Chapter 3A Tyson's Toys

1. Transactions normally recorded in the PAYABLES module are:

    1) Purchase on credit from vendors (suppliers).
    2) Purchase on company credit card from various suppliers.
    3) Purchase returns.
    4) Purchases with payments.
    5) Payments to suppliers: with or without discounts, and full or partial payments.
    6) Prepayments to suppliers for future invoices.

2. When vendor (supplier) invoices are received, they are normally stamped with the date that they are received, plus an approval stamp. The invoice may be matched with other documents that add support to the invoice; e.g., a shipping document. The approval stamp allows an authorized person to code the invoice with a G/L account for posting and to initial the invoice to approve the payment. The Accounting Department then processes the invoice for payment. The complete package of documents is sometimes attached to a cheque, for further approval when the cheque is signed. After the cheque is released, the invoice should be stamped "PAID" to avoid a double posting.

    The significance of this procedure is to ensure that only approved invoices are paid.

3. The type of entries that are **not** recorded in the PAYABLES module are: bank adjustments, such as service charges, NSF cheques from customers, regular bank lease payments, bank loan payments, etc. These entries do not require a cheque to be issued as the bank has taken the funds from the account.

    The following entries are also not recorded in the PAYABLES module: Normal monthly adjustments for non-vendor or non-customer transactions such as depreciation of equipment, expense portion of prepaid items, various accruals, etc.

4. The HST is recorded to the HST Paid on Purchases account.

5. The entry to record a purchase return for:

    For merchandise for resale.

DR Account Payable	339.00	
CR Inventory		300.00
CR HST on Purchases		39.00

    The Purchase Return must be entered in the PAYABLES module as a **negative** invoice.

6. The recording of a cash purchase discount is different if the discount applies to purchases of goods for resale than if it is for goods not being resold. (Goods not being resold is discussed in Chapter 3B.)

    For merchandise for resale.

    Use the **Payments** icon option to record the payment against the original invoice(s) and the discount will be calculated by Sage 50 Accounting if the appropriate terms were entered when purchased.

    The actual payment entry would be: (assuming selling price of $300.00 plus HST and discount based on selling prices only).

DR Account Payable	339.00	
CR Purchase Discounts		6.00
CR Cash		333.00

7. When you post transactions in the PAYABLES module, the vendor records are updated and the General ledger accounts affected are also updated.

8. The HST is calculated based on the cost of the items, before any other taxes.

Chapter 3B Tyson's Toys

1. HST is recorded to the HST paid on Purchases account and is refundable from the Federal Government. This would apply to goods or services used by the business.

2 The entry to record a purchase return for $300.00 plus GST:

   a) merchandise for resale.

   DR Account Payable   **339.00**
      CR Inventory   **300.00**
      CR HST on Purchases   **39.00**

   The Purchase Return must be entered in the PAYABLES module as a **negative** invoice.

   b) for merchandise not for resale, plus $39.00 HST (non-purchase items – office supplies).

   DR Account Payable   **339.00**
      CR Office Supplies   **300.00**
      CR HST on Purchases   **39.00**

   The Return must be entered in the PAYABLES module as a **negative** invoice.

3. The recording of a cash discount is different if the discount applies to purchases of goods for resale than if it is for goods not for resale.

   a) merchandise for resale.

   Use the **Payments icon** option to record the payment against the original invoice(s) and the discount will be calculated by Sage 50 Accounting if the appropriate terms were entered when purchased.

   The actual payment entry would be: (Assuming selling price of $300.00 plus HST and discount based on purchase prices only.)

   DR Account Payable   **339.00**
      CR Purchase Discounts   **6.00**
      CR Cash   **333.00**

   b) for merchandise not for resale, plus $39.00 HST (non-purchase items – office supplies).

   The **Purchases** icon option is used to record the discount using a negative invoice. The discount is applied to reduce the cost of Office Supplies.

   DR Account Payable   **6.00**
     CR Office Supplies   **6.00**

   You then use the **Payments** option to record the payment against the original invoice and the discount entry above.

   The actual payment entry would be:

   DR Accounts Payable   **333.00**
      CR Cash   **333.00**

4. The entry for a prepayment of $100.00 to a vendor is shown next.

   DR Accounts Payable   **100.00**
      CR Cash   **100.00**

The entry is recorded using the Purchase Order option. The $100.00 is entered in the Prepayment Amount field. See Exercise 3B-29.

5. The HST remittance is calculated by subtracting the HST Paid on Purchases and Expenses **from** the HST Collected on Sales in the period of activity, which can be a month or a 3 month period, etc.

6. When you post transactions in the PAYABLES Module, the vendor records are updated and the General Ledger accounts affected are also updated.

7. When journalizing non-merchandise purchases with HST, the HST is based on the selling price of the goods before HST.

8   When reviewing the Cheque Log the manager would:

   a. Look to see the number of times a cheque was printed. Was this the fault of the printer, actual paper cheques, software or various other reasons?
   b. Look to see if any cheques were issued to new payees that management was not aware of.
   c. In reviewing the report, the manager would want to see the cancelled cheques to verify that all damaged cheques were voided and unusable and to see if any cheque numbers are missing.
   d. The report helps management verify cheque withdrawals from the bank account.