cell Tellular Ltd.	-	0.00
2070	A/P Contours Fitness Equipment	-	0.00
2080	A/P CSS Digital Creations	-	0.00
2090	A/P C/MHY Radio Station	-	0.00
2100	A/P EcoFlair Furniture Ltd.	-	0.00
2110	A/P Handy Hardware Ltd.	-	0.00
2120	A/P McKill's Marketing Ltd.	-	0.00
2130	A/P No Strings Attached Ltd.	-	0.00
2140	A/P Outstanding Office Supplies	-	0.00
2150	A/P Premium Printing Ltd.	-	0.00
2160	A/P Signs and Wonders Ltd.	-	0.00
2400	HST Payable	-	0.00
3010	Ted Winslow, Capital	-	0.00
3020	Ted Winslow, Drawings	-	0.00
4010	Membership Fees	-	0.00
4020	Drop-in Fees	-	0.00
5010	Wages Expense	0.00	-
5050	Rent Expense	0.00	-
5100	Advertising Expense	0.00	-
5150	Renovations Expense	0.00	-
5200	Loan Interest Expense	0.00	-
5250	Miscellaneous Expense	0.00	-
5300	Telephone Expense	0.00	-
5350	Utilities Expense	0.00	-
5400	Choreography Expense	0.00	-
5450	Bank Charges	0.00	-
5500	Bookkeeping Expense	0.00	-
		<u>0.00</u>	<u>0.00</u>

Figure 3 The opening trial balance

Figure 4 The screen for entering basic company information

3. Viewing the Trial Balance

Choose *Reports, Financials, Trial Balance*. When you click OK, your window will look like Figure 3.

Since the Witness Fitness Centre is a new business, you will notice that all accounts have zero balances. If needed, use the scroll bar to see all of them, then close this window to return to the Home window.

4. Entering Company Information

To enter some important data, choose *Setup, Settings, Company, and Information*. Press the Tab key to move from field to field.

- At the end of the "Name" field, replace the words (*your name*) with your actual name. Your actual name will then be printed on all reports and statements for identification.
- Enter the address for the Centre, as shown in Figure 4. Change the province to your home province.
- Enter the phone, fax, business number, and company type.
- Notice that some dates have been entered for you. By analyzing the dates correctly, you will understand that the Witness Fitness Centre measures its financial progress in 12-month periods running from September 1 to August 31.

Click the OK button when the data fields are the same as in Figure 4.

5. Saving Work

Simply Accounting constantly interacts with the file that is saved on your disk. That file is therefore up to date; you do not have to worry about saving it.

6. Finishing a Class

At the end of each class, choose *File, Exit* to quit the Simply Accounting program.

7. Changing Session Dates

When you start Simply Accounting, you will be asked to enter or confirm a "Session Date"; for accounting clerks, this is normally the current date on the calendar.

Assume that you, the bookkeeper, receive the source documents for the Witness Fitness Centre on September 30. Therefore, choose *Maintenance, Change Session Date*, and enter *093010*. Simply Accounting gives a warning about the session date. Ignore it because the software permits you to enter transaction dates that are different than the Session Date.

Click the OK button to confirm your entry.

8. Making Journal Entries

From the Home window, open the General Journal icon. You are ready to enter data for the first transaction of the Witness Fitness Centre—a \$20,000 cash investment by the owner. (See Form 1 of the source documents.)

GENERAL JOURNAL FIELDS—FORM 1

Source

This is a field for source document numbers. If no numbers exist, type your initials in lower-case letters. Press the Tab key to move from field to field.

Date

The date shown in this field, by default, is the Session date. Since it is not correct for this transaction, type 9/2/10.

Comment

Type a short explanation for the transaction: *Opening investment by the owner*. Your work should now look like Figure 5.

Account

Type the number of the account you wish to debit (1010) and press the Tab key. Simply Accounting will supply the title of the account (Bank).

Debit Amount

Type the amount of the cash investment (20,000) and press the Tab key.

Account

There are different ways to enter an account. For the debit to Bank, you typed its number (1010) and pressed the Tab key. But what if you forgot the number of an account? One solution is to press the Enter key when the cursor is in the Account field. In fact, before you press the Enter key, you can enter the first digit of the account you want. Then when you press the Enter key, the chart of accounts will open near the desired account.

Enter 3 and press **Enter** to get a pop-up menu of the Chart of Accounts (Figure 6). Select *Ted Winslow, Capital* and double-click.

Credit Amount

Your screen should now be similar to Figure 7. Notice that 20,000 appeared automatically in the Credits field. This is the default amount. Since you entered \$20,000 for the debit to Bank, Simply Accounting assumed that you want to use the same amount again for the credit to Capital.

To accept the default amount, press the Tab key.

9. Checking and Correcting Journal Entries

The data entry screen in the General Journal clearly shows the debit and credit portions of a transaction. Yet, it is still a good idea to check each journal entry in its familiar debit/credit appearance.

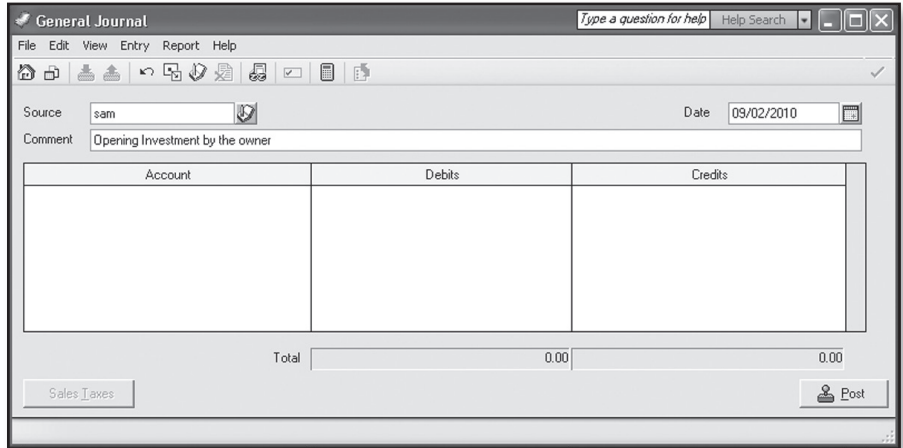


Figure 5 The data entry screen for journalizing transactions

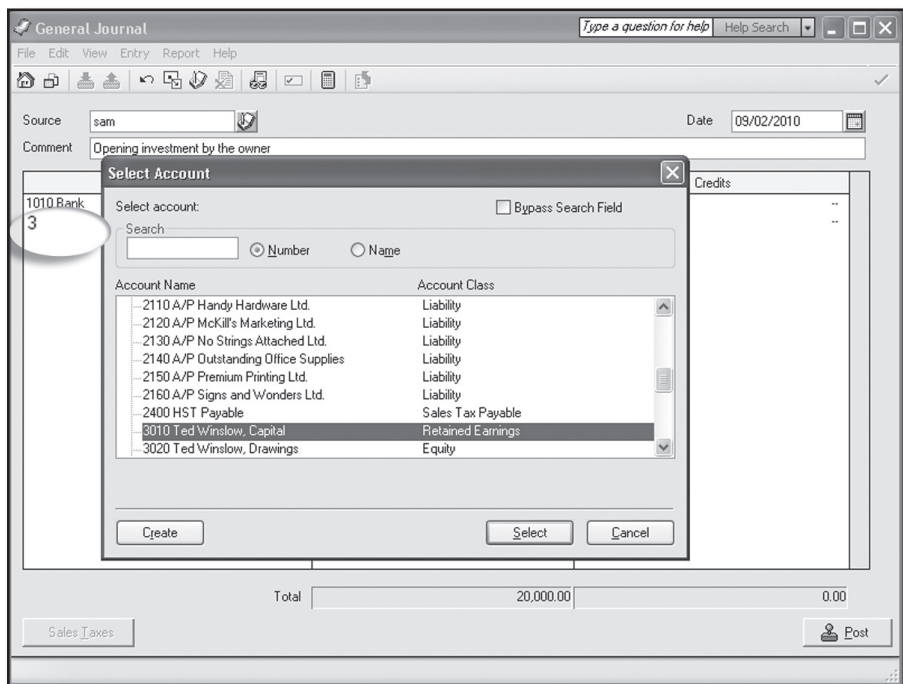


Figure 6 The menu for selecting accounts

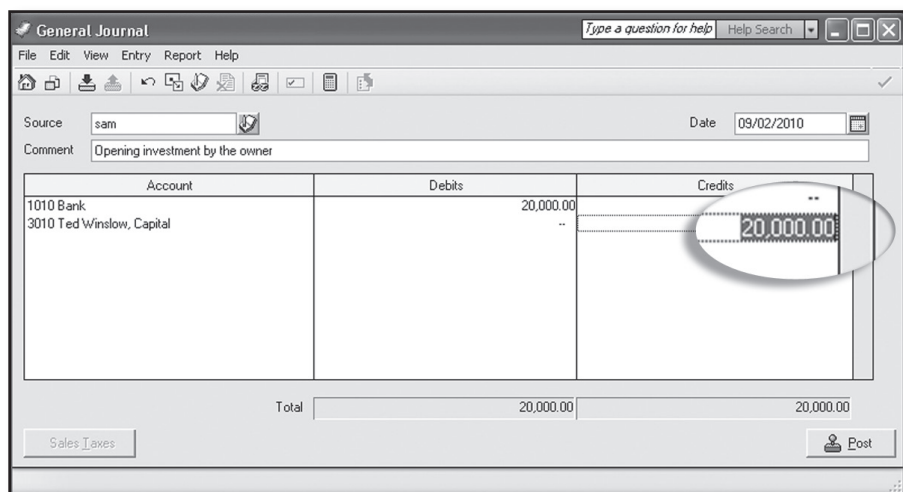


Figure 7 The default amount for the capital account

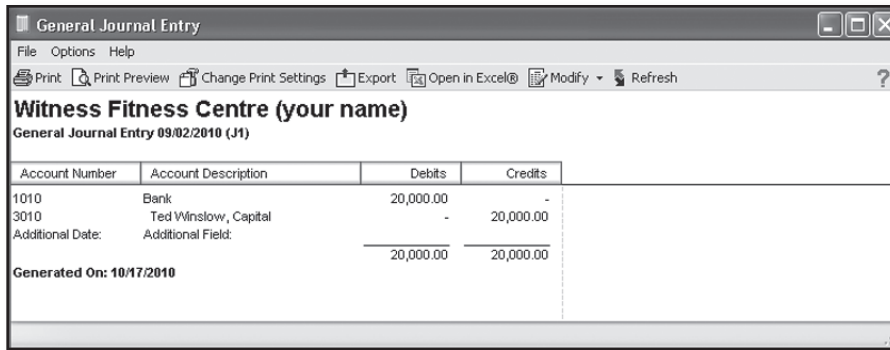


Figure 8 The screen to check a journal entry before posting

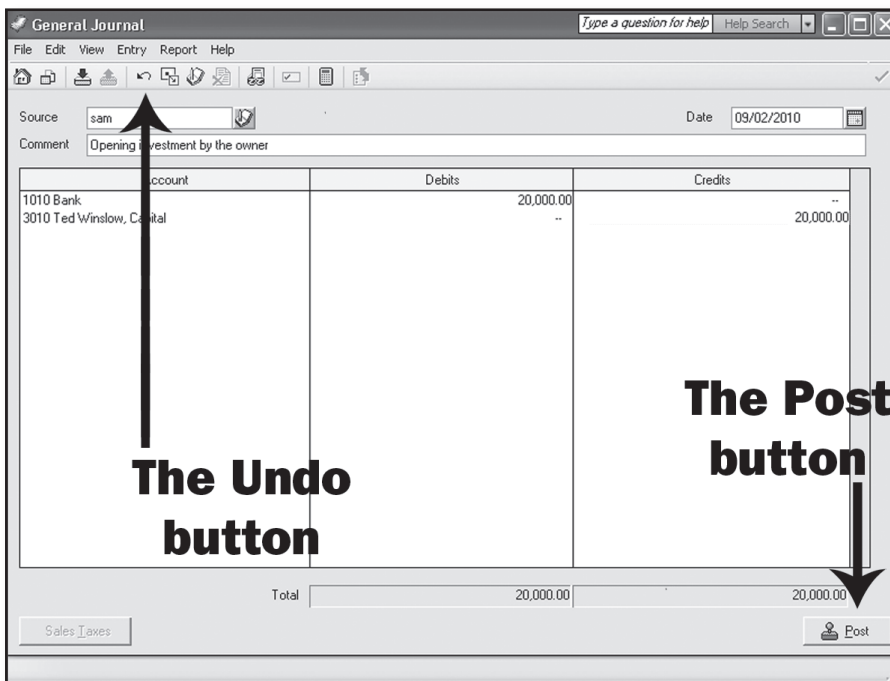


Figure 9 The buttons for discarding and posting journal entries

After the \$20,000 credit to the Capital account has been entered, choose **Report, Display General Journal Entry** (Ctrl/J, for short). Your work is displayed in a familiar two-column journal format, as shown in Figure 8. Close this window to return to the General Journal screen.

If you find errors, re-enter the account numbers or amounts as soon as you return to the General Journal screen. Then repeat the checking process (Ctrl/J). As a last resort, you can throw away your entire journal entry by clicking the Undo button shown in Figure 9.

10. Posting Journal Entries

Using the Ctrl/J command gives you an extra opportunity to check your work. Double-checking is wise because once a journal entry is posted, it cannot be erased by simply pressing the Delete key. Instead, extra journal entries are needed to fix the effects of incorrect amounts that have been posted to accounts.

Click the Post button (see Figure 9) to transfer the data in your first journal entry to accounts in the ledger.

11. Entering the Next Journal Entry

Examine Form 2 of the source documents and use the General Journal to record the entry. If you get to the Account field and don't know the account number, press the Return key to see the chart of accounts. If you type the first one or two digits of the account number before pressing the Return key, you will find your account more quickly.

Before posting, check your work in its familiar format (Ctrl/J). Click the Post button when you are satisfied.

12. Ignoring Defaults for Compound Entries

Default dates and amounts can be either accepted or changed—you make the decision. When you encounter a compound journal entry—an entry that has more than one debit or one credit—you must change at least one of the default amounts suggested by Simply Accounting.

Analyze **Form 3** of the source documents. If you were working with pen and paper, the correct entry would look similar to Figure 10.

To produce this journal entry in Simply Accounting, type the cheque number (001) in the source field, change the date, type a comment, record a \$7,500 debit for Rent Expense, and enter the account number for HST Payable (2400).

Notice the default amount for HST Payable is incorrect—you do not want to credit this account \$7,500. Ignore this default and type in the correct amount, -975 (negative 975). The negative sign causes the \$975.00 to jump to the Debits column when you press the Tab key.

GENERAL JOURNAL			PAGE 1								
DATE	PARTICULARS	P.R.	DEBIT				CREDIT				
2010 Sep 02	Rent Expense	5050	7	5	0	0	—				
	HST Payable	2400		9	7	5	—				
	Bank	1010						8	4	7	5
	To record September's rent to Reliable Realty and the HST paid.										

Figure 10 The compound journal entry for the third transaction

The debit to HST Payable reduces a liability to the government. (In effect, the debit means the business will recover the HST it pays.)

Now that you have entered the debit to HST Payable, call up the Bank account. The default credit to Bank should match the amount of the cheque as shown on the source document. (See Figure 11.) A matching amount assures you that you have handled the HST Payable correctly. Post your entry when you are sure it is accurate.

13. Correcting Journal Entries

One way to learn Simply Accounting's correction method is to intentionally make an error and then fix it. Begin this process now by examining Form 4.

You can see that Form 4 requires a debit to Miscellaneous Expense and a credit to Bank of \$192. Instead of making this entry, you are going to mistakenly enter \$129.

Prepare and post a journal entry that debits **Miscellaneous Expense \$129** and credits **Bank \$129**.

After the erroneous entry has been posted, click the icon for adjusting a previously posted entry, as indicated in Figure 12.

You are presented with a screen that gives you various search options. Enter a date range that will contain the faulty transaction, press the OK button, and select the incorrect entry.

The journal entry screen with the word "Adjusting" in its title appears. The incorrect journal entry is shown just as you entered it. In the comment field, type "Business License—Correction." Then change the debit and credit amounts to \$192. Your work will now look like Figure 13. Post this entry.

To see what Simply Accounting has done, return to the Home window and select **Reports, Journal Entries, All**. Enter the entire month as the date range; and, importantly, check the box beside **Corrections**. You now see the journal entries recorded on September 2 (Figure 14 on the next page).

Notice the effect of using the "adjusting" feature of Simply Accounting. The software prepared journal entry number 5 to reverse the effects of the erroneous amounts in journal entry 4. In the comment field of journal entry 5, the software clearly explained what it was doing. ("Reversing J4. Correction is J6.")

Note: Be careful with the dates of transactions; however, if you do enter an incorrect date, leave it as is.

14. Completing the Journal Entries

Your skill with Simply Accounting's General Journal is now good enough to allow you to complete September's transactions for the Witness Fitness Centre. If you post a wrong entry, use the correction techniques you learned above.

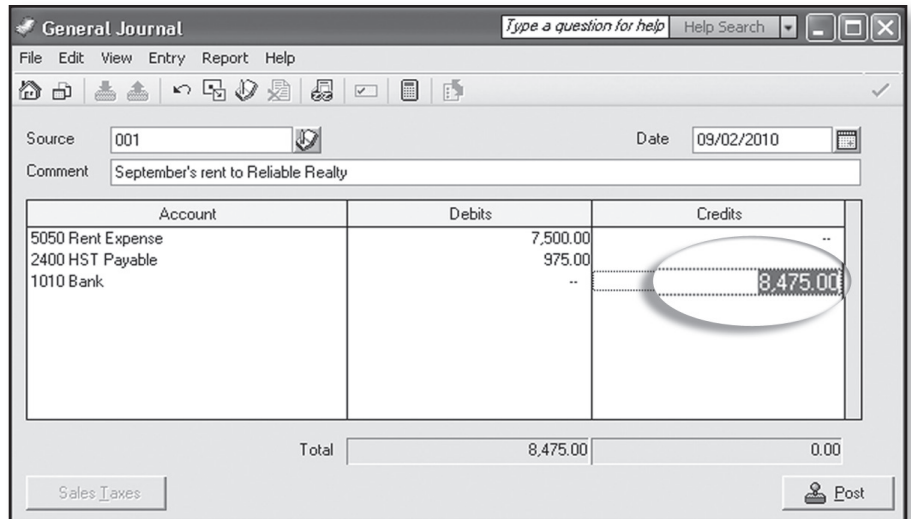


Figure 11 The default amount for the credit to Bank

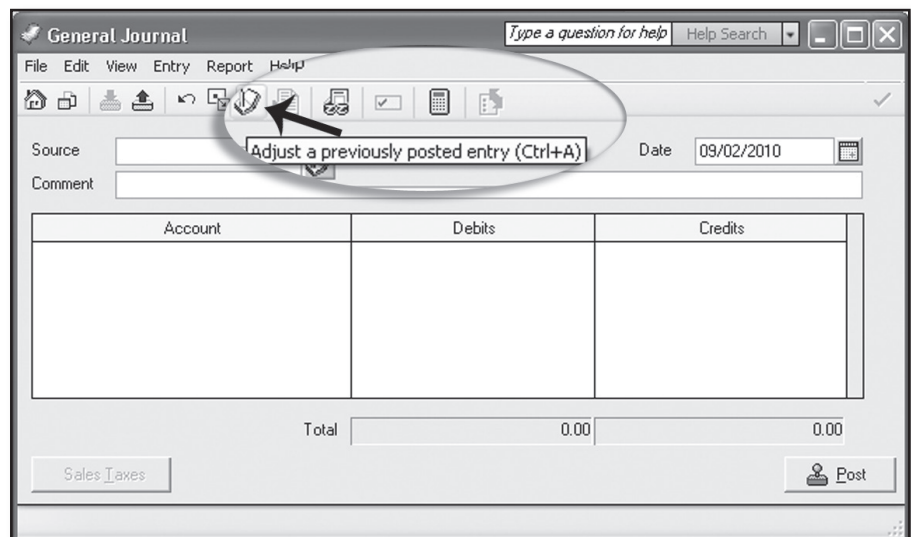


Figure 12 The button for adjusting posted journal entries

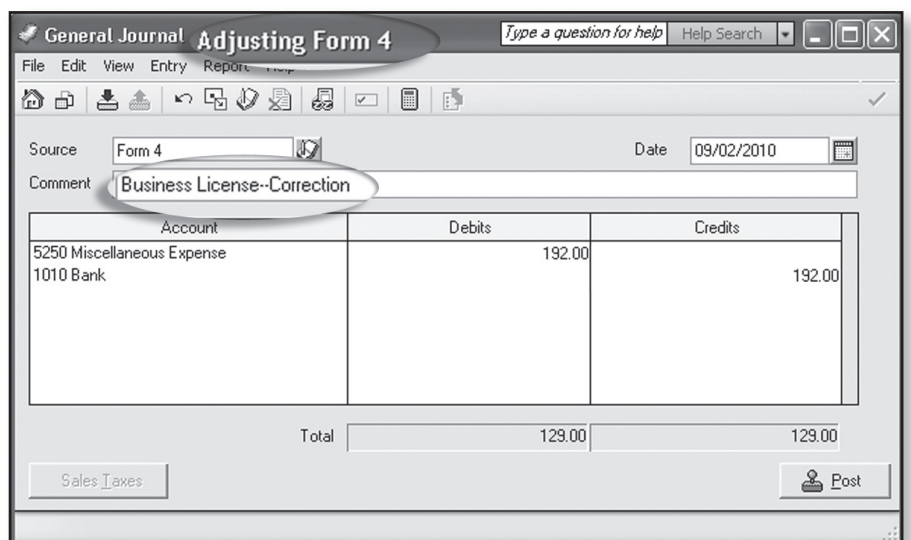


Figure 13 The correction just prior to posting

	Account Number	Account Description	Debits	Credits
09/02/2010	J1	Sam, Opening investment by the owner		
	1010	Bank	20,000.00	-
	3010	Ted Winslow, Capital	-	20,000.00
09/02/2010	J2	Form 2, Demand Loan at 5.5%		
	1010	Bank	40,000.00	-
	2010	Bank Loan Payable	-	40,000.00
09/02/2010	J3	Form 3, September's rent to Reliable Realty		
	5050	Rent Expense	7,500.00	-
	2400	HST Payable	975.00	-
	1010	Bank	-	8,475.00
09/02/2010	J4	Form 4, Business License		
	5250	Miscellaneous Expense	129.00	-
	1010	Bank	-	129.00
09/02/2010	J5	ADJ Form 4, Reversing J4. Correction is J6.		
	5250	Miscellaneous Expense	-	129.00
	1010	Bank	129.00	-
09/02/2010	J6	Form 4, Business License--Correction		
	5250	Miscellaneous Expense	192.00	-
	1010	Bank	-	192.00
			68,925.00	68,925.00

Figure 14 The journal entries so far, including errors and corrections

Also, you will find it helpful to keep the September journal report open—the one in Figure 14 with a date range of September 1 to September 30. Check this report from time to time to ensure your work is accurate.

15. More Than Numbers

When you complete the last transaction—Form 39—you will realize that Simply Accounting has saved you a tremendous amount of time. If you have done manual bookkeeping, you know how long journalizing, posting, and preparing a trial balance takes—especially if you make an error or two. Even so, saving you clerical time is not where Simply Accounting adds its most significant value.

Accountants achieve positions of prominence in business and earn impressive salaries. Their influence and income are not the results of their ability to do journal entries. Far more important are their skills in analyzing financial results, putting those results in understandable formats, and communicating the significance of their findings with businesspeople who make key decisions.

With the role of an accountant in mind, use the reporting power of Simply Accounting to communicate with the owner of the Witness Fitness Centre—Ted Winslow. The precise form of your communication is open-ended, but you might try a pattern like the following:

1. Display a standard income statement and balance sheet to help you identify items of importance.
2. Explore the many options and features of the Report Centre in Simply Accounting.
3. From the top-line menu, choose Graphs to produce charts of key financial data. Note: Only use a visual aid to highlight something specific you want to communicate. In other words, a graph without purpose or comment is unimpressive.
4. Export data to a spreadsheet to gain even more analytical and reporting power.
5. Assemble everything into a professional-looking business letter, short report or projector presentation.

WITNESS FITNESS CENTRE

Module 1

Introduction

If you had the chance to complete Module One of the Witness Fitness Centre using pen and paper, it likely took you close to four hours—and that is assuming everything went well! If you made a few posting errors along the way, it may have taken you twice as long.

Using QuickBooks, you will take only one to two hours to complete Module One. What's more, once the journal entries are done, you are guaranteed to have a trial balance that balances and a number of impressive financial reports at your immediate disposal.

Most accounting clerks make journal entries in QuickBooks with some type of "form." A form looks similar to some of the paper source documents that you have worked with, such as invoices, bills, and cheque copies. Sometimes, an accounting clerk might prefer to use a "register" to make entries. These registers look like the small bank books that individuals have traditionally used for tracking chequing accounts.

Since you are a beginning accounting student, you will use the familiar general journal format to start Module One of the Witness Fitness Centre. Near the end of the project, you can try some other options in QuickBooks to record the effects of transactions.

Hopefully, you will have the opportunity to complete all four modules of the Witness Fitness Centre. Doing so will give you the chance to use QuickBooks in the same way that many businesses do, and you will develop an employable skill as a result.

1. Loading Company Files

A QuickBooks file for the Witness Fitness Centre already exists. It contains a chart of accounts and other business data. Find and open the file named *WitFit1*. Ignore warnings about tax table dates. Your monitor will soon look somewhat like Figure 1.

2. Customizing Your Workspace

To get your monitor to look almost exactly like Figure 2, use the **View** menu at the top to ensure that you have selected the Open Window List. This feature helps you efficiently navigate the windows you use most frequently.

Figure 2 shows the Home window and the Chart of Accounts in the Open Window list. When you select **Lists**, **Chart of Accounts** and press the **Home** button, your monitor will look like Figure 2. When it does, click to toggle back and forth between the two windows in the Open Windows list.

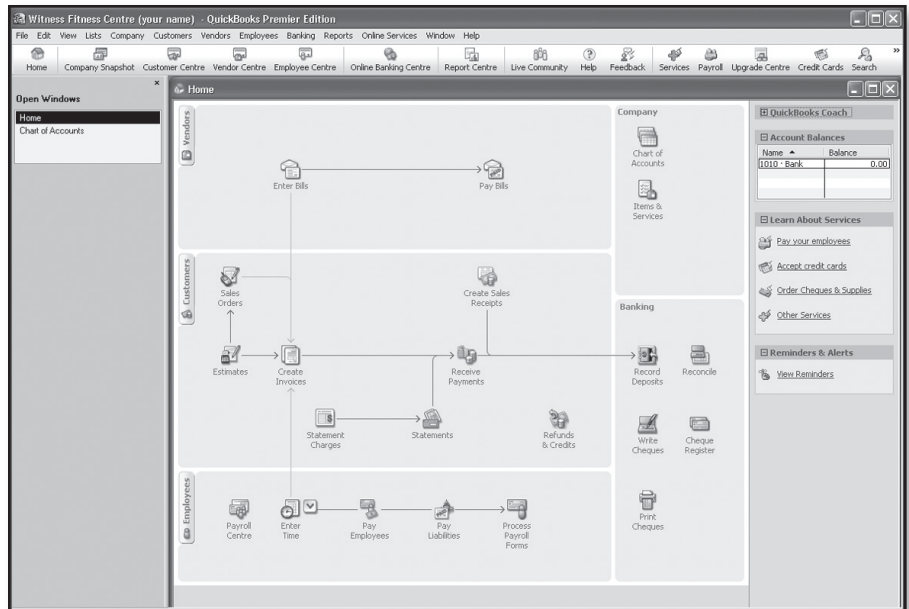


Figure 1 The opening window of QuickBooks

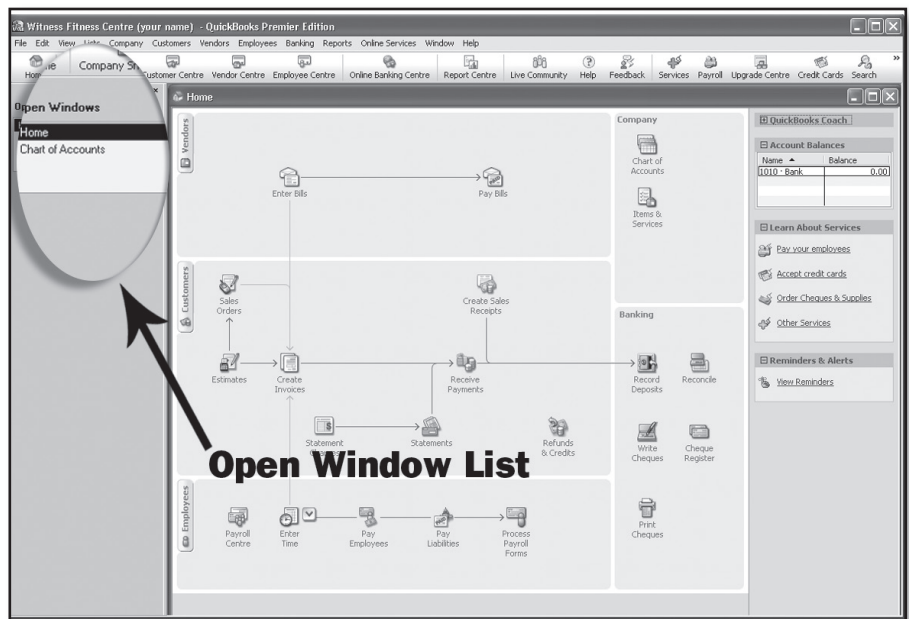


Figure 2 The opening window of QuickBooks with emphasis on the Open Window List

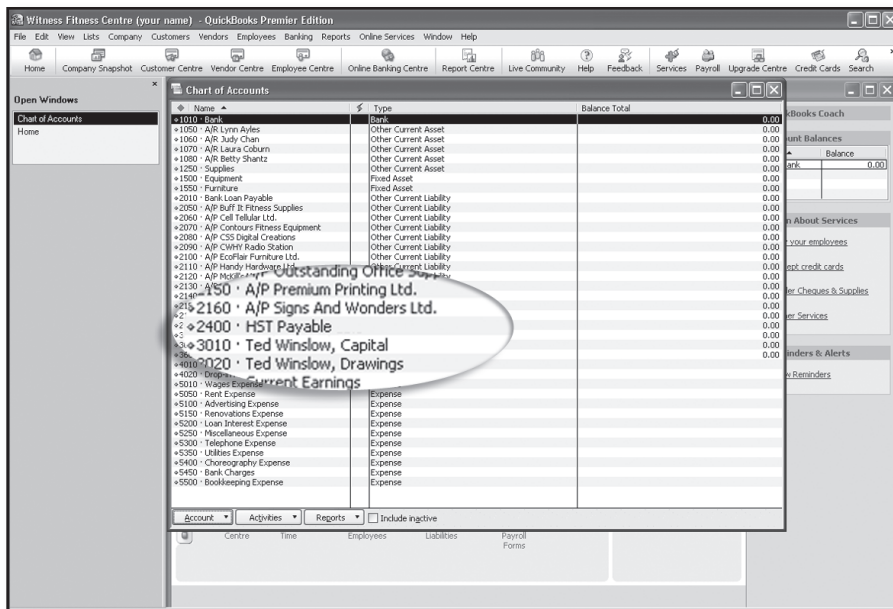


Figure 3 The chart of accounts for the Witness Fitness Centre

3. Chart of Accounts

Examine the Chart of Accounts. You will discover that the Witness Fitness Centre is a brand new business; all balances in the accounts are zero. Also notice that this business is subject to the Harmonized Sales Tax and that there is just one account for all the related tax transactions—HST Payable.

4. Changing Company Information

To see some important company data, choose *Company, Company Information* from the main menu at the top. Your monitor will look like Figure 4.

Add your name to the company title so that it will show on the reports that your teacher asks you to print.

5. Saving Work

QuickBooks saves your file while you work. There is a routine for backing up your file, but since Module One is brief, you can ignore that step.

6. Finishing a Class

At the end of each class, choose *File, Exit*. Since your work is already saved, this action will quit the QuickBooks program.

7. Setting Dates

QuickBooks will default to the current date; however, today's date is not appropriate for the Witness Fitness Centre. The fiscal period for the first year of the Witness Fitness Centre is September 1, 2009, to August 31, 2010. In fact, to reduce complications when using computer systems, all the modules related to the Witness Fitness Centre default to the year 2010. Sometimes, you may have to re-enter the date of some reports back to the month of September 2010.

8. Making Journal Entries

As stated on the first page of this handout, the common way to do journal entries in QuickBooks is to use its "forms," such as invoices, cheques, bills, and so on. When using forms, a Quickbooks user may actually avoid regular interaction with debits and credits. But since you are familiar with traditional accounting methods, you will start entering transactions by using the general journal offered by QuickBooks.

Pull down the *Company* menu and choose *Make General Journal Entries*. Enter the date **09/2/10**. (Type the date or select from the adjacent miniature calendar. Also, be aware that your computer may be using different date formats.)

Change the Entry No. to **Form 1**. (Typing the "Form" numbers will help you avoid confusion as you work through this module.) Then press the Tab key, which will move the cursor to the first line of the Account field. You are now ready to enter data for the first transaction of the Witness Fitness Centre—a \$20,000 cash investment by the owner. (See Form 1 of the source documents.)

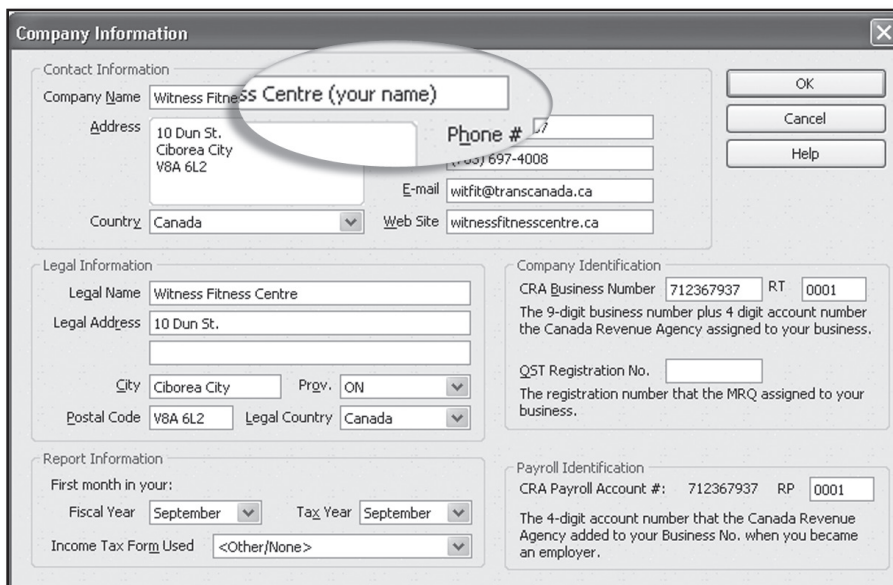


Figure 4 The location where you add your name to the business (for printing purposes)

Debit Account

When you type the first letter of the account to be debited (“B” for Bank), QuickBooks fills in the field with the account title of Bank. This is commonly called the QuickFill feature of Quickbooks. Since the QuickFill feature supplied the account you want, press the Tab key to move to the Debit column.

Note: If you do not know the name of the account you want, you can always select from the chart of accounts by pulling down the scrollable list (see Figure 5.)

Debit Amount

Type the amount of the cash investment (**20 000**) and press the Tab key.

Credit Account and Amount

Tab to the second line of the Account field. Notice that a \$20,000 credit appears by default. Start typing the name of the account to be credited. As soon as you type the letter T, the QuickFill feature again supplies the correct account—Ted Winslow, Capital.

Memo

Tab to the Memo field and add a short explanation about the entry, such as “Opening investment by the owner.” Add your initials in brackets to personalize your work. When you finish, your monitor should look like Figure 6.

9. Checking and Editing Journal Entries

Your entry is ready for posting. Before you take that step, double-check your entry with the source document. If you have to change an amount or account, simply go to the field and re-enter what you desire. You can also pull down the Edit menu from the top menu bar to gain more editing options, such as deleting a line, inserting a line, or clearing the entire entry.

10. Posting Journal Entries

If you are satisfied with your work, click the “Save and New” button near the bottom of your screen. Your entry is now posted.

Try clicking the Previous button, which is just above the Date field, to review your work. Click the Next button to get ready for the second journal entry.

11. Entering the Next Journal Entry

Examine Form 2 of the source documents and use the General Journal to record the entry. When you are entering the credit account, if you type “Bank L,” the proper account will appear as soon as you press the letter “L.” Alternatively, you can select from the chart of accounts in the scrollable list that appears to the right of the Account field.

Press the Save & New button when you are satisfied with your entry.

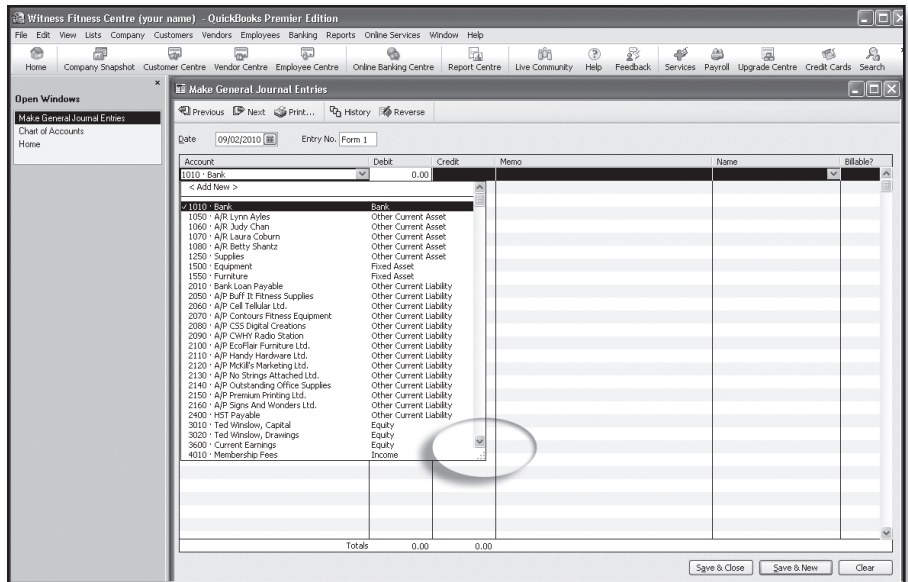


Figure 5 Using the scrollable list to select from the chart of accounts

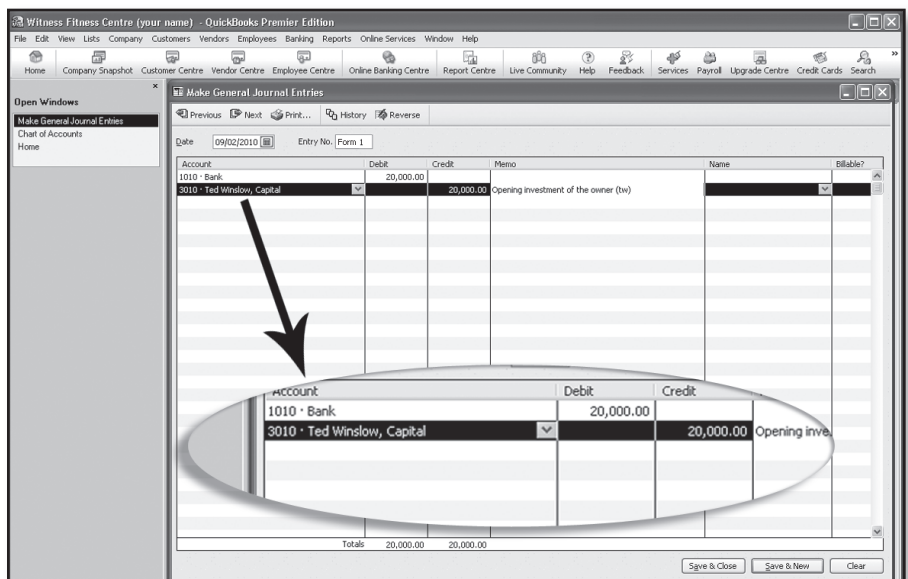


Figure 6 The debit and credit amounts for the first journal entry

GENERAL JOURNAL			PAGE 1				
DATE	PARTICULARS	P.R.	DEBIT			CREDIT	
2010 Sep 02	Rent Expense	5050	7	5	0	0	—
	HST Payable	2400	9	7	5	—	—
	Bank	1010				8	4 7 5 —
	To record September's rent to Reliable Realty and the HST paid.						

Figure 7 The journal entry for the rent payment

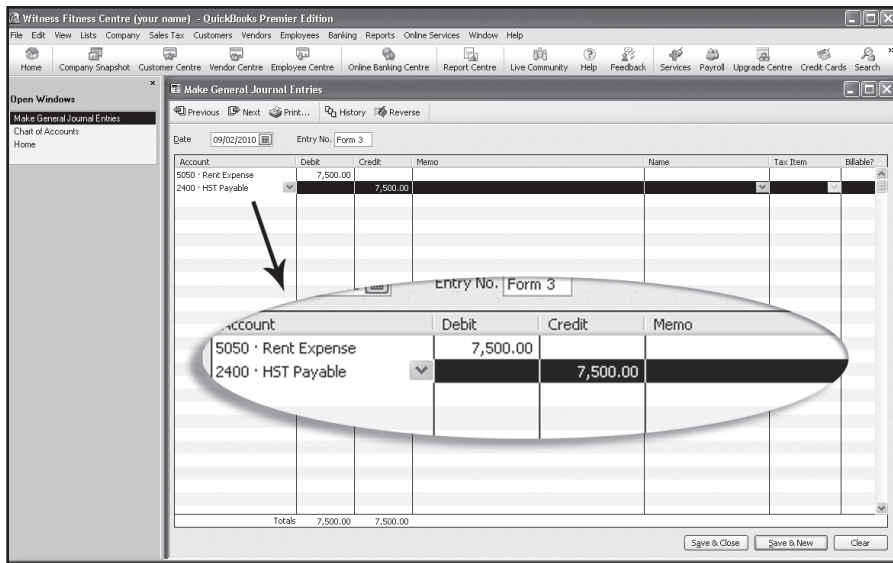


Figure 8 The default amount of GST is incorrect for the rent expense entry

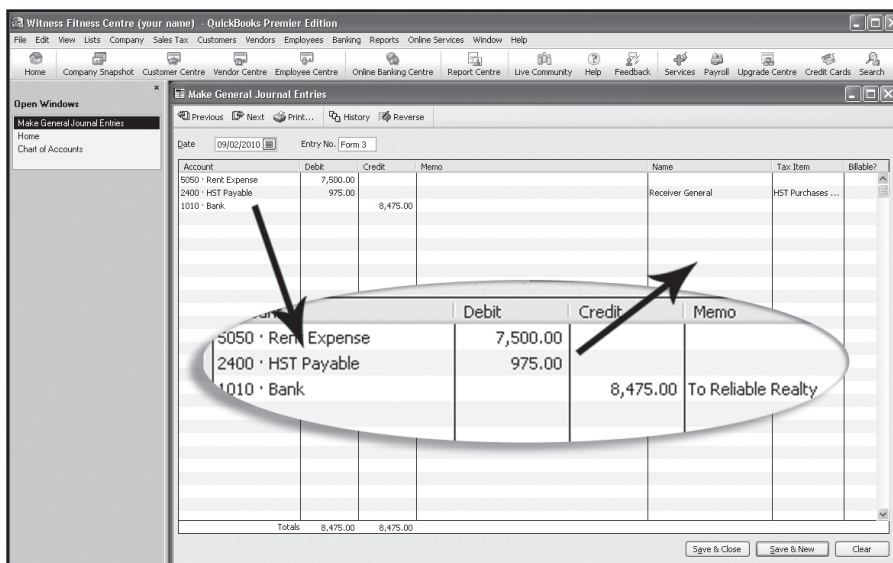


Figure 8a The completed entry for the rent expense, along with extra tax information

12. Ignoring Defaults for Compound Entries

Default entries (such as dates and amounts) can be either accepted or changed—you make the decision. When you encounter a compound journal entry (an entry that has more than one debit or one credit), you must change at least one of the default amounts suggested by QuickBooks.

Analyze Form 3 of the source documents. If you were working with pen and paper, the correct entry would look similar to Figure 7.

To produce this journal entry in QuickBooks, enter the Rent Expense account and amount, followed by the HST Payable account. Your monitor will look similar to Figure 8.

Notice that both the default credit and the default amount for HST Payable are incorrect. You do not want to credit HST Payable; you want to debit it because when the business pays HST, the amount it must ultimately send into the government is reduced. Also, the amount of the tax paid is not \$7,500; it is \$975.

To make the correct entry, simply press Tab to highlight the Debit amount field and enter **975**. The \$7,500 credit will disappear.

As you press the Tab key while on the HST Payable line, you get the opportunity to make a selection in the Tax Item column. Choose **HST Purchases**, not HST Sales. Information in this column helps QuickBooks prepare various tax forms.

When you Tab to the third line of the entry and call up the Bank account, the default amount for the credit will be correct. Add a short memo and post when your work looks like Figure 8a.

13. Correcting Journal Entries

One way to learn how to correct entries in QuickBooks is to intentionally make an error and then fix it. Begin this process now by examining Form 4.

You can see that Form 4 requires a debit to Miscellaneous Expense and a credit to Bank of \$192. Instead of making this entry, you are going to mistakenly enter **129**.

Prepare and post a journal entry that debits **Miscellaneous Expense \$129** and credits **Bank \$129**.

Once you click the Save & New button for the erroneous entry, click the **Previous** button located above the Date field. Change the debit and credit amounts for the business license entry to **192**.

When you press the Save & New button, you are issued a warning that you are about to change a transaction, as shown in Figure 9. Click the Yes button to record your changes. That's all there is to it.

Note: Changing a transaction does not necessarily hide what you previously entered. QuickBooks has a feature that allows accountants to see an audit trail report. This auditor's report shows all the changes you make to transactions.

14. Completing Forms 5 to 33

For Form 5 of the source documents, you have to change the date. An easy way to advance the date is by hitting the “+” key when the Date field is highlighted. (Pressing the “-” sign will take the date in the opposite direction.)

You now have enough experience with Quickbooks to journalize the transactions for the first month of the Witness Fitness Centre. Keep using the General Journal until you finish Form 33—the weekly summary of Drop-in Fees.

Also, when you encounter the business’s first sale on Form 18, enter HST Sales in the Tax Item field.

15. Other Methods of “Journalizing”

QuickBooks offers a variety of ways to enter transaction data. In fact, accounting clerks most frequently choose methods other than the general journal when inputting “debits” and “credits” in this software program. As you finish the last few entries for Module One of the Witness Fitness Centre, you will try two alternate methods of “journalizing.”

Choose **Banking, Use Registers** (or Ctrl + R) and select the Bank account. The register for the Bank account appears and will look similar to Figure 10. The look and feel of registers are familiar to many people. They look like the small books that banks give us to record changes to our chequing accounts.

You might be surprised to find so many entries in the Bank account register. QuickBooks has been working behind the scenes to record in this register every general journal entry you made affecting the Bank account.

To get an even better picture of this register, click the “1-line” checkbox at the lower left (see Figure 11). The entire Bank activity for the month is shown. Compare Form 31 in the register to Form 31 in the source documents. You will discover the register balances are the same as the ones calculated by the person preparing the cheques stubs for the Witness Fitness Centre.

16. Using Registers—Form 34

Form 34 requires you to enter the amount of interest charged by the Bank for the demand loan payable. Start by un-checking the “1-line” box at the bottom-left of the Bank Register. On the next available line enter the date of the transaction from Form 34 (09/30/10). Press the Tab key and enter the Form number (Form 34). The Payee is North 49 Commercial Bank. (Do a QuickAdd when prompted.) Fill in the amount of the payment, the account, and a short memo. Your monitor will look similar to Figure 12 (next page).

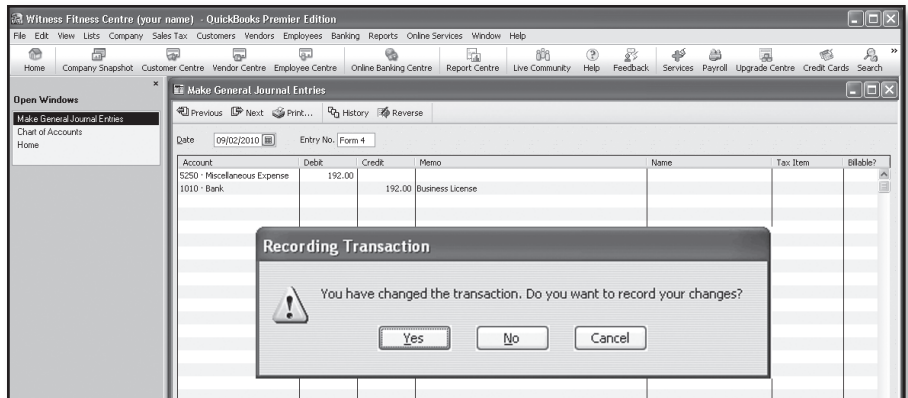


Figure 9 The warning issued when you change a transaction

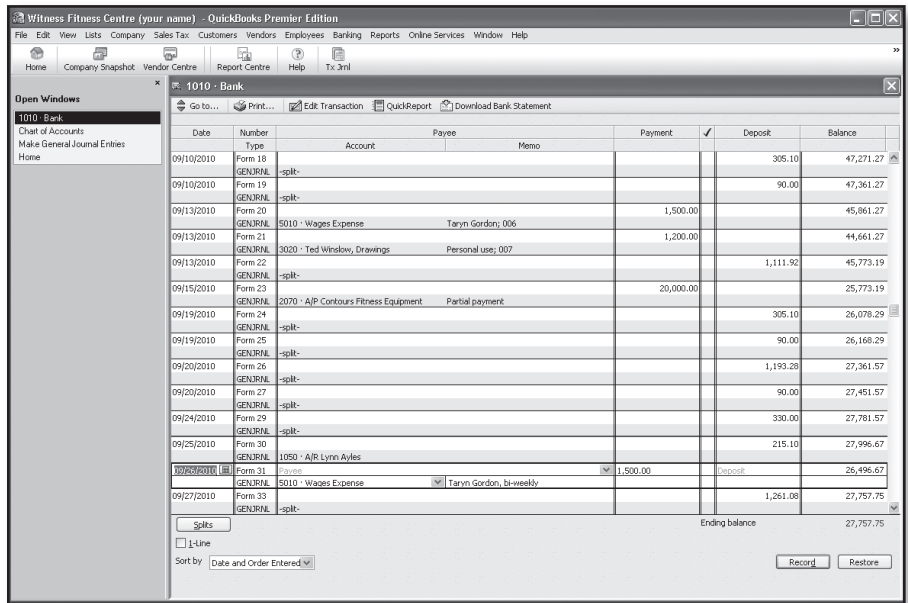


Figure 10 The register for Bank

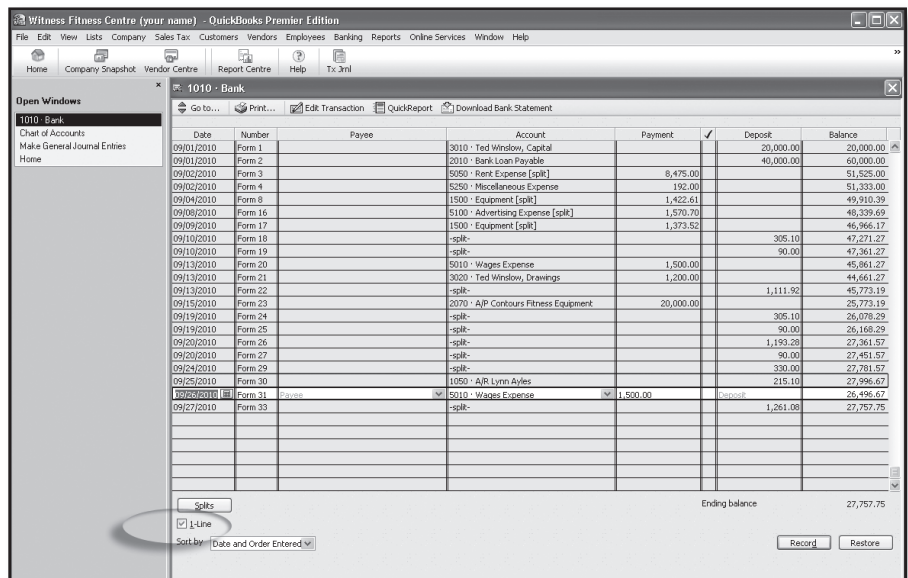


Figure 11 The one-line format of the Bank register

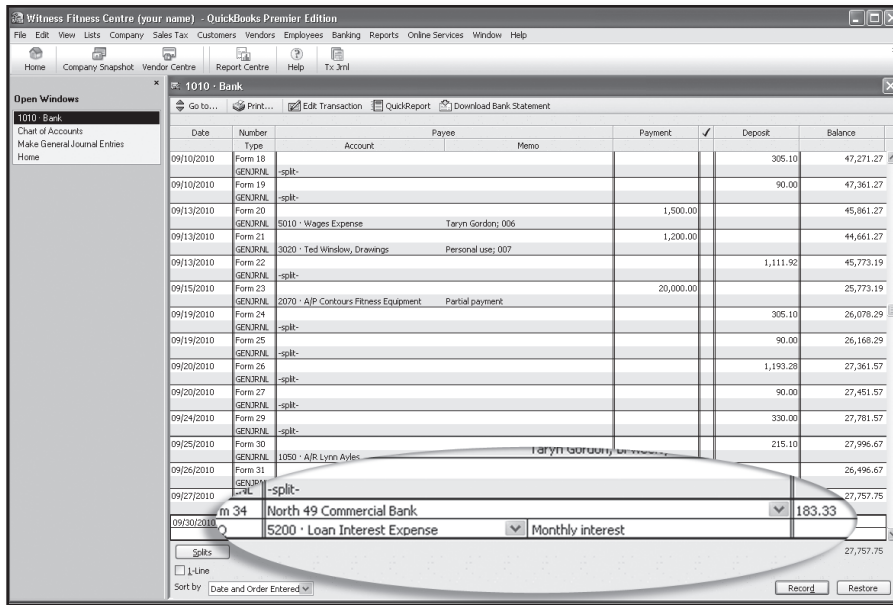


Figure 12 Entering the Loan Interest Expense in the Bank Register

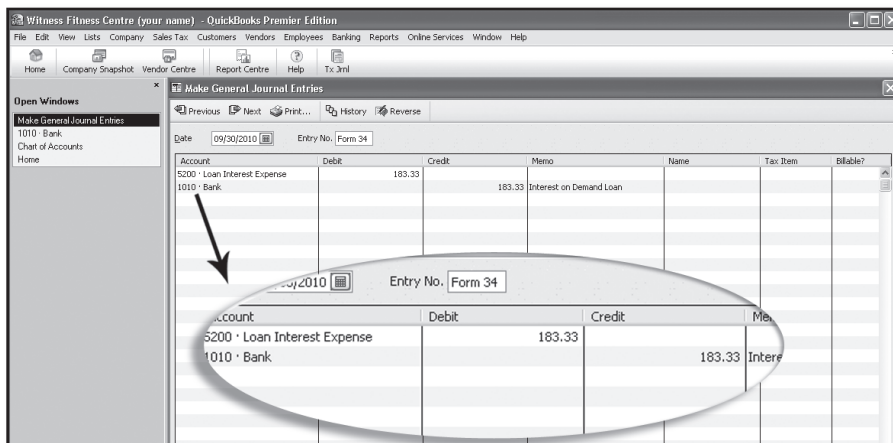


Figure 13 The Loan Interest entry in the general journal

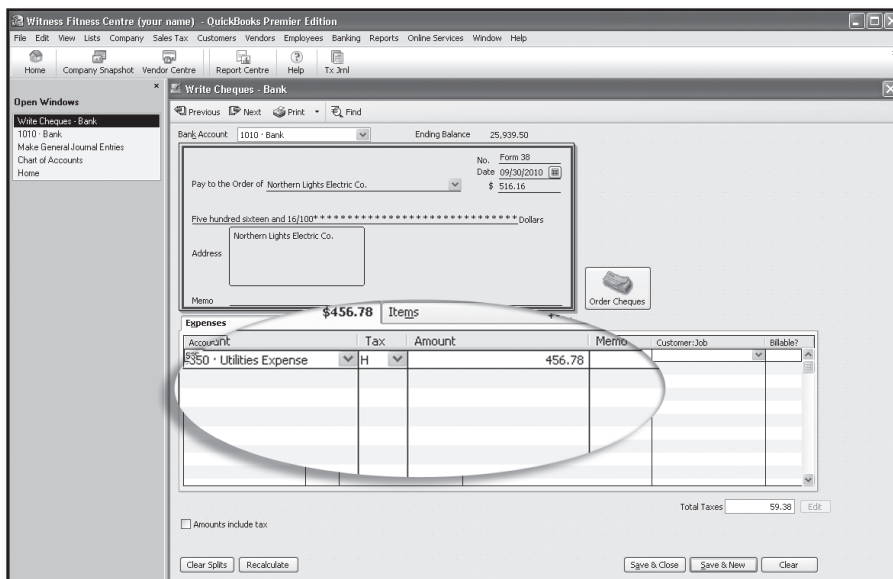


Figure 14 Recording a cheque written to Northern Lights Electric Co. for the monthly cost of utilities

When you press the Record button near the bottom of the window, the payment of interest is recorded and a new balance for the Bank account is calculated. What's more, QuickBooks performed double-entry bookkeeping in the background. Prove this by choosing **Make General Journal Entries** from the Open Windows List and finding the entry for Form 34. Your screen should look like Figure 13.

17. Form 35

Use the Bank Register to record the service charges from the North 49 Commercial Bank.

Make a different choice for Form 36. The registers in QuickBooks do not offer the best way to handle sales tax transactions. Instead, use the General Journal to complete Form 36.

18. Forms 37 to 39

The last three transactions in the module can be easily handled by one of QuickBooks' forms. Since all involve payments, the best form to use is the cheque.

Choose **Banking, Write Cheques** (or press Ctrl-W). Forms 37 and 39 should be easy; do not enter a Tax code because no HST is involved.

When tax is involved, as it is in Form 38, fill in the payee (do a Quick Add), the Form number, and the date. Leave the amount of the cheque blank in the top portion. Instead, fill in the highlighted area of Figure 14. As soon as you enter the amount of the Utilities Expense (456.78), QuickBooks completes the top portion of the cheque, as well as adding the HST at the bottom-right of the Form. And, as you may have guessed, as soon as you press "Save & New," debits and a credit are recorded in the general journal.

When you finish the last transaction, your final balance of cash should match the total shown on the cheque stub on Form 39. If it does not, compare all the cheque stubs from the source documents to the entries in your Bank register. It will not take you long to discover and correct where you went wrong.

19. More Than Numbers

When you complete the last transaction—Form 39—you will realize that QuickBooks has saved you a tremendous amount of time. If you have done manual bookkeeping, you know how long journalizing, posting, and preparing a trial balance takes—especially if you make an error or two. Even so, saving you clerical time is not where QuickBooks adds its most significant value.

Accountants achieve positions of prominence in business and earn impressive salaries. Their influence and income are not the results of their ability to do journal entries. Far more important are their skills in analyzing financial results, putting those results in understandable formats, and communicating the significance of their findings with businesspeople who make key decisions.

With the role of an accountant in mind, use the reporting power of QuickBooks to communicate with the owner of the Witness Fitness Centre—Ted Winslow. The precise form of your communication is open-ended, but you might try a pattern like the following:

1. Display a standard income statement and balance sheet to help you identify items of importance.
2. Explore the many options and features of the Report Centre in QuickBooks.
3. From the top-line menu, choose Graphs to produce charts of key financial data. Note: Only use a visual aid to highlight something specific you want to communicate. In other words, a graph without purpose or comment is unimpressive.
4. Export data to a spreadsheet to gain even more analytical and reporting power.
5. Assemble everything into a professional-looking business letter, short report or presentation.