

Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES** (text p. 199)

**Using Your Knowledge**

**Exercise 1, p. 199**

**Complete the following summary.**

Nature of Transaction	Source Document(s)	Required Journal Entry	
		Accounts Debited	Accounts Credited
Payment on account	• <i>cheque copy</i>	<i>Accounts Payable</i>	<i>Bank</i>
Sale on account	• <i>sales invoice</i>	<i>Accounts Receivable</i>	<i>Sales</i> <i>GST Payable</i> <i>PST Payable</i>
Bank service charge	• <i>bank debit advice</i> • <i>bank statement</i>	<i>Bank Charges</i>	<i>Bank</i>
Cash payment of phone bill	• <i>cheque copy</i> • <i>telephone bill</i>	<i>Telephone Expense</i> <i>GST Recoverable</i>	<i>Bank</i>
Cash received on account	• <i>daily summaries</i> • <i>cash receipts list</i>	<i>Bank</i>	<i>Accounts Receivable</i>
Purchase of equipment on account	• <i>purchase invoice</i>	<i>Equipment</i> <i>GST Recoverable</i>	<i>Accounts Payable</i>
Cash sale	• <i>cash sales slips</i> • <i>POS summaries</i>	<i>Bank</i>	<i>Sales</i> <i>GST Payable</i> <i>PST Payable</i>

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 2, p. 199**

Source Document	Document Number	Transactions	Document Number
Bank credit memo	1	1. Owner withdraws money.	3, 8
Bank debit memo	2	2. Purchase of equipment on account.	6
Cheque copy	3	3. Payment on account.	3
Cash sales slip	4	4. Cash sale.	4
Sales invoice	5	5. Sale on account.	5
Purchase invoice	6	6. Cheques received from customers on account.	7
Cash receipts list	7	7. Increase bank loan.	1, 8, 9
Owner's written memo.	8	8. Owner invests additional money in the business.	8
Bank statement	9	9. Bank service charge.	2, 9

**Exercise 3, p. 200**

Indicate whether each of the following statements is true or false by placing a "T" or an "F" in the box provided. Explain the reason for each "F" response in the space provided.

- A. Anyone in the business can initiate a business transaction.  F
- B. Every journal entry is based on a source document.  T
- C. The only purpose of source documents is to provide the basis for a journal entry.  F
- D. A business that sells to its customers on a cash basis does not normally use a sales invoice.  T
- E. Journal entries for all cash sales slips are essentially the same.  T
- F. Sales invoices are used by businesses that make most of their sales on account.  T
- G. For every sales invoice, there is a debit to an account receivable.  T
- H. The transaction log that is produced by a POS terminal is used by an accounting clerk to record a debit to Bank and a credit to Sales.  T
- I. Every sales invoice is also a purchase invoice.  T
- J. The debit entry for every purchase invoice is always the same.  F
- K. The supporting document for a payment on account is the tear-off portion of a cheque.  F
- L. The credit entry for every cheque copy payment is always the same.  T
- M. Cheques received are considered to be cash received.  T
- N. The bank has no right to make deductions from the accounts of its customers.  F
- O. We debit Bank when we receive a bank debit memo.  F
- P. The cost principle states that every asset acquired is to be recorded at its cost price.  T

Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 3 (cont.)**

- Q. The best objective evidence of a purchase is a purchase invoice received from an independent supplier.  T
- R. Only provincial governments are allowed to levy retail sales taxes.  F
- S. The purchaser of goods or services is required to make accounting entries for provincial sales tax.  F
- T. The PST account is an expense account.  F

**Explanations for "F" Responses:**

- A. Only certain persons are authorized to initiate business transactions.
- C. Source documents are also used for reference purposes.
- J. The account debited depends on what was purchased.
- K. The supporting document is the cheque copy.
- N. At the time the account is opened, the customer signs a form that allows the bank to make deductions as necessary.
- O. We do the opposite to what the bank does because to us Bank is an asset, but to the bank our account is a liability. So, when we get a debit memo from the bank, we credit Bank.
- R. The federal government of Canada also levies sales taxes.
- S. It is the responsibility of the seller, by law, to do the accounting for sales tax.
- T. The PST account is a liability account.

**Exercise 4, p. 200      Comprehensive Exercise**

<b>\$600 Purchase</b>				
	<b>PST</b>	<b>GST</b>	<b>HST</b>	<b>Total Price</b>
Alberta	—	\$42.00	—	\$642.00
Manitoba	\$42.00	\$42.00	—	\$684.00
Newfoundland and Labrador	—	—	\$90.00	\$690.00
Ontario	\$48.00	\$42.00	—	\$690.00
Quebec	\$45.00	\$42.00	—	\$687.00
Saskatchewan	\$36.00	\$42.00	—	\$678.00

Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 5, p. 201      Comprehensive Exercise**

**GENERAL JOURNAL**

PAGE 7

DATE		PARTICULARS	P.R.	DEBIT				CREDIT			
20 Nov.	4	A/R—R. Chevrier		3	1	6	25				
		Fees Earned						2	7	5	—
		GST Payable							1	9	25
		PST Payable							2	2	—
		Sales Invoice #571									
	6	Photo Supplies		2	6	5	—				
		GST Recoverable			1	8	55				
		A/P—Black's Photo						2	8	3	55
		Purchase of photo supplies									
	9	Automobile Expense		1	6	5	—				
		GST Recoverable			1	1	55				
		A/P—Petro Canada						1	7	6	55
		Purchase of gasoline									
	10	W. Siebert, Drawings		3	2	5	—				
		Bank						3	2	5	—
		Cheque #652 for owner's own use									
	12	Bank		1	6	6	75				
		Fees Earned						1	4	5	—
		GST Payable							1	0	15
		PST Payable							1	1	60
		Cash Sales Slip #214									
	15	Bank Charges Expense		3	5	50					
		Bank						3	5	50	
		Commercial bank service charges									

Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 6, p. 202      Comprehensive Exercise**

**GENERAL JOURNAL**

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DATE		PARTICULARS	P.R.	DEBIT			CREDIT		
20-- Oct.	2	<b>Bank</b>			<b>6 0 38</b>				
		<i>Rental Revenue</i>					<b>5 2 50</b>		
		<i>GST Payable</i>					<b>3 68</b>		
		<i>PST Payable</i>					<b>4 20</b>		
		<i>Cash Sales Slip #409</i>							
	4	<b>A/R—G. Fairbridge</b>		<b>1 0 0 63</b>					
		<i>Rental Revenue</i>					<b>8 7 50</b>		
		<i>GST Payable</i>					<b>6 13</b>		
		<i>PST Payable</i>					<b>7 --</b>		
		<i>Charge Sales Slip #410</i>							
	5	<b>Rental Tools and Equipment</b>		<b>3 1 5 --</b>					
		<i>GST Recoverable</i>		<b>2 2 05</b>					
		<i>A/P—Vulcan Machinery</i>					<b>3 3 7 05</b>		
		<i>Purchase Invoice #3062, hydraulic jack</i>							
	8	<b>A/P—Fair Supply Company</b>		<b>2 1 5 90</b>					
		<i>Bank</i>					<b>2 1 5 90</b>		
		<i>Cheque #1475, on account</i>							
	9	<b>Bank</b>		<b>1 3 2 37</b>					
		<i>Rental Revenue</i>					<b>1 1 5 10</b>		
		<i>GST Payable</i>					<b>8 06</b>		
		<i>PST Payable</i>					<b>9 21</b>		
		<i>Cash Sales Slip #411</i>							
	11	<b>Bank</b>		<b>4 0 2 20</b>					
		<i>A/R—P. Mathers</i>					<b>4 0 2 20</b>		
		<i>Received on account</i>							

Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 5 (cont.)**

**GENERAL JOURNAL**

PAGE 8

DATE		PARTICULARS	P.R.	DEBIT				CREDIT			
20— Nov.	20	W. Siebert, Drawings			8	0	25				
		Photo Supplies							7	5	—
		GST Recoverable*								5	25
		Owner took supplies for own use and eliminated the original claim for the GST paid									
	22	Bank		4	1	2	—				
		A/R—H. Walker						4	1	2	—
		Received on account									
	25	A/P—Black's Photo		2	8	3	55				
		Bank						2	8	3	55
		Cheque #653 on account									
	28	Automobile Expense		7	5	0	—				
		GST Recoverable			5	2	50				
		A/P—Oakley Motors						8	0	2	50
		Body repairs									
		*Since the photo supplies have been converted from business to personal use, the owner no longer has the right to claim GST paid as GST Recoverable.									

Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 6 (cont.)**

**GENERAL JOURNAL**

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DATE		PARTICULARS	P.R.	DEBIT				CREDIT						
20— Oct.	15	Utilities Expense			1	7	2	—						
		GST Recoverable				1	2	04						
		Bank								1	8	4	04	
		Cheque #1476												
	17	Wages Expense			5	1	2	—						
		Bank								5	1	2	—	
		Cheque #1477												
	17	Bank			1	0	3	50						
		Rental Revenue									9	0	—	
		GST Payable										6	30	
		PST Payable										7	20	
		Cash Sales Slip #412												
	18	Frank N. Mazur, Drawings			3	5	0	—						
		Bank								3	5	0	—	
		Cheque #1478 for personal use												
	22	Delivery Expense			2	0	9	—						
		GST Recoverable				1	4	63						
		A/P—Husky Oil Company									2	2	3	63
		Gas and oil												
	24	Bank Charges Expense				4	2	50						
		Bank									4	2	50	
		Debit memo for service charge												
	25	Wages Expense			5	1	2	—						
		Bank								5	1	2	—	
		Cheque #1479												

Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 7, p. 203 Comprehensive Exercise**

**A.**

**GENERAL JOURNAL**

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DATE		PARTICULARS	P.R.	DEBIT				CREDIT			
20— Mar.	3	A/R—Mountain Distributors		2	0	1	25				
		Fees Revenue						1	7	5	—
		GST Payable						1	2	25	
		PST Payable						1	4	—	
		Sales Invoice #192									
	4	A/R—Old Fort Trading Co.		3	4	5	—				
		Fees Revenue						3	0	0	—
		GST Payable						2	1	—	
		PST Payable						2	4	—	
		Sales Invoice #193									
	4	Car Expense		1	1	5	—				
		GST Recoverable			8	05					
		Bank						1	2	3	05
		Cheque #316 for car repairs									
	6	Utilities Expense		6	5	—					
		GST Recoverable			4	55					
		Bank						6	9	55	
		Cheque #317									
	10	Equipment		4	7	5	—				
		GST Recoverable			3	3	25				
		A/P—C. & C. Equipment						5	0	8	25
		Metal drawing table									
	10	Art Supplies		8	5	—					
		GST Recoverable			5	95					
		Bank						9	0	95	
		Cheque #318									



Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 7 (cont.)**

**GENERAL JOURNAL**

DATE		PARTICULARS	P.R.	DEBIT				CREDIT			
20— Mar.	13	Cheri Ohashi, Drawings		3	5	0	—				
		Bank						3	5	0	—
		<i>Cheque #319 for personal use</i>									
	14	A/R—Display Design Company		2	9	3	25				
		Fees Revenue						2	5	5	—
		GST Payable							1	7	85
		PST Payable							2	0	40
		<i>Sales Invoice #194</i>									
	14	Bank		1	5	0	—				
		A/R—Victor Schilling						1	5	0	—
		<i>Received on account</i>									
	17	A/P—C. & C. Equipment		5	0	8	25				
		Bank						5	0	8	25
		<i>Cheque #320 on account</i>									
	19	A/R—Scoville Sales		2	7	0	25				
		Fees Revenue						2	3	5	—
		GST Payable							1	6	45
		PST Payable							1	8	80
		<i>Sales Invoice #195</i>									
	20	Rent Expense		3	7	5	—				
		GST Recoverable				2	6	25			
		Bank						4	0	1	25
		<i>Cheque #321</i>									
	23	Equipment		2	1	5	—				
		GST Recoverable				1	5	05			
		A/P—Loughery's Limited						2	3	0	05
		<i>Drafting and artist's equipment</i>									

Name \_\_\_\_\_ Date \_\_\_\_\_

**ANSWERS TO CHAPTER 6 REVIEW EXERCISES (cont.)**

**Exercise 7 (cont.)**

**GENERAL JOURNAL**

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DATE		PARTICULARS	P.R.	DEBIT			CREDIT		
20 Mar.	25	Telephone Expense			2	8	50		
		GST Recoverable			2				
		Bank						3	0 50
		Cheque #322							
	27	Car Expense			7	1	40		
		GST Recoverable			5				
		A/P—Esso						7	6 40
		Gas and oil							
	31	Bank			3	0	0		
		A/R—Old Fort Trading Co.						3	0 0
		Received on account							

B.

Canada Customs and Revenue Agency		Agence des douanes et du revenu du Canada		GST/HST RETURN (NON-PERSONALIZED)		001800	Part 2
YOU MUST COMPLETE THIS AREA.				Reporting period		GST62-5 E	
Business Number				Year Month Day	Year Month Day		
From: 20010301				To: 20010403			
Sales and other revenue	101	9,650.00	Total GST/HST and adjustments for period	105	675.55		
Instalments and net tax already remitted	110		Total ITCs and adjustments	108	1,001.00		
Rebates	111		Net tax	109	-325.55		
GST/HST due on acquisition of taxable real property	205		Refund claimed	114	325.55		
Other GST/HST to be self-assessed	405		Payment enclosed	115			

I certify that the information given in this return and in any attached documents is, to the best of my knowledge, true, correct and complete in every respect, and that I am the person required to file this return, or that I am authorized to sign on behalf of the person. It is a serious offence to make a false return.

*Cheri Ohaski*      04, 04, 30  
 Authorized Signature      Date

1 2 2 0 1 1 1 7 1 2      96

**Questions for Further Thought, p. 204**

1. Secondary school librarians, department heads, and principals have the right to initiate purchases.