

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.