Table of Contents

Cash & Accrual Accounting

using MYOB Accounting

Table of Contents [continued]

Table of Contents [continued]

Table of Contents [continued]

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.

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

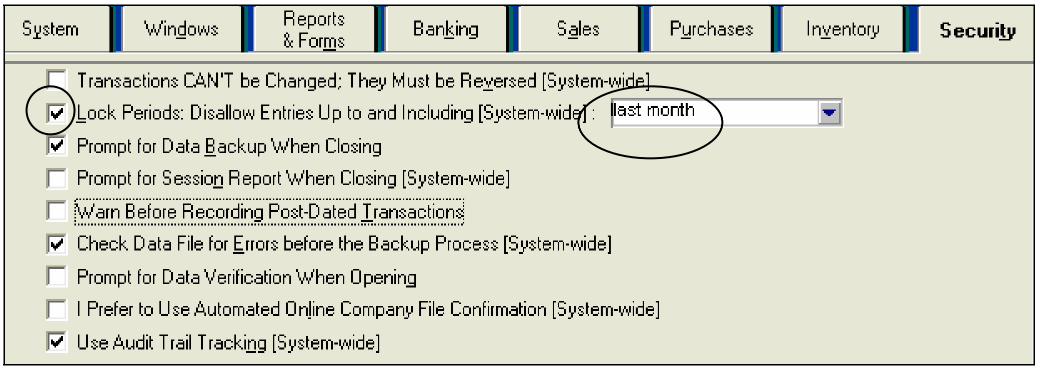
(i) Open "**Brocks Tyreworld Accrual 18.myo**" file.
[DO NOT USE THE FILE FROM UNIT 8.]

⇨⇨⇨ (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.

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.

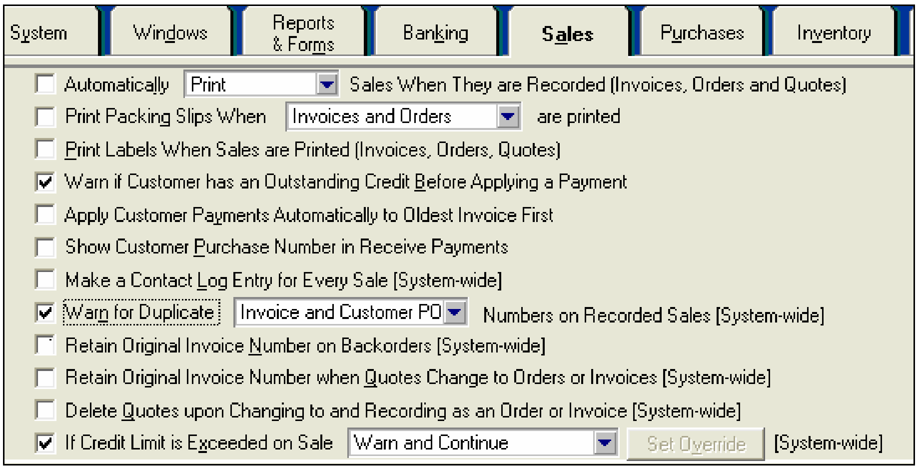
Modifying Preferences - Sales

(i) Select "**Setup**" in the Menu Bar.

(ii) Select "**Preferences**".

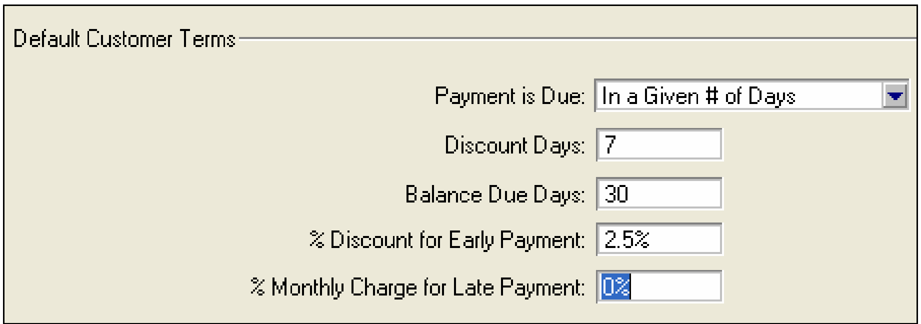
(iii) Select "**Sales**" TAB.

(iv) Modify the following preferences to meet the needs of the business.



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.



Return to the Command Centre.

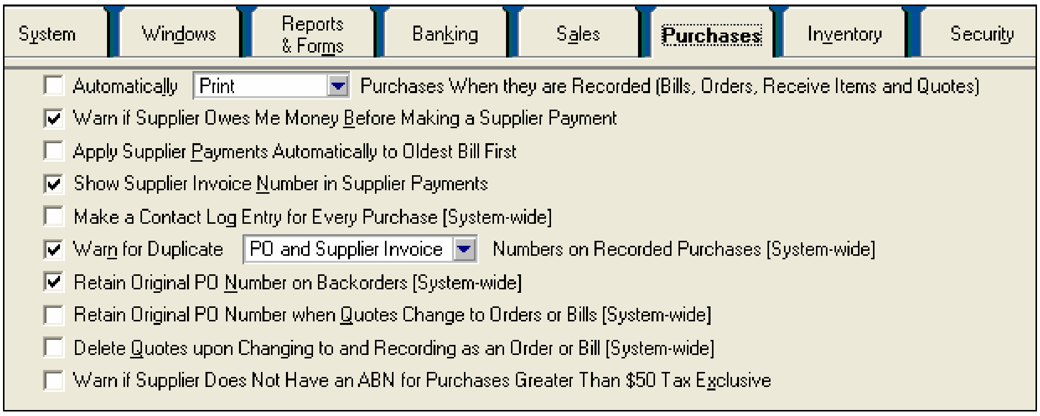
Modifying Preferences - Purchases

(i) Select “**Setup**” in the Menu Bar.

(ii) Select “**Preferences**”.

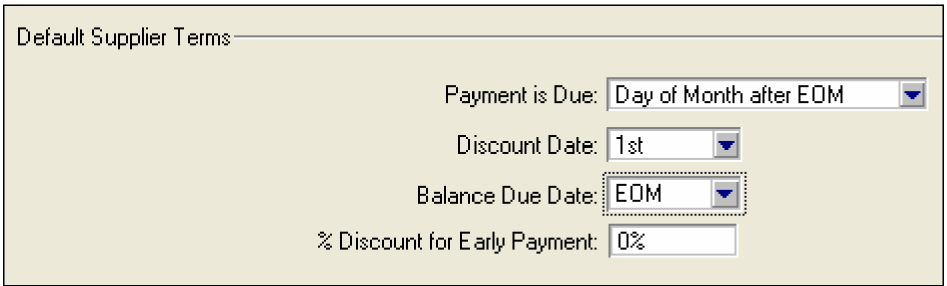
(iii) Select “**Purchases**” TAB.

(iv) Modify the following preferences to meet the needs of the business.



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.



Return to the Command Centre.

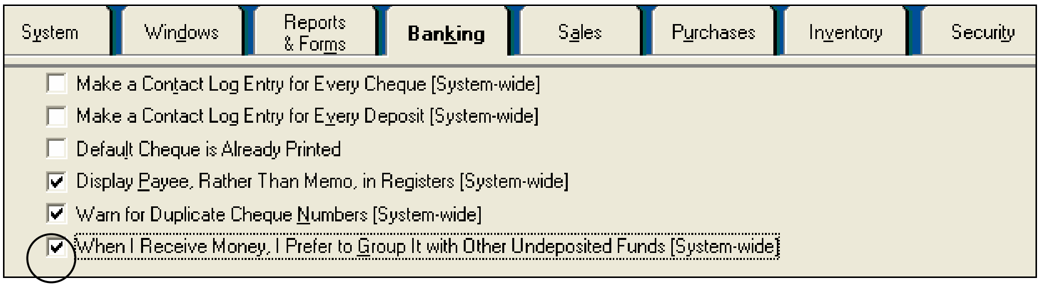
Modifying Preferences - Banking

(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.



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. <u>Incorrect "Linked Accounts" leads to "Garbage In, Garbage Out"</u>.

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

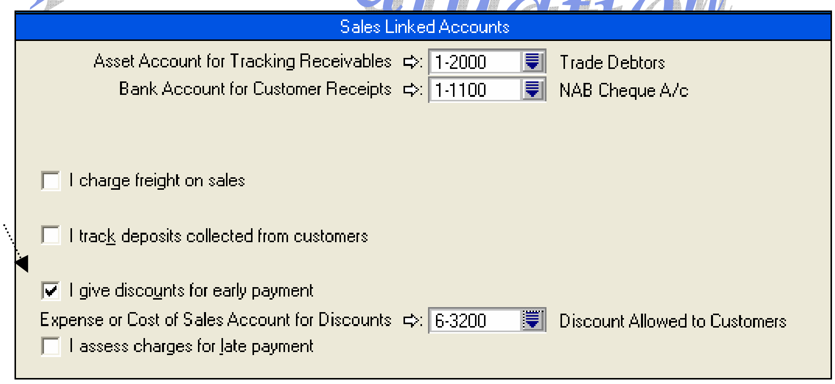
(i) Select "**Setup**" in the Menu Bar.

(ii) Select "**Linked Accounts**".

(iii) Select "**Sales Accounts**".

(iv) Modify your Linked Accounts like this:

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



Return to the Command Centre.

Modifying Linked Accounts - Purchases

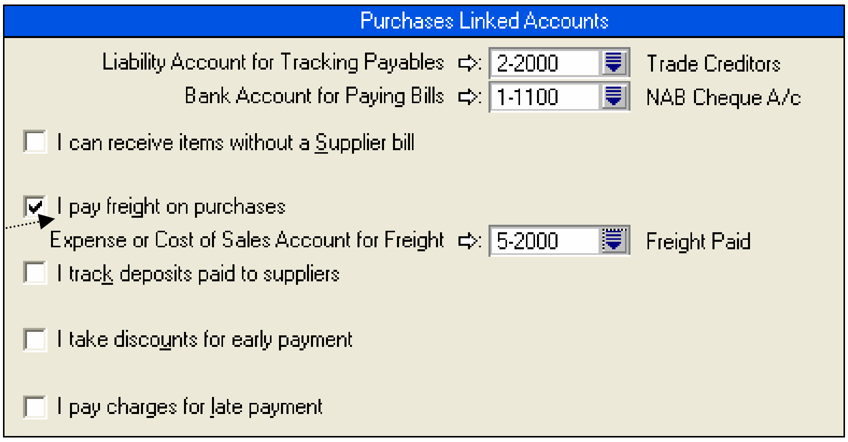
(i) Select “**Setup**” in the Menu Bar.

(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.



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

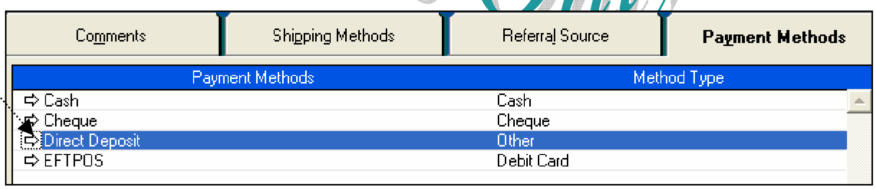
(ii) Select “**Lists**” in the Menu Bar.

(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”.



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 1st 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 1st of the month you are using.]

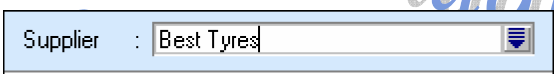
Best Tyres:	***Invoice 4778***	***$1,249.00***	***[Tyres]***
	Invoice 4810	***$770.50***	***[Tubes, Accessories A/c = 5-1500]***

To bring these invoices into the accounts:

(i) Select "**Purchases**" Command Centre.

(ii) Select "**Enter Purchases**".

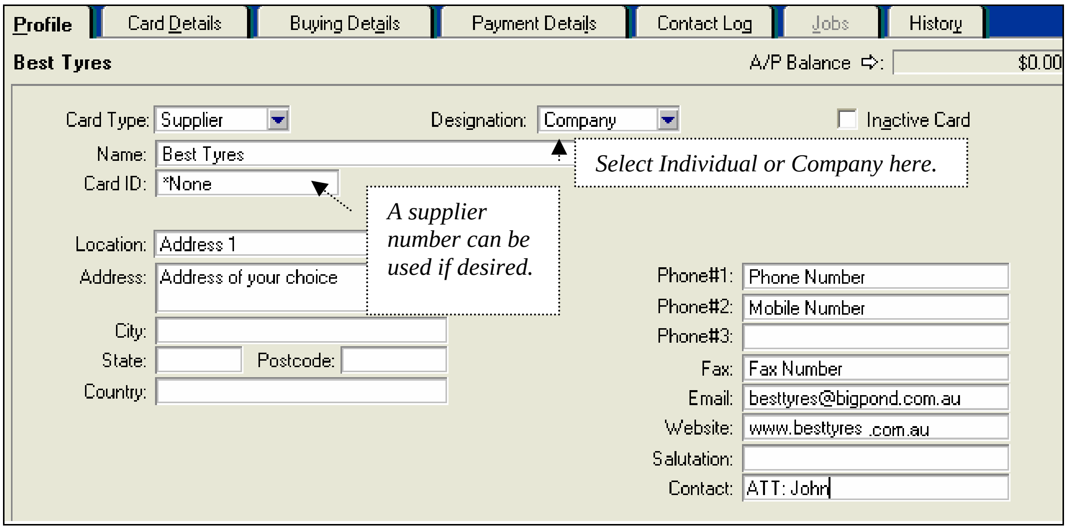
(iii) In the Supplier field, key in "**Best Tyres**" and press "**TAB**".

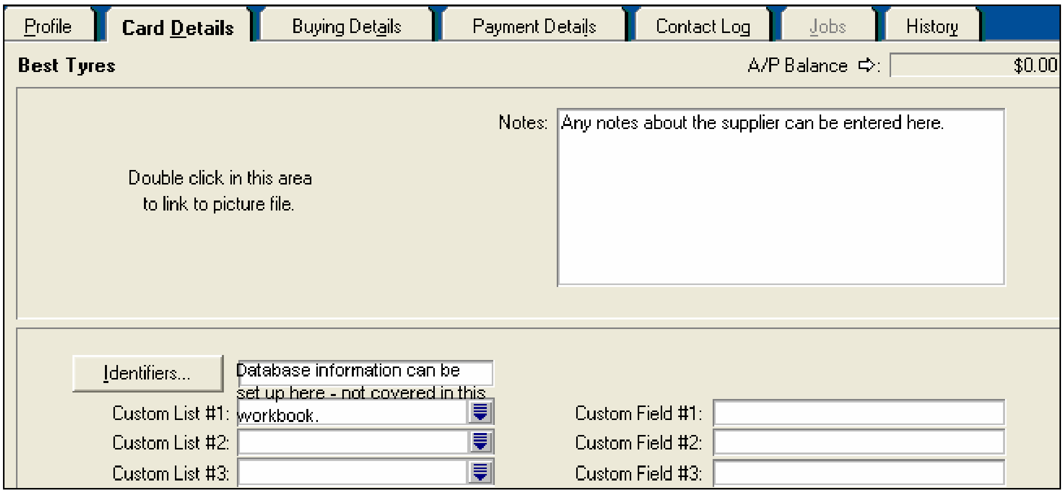


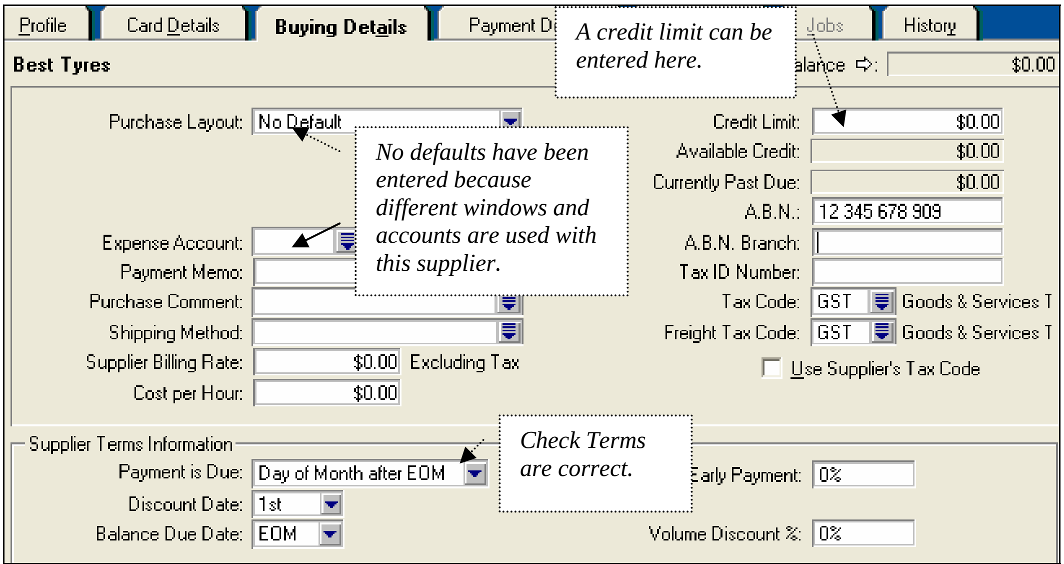
(iv) Select "**New**".

(v) 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.







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.

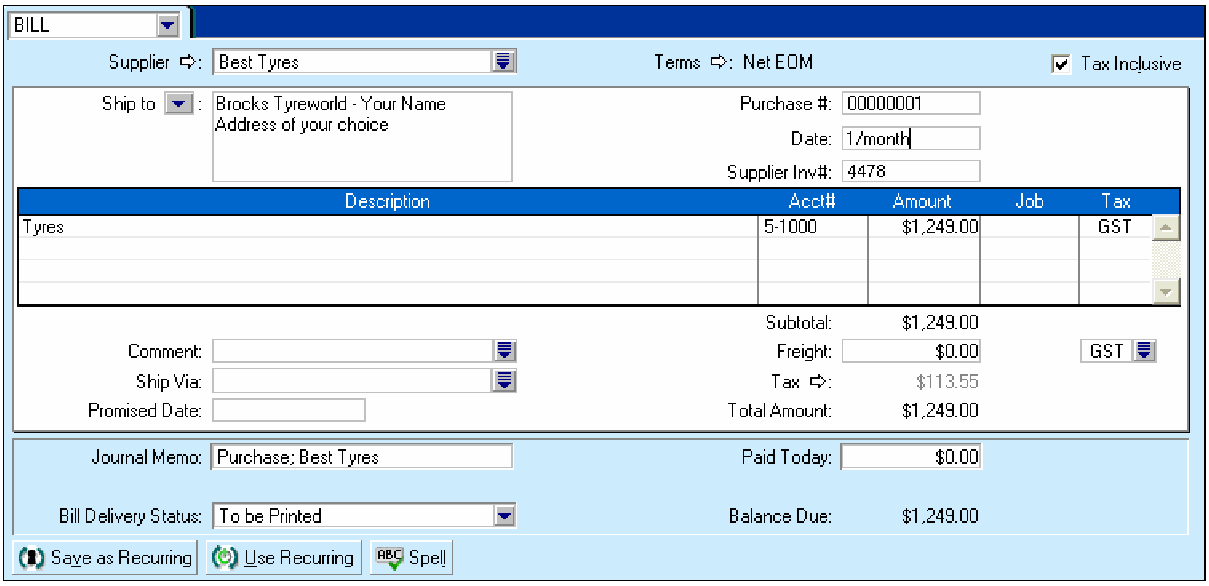
(vi) Click on "**OK**" to return to the Purchases window.

(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.



(ix) Click on “**Record**”.

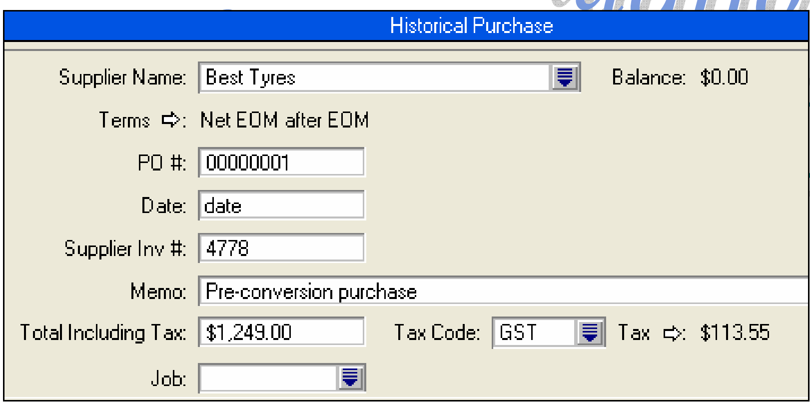
(x) Key in the **second** invoice [see Page 154] in the same manner.

Return to the Command Centre.

For your Information only:

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

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



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.

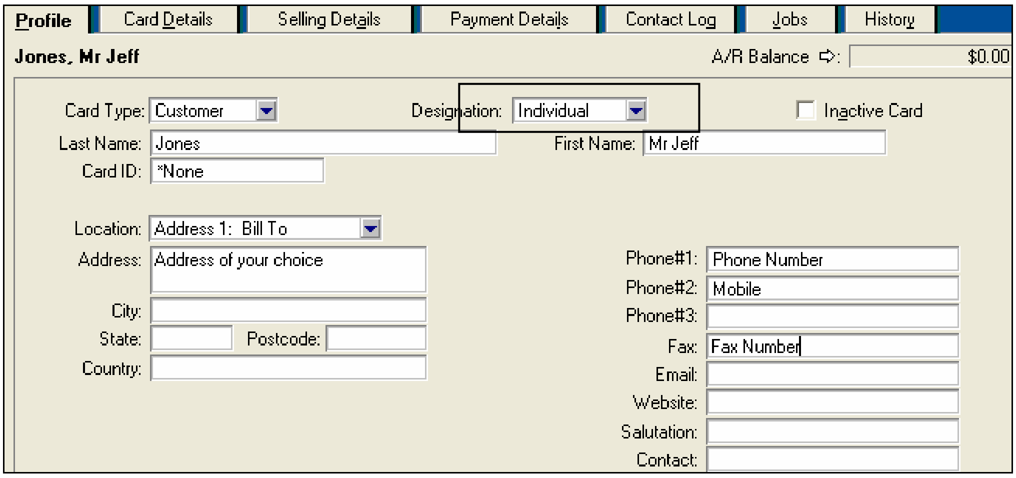
Angus would then check out the credit references and any other details before offering an account.

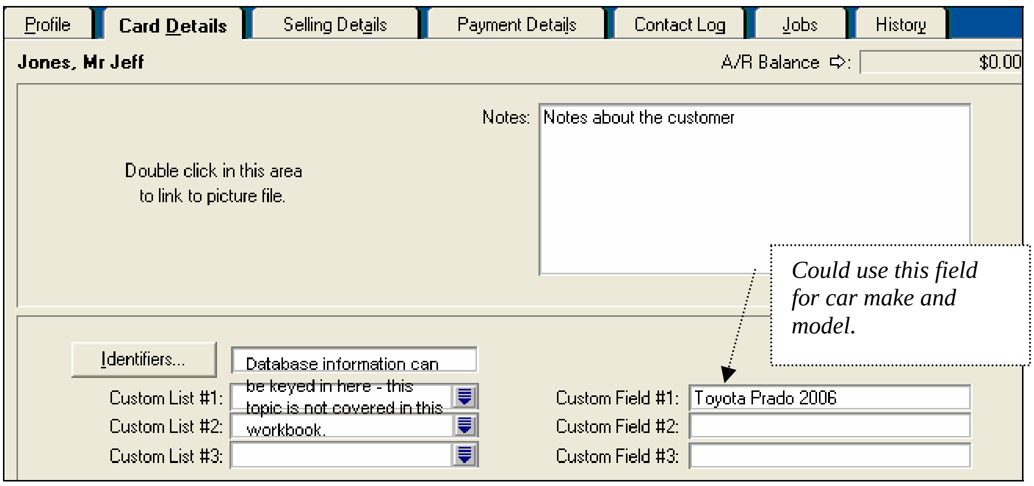
(i) Select the "**Sales**" Command Centre.

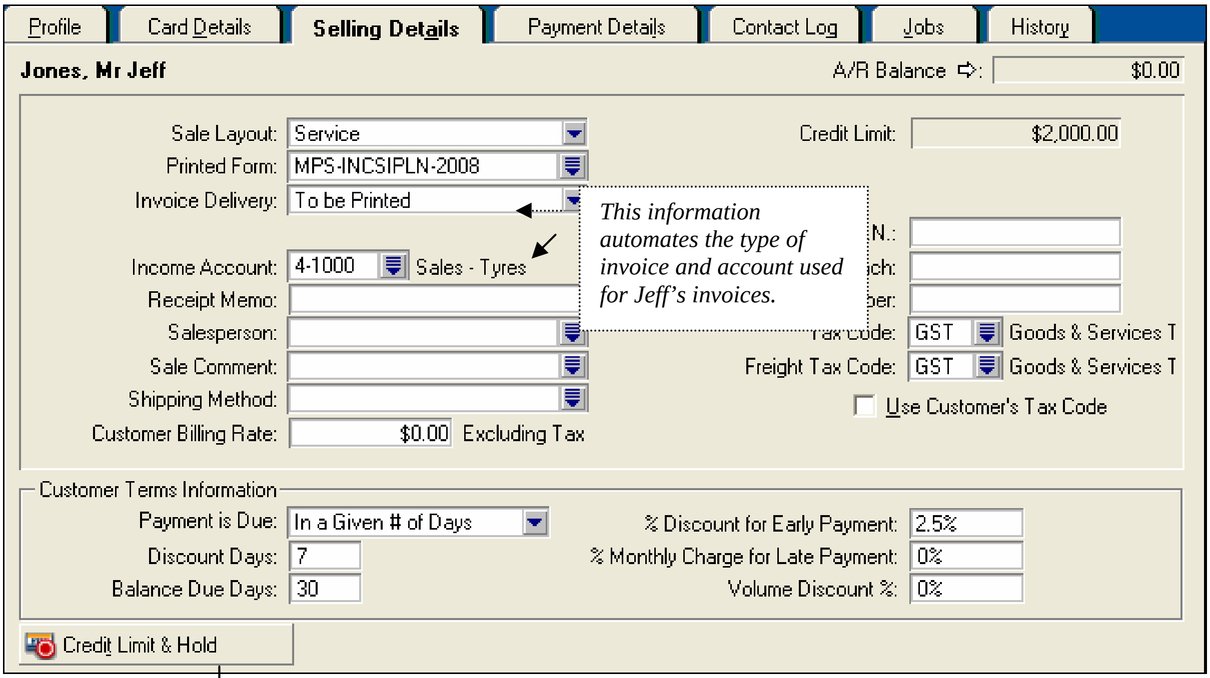
(ii) Select "**Enter Sales**".

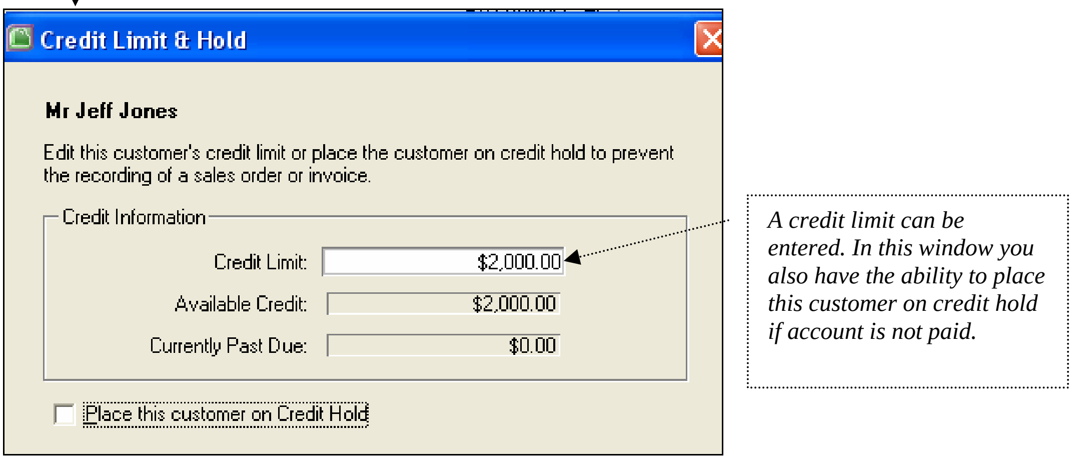
(iii) Key in "**Jones**" in the card field and press "**TAB**".

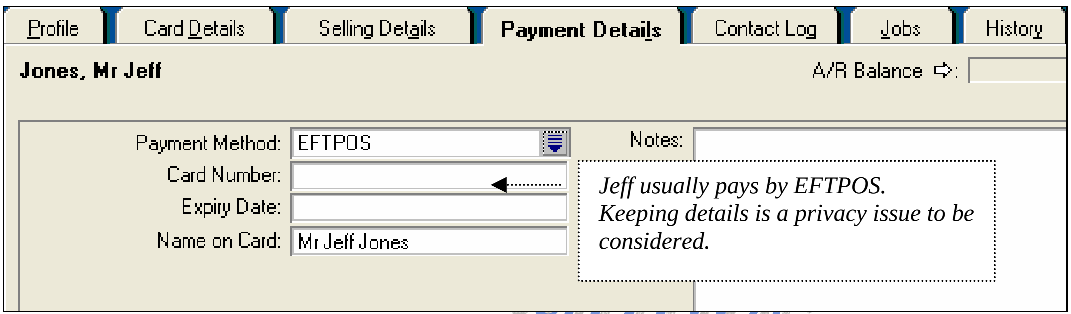
(iv) Select "**New**" and create a customer card for Jeff Jones like this:

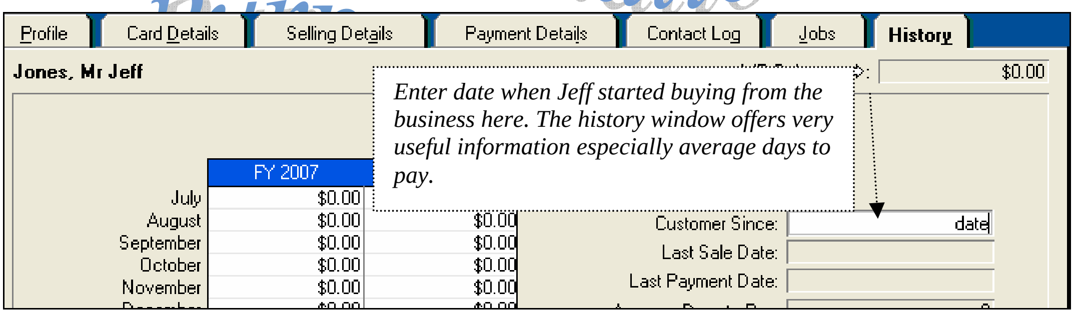






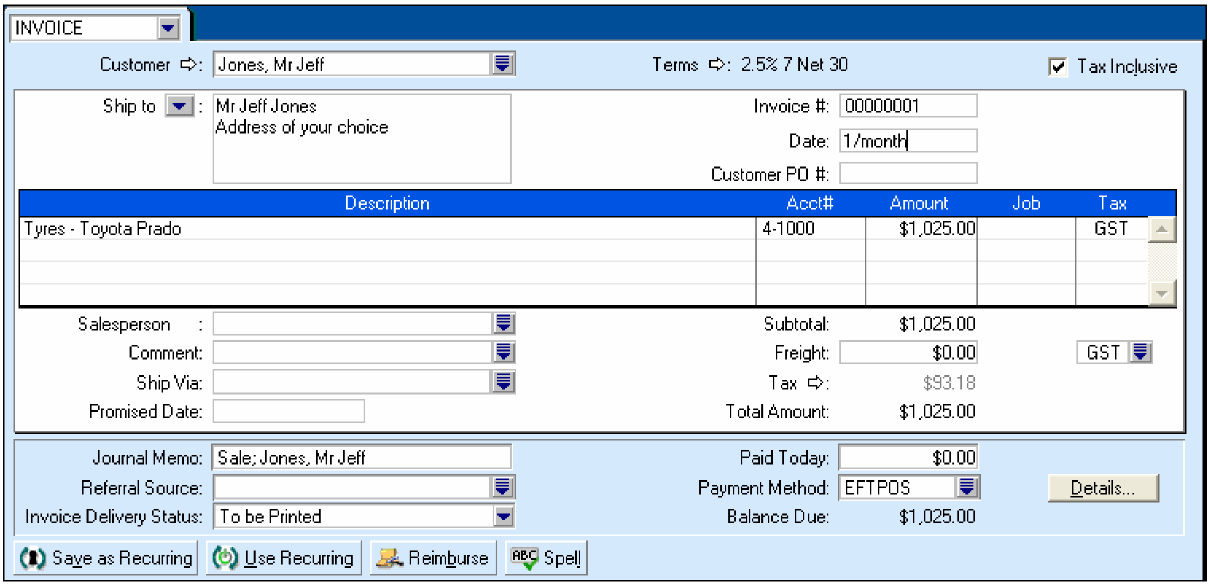






(v) CLICK on "**OK**" to return to your Sales window.

(vi) Key in the following invoice details:



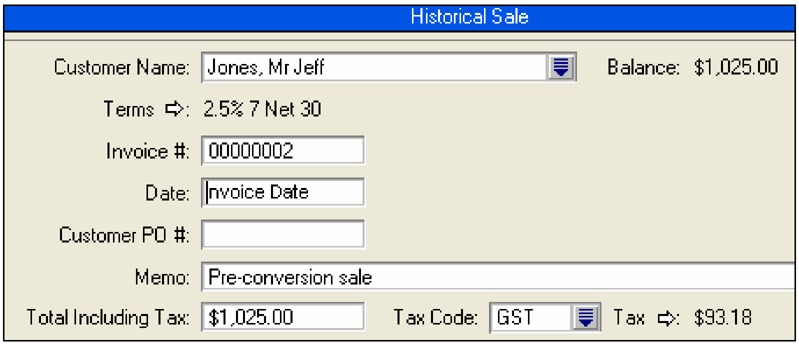
(vii) Click on "**Record**".

Return to the Command Centre.

For your Information only:

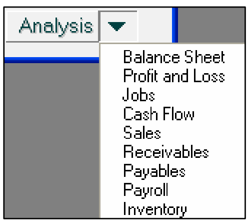
*If you are **<u>creating a new data file from scratch</u>**, you would enter the above customer invoice like this:*

*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 **<u>include debtors and creditors</u>** – an **ACCRUAL ACCOUNTING SYSTEM**.

Brocks Tyreworld - ACCOUNT APPLICATION

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.