

Module 5: Introduction to Small Business Accounting

Assessment 2: Bookkeeping Case Study

<h3>Assessment Answers</h3>

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Assessment 2: Bookkeeping Case Study

Learning Outcomes Assessed

2. Complete a cashbook.
3. Complete a bank reconciliation.
4. Prepare a basic GST return.

Instructions

You are required to prepare a cashbook, bank reconciliation and basic GST return for a case study business, Kakahu Limited. Details of transactions are provided on the following page along with additional information. Templates that you can use to complete this assessment are provided within this handout.

The cashbook will include both a Cash Receipts Journal and a Cash Payments Journal. After completing the cashbook, the bank reconciliation must be completed. Information should be entered into each of the highlighted boxes on the bank reconciliation template.

Finally, after completing both the cashbook and the bank reconciliation, a basic GST return is to be completed. You are only required to enter information into the boxes indicated below and are then required to identify if there is GST to pay or if a GST refund applies. The boxes to complete include:

- Box 5 (Total Sales and Income. This is equal to Box 8 multiplied by 3, then divided by 23).
- Box 7 (Equal to Box 5 minus Box 6).
- Box 8 (GST information taken from Cash Receipts Journal and Bank Reconciliation).
- Box 10 (Equal to Box 8 plus Box 9).
- Box 11 (Total Purchases and Expenses. This is equal to Box 12 multiplied by 3, then divided by 23).
- Box 12: (GST information taken from the Cash Payments Journal).
- Box 14: (Equal to Box 12 + Box 13).
- Box 15: (Equal to the difference between Box 10 and Box 14).

Case Study Information: Kakahu Limited

Ngahuia owns and manages Kakahu Ltd which sells Maori designed homeware. She has an assistant who works full time. Kakahu Limited is registered for GST (on the payments basis) and leases a shop. The company owns a vehicle and some office equipment, including two computers.

For the month of August 2013 the following financial transactions occurred for Kakahu Limited:

1. 2 August: made a cash sale to customer of \$126.00 and Ngahuia gave the customer receipt number 123.
2. 5 August: paid wages of \$625.00 by direct debit.
3. 7 August: direct debit to Western Properties Ltd of \$562.50 for the lease of the shop.
4. 10 August: Kakahu Limited received a Business Enterprise Grant of \$2,500.00. The remittance advice had the reference R4585.
5. 11 August: made a cash sale, receipt number 124, of \$590.00.
6. 15 August: Ngahuia purchased petrol from BK Motors for \$43.29 with cheque number 105.
7. 19 August paid wages by direct debit \$625.00.
8. The following payments were made on the 20th August:
 - a. Cheque no. 108 to Whitcoulls for stationery \$115.20 inc GST.
 - b. Cheque no. 106 to IT Limited for computer repairs \$127.80 inc GST.
 - c. Cheque no. 109 to Local News for advertising of \$75.06 inc GST.
 - d. Cheque no. 107 to Power Limited for electricity of \$316.35 inc GST.
9. On the 21 August, a customer called J Smith paid her account of \$369.90 and was provided receipt number 125.
10. On the 29 August, Ngahuia sold a computer that belonged to Kakahu Limited for \$200. Receipt number 126.

Additional Information

- On the 31 July 2013, the bank balance in the accounts was \$269.00.
- The bank statement balance on the 31 August 2013 was \$1,607.70.
- Cheques 106 and 108 had not been banked as at the end of the month.
- The Business Grant was paid inclusive of GST.
- The payment for the lease includes GST.
- Ngahuia banked the cheque she received for the computer on the following Monday (1 September).

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Kakahu Limited

Cash Receipts Journal – August 2013

Date	Particulars	Reference	Total (\$)	GST (\$)	GST Exclusive (\$)	Cash Sales (\$)	Accounts Received (\$)	Grants (\$)	Sundry Income (\$)
2/08/13	Cash Sales	123	126.00	16.43	109.57	109.57			
10/08/13	Grant	R4585	2,500.00	326.09	2,173.91			2,173.91	
11/08/13	Cash Sales	124	590.00	76.96	513.04	513.04			
21/08/13	J Smith	125	369.90	48.25	321.65		321.65		
29/08/13	Computer	126	200.00	26.09	173.91				173.91
	Total Receipts		3,785.90	493.82	3,292.08	622.61	321.65	2,173.91	173.91

There are two options for completing the Cash Payments Journal:

Option 1: The GST Exclusive column includes all items. This is the way the CSBM has been taught in the past.

Option 2: The GST Exclusive column doesn't include items that don't attract GST. This means that the two wages amounts will not show in this column. The advantage of this is that adding the 'GST' total to the 'GST Exclusive' total gives the 'Total' required for Box 11 of the GST Return.

Option 1: GST Exclusive Column includes all items

**Kakahu Limited
Cash Payments Journal – August 2013**

Date	Particulars	Cheque Ref	Total (\$)	GST (\$)	GST Exclusive (\$)	Wages (\$)	Power (\$)	Lease (\$)	Stationery (\$)	Petrol (\$)	Computer Expenses (\$)	Advertising (\$)
5/08/13	Wages	DD	625.00	-	625.00	625.00						
7/08/13	Western Properties	DD	562.50	73.37	489.13			489.13				
15/08/13	BK Motors	105	43.29	5.65	37.64					37.64		
19/08/13	Wages	DD	625.00	-	625.00	625.00						
20/08/13	IT Limited	106	127.80	16.67	111.13						111.13	
20/08/13	Power Limited	107	316.35	41.26	275.09		275.09					
20/08/13	Whitcoulls	108	115.20	15.03	100.17				100.17			
20/08/13	Local News	109	75.06	9.79	65.27							65.27
	Total Payments		2,490.20	161.77	2,328.43	1,250.00	275.09	489.13	100.17	37.64	111.13	65.27

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Option 2: GST Exclusive Column doesn't include items that don't attract GST

Kakahu Limited
Cash Payments Journal – August 2013

Date	Particulars	Cheque / Ref	Total (\$)	GST (\$)	GST Exclusive (\$)	Wages (\$)	Power (\$)	Lease (\$)	Stationery (\$)	Petrol (\$)	Computer Expenses (\$)	Advertising (\$)
5/08/13	Wages	DD	625.00	-	-	625.00						
7/08/13	Western Properties	DD	562.50	73.37	489.13			489.13				
15/08/13	BK Motors	105	43.29	5.65	37.64					37.64		
19/08/13	Wages	DD	625.00	-	-	625.00						
20/08/13	IT Limited	106	127.80	16.67	111.13						111.13	
20/08/13	Power Limited	107	316.35	41.26	275.09		275.09					
20/08/13	Whitcoulls	108	115.20	15.03	100.17				100.17			
20/08/13	Local News	109	75.06	9.79	65.27							65.27
	Total Payments		2,490.20	161.77	1078.43	1,250.00	275.09	489.13	100.17	37.64	111.13	65.27

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Bank Reconciliation Template

Kakahu Limited

August-13

Bank Reconciliation

Opening Cashbook Balance		*269.00
<i>Add Deposits</i>		* 3785.90
<i>Less Withdrawals</i>		*2490.20
Closing Cash Book Balance		*1564.70
<i>Add Unpresented Cheques</i>		
* Cheque no. 106		* 127.80
* Cheque no. 108		* 115.20
Less Deposits made after final date of Statement		* 200.00
Reconciled Bank Statement Balance		*1607.70
Bank Statement Balance		*1607.70

NOTES ABOUT GST RETURN

There are various responses that students could give that are acceptable. These depend on:

- 1) Rounding; and
- 2) Whether the GST return is completed against the cash receipts journal only (or the bank statement).

Under the payments method it is usual to complete the GST return based upon the bank statement – this would take into consideration whether cheques have been presented and deposits banked (as shown in the bank reconciliation).

However, it is still acceptable to complete the return based upon the cashbook, provided that any amounts not banked are rectified in the following GST return.

Possible (correct) answers are shown below:

	Method 1: Using the Cashbook only	Method 2: Using the bank statement (i.e. the cashbook and the bank reconciliation).
Box 5 (Total Sales & Income)	\$3785.90 (as shown in the cashbook) = \$493.81 Alternatively \$3785.95 (which is equal to $\$493.82 \times 23/3$)	\$3585.90 (as shown in the cashbook less the \$200 received for the computer) or: \$3585.93 (which is equal to $\$467.73 \times 23/3$)
Box 7 (Box 5 – Box 6)	Must be the same as Box 5	Must be the same as Box 5
Box 8 (GST received)	\$3785.90 $\times 3/23 = \$493.81$ (Alternatively \$3785.95 $\times 3/23 = \$493.82$)	\$467.73 (equal to $\$493.82 - \26.09)
Box 10 (GST received)	\$493.81	\$467.73
Box 11 (Total purchases and expenses)	\$1240.20 (Alternatively \$1240.24 ($\$161.77 \times 23/3$))	\$997.20 (as shown in the cashbook less the \$127.80 paid for computer repairs and \$115.20 for stationery) or: \$997.20 = $(\$161.77 - \$16.67 - \$15.03) \times 23/3$
Box 12 (GST paid)	\$161.77	\$130.07
Box 14 (GST paid)	\$161.77	\$130.07
Box 15 (Refund / To pay)	\$332.04 (Alternatively \$332.05)	\$337.66

Examples are provided on the following 4 pages.

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GST RETURN BASED ON CASHBOOK – BOX 5 and BOX 11 FIGURES AS PER CASHBOOK

Inland Revenue
Te Tari Taake

GST 101

Goods and services tax return

Please use the GST guide (IR 375) to help you complete this return, or phone us on 0800 377 776.

Please print your full name

Kakahu Limited

Registration Number 1 ►

59 571 07X

Period covered by the return

From 1/8/13 2 ► to 31/8/13

Postal address for GST 3 ►

PO Box 331385
Granity

Daytime phone number 4 ►

03 912 5585

Area Code Telephone number

Goods and services tax on your sales and income	Total sales and income for the period (including GST and any zero-rated supplies)	5 ► \$	3	785	90
	Zero-rated supplies included in Box 5	6 ► \$			
	Subtract Box 6 from Box 5	7 ► \$	3	785	90
	Multiply the amount in Box 7 by 3; divide by 23	8 ► \$		493	81
	Adjustments from your calculation sheet	9 ► \$			
	Add Boxes 8 and 9. This is your total GST collected on sales and income.	10 ► \$		493	81
Goods and services tax on your purchases and expenses	Total purchases and expenses (including GST) for which tax invoicing requirements have been met, excluding any imported goods.	11 ► \$	1	240	20
	Multiply the amount in Box 11 by 3; divide by 23	12 ► \$		161	77
Declaration <i>I declare that the information given in this return is true and correct.</i>	Credit adjustments from your calculation sheet	13 ► \$			
	Add Box 12 and Box 13. This is your total GST credit for purchases and expenses.	14 ► \$		161	77
Signature	Print the difference between Box 10 and Box 14 here	15 ► \$	332.04		

If Box 14 is larger than Box 10 the difference is your GST refund
If Box 10 is larger than Box 14 the difference is GST to pay

(Tick one)
Refund ☐ GST to pay ☒

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GST RETURN BASED ON CASHBOOK – BOX 5 and BOX 11 FIGURES EQUAL TO GST X 23/3

Inland Revenue
Te Tari Taake

GST 101

Goods and services tax return

Please use the GST guide (IR 375) to help you complete this return, or phone us on 0800 377 776.

Please print your full name

Kakahu Limited

Registration Number 1 ▶

59 571 07X

Period covered by the return

From 1/8/13 2 ▶ to 31/8/13

Postal address for GST 3 ▶

PO Box 331385
Granity

Daytime phone number 4 ▶

03 912 5585

Area Code Telephone number

Goods and services tax on your sales and income	Total sales and income for the period (including GST and any zero-rated supplies)	5 ▶ \$	3	785	95
	Zero-rated supplies included in Box 5	6 ▶ \$			
	Subtract Box 6 from Box 5	7 ▶ \$	3	785	95
	Multiply the amount in Box 7 by 3; divide by 23	8 ▶ \$		493	82
	Adjustments from your calculation sheet	9 ▶ \$			
	Add Boxes 8 and 9. This is your total GST collected on sales and income.	10 ▶ \$		493	82
Goods and services tax on your purchases and expenses	Total purchases and expenses (including GST) for which tax invoicing requirements have been met, excluding any imported goods.	11 ▶ \$	1	240	24
	Multiply the amount in Box 11 by three; divide by 23	12 ▶ \$		161	77
Declaration <i>I declare that the information given in this return is true and correct.</i>	Credit adjustments from your calculation sheet	13 ▶ \$			
	Add Box 12 and Box 13. This is your total GST credit for purchases and expenses.	14 ▶ \$		161	77
Signature	Print the difference between Box 10 and Box 14 here	15 ▶	\$ 332.05		

If Box 14 is larger than Box 10 the difference is your GST refund
If Box 10 is larger than Box 14 the difference is GST to pay

(Tick one)
Refund ☐ GST to pay ☒

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**GST RETURN BASED ON BANK STATEMENT – BOX 5 and BOX 11 FIGURES
FROM CASHBOOK AND BANK RECONCILIATION**

Inland Revenue
Te Tari Taake

GST 101

Goods and services tax return

Please use the GST guide (IR 375) to help you complete this return, or phone us on 0800 377 776.

Please print your full name

Kakahu Limited

Registration Number 1 ►

59	571	07X
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Period covered by the return

From 1/8/13 2 ► to 31/8/13

Postal address for GST 3 ►

PO Box 331385
Granity

Daytime phone number 4 ►

03	912 5585
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Area Code Telephone number

Goods and services tax on your sales and income	Total sales and income for the period (including GST and any zero-rated supplies)	5 ► \$	3	585	90
	Zero-rated supplies included in Box 5	6 ► \$			
	Subtract Box 6 from Box 5	7 ► \$	3	585	90
	Multiply the amount in Box 7 by 3; divide by 23	8 ► \$		467	73
	Adjustments from your calculation sheet	9 ► \$			
	Add Boxes 8 and 9. This is your total GST collected on sales and income.	10 ► \$		467	73
Goods and services tax on your purchases and expenses	Total purchases and expenses (including GST) for which tax invoicing requirements have been met, excluding any imported goods.	11 ► \$		997	20
	Multiply the amount in Box 11 by 3; divide by 23	12 ► \$		130	07
Declaration <i>I declare that the information given in this return is true and correct.</i>	Credit adjustments from your calculation sheet	13 ► \$			
	Add Box 12 and Box 13. This is your total GST credit for purchases and expenses.	14 ► \$		130	07
Signature	Print the difference between Box 10 and Box 14 here	15 ►	\$ 337.66		

If Box 14 is larger than Box 10 the difference is your GST refund
If Box 10 is larger than Box 14 the difference is GST to pay

(Tick one)
Refund GST to pay ☒

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GST RETURN BASED ON BANK STATEMENT – BOX 5 and BOX 11 FIGURES = GST X 23/3

Inland Revenue
Te Tari Taake

GST 101

Goods and services tax return

Please use the GST guide (IR 375) to help you complete this return, or phone us on 0800 377 776.

Please print your full name

Kakahu Limited

Registration Number 1 ►

59	571	07X
----	-----	-----

Period covered by the return

From 1/8/13 2 ► to 31/8/13

Postal address for GST 3 ►

PO Box 331385
Granity

Daytime phone number 4 ►

03	912 5585
----	----------

Area Code Telephone number

Goods and services tax on your sales and income	Total sales and income for the period (including GST and any zero-rated supplies)	5 ► \$	3	585	93
	Zero-rated supplies included in Box 5	6 ► \$			
	Subtract Box 6 from Box 5	7 ► \$	3	585	93
	Multiply the amount in Box 7 by 3; divide by 23	8 ► \$		467	73
	Adjustments from your calculation sheet	9 ► \$			
	Add Boxes 8 and 9. This is your total GST collected on sales and income.	10 ► \$		467	73
Goods and services tax on your purchases and expenses	Total purchases and expenses (including GST) for which tax invoicing requirements have been met, excluding any imported goods.	11 ► \$		997	20
	Multiply the amount in Box 11 by 3; divide by 23	12 ► \$		130	07
Declaration <i>I declare that the information given in this return is true and correct.</i>	Credit adjustments from your calculation sheet	13 ► \$			
	Add Box 12 and Box 13. This is your total GST credit for purchases and expenses.	14 ► \$		130	07
Signature	Print the difference between Box 10 and Box 14 here	15 ►	\$ 337.66		

If Box 14 is larger than Box 10 the difference is your GST refund
If Box 10 is larger than Box 14 the difference is GST to pay

(Tick one)
Refund ☐ GST to pay ☒