




**Chapter 1 Photos Company**

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1. The best way to open the Sage 50 Accounting program and data files is to use the Start, Programs icon, options method as shown in Exercise 1-2.
2. Toolbar icons are graphical images (pictures) of menu items that can be completed (e.g.,  Backup,  Calendar,  Lookup, etc.).
3. The **Session** date is January 22, 2019.  
This date is equivalent to the day you are actually working on the computer.  
  
The **Transaction** date is January 20, 2019.  
This is the date the bank account was changed. For proper aging of transactions, in future chapters, the transaction date must be used to record the document.
4. The source field should indicate the document from which the data is being taken; e.g., cheque, invoice, etc.
5. The comment field is used to record a summary of the entry (who, what and why).
6. The comment column is used to record additional comments for each account.
7. Two ways to display a list of accounts when entering a General Journal entry are:
  - a) Double-click on the Account field.
  - b) Press the Enter key when the cursor is in the Account field.
8. You can display an Income Statement for any period of time. Sage 50 Accounting allows you to choose the Start and Finish dates for your report. The report can be for any number of days or months.
9. You would use the Drill Down feature to look up the details of an amount that appears in a report. (E.g., you would drill down from an Income Statement account to look up details of individual amounts recorded.)
10. You would use the Backup icon to complete a backup on a USB drive or other storage medium. Refer to Exercise 1-24.
11. A logbook/diary is used to record the work you have completed and lists the storage device or other media you have backed the data on. (See Appendix J, *Work Logbook for Sage 50 Premium Accounting 2016* in your course materials at [www.nelson.com/student](http://www.nelson.com/student).)
12. To get help in Simply, you can:  
Review Exercises 1-4a- to 1-4d – Using Help Information.

**Chapter 2A Santos Luggage Ltd.**

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1. The types of transactions that can be journalized in the RECEIVABLES module are:
  - a) Sales Invoice on credit.
  - b) Sales Invoice with Payment.
  - c) Sales Returns
  - d) Receipts from customers for:
    - i) Full payment.
    - ii) Partial payment.
    - iii) Deposit for future invoice.
  
2. The main difference is that in the General Journal both the debits and credits must be entered while only one entry is required in the Sales, Orders & Quotes Journal. The debit or credit to Accounts Receivable is done automatically after the other account(s) (one or more accounts) are entered.
  
3. When you post journal transactions in the RECEIVABLES module, the customer's account is updated and the General Ledger accounts affected are updated.
  
4. A business may need two bank accounts when:
  - a) The business deposits normal receipts from customers in a Canadian dollar account.
  - b) The business has a separate Canadian dollar account for credit card receipts.
  - c) The business receives and deposits foreign currency in a foreign funds bank account. (U.S. dollars, Euros, Chinese Yen, etc.)
  
5. Aging is the process of sorting sales invoices by number of days from the transaction date to the current session date for each customer. Normally the dates are in ranges, e.g., 0-30 days old, 31-60 days old, etc. An aging report in Summary or Detail can be viewed/printed that managers will use to control the collection of old (outstanding) receivable invoices.
  
6. Uses of the Customer Aged Detail report are:
  - Identify Customers that are slow in paying.
  - Identify large invoices that have not been paid.
  - Estimate the dollar amount of accounts that may not be collected.
  
7. A Sales **Quote** is a form given to a customer listing the quantity and selling prices of goods or services they require and that you can provide.  
 A Sales **Order** is a form given to a customer confirming the quantity and the selling prices of goods or services that they have requested.
  
8. The default revenue account is used when recording a sales quote, order or invoice to the customer. The default revenue account will display on the first line of the customer invoice, helping the user charge the sale to the account normally used. Other businesses have many sales accounts (e.g., Sales Fresh Flowers, Sales Dried Flowers, etc.) and the use of a default account speeds up recording of invoices and reduces errors when recording transactions.
  
9. A cheque payment advice is a document normally at the bottom of a two-part cheque and stub. The advice or stub shows details of invoices being paid by the cheque. The advice normally shows customer name, invoice numbers and amounts, discounts taken, if any, and payments made.
  
10. The return of inventory is recorded in the Sales Invoice Journal as a negative.
  
11. The entry for a Sales Return is:
 

Inventory	
	HST Charged on Sales
	Sales- Returns & Allowances
	Accounts Receivable
	Cost of Goods Sold

**Chapter 2B Santos Luggage Ltd.**

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1. A deposit is money received from a customer that is made in advance of the goods being sent or an invoice being issued. Many companies request a deposit or prepayment as a sign of good faith that the customer intends to meet the terms of the contract and pay their bills. Used for new clients, or when a NSF cheque has been received from the customer. You record the Deposit/Prepayment in the Sales Orders Journal as part of a Sales Order.
2. Item c does not require a negative amount to record the transaction.
3. You record the Senior's discount in the Sales Journal - Sales Invoice.
  1. You could record the discount by using the Disc % column for the Senior's Discount.
  2. You could record the discount to a separate Senior's Discount account.
4. The journal entry to record an NSF cheque, or any returned cheque by the bank, is made in the RECEIVABLES module in the Sales Journal -Sales Invoice. The original amount of the NSF cheque and any bank service charges is added to the amount the customer owes the business.

The journal entry is:

<b>Accounts Receivable</b>	<b>225.00</b>	
<b>Cash</b>		<b>225.00</b>

5. A customer account write-off is used to remove a customer's invoice or partial balance of an invoice that will not be collected. Normally, a write-off occurs only when it is certain that the amount is uncollectible. Usually a manager approval is required before an account is written off.
6. You record the credit card payment on an outstanding invoice in the Receipts Journal.  
The entry would be:
 

<b>Cash</b>	<b>328.83</b>	
<b>Credit card charges</b>	<b>10.17</b>	
<b>Accounts Receivable</b>		<b>339.00</b>
7. A Gross Margin Income Statement is an Income statement that breaks down the Expenses into two categories: Cost of Goods Sold and Expenses. The statement subtracts the Cost of Goods Sold from Revenue to show the Gross Margin. The Gross Margin Income Statement can also be called the Gross Profit Income Statement.
8. You can record a Quantity discount for a good customer by:
  - a. In the Customer Receivable Ledger, Options tab, set up a Standard Discount amount.
  - b. In the Sales Quotes, Sales Orders, or Sales Invoices window, use the Disc % column.

## Chapter 3A Tyson's Toys

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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.

<b>DR Account Payable</b>	<b>339.00</b>	
<b>CR Inventory</b>		<b>300.00</b>
<b>CR HST on Purchases</b>		<b>39.00</b>

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).

<b>DR Account Payable</b>	<b>339.00</b>	
<b>CR Purchase Discounts</b>		<b>6.00</b>
<b>CR Cash</b>		<b>333.00</b>

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

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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.

<b>DR Account Payable</b>	<b>339.00</b>	
<b>CR Inventory</b>		<b>300.00</b>
<b>CR HST on Purchases</b>		<b>39.00</b>

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).

<b>DR Account Payable</b>	<b>339.00</b>	
<b>CR Office Supplies</b>		<b>300.00</b>
<b>CR HST on Purchases</b>		<b>39.00</b>

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.)

<b>DR Account Payable</b>	<b>339.00</b>	
<b>CR Purchase Discounts</b>		<b>6.00</b>
<b>CR Cash</b>		<b>333.00</b>

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.

<b>DR Account Payable</b>	<b>6.00</b>	
<b>CR Office Supplies</b>		<b>6.00</b>

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:

<b>DR Accounts Payable</b>	<b>333.00</b>	
<b>CR Cash</b>		<b>333.00</b>

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

<b>DR Accounts Payable</b>	<b>100.00</b>	
<b>CR Cash</b>		<b>100.00</b>

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.

## Chapter 4 Sarah's Kitchen Stores

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1. **Fiscal Start** this date is the beginning of the latest fiscal year for the company or the date that a company began business, if the business was started this current year.

**Fiscal End** is the current year-end date of the company.

**Earliest Transaction** is the date of the start of the fiscal year, or the date of conversion as defined by Sage 50 Accounting.

**Session** is the actual working date you are using the computer.

**Latest Transaction** is the date of the last posted entry.

**Historical Transactions** are account balances created, by Simply, when you start a new fiscal year.

2. Account categories/groups are ranges of accounts used by Simply. These ranges are Assets, Liabilities, Equity, Revenue and Expenses. Each of these ranges has normal debit or credit balances. Sage 50 Accounting has assigned a range of account numbers to each group as follows:

Group	No. Range	Normal Balance
Assets	1000-1999	Debit
Liabilities	2000-2999	Credit
Equity	3000-3999	Credit
Revenue	4000-4999	Credit
Cost of Goods Sold, and Expenses	5000-5999	Debit

These groups are important to consider because the Sage 50 Accounting program will produce financial statements (Income Statement and Balance Sheet) based on these groups. It is important to select account numbers appropriately within these groups. Some students, in error, may make Cost of Goods accounts, Purchases, etc., in the Revenue section.

3. **Postable** accounts are accounts that can have debits or credits posted to them. Postable accounts are Subgroup Account (**A**) and Group Account (**G**) accounts in Sage 50 Accounting.

**Non-postable** accounts cannot have debits or credits posted to them. These accounts are Group Heading (H), Subgroup Total (S), Group Total (T) and X (the Current Earnings/Income Summary) accounts. When accounts are added to the list, one of the above categories must be selected.

You designate a postable account when setting up the account for the first time or when changing the designation (e.g., changing a Subgroup Account to a Group Account).

4. Two ways to correct History balance errors after the system has been set to Ready are:
- Use a backup device to restore the file before turning the system to Ready.
  - Create a journal entry to correct the error.
  - If the above choices are not appropriate, then you will have to create the company from the beginning.
5. Making a module Ready means changing the module from History mode to Ready mode. Defaults and history invoice numbers and amounts must be entered before the module is made ready. After a module has been changed to ready, the module can be used for recording transaction entries. Once a module is made ready, no changes can be made to the history.
6. A linked account is an account that will be updated when a transaction is recorded in a module; e.g., the cash account is updated when a receipt is recorded in the RECEIVABLES module.

7. The account types are H A S G T.
- H** type of account is the Heading of a section
- A** type of account (postable) is used when you need a sub-total of a group of accounts displayed. The A type accounts are displayed in the left-hand column of values.
- S** type of account is displayed in the right hand column of values and accumulates the A account balances above its number.
- G** type of account (postable) is shown in the right hand column of values.
- T** type of account totals the S and G accounts within each section.
- X** (Not postable) see answer to # 8 .
8. The purpose of the **X** account in the chart of accounts is to move the Net Income/Loss from the Income Statement to the Equity section of the Balance Sheet.
9. You would enter the history balance of HST Paid on Purchases account as a negative number. The HST Paid on Purchases account is a contra liability account (Debit balance within the Liability section) and requires the amount to be shown as a negative amount within the Liability section.
10. The Class Options in the accounts is a way to group accounts for sorting and filtering reports.



## Chapter 7 Creative Wallpaper

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1. The purpose of the EMPLOYEES & PAYROLL module is to record employee payroll cheques including gross pay, calculate deductions and net pay for each pay period in a calendar year. The statutory government deductions (EI, CPP and Federal Income tax) for employees are automatically calculated based on the employee's gross pay and claimed personal tax credits.

Sage 50 Accounting can print various payroll summary and/or detail reports and regular computer generated payroll cheques, with employee information stubs. At the end of the calendar year, payroll T4 slips can be printed.

The current period tax tables and formulas are part of the EMPLOYEES & PAYROLL module and are updated by Sage 50 Accounting on a regular basis. Payroll tax updates and software upgrades are provided by Sage 50 Accounting, if the user joins the "Sage 50 Business 50 Care" plan and pays an annual subscription fee.

2. The total of the year-to-date employee gross pay plus vacation pay must be equal to the balance of the Wages, Salary and Commission Expense accounts.
3. The Session Date is the date that will be used when posting Payroll entries to the General Ledger, unless you change the Cheque Date. If the Cheque Date is changed to an earlier date, the posting date will be the Cheque date. It is possible to back-date payroll cheques, but the EMPLOYEES & PAYROLL module will use the Cheque date and the General Ledger will post with the Cheque Date.
4. It is important to backup your data before printing T4 slips at December 31, the end of the calendar year. It is quite common to make errors in payroll information and the T4 slips will need to be changed and printed again. A backup device will allow you to make changes and print T4 slips again.
5. To correct an error in posting a paycheque.
  - a) Open the Paycheques window and follow Exercise 7-16a (reverse paycheque) and 7-16b (issue new correct paycheque); however, this will only work if the paycheque being corrected is from a recent paycheque date (e.g., Jan 24) and not a prior pay period (e.g., Jan 10).
  - b) You could also open the Paycheques window and use the Adjust Paycheque icon. Record the correct information.

Method a) is the preferred method to correct a paycheque.

**Chapter 8 Printers Company**

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1. When an inventory item is sold, the difference between the amount received (e.g., \$100.00) and the cost of the item (e.g., \$60.00) is profit (e.g., \$40.00).

Selling price	\$100.00
Cost of item(s)	\$ 60.00
Profit	\$ 40.00

This profit (called gross profit or gross margin) can be described in percentage format in two different ways.

*The **Margin** method for gross profit is calculated as follows:*

$$(Selling\ Price\ less\ Cost / Selling\ Price)\ \$100-\$60/100 = 40\%$$

*The **Markup** method for gross profit is calculated as follows:*

$$(Selling\ Price\ less\ Cost/Cost)\ \$100-\$60/60 = 66\ 2/3\%$$

2. Sales returns of inventory items are recorded using the Sales Invoices icon with a negative invoice. Purchases of Inventory items are recorded using the Purchases Invoices icon with a positive invoice.
3. The benefit of the **minimum** field is that it shows the lowest number of items that must be in stock before an order is placed for more items. When the actual number of items in stock goes below this minimum number, an \* appears in the Inventory Quantity report showing an order should be placed.
4. Adjustments on inventory items can be made at any time that a difference (variance) occurs between the actual physical count of items in stock compared to the computer count. It is common to find differences between the actual count and what is recorded by Sage 50 Accounting as being in stock. The Sage 50 Accounting records must be changed to agree with the actual count. Most companies perform random physical counts on a regular basis; e.g., weekly, monthly and normally count the complete inventory at the end of a fiscal year.

Inventory adjustments can be used to increase or decrease the number of items in stock and/or increase or decrease the total dollar amount of each item in the inventory.

5. Sage 50 Accounting allows the use of the Average Cost method or the FIFO (First In and First Out) methods of valuing the inventory. You can move from Average Cost to FIFO. The text uses the Average Cost method.
6. The Build from Bill of Materials Journal is used to automatically create the number of inventory items being produced. See Exercise 8-21.

The Build from Inventory Assembly Journal is used to manually create the inventory items being produced. See Information Only section before Exercise 8-22.

7. You make corrections for posting errors related to inventory purchases and sales in the same manner as you record errors in other modules. You use the Item field to identify the inventory item being corrected.
8. Preferred pricing is the special prices you give to customers who buy a lot of goods/services.

## Chapter 9 Kafa Sweaters

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1. Matching revenues with expenses in a specific accounting period is done to provide an accurate picture of the financial health of a company. The matching concept is a Generally Accepted Accounting Principle in Canada. There are two major ways to match revenues and expenses.
  - When a product is sold or a service is rendered, the cost of the goods sold or service rendered is expensed.
  - When costs (e.g., insurance, taxes, etc.) cannot be directly related to the product sold (Cost of Goods Sold) or service rendered, these costs are expensed in the accounting period usually (monthly) when they contribute to revenue earned.
2. The adjustment that is required to Prepaid Expenses at the end of an accounting period is to allocate the portion of the prepaid expense that is used up to the expense during the accounting period; e.g., monthly, quarterly, etc. The expense amount is then deducted from the asset (Prepaid Expense). This process matches revenues with expenses.
3. Accrued expenses are expenses that have occurred, but where the cost has **not** been recorded in an accounting period. For example, salaries/wages, automotive gasoline costs, hydro and water costs are incurred on a daily basis but may not be paid until a later date. At the end of an accounting period, these unpaid expenses must be recorded (accrued) with an adjusting entry for proper matching to revenues earned in the period.
4. Accrued interest is interest income earned but not received (an asset account Interest Receivable) or interest expense incurred but not paid (a liability account Interest Payable). The amount of accrued interest is adjusted at the end of an accounting period for proper matching of revenue and expenses.
5. Reasons for backing up are:
  - Data errors may occur during year-end closing procedures.
  - Payroll errors may occur and a backup device will allow you to make changes and print T4 slips again.
  - Year-end audit adjustments can be made on the backup copy to print revised financial statements.
6. The benefit of using recurring entries is that they reduce the amount of work you enter to record transactions that occur on a regular or random basis.

**Chapter 10 Kafa2 Sweaters**

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1. It is necessary to make reversing entries for accruals after closing the year because the accrued revenues and expenses recorded in the previous fiscal year could be recorded again in the new fiscal year when income is received or costs are paid. Reversing entries ensure that the portion of the cost or income that relates to the previous fiscal year is not recorded twice.
2. The steps involved in closing the current year in a manual system are:
  - a) Process journal entries to transfer Revenue and Expense accounts to Retained Earnings or Capital accounts.
  - b) Process journal entries to close Dividends Declared or Drawings.

In Sage 50 Accounting, the session date is advanced to the first day of the new fiscal year and the Revenue and Expense accounts are closed to Retained Earnings or the Capital account.

3. See the answers for question 5 in Chapter 9.

**Chapter 11 HotTubs Company**

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***Answers to Before Moving On...***

1. The PROJECTS module is used to allocate revenues and expenses to one or more projects (jobs).
2. When entering Purchases and Services (PAYABLE), Sales (RECEIVABLES), and Payroll Expenses (EMPLOYEES & PAYROLL) to allocated project Revenue and Expense accounts, a company can control and manage the projects and their business more effectively.
3. The options for allocation of dollar amounts of divisions are:
  - a) Amount.
  - b) Percent.
  - c) Hours for payroll.
4. Most companies that use the Sage 50 Accounting PROJECTS module will allocate 100% of revenues and expenses to projects in order for the project's reports to equal the equivalent account on the Income Statement.
5. To correct an error in allocating amounts to projects, you could use one of two methods.
  - Use the Adjust a previously posted journal entry icon.
  - Make an exact reversal of the original entry, and then record a new or corrected entry.

## Chapter 12 Weddings Company

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1. The steps required to activate and set up an Account Reconciliation Journal are:
  - a) Select the **account** to be used for the Reconciliation.
  - b) Select the **Reconciliation & Deposits** tab.
  - c) Check  the **Save Transactions** for Account Reconciliation.
  - d) Select the **Set Up** button.
  - e) Modify the names of the linked accounts and select the appropriate account that will be used with the Reconciliation item linked.
  - f) Click **Ok** to save the settings.
  
2. The term "Unresolved Balance" is the dollar value difference between the bank statement balance and the general ledger bank account that cannot be identified. The differences will be located and correcting journal entries will be prepared and small amounts may be written off. If the differences occurred due to bank errors the clerk will contact the bank to have them make the necessary corrections.
  
3. If a deposit does not match figures/amounts on the bank statement, the possible causes for the difference could be:
  - a. The amount recorded in Sage 50 Accounting is not correct, due to a discount not being recorded, or the wrong invoice is shown as being paid, etc.
  - b. The bank made an error in recording the deposited cheque amount.
  
4. If a cheque does not match entries on the bank statement, the possible causes for the difference could be:
  - a. A manual cheque recorded in Sage 50 Accounting is not correct.
  - b. The bank made an error in recording the cheque amount.