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## Cash & Accrual Accounting using MYOB Accounting

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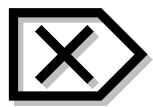
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*For Evaluation  
Purposes Only*



# Unit 10:

# Adjusting the file to include Debtors and Creditors [Accrual]

## Learning Outcomes

On completion of this unit you will be able to:

- adjust an MYOB data file to include debtors and creditors for an accrual accounting system;
- modify preferences for sales and purchases
- create cards for debtors and creditors including trading terms;
- review banking procedures – cash register will no longer be used and
- enter debtor and creditor opening balances.

*For Evaluation  
Purposes Only*

*This unit covers the following performance criteria in FNSBKPG403A:*

- Element 1.1 Chart of Accounts is adjusted to incorporate and establish debtors and creditors as new debtors and creditors arise [Linked Accounts and Preferences]*
- Element 1.2 Debtors and creditors subsidiary ledgers are established as required.*

## About Brocks Tyreworld



Angus Brock has set up his tyre business in Carsdale.

Angus has started using MYOB Accounting v18 to enter his receipts and payments and print financial reports using Cash Accounting procedures.

His business is growing and he now decides he needs to offer credit terms on sales and account for his debtors and purchases on credit from suppliers [creditors].

After discussing terms with his accountant, he has decided to offer customers:

- credit terms of 30 days from the date of the invoice
- 2.5% cash discount if paid within 7 days [offered to account customers only].

Most of his suppliers offer credit terms of payment at the end of the month following the invoice date. Angus can receive a rebate if purchases reach certain targets.

Angus has an ABN and is registered for GST, reporting GST monthly on a CASH BASIS. The business is taking advantage of some of the Small Business Entity Income Tax concessions and report Income Tax on a Cash Basis, however the business will not expense assets less than \$1,000 ex GST. [see page 247].

⇒⇒⇒ **In this Unit, you will be using a NEW data file - “Brocks Tyreworld Accrual 18.myo”.**

*[This is a copy of the file up to the end of Unit 8, just in case you have some errors.]*

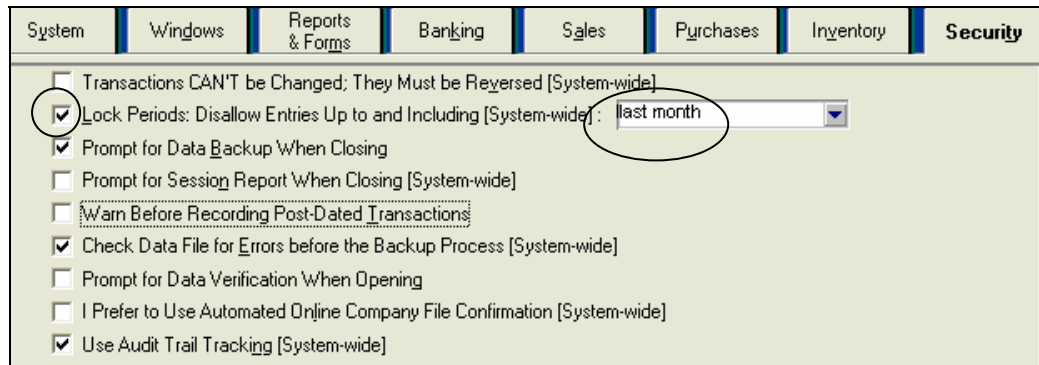
## Opening a new Data File

In Unit 2 you copied this file to your working directory.

### **Brocks Tyreworld Accrual 18.myo**

- (i) Open “**Brocks Tyreworld Accrual 18.myo**” file.  
**[DO NOT USE THE FILE FROM UNIT 8.]**
- ⇒⇒⇒ (ii) **In Unit 10, you will use the current month:** .....
- (iii) You will now lock your data file, so that you cannot enter any data in previous months.
  - (a) Select “**Setup**” in the Menu Bar.
  - (b) Select “**Preferences**”.
  - (c) Select “**Security**” TAB.
  - (d) Lock your data file selecting last month.

*Your window is displayed on the following page.*



Return to the Command Centre.

## Checking Current Financial Year

- (i) Check the financial year the data file you have downloaded is using:
  - (a) Select “**Setup**” in the Menu Bar.
  - (b) Select “**Company Information**”.
  - (c) Check the Current Financial Year.

Current Financial Year: ????? Last Month in Financial Year: June
---

Is the Current Financial Year in the file you have downloaded correct when compared with the month you will be using? For example:

If the month you are using is **March 2009**, you are working in the **2009** financial year.

However,

if the month you are using is **October 2009**, you are working in the **2010** financial year.

- (d) **To correct:** [Only follow these steps if you have an incorrect Current Financial Year.]

- (A) Select “**File**” in the Menu Bar.
- (B) Select “**Start a New Year**”.
- (C) Select “**Start a New Financial Year**”.
- (D) Select “**Continue**” throughout and roll the Financial Year to the correct year.

- (ii) To identify your printouts in a classroom situation, **add your name** to the Company Name in Company Information

Return to the Command Centre.

## **Modifying Preferences - Sales**

- (i) Select “**Setup**” in the Menu Bar.
- (ii) Select “**Preferences**”.
- (iii) Select “**Sales**” TAB.
- (iv) Modify the following preferences to meet the needs of the business.

System	Windows	Reports & Forms	Banking	<b>Sales</b>	Purchases	Inventory
<input type="checkbox"/>	Automatically Print			Sales When They are Recorded (Invoices, Orders and Quotes)		
<input type="checkbox"/>	Print Packing Slips When	Invoices and Orders		are printed		
<input type="checkbox"/>	Print Labels When Sales are Printed			(Invoices, Orders, Quotes)		
<input checked="" type="checkbox"/>	Warn if Customer has an Outstanding Credit			Before Applying a Payment		
<input type="checkbox"/>	Apply Customer Payments Automatically to Oldest Invoice			First		
<input type="checkbox"/>	Show Customer Purchase Number in Receive Payments					
<input type="checkbox"/>	Make a Contact Log Entry for Every Sale			[System-wide]		
<input checked="" type="checkbox"/>	Warn for Duplicate	Invoice and Customer PO		Numbers on Recorded Sales [System-wide]		
<input type="checkbox"/>	Retain Original Invoice Number on Backorders			[System-wide]		
<input type="checkbox"/>	Retain Original Invoice Number when Quotes Change to Orders or Invoices			[System-wide]		
<input type="checkbox"/>	Delete Quotes upon Changing to and Recording as an Order or Invoice			[System-wide]		
<input checked="" type="checkbox"/>	If Credit Limit is Exceeded on Sale	Warn and Continue		Set Override [System-wide]		

*Angus would like MYOB to warn him if he uses a duplicate invoice or customer purchase order number to prevent duplication errors.*

- (v) Select “**Terms**” button and set up terms as per Page 148.

Default Customer Terms	
Payment is Due:	In a Given # of Days
Discount Days:	7
Balance Due Days:	30
% Discount for Early Payment:	2.5%
% Monthly Charge for Late Payment:	0%

*Purposes Only*  
Return to the Command Centre.

## **Modifying Preferences - Purchases**

- (i) Select “**Setup**” in the Menu Bar.
- (ii) Select “**Preferences**”.
- (iii) Select “**Purchases**” TAB.
- (iv) Modify the following preferences to meet the needs of the business.

System	Windows	Reports & Forms	Banking	Sales	<b>Purchases</b>	Inventory	Security
<input type="checkbox"/>	Automatically	Print					Purchases When they are Recorded (Bills, Orders, Receive Items and Quotes)
<input checked="" type="checkbox"/>							Warn if Supplier Owes Me Money Before Making a Supplier Payment
<input type="checkbox"/>							Apply Supplier Payments Automatically to Oldest Bill First
<input checked="" type="checkbox"/>							Show Supplier Invoice Number in Supplier Payments
<input type="checkbox"/>							Make a Contact Log Entry for Every Purchase [System-wide]
<input checked="" type="checkbox"/>							Warn for Duplicate PO and Supplier Invoice Numbers on Recorded Purchases [System-wide]
<input checked="" type="checkbox"/>							Retain Original PO Number on Backorders [System-wide]
<input type="checkbox"/>							Retain Original PO Number when Quotes Change to Orders or Bills [System-wide]
<input type="checkbox"/>							Delete Quotes upon Changing to and Recording as an Order or Bill [System-wide]
<input type="checkbox"/>							Warn if Supplier Does Not Have an ABN for Purchases Greater Than \$50 Tax Exclusive

*Angus would like MYOB to warn him if he uses a duplicate purchase order or supplier invoice number.*

- (v) Select “**Terms**” button and set up terms as per Page 148.

Default Supplier Terms	
Payment is Due:	Day of Month after EOM
Discount Date:	1st
Balance Due Date:	EOM
% Discount for Early Payment:	0%

**Return to the Command Centre.**

## **Modifying Preferences - Banking**

- (i) Brocks Tyreworld will receive cash and cheques during the day, then bank one amount at the end of the day. Therefore the banking preferences need to be reviewed.
- (ii) Select **“Preferences”** in the **“Setup”** Menu.
- (iii) Select **“Banking”** TAB.
- (iv) Modify the preferences as follows so that cash and cheques can be banked in one amount at the end of the day.

System	Windows	Reports & Forms	<b>Banking</b>	Sales	Purchases	Inventory	Security
<input type="checkbox"/>			<input type="checkbox"/>				
<input type="checkbox"/>			<input type="checkbox"/>				
<input type="checkbox"/>			<input type="checkbox"/>				
<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>				
<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>				
<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>				

Return to the Command Centre.

## **Modifying Linked Accounts - Sales**

In Units 3 to 8, you entered transactions and the double-entry bookkeeping process just happened automatically.

**“Linked Accounts”** in MYOB tell transactions which accounts the amounts should go to automatically. Incorrect “Linked Accounts” leads to “Garbage In, Garbage Out”.

To check your Sales Linked Accounts to make sure they meet the needs of the business:

- (i) Select **“Setup”** in the Menu Bar.
- (ii) Select **“Linked Accounts”**.
- (iii) Select **“Sales Accounts”**.
- (iv) Modify your Linked Accounts like this:

Sales Linked Accounts

Asset Account for Tracking Receivables ⇄: 1-2000 Trade Debtors

Bank Account for Customer Receipts ⇄: 1-1100 NAB Cheque A/c

I charge freight on sales

I track deposits collected from customers

I give discounts for early payment

Expense or Cost of Sales Account for Discounts ⇄: 6-3200 Discount Allowed to Customers

I assess charges for late payment

*When the business allows a Cash Discount, MYOB needs to know which account to use.*

Return to the Command Centre.

## **Modifying Linked Accounts - Purchases**

- (i) Select “**Setup**” in the Menu Bar.
- (ii) Select “**Linked Accounts**”.
- (iii) Select “**Purchases Accounts**”.
- (iv) Modify your Linked Accounts like this:

*Freight is charged on Invoices received from suppliers. MYOB will now know which account to use.*

Purchases Linked Accounts		
Liability Account for Tracking Payables ⇄:	2-2000	Trade Creditors
Bank Account for Paying Bills ⇄:	1-1100	NAB Cheque A/c
<input type="checkbox"/> I can receive items without a <u>S</u> upplier bill		
<input checked="" type="checkbox"/> I pay freight on purchases		
Expense or Cost of Sales Account for Freight ⇄:	5-2000	Freight Paid
<input type="checkbox"/> I track deposits paid to suppliers		
<input type="checkbox"/> I take discounts for early payment		
<input type="checkbox"/> I pay charges for late payment		

Return to the Command Centre.

## **Modifying Customer Payment Methods**

- (i) When money is received from a customer, the business needs to identify how the account was paid.

The business accepts the following methods of payment:

- cash
- cheque
- EFTPOS [including Debit and Credit Cards]
- direct deposit to the bank account

- (ii) Select “**Lists**” in the Menu Bar.
- (iii) Select “**Sales and Purchases Information**”.
- (iv) Select “**Payment Methods**”.
- (v) Adjust the list, adding or deleting as required.

*Use Edit, Delete Payment Method to delete methods not used. Edit “Other”.*

Comments	Shipping Methods	Referral Source	Payment Methods
		Payment Methods	
		Method Type	
⇄	Cash	Cash	
⇄	Cheque	Cheque	
⇄	Direct Deposit	Other	
⇄	EFTPOS	Debit Card	

Return to the Command Centre.

## **Summary of Modifications**

To include a Debtors' Ledger [Sales] and a Creditors' Ledger [Purchases] you have made the following adjustments to your Cash Accounting file:

- modified Sales and Purchases Preferences;
- modified Banking Preferences;
- modified Sales and Purchases Linked Accounts;
- modified Payment Methods;
- no adjustments to the Chart of Accounts is required as Trade Debtor and Trade Creditor accounts existed in the MYOB template used to create the file.

You can now start entering invoices on the bulldog clip into MYOB.

**Backing up** ⇒⇒ **Make sure you are making a backup of your data file at the end of every session.**

## **Entering Supplier Invoices not paid 1/month**

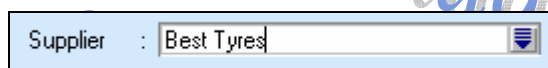
Unpaid invoices [on the bulldog clip] on 1<sup>st</sup> month are as follows:

*[They actually belong to last month, however your conversion to accrual is only this month, therefore these bills will be entered using the 1<sup>st</sup> of the month you are using.]*

<b>Best Tyres:</b>	<b>Invoice 4778</b>	<b>\$1,249.00</b>	<b>[Tyres]</b>
	<b>Invoice 4810</b>	<b>\$770.50</b>	<b>[Tubes, Accessories A/c = 5-1500]</b>

**To bring these invoices into the accounts:**

- Select "**Purchases**" Command Centre.
- Select "**Enter Purchases**".
- In the Supplier field, key in "**Best Tyres**" and press "**TAB**".



Supplier : Best Tyres

- Select "**New**".
- You will now create a card for the Supplier including credit terms and any other information required by the business.  
You will have to press the "**TAB**" key to display all fields.

The Supplier card is displayed on the following page.

**Profile** | Card Details | Buying Details | Payment Details | Contact Log | Jobs | History

**Best Tyres** A/P Balance ⇄: \$0.00

Card Type: **Supplier** Designation: **Company**  Inactive Card

Name: Best Tyres  
 Card ID: \*None *A supplier number can be used if desired.*

Location: Address 1  
 Address: Address of your choice  
 City: \_\_\_\_\_  
 State: \_\_\_\_\_ Postcode: \_\_\_\_\_  
 Country: \_\_\_\_\_

Phone#1: Phone Number  
 Phone#2: Mobile Number  
 Phone#3: \_\_\_\_\_  
 Fax: Fax Number  
 Email: besttyres@bigpond.com.au  
 Website: www.besttyres.com.au  
 Salutation: \_\_\_\_\_  
 Contact: ATT: John

*Select Individual or Company here.*

**Profile** | **Card Details** | Buying Details | Payment Details | Contact Log | Jobs | History

**Best Tyres** A/P Balance ⇄: \$0.00

Notes: Any notes about the supplier can be entered here.

Double click in this area to link to picture file.

Identifiers... Database information can be set up here - not covered in this workbook.

Custom List #1: workbook  
 Custom List #2: \_\_\_\_\_  
 Custom List #3: \_\_\_\_\_

Custom Field #1: \_\_\_\_\_  
 Custom Field #2: \_\_\_\_\_  
 Custom Field #3: \_\_\_\_\_

**Profile** | Card Details | **Buying Details** | Payment Details | Contact Log | Jobs | History

**Best Tyres** A/P Balance ⇄: \$0.00

Purchase Layout: **No Default** *No defaults have been entered because different windows and accounts are used with this supplier.*

Expense Account: \_\_\_\_\_  
 Payment Memo: \_\_\_\_\_  
 Purchase Comment: \_\_\_\_\_  
 Shipping Method: \_\_\_\_\_  
 Supplier Billing Rate: \$0.00 Excluding Tax  
 Cost per Hour: \$0.00

Credit Limit: \$0.00  
 Available Credit: \$0.00  
 Currently Past Due: \$0.00  
 A.B.N.: 12 345 678 909  
 A.B.N. Branch: \_\_\_\_\_  
 Tax ID Number: \_\_\_\_\_  
 Tax Code: **GST** Goods & Services T  
 Freight Tax Code: **GST** Goods & Services T  
 Use Supplier's Tax Code

Supplier Terms Information  
 Payment is Due: **Day of Month after EOM** *Check Terms are correct.*  
 Discount Date: **1st**  
 Balance Due Date: **EOM**  
 Early Payment: 0%  
 Volume Discount %: 0%

*A credit limit can be entered here.*

The amount of information keyed in these windows will depend on the needs of the business. Some fields can be used for different reporting requirements.

- (vi) Click on **“OK”** to return to the Purchases window.
- (vii) Press **“TAB”** to select the Supplier.

(viii) Enter the Supplier Invoice details like this:

- (a) Key in the date. Press “TAB”.
- (b) Key in the Supplier Invoice 4778.
- (c) Press “TAB” to move to “Description”.
- (d) Key in “Tyres” and press “TAB”.
- (e) Press “TAB” to display list of accounts and select “Purchases – Tyres”.
- (f) In the amount field, key in “1249”.
- (g) This invoice is probably due at the end of the month, therefore change the Terms by click on the ⇨ to the right of “Terms” and select “EOM {End of Month}”.

Your “Bill” should look like this.

**BILL**

Supplier ⇨: Best Tyres      Terms ⇨: Net EOM       Tax Inclusive

Ship to ⇨: Brocks Tyreworld - Your Name  
Address of your choice      Purchase #: 00000001  
Date: 1/month      Supplier Inv#: 4478

Description	Acct#	Amount	Job	Tax
Tyres	5-1000	\$1,249.00		GST

Subtotal: \$1,249.00  
Freight: \$0.00       GST

Comment:      Tax ⇨: \$113.55  
Ship Via:      Total Amount: \$1,249.00  
Promised Date:      Paid Today: \$0.00

Journal Memo: Purchase: Best Tyres      Balance Due: \$1,249.00

Bill Delivery Status: To be Printed

(ix) Click on “**Record**”.

(x) Key in the **second** invoice [see Page 154] in the same manner.

**Return to the Command Centre.**



**For your Information only:**

In this workbook, you are changing your accounting system; therefore unpaid invoices will be introduced as above. However if you are creating a new data file from scratch, you would enter the above supplier invoice like this.

Select “**Setup**”, “**Balances**”, “**Supplier Balances**” and enter the following historical purchase. [In the exercise at the back of this workbook, you will enter unpaid supplier invoices like this.]

**Historical Purchase**

Supplier Name: Best Tyres      Balance: \$0.00

Terms ⇨: Net EOM after EOM

PO #: 00000001

Date: date

Supplier Inv #: 4778

Memo: Pre-conversion purchase

Total Including Tax: \$1,249.00      Tax Code: GST      Tax ⇨: \$113.55

Job:

## **Entering Customer Invoices not paid 1/month**

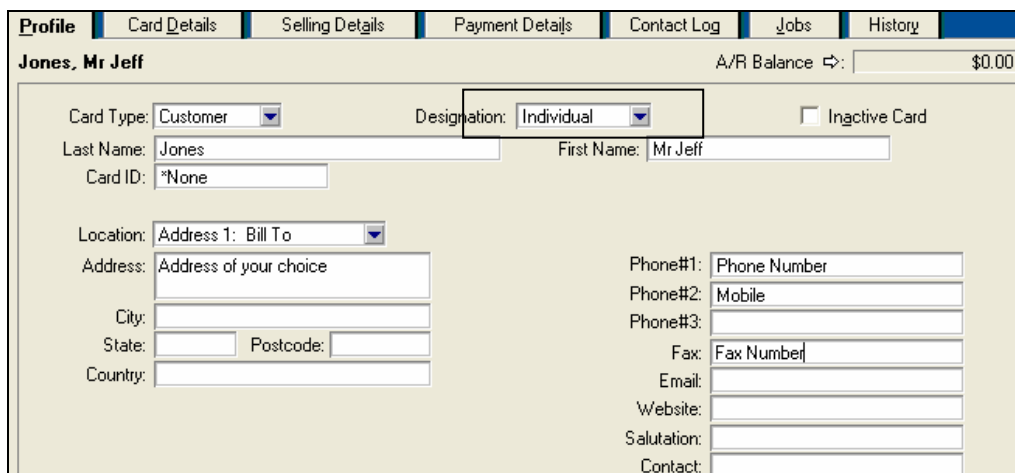
Brocks Tyreworld made a sale on the end of last month; however the customer did not pay. This invoice will therefore be entered on 1/month.

Jeff Jones has been known to Angus for years therefore Angus has decided to give him credit terms.

A sample copy of a **Credit Application Form** is printed on Page 160. This would be handed to the customer to be completed and returned.

Angus would then check out the credit references and any other details before offering an account.

- (i) Select the “**Sales**” Command Centre.
- (ii) Select “**Enter Sales**”.
- (iii) Key in “**Jones**” in the card field and press “**TAB**”.
- (iv) Select “**New**” and create a customer card for Jeff Jones like this:



**Profile** | Card Details | Selling Details | Payment Details | Contact Log | Jobs | History

**Jones, Mr Jeff** A/R Balance ⇄: \$0.00

Card Type: Customer Designation: Individual  Inactive Card

Last Name: Jones First Name: Mr Jeff

Card ID: \*None

Location: Address 1: Bill To

Address: Address of your choice

City: State: Postcode: Country:

Phone#1: Phone Number

Phone#2: Mobile

Phone#3:

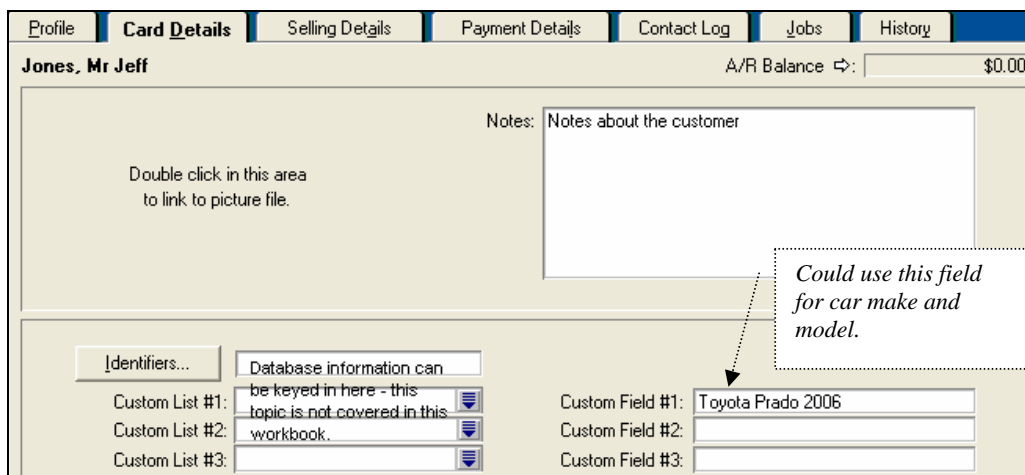
Fax: Fax Number

Email:

Website:

Salutation:

Contact:



**Profile** | **Card Details** | Selling Details | Payment Details | Contact Log | Jobs | History

**Jones, Mr Jeff** A/R Balance ⇄: \$0.00

Notes: Notes about the customer

Double click in this area to link to picture file.

Identifiers... Database information can be keyed in here - this topic is not covered in this workbook.

Custom List #1: workbook.

Custom List #2:

Custom List #3:

Custom Field #1: Toyota Prado 2006

Custom Field #2:

Custom Field #3:

*Could use this field for car make and model.*

Profile | Card Details | **Selling Details** | Payment Details | Contact Log | Jobs | History

**Jones, Mr Jeff** A/R Balance ⇄: \$0.00

Sale Layout: Service Credit Limit: \$2,000.00  
 Printed Form: MPS-INCSIPLN-2008  
 Invoice Delivery: To be Printed  
 Income Account: 4-1000 Sales - Tyres  
 Receipt Memo:  
 Salesperson:  
 Sale Comment:  
 Shipping Method:  
 Customer Billing Rate: \$0.00 Excluding Tax

Freight Tax Code: GST Goods & Services T  
 Use Customer's Tax Code

Customer Terms Information  
 Payment is Due: In a Given # of Days % Discount for Early Payment: 2.5%  
 Discount Days: 7 % Monthly Charge for Late Payment: 0%  
 Balance Due Days: 30 Volume Discount %: 0%

Credit Limit & Hold

This information automates the type of invoice and account used for Jeff's invoices.

**Credit Limit & Hold**

**Mr Jeff Jones**

Edit this customer's credit limit or place the customer on credit hold to prevent the recording of a sales order or invoice.

Credit Information

Credit Limit: \$2,000.00  
 Available Credit: \$2,000.00  
 Currently Past Due: \$0.00

Place this customer on Credit Hold

A credit limit can be entered. In this window you also have the ability to place this customer on credit hold if account is not paid.

Profile | Card Details | Selling Details | **Payment Details** | Contact Log | Jobs | History

**Jones, Mr Jeff** A/R Balance ⇄: \$0.00

Payment Method: EFTPOS Notes:  
 Card Number:  
 Expiry Date:  
 Name on Card: Mr Jeff Jones

Jeff usually pays by EFTPOS. Keeping details is a privacy issue to be considered.

Profile | Card Details | Selling Details | Payment Details | Contact Log | Jobs | **History**

**Jones, Mr Jeff** A/R Balance ⇄: \$0.00

	FY 2007		
July	\$0.00		
August	\$0.00	\$0.00	
September	\$0.00	\$0.00	
October	\$0.00	\$0.00	
November	\$0.00	\$0.00	
December	\$0.00	\$0.00	

Customer Since: date  
 Last Sale Date:  
 Last Payment Date:

Enter date when Jeff started buying from the business here. The history window offers very useful information especially average days to pay.

(v) CLICK on "OK" to return to your Sales window.

(vi) Key in the following invoice details:

(vii) Click on “Record”.

**Return to the Command Centre.**



**For your Information only:**

If you are creating a new data file from scratch, you would enter the above customer invoice like this:

*SELECT “Setup”, “Balances”, “Customer Balances” and enter the following historical sale.*

## Viewing Debtors and Creditors on 1/month

This is the quickest way to view your Debtors, ie customers who owe you money.

- (i) Select “Analysis” search icon in the Command Panel.
- (ii) Select “Receivables”. Jeff Jones should owe the business “\$1,025.00”.
- (iii) Select “Payables”. The business should owe Best Tyres “\$2,019.50”.

**Return to the Command Centre.**

Your file has been adjusted to include debtors and creditors – an **ACCRUAL ACCOUNTING SYSTEM**.

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## Brocks Tyreworld - ACCOUNT APPLICATION

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Brocks Tyreworld  
ABN 35933853286  
Main Street, CARSDALE QLD 4350  
Phone (07) 4635 8765 Fax (07) 4635 8766

**Business Name:** \_\_\_\_\_

**Contact Name:** \_\_\_\_\_

**Postal Address:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Business Address:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Phone Number:** \_\_\_\_\_

**Fax Number:** \_\_\_\_\_

**E-mail Address:** \_\_\_\_\_

**Credit Reference 1:** \_\_\_\_\_

**Reference Phone No:** \_\_\_\_\_

**Credit Reference 2:** \_\_\_\_\_

**Reference Phone No:** \_\_\_\_\_

### Brocks Tyreworld Trading Terms:

**Credit Limit:** \$2,000.00

**Terms:** Payment of Account due 30 days from invoice date.  
2.5% Cash Discount allowed if paid within 7 days of date of invoice.

**Payment:** Cheque, Credit Card or Direct Deposit to the following Account:  
Brocks Tyreworld 084-222 1244120

*{Some firms require Financial Reports from the accountant.}*

Signature of authorised representative: \_\_\_\_\_ Date: \_\_\_\_\_

Fill out the above Application to apply for an account at Brocks Tyreworld.

*You have completed changing your file to an Accrual Accounting System. Now turn to Unit 11 and learn how to process Accounts Receivables.*