

Accounting with SageLine50

Tutorial Example 1

On 1st January 2015, Jamie Smith began trading as Jamie's Fashions, a general wholesaling business. Sales will be divided into 2 categories -- sales of adult clothing which will be standard rated for VAT (20%) and sales of children's clothing which will be zero rated

- Sales and purchases of the 2 types of product will be kept separate to help monitor profitability
- Depreciation will be as follows:
 - Office equipment , including computers and fixtures and fittings will be depreciated over 4 years using the straight line method
- The loan is repayable at £82.00 per month commencing with the first repayment on 25th January 2015. A standing order with the bank has been set up for this.
- It is estimated that electricity will be £750 plus VAT per quarter and the telephone will be £200 plus VAT per month. Both will be paid quarterly, the first bills will be at the end of March 2015

The following transactions relate to the first 2 months of trading:

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|-------|---|
| 1 Jan | Paid £2000 into the business bank account from his own savings |
| 2 Jan | Entered into a lease with a property company to use a small industrial unit at 15 Aberdeen Way , Birmingham , BM3 6MA. The terms of the lease required advanced payment of rent of £1500 per quarter (exempt from VAT). Jamie raised cheque 001 for the first rent payment of £1500 |
| 3 Jan | Negotiated a bank loan of £13000 the details of which are mentioned above |
| 3 Jan | Purchased 2 nd hand racking and shelving for the unit. This cost £3000 plus VAT and was paid for with cheque 002 |
| 5 Jan | Received invoice number GM 428 from a new supplier , Gemma's Fabrics Ltd , 38 Dock Road , London , EC2Y 4TQ for adults clothing. The invoice was for £4200 plus VAT |

8 Jan	Received invoice K270 from a new supplier, Kirkland Importers Ltd Beaufort Way , Queensway , Southampton , SO19 6TF for adults clothing. The invoice was for £1650 plus VAT
10 Jan	Drew £250 from the bank on cheque no 003 for a petty cash float
11 Jan	Bought stationery from petty cash for £94 including VAT
12 Jan	Paid postage from petty cash for £15 (VAT exempt)
16 Jan	Raised invoice JF001 to a new customer, Winston Enterprises, 17 The Manor, Guildford, GU3 1BA. The invoice was for adult clothing £2760 plus VAT
18 Jan	Sold goods to a new customer on invoice JF002, Sam's Wholesalers, The Cut, Sheffield Road, Bromley S71 1WS. The invoice was for adult clothing £1870 plus VAT and childrens' clothing £876
18 Jan	Sold goods to a new customer on invoice JF003, JS Evans Ltd, 74 The Shambles, Birmingham, B4 7TZ. The invoice was for childrens' clothing of £624
21 Jan	Bought computer equipment on cheque 004 for £3600 plus Vat
23 Jan	Paid cheque no 005 to Kirkland Importers for £1980.00
25 Jan	Paid fuel bill from petty cash for £75 including VAT
28 Jan	Paid rates for the unit on cheque 006 for £900. The cheque covered the period from 1 st January 2005 to 30 th June 2005. The payment is exempt from VAT
30 Jan	Sold goods to Sam's Wholesalers on invoice JF004. The invoice was for adult clothing of £2760 plus VAT
31 Jan	Drew out cheque 007 for £1000 to cover his own personal living expenses
31 Jan	Replenished petty cash to £250 from bank with cheque number 008
1 Feb	Received cheque of £3120.00 from Sam's Wholesalers in payment of invoice number JF002
3 Feb	Sold goods to a new customer, Terry's Tunics , 15 Market Street , Chester CH1 5QF , using invoice number JF005 for childrens' clothing £2541
5 Feb	Sold goods to JS Evans Ltd using invoice JF006. The sale comprised adults clothing of £1245 plus VAT and childrens' clothing of £254
6 Feb	Paid stationery from petty cash of £18 including VAT
11 Feb	Received cheque from JS Evans Ltd of £624 in payment of invoice JF003
13 Feb	Made payment to Gemma's Fabrics of £5040 using cheque number 009
15 Feb	Paid postage of £20 (VAT exempt) out of petty cash

18 Feb	Sold goods to Terry's Tunics using invoice number JF007 for childrens' clothing £1347
21 Feb	Received invoice K340 from Kirkland Importers Ltd for adults clothing. The invoice was for £486 plus VAT
24 Feb	Paid fuel bill from petty cash for £47 including VAT
28 Feb	Drew out cheque 010 for £1000 to cover his own personal living expenses
28 Feb	Replenished petty cash to £250 from bank with cheque number 011

REQUIREMENT

Process the transactions for the first 2 months of trading of the business, dealing appropriately with recurring payments, depreciation and accruals and prepayments and ensuring that each transaction has its own unique reference

Print a trial balance at the end of the 2 month period