

CHAPTER 9

MAINTAINING ACCOUNTING RECORDS FOR SERVICE BUSINESSES

Chapter 9 begins Part 2 of the book--Peachtree Complete Accounting 2005 for Service Businesses. In this part of the book your students are the owners of an accounting practice. Their accounting business does the monthly record keeping for several service businesses.

In Chapter 9 your students maintain the accounting records for Jessica Wood Graphics. They learn how to set up a business using one of PCA's sample charts of accounts. Then they complete the Computer Accounting Cycle for the month of October using Ms. Wood's checkbook register and bank statement as source documents.

SOFTWARE OBJECTIVES: In Chapter 9, your students use the software to:

1. Set up company information for Jessica Wood Graphics.
2. Select a sample company.
3. Edit the chart of accounts.
4. Enter chart of accounts beginning balances.
5. Use Windows Explorer to see the company's file size.
6. Record and post transactions in the cash receipts and cash disbursements journals.
7. Complete account reconciliation.
8. Preview the general ledger trial balance.
9. Preview the cash account register.
10. Print financial statements.
11. Make four backups: 1) back up Chapter 9 beginning data; 2) back up October data; 3) back up Exercise 9-1; 4) back up Exercise 9-2.¹

¹For the size of backup files, refer to the chart on textbook page 238 or page 77 – IMK.

WEB OBJECTIVES: In Chapter 9, your students did these Internet activities:

1. Used their Internet browser to go to the book's website. (Go online to www.mhhe.com/yacht2005.)
2. Went to the Internet Activity link on the book's website. Then, selected WEB EXERCISES, PART 2. Completed the first web exercise in Part 2, Starting a Business.
3. Used a word processing program to write summaries of the websites that they visited.

PCA TIPS, CHAPTER 9

- Remind students that chart of accounts beginning balances must be set for the preceding month—September 1 through 30, 2005. See textbook pages 255 through 261 for an explanation of chart of accounts beginning balances.

To check that students have set up their beginning balance period from 9/1/05 through 9/30/05, follow these steps:

1. Start Peachtree, Open Jessica Wood Graphics.
2. Restore the Chapter 9 Begin.ptb file.
3. From the menu bar, click on Maintain, Chart of Accounts. Then, click on the right-arrow next to Beginning Balances.
4. Select the period From 9/1/05 through 9/30/05. Click on QK. The Beginning balances as of September 30, 2005 appear. Compare them to the balance sheet on textbook page 260. The chart of accounts balances as of September 30, 2005 are the beginning balances for October 1, 2005. October 2005 is the first month for recording Jessica Wood Graphics data. On textbook page 244, below instruction number 14, students selected October as the first month for entering data.
5. Click on the Cancel icon. The screen illustration on page 257 (below step 3) shows that the period to choose for beginning balances *must be From 9/1/05 through 9/30/05*. Step 4 on textbook page 258 reminds students to recheck the period before continuing. On page 259, students are reminded to make sure that their beginning balances are as of September 30, 2005. If they enter the beginning balances for the wrong month, their Statement of Cash Flow and

Statement of Changes in Financial Position will not show the current month and year-to-date amounts correctly. The end-of-quarter financial statements are shown in Chapter 10.

- If your students did *not* select the correct beginning balance period, you could restore the appropriate Peachtree back up file from the Instructor's Resource CD or go online to www.mhhe.com/yacht2005 and download the files from the password-protected Instructor Edition site.
- The businesses that students begin in Chapter 9 are continued in Chapter 10.
- Students can restore from their back up file even if *no* Peachtree has been set up. Close Peachtree's start up screen. Select File; Restore. Select the location of the backup file. On the Restore Wizard's Select Company screen, select A New Company. The A New Company selection allows students to restore their backup data, bypassing the process of new company set up. For detailed steps, refer to Troubleshooting on textbook pages 266 and 267. Read the Comment box that follows.

Comment: What if Jessica Wood Graphics (or another name Graphics) is not shown on Peachtree's Open an Existing Company screen; Company Name list?

Students can restore to an existing company—one that is previously set up—or they can restore to a new company, bypassing the process of setting up a new company. The Restore Wizard includes two options on the Select Company screen: An Existing Company *and* A New Company. If A New Company is selected, then the company will be named exactly as the backup file selected.

Let's say your student wants to restore a backup file for a company that was *not* set up in Peachtree. Some computer labs delete directories from the hard drive; for example, a back up file exists but the company is *not* shown when your student opens an existing company or selects browse to check for that company. Or, the computer lab has Peachtree Complete Accounting 2005 available but *not* the companies that students previously set up.

If you start Peachtree and the appropriate company *cannot* be opened, use the Restore Wizard to select A New Company. Using the appropriate backup file, and the selection for A New Company, your students are able to start where they left off the last time they used Peachtree.

This is also the method for restoring PTB files from the Instructor's Edition website. PTB is the extension used by Peachtree to identify backup files.

LECTURE OUTLINE FOR CHAPTER 9

- A. Software Objectives, page 239
- B. Web Objectives, page 239
- C. Getting Started, pages 240-247
 - 1. Company Maintenance Information, pages 247-248
- D. Chart of Accounts, page 248
 - 1. Delete Accounts, pages 248-249
 - 2. Change Accounts, pages 250-251
 - 3. Add Accounts, pages 251-253
 - 4. Printing the Chart of Accounts, pages 253-255
- E. Entering Chart of Accounts Beginning Balances, pages 255-261
- F. Using Windows Explorer to See the File Size, pages 261-262
- G. Backing Up Company Data, pages 262-265
- H. Restoring Company Data, pages 266-268
- I. Recording Entries in the Cash Receipts Journal and Cash Disbursements Journal, pages 269-276
- J. Account Reconciliation, pages 276-279
- K. Displaying the Cash Account Register, pages 279-282
- L. Printing the Cash Receipts Journal, page 283
- M. Printing the Cash Disbursements Journal, pages 283-285
- N. Editing Journal Transactions, page 285
- O. Previewing the General Ledger Trial Balance, page 286
- P. Printing Financial Statements, pages 287-288
- Q. Backing Up Chapter 9 Data, page 289
- R. Internet Activity, page 289

S. Summary and Review, page 290

1. Going to the Net, page 291
2. Multiple-Choice Questions, pages 291-293
3. Exercise 9-1, pages 293-296
4. Exercise 9-2, pages 296-299
5. Chapter 9 Index, page 300

ANSWERS TO GOING TO THE NET²

1. Account categories on the chart of accounts are presented in a standard order, beginning with the accounts presented on the balance sheet: asset accounts, liability accounts, then equity accounts. Income and expense accounts follow the balance sheet accounts.
2. Account numbers proceed from lowest to highest, with room between numbers in each category. This allows the business to expand the level of detail presented in the chart of accounts as activities grow.

ANSWERS TO MULTIPLE-CHOICE QUESTIONS

1. b (Accrual accounting)
2. d (Service business)
3. c (Sole proprietorship)
4. d (Service Company)
5. b (Real-time posting)
6. a (File; Restore)
7. a (Chapter 9 October)
8. c (Statement of financial position)
9. c (\$120,232.84)
10. e (none of the above)

²The textbook website at www.mhhe.com/yacht2005 has a link to Textbook Updates. Check this link for updated Going to the Net exercises.

Solution to Exercise 9-1 (10)

Student Name, Designer			
Chart of Accounts			
As of Oct 31, 2005			
Filter Criteria includes: Report order is by ID. Report is printed with Accounts having Zero Amounts and in Detail Format.			
Account ID	Account Description	Active?	Account Type
1020	First Interstate Bank	Yes	Cash
1100	Accounts Receivable	Yes	Accounts Receivable
1200	Inventory	Yes	Inventory
1300	Prepaid Insurance	Yes	Other Current Assets
1400	Prepaid Rent	Yes	Other Current Assets
1450	Supplies	Yes	Other Current Assets
1500	Computer Equipment	Yes	Fixed Assets
1510	Furniture	Yes	Fixed Assets
1520	Automobile	Yes	Fixed Assets
1900	Accum. Depreciation - Comp Eq	Yes	Accumulated Depreciation
1910	Accum. Depreciation - Furnitur	Yes	Accumulated Depreciation
1920	Accum. Depreciation - Automobi	Yes	Accumulated Depreciation
2000	Accounts Payable	Yes	Accounts Payable
2380	Income Taxes Payable	Yes	Other Current Liabilities
3910	Retained Earnings	Yes	Equity-Retained Earnings
3920	Student Name, Capital	Yes	Equity-doesn't close
3930	Student Name, Draw	Yes	Equity-gets closed
4000	Teaching Income	Yes	Income
4050	Design Income	Yes	Income
4100	Interest Income	Yes	Income
4200	Finance Charge Income	Yes	Income
4900	Sales/Fees Discounts	Yes	Income
5000	Cost of Sales	Yes	Cost of Sales
5400	Cost of Sales-Salary & Wage	Yes	Cost of Sales
6000	Wages Expense	Yes	Expenses
6100	Dues and Subscriptions	Yes	Expenses
6150	Auto Registration	Yes	Expenses
6180	Automobile Expense	Yes	Expenses
6200	Income Tax Expense	Yes	Expenses
6300	Rent or Lease Expense	Yes	Expenses
6350	Maintenance & Repairs Expense	Yes	Expenses
6400	Utilities Expense	Yes	Expenses
6420	Water and Power Expense	Yes	Expenses
6450	Office Supplies Expense	Yes	Expenses
6500	Telephone Expense	Yes	Expenses
6550	Long Distance Co.	Yes	Expenses
6560	Internet Service Provider	Yes	Expenses
6600	Advertising Expense	Yes	Expenses
6800	Conference Fees	Yes	Expenses
6850	Bank Service Charge	Yes	Expenses
6900	Purchase Disc-Expense Items	Yes	Expenses
6950	Insurance Expense	Yes	Expenses
7050	Deprec. Exp. - Comp Eq	Yes	Expenses
7060	Deprec. Exp. - Furniture	Yes	Expenses
7070	Deprec. Exp. - Automobile	Yes	Expenses
7400	Postage Expense	Yes	Expenses

Solution to Exercise 9-1 (12)

		Student Name, Designer Balance Sheet October 31, 2005
ASSETS		
Current Assets		
First Interstate Bank	\$ 9,500.00	
Prepaid Insurance	1,000.00	
Prepaid Rent	700.00	
Supplies	850.00	
	<hr/>	
Total Current Assets		12,050.00
Property and Equipment		
Computer Equipment	6,500.00	
Furniture	3,500.00	
Automobile	19,000.00	
	<hr/>	
Total Property and Equipment		29,000.00
Other Assets		
	<hr/>	
Total Other Assets		0.00
		<hr/>
Total Assets	\$	<u>41,050.00</u>
LIABILITIES AND CAPITAL		
Current Liabilities		
Accounts Payable	\$ 1,050.00	
	<hr/>	
Total Current Liabilities		1,050.00
Long-Term Liabilities		
	<hr/>	
Total Long-Term Liabilities		0.00
		<hr/>
Total Liabilities		1,050.00
Capital		
Student Name, Capital	40,000.00	
Net Income	0.00	
	<hr/>	
Total Capital		40,000.00
		<hr/>
Total Liabilities & Capital	\$	<u>41,050.00</u>

Solution to Exercise 9-2 (5)

Student Name, Designer Account Reconciliation As of Oct 31, 2005 1020 - First Interstate Bank Bank Statement Date: October 31, 2005				
Filter Criteria includes: Report is printed in Detail Format.				
Beginning GL Balance				9,500.00
Add: Cash Receipts				4,405.00
Less: Cash Disbursements				(2,065.70)
Add (Less) Other				<u>(12.00)</u>
Ending GL Balance				<u>11,827.30</u>
Ending Bank Balance				12,020.25
Add back deposits in transit			_____	
Total deposits in transit				
(Less) outstanding checks				
	Oct 15, 2005	1006	(55.15)	
	Oct 28, 2005	1008	<u>(137.80)</u>	
Total outstanding checks				(192.95)
Add (Less) Other				_____
Total other				
Unreconciled difference				<u>0.00</u>
Ending GL Balance				<u><u>11,827.30</u></u>

Solution to Exercise 9-2 (6)

Student Name, Designer Cash Account Register For the Period From Oct 1, 2005 to Oct 31, 2005 1020 - First Interstate Bank							
Filter Criteria includes: Report order is by Transaction Date.							
Date	Reference	Type	Payee/Paid By	Memo	Payment Amt	Receipt Amt	Balance
			Opening Balance			9,500.00	9,500.00
10/2/05	ATM	Wrt. Chks.			100.00		9,400.00
10/3/05	Design inco	Receipt		10/3/05		2,300.00	11,700.00
10/3/05	1001	Wrt. Chks.			1,050.00		10,650.00
10/8/05	Teaching in	Receipt		10/8/05		2,105.00	12,755.00
10/9/05	1002	Wrt. Chks.			45.80		12,709.20
10/10/05	1003	Wrt. Chks.			115.00		12,594.20
10/13/05	1004	Wrt. Chks.			37.00		12,557.20
10/13/05	1005	Wrt. Chks.			195.00		12,362.20
10/15/05	1006	Wrt. Chks.			55.15		12,307.05
10/16/05	1007	Wrt. Chks.			29.95		12,277.10
10/20/05	ATM	Wrt. Chks.			100.00		12,177.10
10/28/05	1008	Wrt. Chks.			137.80		12,039.30
10/30/05	ATM	Wrt. Chks.			200.00		11,839.30
10/31/05	10/31/05	Gen. Jrl.			12.00		11,827.30
		Total			2,077.70	4,405.00	

Solution to Exercise 9-2 (7)

Student Name, Designer General Journal For the Period From Oct 1, 2005 to Oct 31, 2005					
<small>Filter Criteria includes: Report order is by Date. Report is printed with Accounts having Zero Amounts and with Truncated Transaction Descriptions and in Detail Format.</small>					
Date	Account ID	Reference	Trans Description	Debit Amt	Credit Amt
10/31/05	1020	10/31/05	Service Charge		12.00
	6850		Service Charge	12.00	
		Total		12.00	12.00

Solution to Exercise 9-2 (8)

Student Name, Designer Cash Receipts Journal For the Period From Oct 1, 2005 to Oct 31, 2005					
<small>Filter Criteria includes: Report order is by Check Date. Report is printed in Detail Format.</small>					
Date	Account ID	Transaction Ref	Line Description	Debit Amnt	Credit Amnt
10/3/05	4050	Design income	Design income		2,300.00
	1020		Deposit	2,300.00	
10/8/05	4000	Teaching income	Teaching income		2,105.00
	1020		Deposit	2,105.00	
				4,405.00	4,405.00

Solution to Exercise 9-2 (9)

Student Name, Designer Cash Disbursements Journal For the Period From Oct 1, 2005 to Oct 31, 2005					
Filter Criteria includes: Report order is by Date. Report is printed in Detail Format.					
Date	Check #	Account ID	Line Description	Debit Amount	Credit Amount
10/2/05	ATM	3930	Student Name, Draw	100.00	
		1020	ATM		100.00
10/3/05	1001	2000	Accounts Payable	1,050.00	
		1020	Accounts Payable		1,050.00
10/9/05	1002	6400	Utilities Expense	45.80	
		1020	Utilities Co.		45.80
10/10/05	1003	6600	Advertising Expense	115.00	
		1020	Schuetz Advertising, Inc.		115.00
10/13/05	1004	7400	Postage Expense	37.00	
		1020	U. S. Post Office		37.00
10/13/05	1005	6800	Conference Fees	195.00	
		1020	Designer's Workshop		195.00
10/15/05	1006	6500	Telephone Expense	55.15	
		1020	Eastern Telephone		55.15
10/16/05	1007	6560	Internet Service	29.95	
		1020	Provider Internet Service		29.95
10/20/05	ATM	3930	Student Name, Draw	100.00	
		1020	ATM		100.00
10/28/05	1008	1450	Supplies	137.80	
		1020	The Stockroom		137.80
10/30/05	ATM	3930	Student Name, Draw	200.00	
		1020	ATM		200.00
	Total			2,065.70	2,065.70

Solution to Exercise 9-2 (10)

Student Name, Designer General Ledger Trial Balance As of Oct 31, 2005			
Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.			
Account ID	Account Description	Debit Amt	Credit Amt
1020	First Interstate Bank	11,827.30	
1300	Prepaid Insurance	1,000.00	
1400	Prepaid Rent	700.00	
1450	Supplies	987.80	
1500	Computer Equipment	6,500.00	
1510	Furniture	3,500.00	
1520	Automobile	19,000.00	
3920	Student Name, Capital		40,000.00
3930	Student Name, Draw	400.00	
4000	Teaching Income		2,105.00
4050	Design Income		2,300.00
6400	Utilities Expense	45.80	
6500	Telephone Expense	55.15	
6560	Internet Service Provider	29.95	
6600	Advertising Expense	115.00	
6800	Conference Fees	195.00	
6850	Bank Service Charge	12.00	
7400	Postage Expense	37.00	
	Total:	<u>44,405.00</u>	<u>44,405.00</u>

Solution to Exercise 9-2 (11)

		Student Name, Designer Balance Sheet October 31, 2005
ASSETS		
Current Assets		
First Interstate Bank	\$ 11,827.30	
Prepaid Insurance	1,000.00	
Prepaid Rent	700.00	
Supplies	987.80	
Total Current Assets		14,515.10
Property and Equipment		
Computer Equipment	6,500.00	
Furniture	3,500.00	
Automobile	19,000.00	
Total Property and Equipment		29,000.00
Other Assets		
Total Other Assets		0.00
Total Assets	\$	43,515.10
LIABILITIES AND CAPITAL		
Current Liabilities		
Total Current Liabilities		0.00
Long-Term Liabilities		
Total Long-Term Liabilities		0.00
Total Liabilities		0.00
Capital		
Student Name, Capital	\$ 40,000.00	
Student Name, Draw	(400.00)	
Net Income	3,915.10	
Total Capital		43,515.10
Total Liabilities & Capital	\$	43,515.10

Solution to Exercise 9-2 (11) (Concluded)

Student Name, Designer Income Statement For the Ten Months Ending October 31, 2005				
	Current Month		Year to Date	
Revenues				
Teaching Income	\$ 2,105.00	47.79	\$ 2,105.00	47.79
Design Income	2,300.00	52.21	2,300.00	52.21
Total Revenues	<u>4,405.00</u>	100.00	<u>4,405.00</u>	100.00
Cost of Sales				
Total Cost of Sales	<u>0.00</u>	0.00	<u>0.00</u>	0.00
Gross Profit	<u>4,405.00</u>	100.00	<u>4,405.00</u>	100.00
Expenses				
Utilities Expense	45.80	1.04	45.80	1.04
Telephone Expense	55.15	1.25	55.15	1.25
Internet Service Provider	29.95	0.68	29.95	0.68
Advertising Expense	115.00	2.61	115.00	2.61
Conference Fees	195.00	4.43	195.00	4.43
Bank Service Charge	12.00	0.27	12.00	0.27
Postage Expense	37.00	0.84	37.00	0.84
Total Expenses	<u>489.90</u>	11.12	<u>489.90</u>	11.12
Net Income	<u>\$ 3,915.10</u>	88.88	<u>\$ 3,915.10</u>	88.88