

Accounting with Sage Accounts 2014

Tutorial Example 2

On 1st January 2014, Mr West commenced business as a sports wholesaler. There are 2 categories of product: clothes (including shoes) and equipment. Sales and purchases of each are standard rated with VAT at 20%.

- Sales and purchases of the 2 types of product will be kept separate to help monitor profitability
- Depreciation will be as follows:
 - Office equipment will be depreciated over 4 years using the straight line method
 - Computer hardware and software will be depreciated by the reducing balance method at a rate of 35% per annum
- It is estimated that electricity will be £400 plus VAT at 5% per quarter and the telephone will be £100 plus VAT per month. Both will be paid quarterly, the first bills will be at the end of March 2014

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

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| 3 Jan | Introduced £5000 into the business bank account from his own savings |
| 3 Jan | Arranged standing order for rental on a van (£400 plus VAT per month) on 6 th of each month, to White Rose rentals, beginning January 2014. |
| 3 Jan | Started a petty cash float of £100 by cashing cheque 984001 |
| 5 Jan | Bought stamps, value £31.60 from petty cash, voucher 001 (VAT exempt) |
| 6 Jan | Made arrangements to buy on credit from two suppliers: |
| | <ul style="list-style-type: none">• Hughes Sports Supplies Ltd of 22 Cae Glas, Pontypridd, Glamorgan, CF33 1PB• Hitec Shoes Ltd of 23 Tennyson Road, Radcliffe, Greater Manchester, M26 2BB |

- and placed initial orders with them
- 10 Jan Paid 3 months rent on warehouse, in advance, to Apex Properties plc by cheque 984002. Rent is £750 plus VAT per quarter
- 11 Jan Bought stationery from petty cash for £24 including VAT, voucher 002
- 11 Jan Received invoice HP35426 amounting to £2000 plus VAT from Yates Systems Ltd for computer hardware and software which is to be used for administration of the business
- 12 Jan Received invoice number 1701 from Hughes Sports Supplies Ltd for clothes and equipment, value £5050 plus VAT and £3100 plus VAT respectively
- 13 Jan Received invoice RT432 amounting to £1500 plus VAT from J Smith and Co for office equipment purchased for the business
- 16 Jan Raised invoice 4001 to a new customer, April Sports Supplies Ltd, 27 Rowan Street, Sheffield S3 6TT. The invoice was for clothes £2474 plus VAT and equipment £900 plus VAT
- 17 Jan Obtained loan of £15000 from bank paying it into the current account
- 18 Jan Arranged standing order of £600 per month for loan repayments to be paid on 18th of each month, beginning this month. This should be split into a capital payment of £500 per month and loan interest of £100 per month.
- 18 Jan Sold goods to a new customer on invoice 4002, Brightside Leisure Ltd of 23 Castle Street, Worksop, Derbyshire, LS23 7YH. The invoice was for clothes £750 plus VAT and equipment £300 plus VAT
- 23 Jan Received invoice 8701 for clothes of £4040 plus VAT from Hitec Shoes Ltd
- 25 Jan Paid fuel bill from petty cash for £20 including VAT, voucher 003
- 30 Jan Sold goods to Brightside Leisure Ltd and raised invoice 4003 for clothes £920 plus VAT
- 31 Jan Replenished petty cash to £100 from bank with cheque number 984003
- 1 Feb Received cheque of £4048.80 from April Sports Supplies in payment of invoice number 4001
- 3 Feb Sold goods to a new customer, John Cheetham Ltd of 14 Sherwood Drive, Buxton, Derbyshire, SK32 8UJ and raised invoice 4004 for clothes £1500 plus VAT and equipment £1100 plus VAT
- 6 Feb Paid for printer cartridges from petty cash of £18 plus VAT, voucher 004
- 11 Feb Received cheque from Brightside Leisure Ltd of £1260.00 in payment of invoice 4002

13 Feb	Made payment to Hughes Sports Supplies of £9780.00 using cheque number 984004
15 Feb	Paid postage of £20 (VAT exempt) out of petty cash, voucher 005
18 Feb	Sold goods to Brightside Leisure Ltd and raised invoice 4005 for clothes £120 plus VAT and equipment £396 plus VAT
21 Feb	Received invoice HT340 from Hitec Shoes Ltd for sports equipment. The invoice was for £486 plus VAT
24 Feb	Paid fuel bill from petty cash for £47 including VAT, voucher 006
28 Feb	Paid Printshop Services Ltd for printing work done of £64 plus VAT, cheque 984005
28 Feb	Made payment to Hitec Shoes Ltd of £4848.00 using cheque number 984006
28 Feb	Replenished petty cash to £100 from bank with cheque number 984007

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.