

Accounting Processes and the Accountant's Role in AIS: An Instructional Resource



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Roberta Ann Barra

University of Hawai'i at Hilo, roberta.barra@hawaii.edu, (808) 974-7593

Arline Savage

California Polytechnic State University - San Luis Obispo, savage@calpoly.edu, (805) 756-2977

ABSTRACT

This paper outlines an Accounting Information Systems (AIS) manual practice set that is purely accounting-oriented. AIS faculty make extensive use of manual practice set projects in upper-division courses. A common feature of projects is their substantial bookkeeping component. In addition to their accounting components, such projects usually require students to perform the tasks of clerk and bookkeeper for the main business processes—sales, cash receipts, cash disbursements, purchases, and payroll—before beginning each accounting task. This amount of repetitive work can be tedious and time-consuming. The accounting-oriented practice set offered here (available free of charge with proper citation) requires only accounting and auditing tasks. Yet it enables students to gain an appreciation of AIS, and to carry their understanding into other systems, including computerized environments. This is consistent with the stated objective of increasing the student's information system skills, as opposed to teaching bookkeeping skills. The paper also explains why this teaching approach may be preferable.

Keywords

AIS, Accounting Information Systems, Bookkeeping Projects, Accounting Projects, Audit Projects

The actual case and solution are also available. If you are member of the AIS Educator Association, please go to <http://www.aiseducators.com> and follow the links for the AIS Educator Journal. If you are not a member of the Association, please contact the author directly at the address provided above to obtain these materials. Please provide a means for verifying your credentials as a faculty member so that we may protect the integrity of the solutions materials.

INTRODUCTION

A basic premise set forth in Bonner (1999, 12) is that “teaching methods should be chosen primarily on the basis of learning objectives.” One objective in many undergraduate Accounting Information Systems (AIS) courses is to teach students basic systems concepts, including fundamental insight into how an AIS works—how journals, ledgers, subsidiary ledgers (sub-ledgers), and source documents work together to inform in an accounting system. To meet this objective, an instructor may use varied tools, for example, lectures, cases, projects, and videos.

Cases and pre-designed AIS projects alike have the virtue of providing students with hands-on learning experience, while lectures and videos are more passive forms of learning. Because basic AIS knowledge concepts are interrelated and have similar-sounding names (e.g., *general ledger/general journal*; *general ledger/subsidiary ledger*), they can be quite confusing for novices to understand,

and lecturing in this area can be challenging. There are many cases and projects available to help students understand these basic concepts.

Cases tend to be brief, concise, and presented in a manner that minimizes the student's preparation time. But because of their shortness, cases have limited usefulness in teaching multiple basic accounting concepts simultaneously. And, perhaps because they tend to focus only on one or two key points or advanced topics, cases have come under attack. For example, Gallagher, Stevenson and Fordyce (1998, S49) argue that cases should be made "more accessible, more interesting and more participative." Yet in spite of this, cases remain popular. Theuri and Gunn (1998) found that AIS faculty prefer cases (and other types of teaching materials) over manual practice sets. Published cases related to AIS include Malone (2003) and Splettstoesser (1999).

In contrast to cases, AIS projects tend to be longer, with many component parts, and involve much more student preparation. There are manual projects, computerized projects and combinations of both. Projects currently available include Arens and Ward (2006), Brunsdon, Romney and Steinbart (2006), Horne (2007), Brunsdon (2007), Buckless, Ingraham and Jenkins (2005), Kane (2006), Halabi and Dyt (2002), and Hill (1995). Many other practice sets have been marketed and/or developed for proprietary use by educators around the world.

A common characteristic of these projects is their substantial bookkeeping component. That is, whatever their accounting components, these projects also require students to complete and/or prepare source documents, enter transactions into journals, and post from these journals into ledgers and sub-ledgers. These are subordinate tasks normally performed by bookkeepers, clerks and computers. The rationale for having accounting students perform these tasks is to teach them about the accounting system in a linear fashion, that is, in the same order that the tasks are performed in practice, including those tasks not normally performed by accountants. For example, even though an accountant would never prepare a sales invoice in the normal course of his or her duties, the theory is that preparing a sales invoice helps a student learn about the information content on the sales invoice and how the sales invoice information fits into, and flows through, the system. Furthermore, it is assumed that by performing bookkeeping and clerical tasks, students learn by actively working their way through the system in the natural order of the workflow. Thus they are believed to learn that source documents are prepared first, then documents are recorded in journals, then summary postings are made to the General Ledger, and detail postings are made in the sub-ledgers.

Students normally repeat the bookkeeping portion of these projects for each of the main business processes—sales, cash receipts, cash disbursements, purchases, and payroll—doing several transactions per process, before beginning the accounting tasks. After completing these bookkeeping tasks for major business processes, the accounting tasks may begin with reconciliations, adjusting entries, and the manual preparation of reports, trial balances, and financial statements. The total amount of repetitive clerical work in these projects can be tedious and time-consuming, potentially leading to reduced student motivation and learning. Moreover, acquiring bookkeeping skills should not be one of the objectives set for an AIS university course at the junior or senior level. Certainly it should not be an obstacle to more advanced learning. To include a significant bookkeeping component in these projects, therefore, violates Bonner's (1999) premise that we should use methods that meet our objectives. Additionally, Theuri and Gunn (1998, 109) found employers' perceptions to be that only about 23 percent of their new hires had above-average systems skills and Albrecht and Sack (2000) found that accounting information systems courses are ill-matched to business needs. This suggests that we need to find time in our curriculum to increase our students' information system skills; we cannot afford to waste time developing bookkeeping skills that are not part of our objectives for upper-division AIS courses.

Fortunately, these problems can be corrected by simply leaving out the bookkeeping portion of AIS projects. Going directly to accounting tasks can better motivate students by assigning only those tasks they will be performing in practice. Further, since the practice sets used in high school have a bookkeeping orientation, assigning an accounting-oriented practice set at University will represent a fresh experience even for those students who have had "accounting" in high school or at community college. Finally, the project duration is likely to be shortened considerably by removing the work of manual document preparation, journal recording, and ledger posting from the practice set. These tasks require an inordinate amount of time that can be better spent developing more advanced systems skills.

The next section describes and illustrates portions of a manual practice set that is truly accounting-oriented. The third section presents the results of two pilot tests to examine the effectiveness of this accounting-oriented practice set. The conclusion includes suggestions for courses in which this practice set might be used and discusses its limitations and future research possibilities.

ACCOUNTING-ORIENTED PRACTICE SET

Accounting tasks include adjusting journal entries, performing bank reconciliations, reconciling the general ledger control accounts to the sub-ledgers, agreeing accounts in the general ledger to their corresponding amortization tables or tax reports, preparing reports, and so forth.

If a student is unable to reconcile a control account to a sub-ledger, then (s)he has to go back to the journals and/or source documents to locate, identify, and correct, the error(s) to effect the reconciliation. It is this process of error identification and correction, while performing accounting tasks, which enables the student to learn the accounting system.

In order to identify and correct errors, the audit trail must be followed to trace transactions through the system from sub-ledger to journal to General Ledger or to source document. The audit trail might also lead from the General Ledger to the journals to the sub-ledger and/or to the source documents. In either case, following the audit trail enables the student to learn the accounting system and the order in which transactions are recorded and posted in an accounting system. Consequently, it is not necessary for a student to perform bookkeeping tasks to learn the accounting system. Accounting tasks can accomplish this.

In this project, the student is provided with the year-end books that include the General Ledger and the following Journals: General, Sales, Cash Receipts, Purchase, Cash Disbursements, and Payroll. The student also has the following subsidiary ledgers: Payroll, Fixed Assets, Accounts Payable, Accounts Receivable, and Inventory. In addition to these books in which the bookkeeping functions have been completed (all transactions complete and posted to the general and subsidiary ledgers), the student is given the completed source documents. Source documents include vendor invoices¹, bank statements, line of credit agreement, amortization schedules, and tax reports. UML process maps² are provided for each of the major processes. Finally, students are given prior month (November) reports that include Bank Reconciliations, Accounts Receivable Aging Report, Accounts Payable Aging Report, Fixed Assets Report and Inventory Report. In this way, the students have templates to follow for their year-end (December) reports.

The students are provided with instructions on how to reconcile or “proof” each general ledger account (a sample for accounts receivable is provided in the next section of this paper). In class, the instructor points out that there are no solution manuals in real-life practice, no one to tell you that you have the correct answer; and that the techniques students will be using in this project are the techniques used in practice to help accountants and auditors ascertain whether the amounts in the General Ledger are correct.

The books are seeded with eight errors. The students know that there are eight errors and that it is their job to identify and correct these errors. The complete list of errors is provided in the instructor resources, with error number one (1) presented as an illustration below:

Transaction not posted: In the Sales Journal, an \$8,000 transaction is not posted to the accounts receivable sub-ledger, so the accounts receivable sub-ledger does not agree with the General Ledger.

For error number 1, the \$8,000 transaction in the Sales Journal has not been posted to the Accounts Receivable Subsidiary Ledger. However, the summary total from the Sales Journal to the General Ledger is correctly posted. Consequently, the accounts receivable sub-ledger is understated by \$8,000 and will not reconcile with the General Ledger control account.

The Accounts Receivable General Ledger Control Account indicates that a total of \$137,000 has been posted from the Sales Journal to Accounts Receivable. The Sales Journal also shows that \$137,000 has been posted from the Sales Journal to the General Ledger; the posting reference (a check mark) provides evidence that the posting was done. However, the posting reference in the Sales Journal for the subsidiary ledgers does not indicate that the posting of the \$8,000 for Customer 10³ has been done. A check of the subsidiary ledgers by the student will verify this: there is no posting of the \$8,000 sale for Customer 10.

When the student totals the subsidiary account balances and prepares the Account Receivables Aging Report, (s)he should notice that the subsidiary accounts total \$112,000, while the control account in the General Ledger has a balance of \$120,000. The difference of \$8,000 can be accounted for by the \$8,000 sale to Customer 10 that was not posted to the subsidiary ledger from the Sales Journal. The General Ledger control account for accounts receivable appears in Table 1. The Sales Journal appears in Table 2. The Accounts Receivable Sub-Ledgers appear in Table 3, Panels A and B.

¹ Because the sales/billing/A/R process is the mirror image of the Purchase/A/P/Cash Disbursement process, only vendor invoices are provided to the students. This shortens the project length. An explanation to students of the mirror image concept enhances their understanding.

² UML: Unified Modeling Language, the Object Management’s Group’s (OMG’s) most widely used specification for modeling business processes. The OMG is the computer industry’s specification consortium and used almost exclusively by MIS professionals. UML Process mapping was shown to be superior for process analysis over REA, DFDs, and Flowcharting in Jones, Griggs, and Tsay [2005-2006]. Consequently, it was used for this project.

³ No attempt was made to simulate realism with fictitious customer names, vendor names, inventory items, or fixed assets items. The decision was made in this area to keep these items simple, generic, and without realism to focus the students on the task rather than on the items being sold or any cultural aspects of customer names/item names etc.

Table 1: General Ledger Control Account, Accounts Receivable

Account 1200							
Accounts Receivable			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward	GJ1	114,000.00		114,000.00	
	12	30	SJ	137,000.00		251,000.00	
	12	30	CR		131,000.00	120,000.00	

Table 2: Sales Journal

Date		Customer	Invoice/ Cred Memo #	Debit					Credit			
				A/R Sub Acct #	Post Ref	Accounts Receivable 1200	Sales Return 4190	COGS 4500	Inv Sub Acct #	Post Ref	Inventory 1300	Sales 4100
12	2	Customer 40	1201	C40	<input checked="" type="checkbox"/>	24,000.00		12,000.00	I30		12,000.00	24,000.00
12	5	Customer 30	1202	C30	<input checked="" type="checkbox"/>	48,000.00		32,000.00	I40	<input checked="" type="checkbox"/>	32,000.00	48,000.00
12	10	Customer 40	1203	C40	<input checked="" type="checkbox"/>	36,000.00		18,000.00	I20	<input checked="" type="checkbox"/>	18,000.00	36,000.00
12	20	Customer 10	1204	C10		8,000.00		4,000.00	I10	<input checked="" type="checkbox"/>	4,000.00	8,000.00
12	28	Customer 20	1205	C20	<input checked="" type="checkbox"/>	24,000.00		12,000.00	I30	<input checked="" type="checkbox"/>	12,000.00	24,000.00
12	30	Customer 20	CM01	C20	<input checked="" type="checkbox"/>	(3,000.00)	3,000.00					
						137,000.00	3,000.00	78,000.00			78,000.00	140,000.00
		Zero Balance Check:				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
		137,000 + 3,000 - 140,000 = 0.00										
		78,000 - 78,000 = 0.00										

Table 3: Panel A Accounts Receivable Subsidiary Ledgers for Customers 10 and 20

C 10							
Customer 10			Credit Terms: 2/10, Net 30				
			Credit Limit: \$15,000				
			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward (From October)				14,000.00	
	12	10	CR		10,000.00	4,000.00	

C 20							
Customer 20			Credit Terms: 2/10, Net 30				
			Credit Limit: \$30,000				
			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward from November				28,000.00	
	12	15	CR		25,000.00	3,000.00	
	12	28 Inv 1205	SJ	24,000.00		27,000.00	
	12	30 CM 01	SJ		3,000.00	24,000.00	

Table 3: Panel B Accounts Receivable Subsidiary Ledgers for Customers 30 and 40

C 30							
Customer 30			Credit Terms: 2/10, Net 30				
			Credit Limit: \$75,000				
			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward November				60,000.00	
12	3		CR		60,000.00	0.00	
12	5	Inv 1202	SJ	48,000.00		48,000.00	

C 40							
Customer 40			Credit Terms: 3/10, Net 30				
			Credit Limit: \$45,000				
			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward November				12,000.00	
12	2	Inv 1201	SJ	24,000.00		36,000.00	
12	5	Open Balance	CR		36,000.00	0.00	
12	10	Inv 1203	SJ	36,000.00		36,000.00	

Instructions to the students are as follows:

Prepare an Accounts Receivable Aging Report like the one prepared in November, using the Accounts Receivable (A/R) Subsidiary Ledger. Compare this report to Account (A/C) 1200, Accounts Receivable, in the General Ledger. The total in your A/R Aging Report should agree with the balance in A/C 1200 in the General Ledger. If the two numbers do not agree, you must determine the reason for the imbalance. Your aging report may be incorrect. Be sure to check the General Journal, the Sales Journal, and the Cash Receipts Journal to ensure that all entries have been posted to both the subsidiary ledgers and the General Ledger before making any adjustments. It is possible that you are dealing with a posting error. If you need to make an adjustment to the General Ledger, use the General Journal. If you need to adjust a Customer Account by issuing a Credit Memo or a Debit Memo, do so by using the Sales Journal. If an entry has not been posted to either the subsidiary ledger or the General Ledger, then post that entry and re-do the aging report. Repeat this process until your aging report agrees with your General Ledger.

PILOT TEST RESULTS

This practice set was pilot-tested on a group of 30 undergraduate students during Fall Semester 2005 at a small public University. At first, students were very apprehensive, or “completely lost.” Most students failed to recognize the tasks as those they have been performing in financial accounting classes. Students also had difficulty recognizing the differences between an error and an ordinary adjusting entry. To ease this anxiety, the project was divided into two parts: an out-of-class portion and an in-class examination.

The out-of-class portion comprised the entire project but was worth only 10 points. The students were told that this was the learning phase. During this phase, students were allowed to work together, ask questions of anyone, and even copy if they liked. Two 50 minute class periods were allocated to getting them started on the project and answering questions. This was done very early in the semester as the primary means of introducing students to the concepts of business processes. Simultaneously, students were assigned textbook readings on the major business processes and lectures were conducted on those processes while the students were doing the project outside of class.

When the out-of-class portion of the project was due, the answers were reviewed during another full 50 minute class period (i.e., where the errors were and how to correct them) in class⁴. During the next 50 minute class period, the students took an in-class examination worth 100 points⁵ or 20 percent of their final grade. The examination was composed of a subset of the out-of-class project, plus multiple-choice questions, and short answer problems on ledgers, journals, sub-ledgers, and source documents. All 30 students finished the exam in the time allotted. Because this was the first time this project was used, a very simple examination was given. The examination instructions, multiple-choice questions, and problems are presented in the instructor resources. Except for one student (who earned 40 percent on the examination), all remaining students earned at least 77 percent. The descriptive statistics for the examination are presented in Table 4.

Table 4: Descriptive Statistics on Practice Set Exam

<i>Practice Set Exam Statistics</i>		
	<i>Fall</i>	<i>Spring</i>
	<i>2005</i>	<i>2006</i>
Mean	87.10	70.21
Standard Error	2.03	3.63
Median	90.00	73.25
Mode	94.00	85.00
Standard Deviation	11.14	19.23
Sample Variance	124.16	369.93
Kurtosis	10.50	(0.68)
Skewness	-2.72	(0.56)
Range	57.00	65.00
Minimum	40.00	32.00
Maximum	97.00	97.00
Count	30.00	28.00
Confidence Level (95.0%)	4.16	7.46

The mean for the examination is 87, the median is 90 and the mode is 94. The first four questions on the exam are a subset of the manual project. Three of the eight errors are represented in this subset. The multiple choice and short answer questions were new to the students and were designed to assess their knowledge of basic systems concepts. There were questions about the journals and General Ledger accounts, the correct bookkeeping processing order, and various systems terms. Some of the questions were also designed to learn whether the students did their own work during the learning phase.

Students' Assessments

Given the statistical results on the examination, the students clearly learned *this* accounting system, if not a generic accounting system. More importantly, they perceived the project as a valuable learning experience. This was determined by the students' own assessment. Students were asked 8 questions assessing their general understanding and/or comfort level before and after the project. This was done as a post-activity self-assessment. These results are presented in Table 5.

When asked to rate their general understanding of accounting systems both before and after the practice set on a scale of 1 to 10, with 1 being no understanding at all and 10 being complete understanding, students' mean rating before the practice set was 4.7. Their mean rating after the practice set was 8.1, for a mean change of 3.3. A Chi-square test was used to test for significance. This was statistically significant with a p-value less than .0001.

Next, students were asked to evaluate their general comfort level with accounting tasks both before and after performing the practice set. Before the practice set, they rated their comfort level with a mean rating of 3.6 with 1 being not at all comfortable and 10 being completely comfortable. After the practice set, the mean rating was a 6.9, for a mean change of 3.3. This is statistically significant with a p-value less than .0001.

⁴ Students were warned at the beginning of the project that there would be insufficient time to copy the solutions during this phase.

⁵ All necessary components of the project were provided to the students for the exam: they were provided with the General Ledger, Journals, necessary reports and source documents and the sub-ledgers for the tasks they were asked to do.

Even though the students did no bookkeeping tasks during this project, they observed the bookkeeping that had been done in the system. To learn whether this had taught them something about bookkeeping tasks, they were asked about their general understanding of bookkeepers' functions versus accounting functions, both before and after the practice set. These two questions was posed in the opposite direction as a validity check, with 1 being complete understanding and 10 being no understanding at all. Before the practice set, the mean rating on this question was 4.5. After the practice set the mean rating was 2.8, for a change of 1.7. This was significant with a p-value of .015.

Table 5: Student Self Reports on Project

<u>Before</u>	<u>After</u>	<u>Change</u>
General Understanding of Accounting Systems Before and After Practice Set		
4.7	8.1	3.3
General Comfort level with Accounting tasks before and after Practice Set		
3.6	6.9	3.3
General Understanding of Bookkeepers Function versus Accounting Function Stated in Opposite Direction as Validity Check		
4.5	2.8	1.7
General Understanding of Where to look for information in an AIS before and after Practice Set		
5.3	8.4	3.1
6 of the 8 questions used the same scale of 1 to 10, where 1 was very little understanding/comfort and 10 was Extremely Comfortable/Completely Understand.		
The General Understanding of Bookkeepers Function versus Accounting Function was stated in the opposite direction as a validity check. So in 2 of the 8 questions, 1 indicates complete understanding of the roles/functions of Bookkeepers and Accountants and 10 indicates no understanding of those roles/functions.		
The first column indicates students' memory of their understanding/comfort before they had performed the project. The second column indicates their response after they did the project. All data was collected after they did the project.		
<u>Example of first two questions:</u>		
1A. On a scale of one to 10, with 1 being Not At All Confident and 10 being Completely Confident, please rate how confident you were in your understanding of Accounting Systems <i>in general</i> BEFORE you did the manual project.		
Not Confident		Completely Confident
1 2 3 4 5 6 7 8 9 10		
1B. On a scale of one to 10, with 1 being Not At All Confident and 10 being Completely Confident, please rate how confident you are in your understanding of Accounting Systems <i>in general</i> now that you have completed the manual project.		
Not Confident		Completely Confident
1 2 3 4 5 6 7 8 9 10		
Chi-Square tests were used to determine whether these changes were statistically significant. All changes are significant at P-values less than .0001 except for the General Understanding of Bookkeepers Function. The P-value in this case is .015		

Finally, students were asked to assess their general understanding of where to look for information in an accounting system before and after they had performed the practice set. The mean rating before the practice set was 5.3, with 1 being no understanding of the system at all and 10 being complete understanding of the system. After the practice set, students rated their understanding at a mean of 8.4. The mean change of 3.1 was also significant at a p-value of less than .0001.

When students were asked what changes they would make to the project, they requested changes such as three punched holes to the project handout and correction of a few typographical errors. Students did not request the addition of bookkeeping tasks to the

project. When asked if they thought the project should be eliminated altogether and replaced with just a computerized project, the class voted unanimously to continue with the project in future classes. Interestingly, the rationale presented by the class for continuing with this project is that this practice set helped them better understand the computerized project, which followed this manual project. This provides indirect evidence that an accounting oriented project can teach students about generic accounting systems.

Students Who Copy

In Spring 2006, a revised version of the project was given to a new class of students. The numerical changes to the project were subtle and many students apparently did not believe that there were differences between the projects given in Fall 2005 and Spring 2006, even though check numbers were given that were different from the solutions of the Fall project. About half the students obtained finished projects from the Fall 2005 semester and copied the project, instead of performing the tasks of the project prior to taking the exam. The results of the Spring 2006 exam are presented next to the results of the Fall 2005 exam in Table 4.

Note that the mean difference between the two semesters is 16.89. There is also considerable difference in the variability of the scores between the two classes. While this represents two data points only and could be anomalous to these particular classes, it does suggest that this is not a project that lends itself to learning via copying. The material concerned in some homework/projects can be learned even when there is copying involved. But it does not appear that this project is one that rewards such behavior.

CONCLUSION

It is not necessary for accounting students to perform bookkeeping tasks to develop an understanding of an accounting information system. By performing accounting and auditing tasks, students can gain an appreciation of an accounting system that enables them to carry their understanding into other systems, including computerized environments. Students are “learning-by-doing” (Anzai and Simon 1979) as they complete the project. This particular type of experiential learning can help make the course material more relevant. Whitfield (1999) advocates that students who participate in experiential learning become active learners because they are more connected to the learning concepts, are able to see the context of the learning, and can better apply course concepts.

This accounting- and auditing-oriented project could be used in a financial accounting course, AIS course, or audit course. In a financial accounting course, one might add more adjusting journal entries for a course at the intermediate level or include more basic journal entries for an entry-level course. For an audit course, one might add footing and cross-footing of the journals, preparation of confirmation letters for the receivables, and other types of audit procedures to the tasks in the standard project.

For an AIS course, the project could be integrated with a computerized project. The second part could be a computerized exercise using the same project numbers, but using ERP or other software. The advantage is that students would already be familiar with the system, the numbers in the system, and the coding structure of the system, before tackling the software.

Regardless of which accounting course this project is used in, the advantage is that students perform the tasks they will be performing in the business world after they graduate. Most existing projects have students performing bookkeeping tasks that they should not expect to perform after they graduate.

Given the popularity of bookkeeping projects (e.g., Arens and Ward 2006) in AIS courses), future research might explore how students learn while doing bookkeeping projects, versus how students learn while doing accounting projects. Whether one approach is better than another in terms of retention, ability to use the knowledge in other tasks, ability to copy from prior semesters and still learn material, and other possible variables, is open for further research. One might also investigate whether students who have had prior exposure to a bookkeeping case perform better with this case than those students who have not had prior exposure to a bookkeeping case.

It is recommended that all case projects be retained after grading so that they are not available for copying purposes by future students. A limitation of this project is that the students are very confused at first and require a significant amount of instructor assistance relative to bookkeeping projects. This might be more extreme in cases where the project is introduced earlier in the curriculum. Students who have had more accounting/auditing courses might experience less confusion.

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Understanding Accounting Processes and the Accountant's Role in Accounting Systems

STUDENT INSTRUCTIONS

Your goal in doing this exercise should not be just the satisfaction of completing the project. Your goal should be to understand why you are doing each step: what each step accomplishes, and what each tells you about the General Ledger and the nature of this accounting system, and of accounting systems in general. If you are not learning that while you are doing this exercise, you should seek the assistance of your professor PRIOR to the examination, as these types of questions will be asked on the exam.

You are the chief accountant working for a firm in its second year of operation. Your firm operated for only a partial year in 2004, at a loss. In 2005, you also anticipate a loss, although in 2006 you will be able to turn a profit because you raised prices during 2005.

You are in the process of installing a new accounting system. You have a new clerk working for you who is prone to making mistakes and doesn't know how to fix them. Your job is to do your normal month-end accounting duties, get the data into the new accounting system with the clerk's assistance, and find and fix the errors made by the clerk. (Depending on the size of the firm, in practice you might prepare the tax reports in addition to the tasks below; but for this exercise, these are provided for you.) The clerk will be assisting you by doing normal bookkeeping and clerical work, leaving you to do the accounting tasks. Keep in mind that you are human and you make mistakes as well. Some of the mistakes you will find and fix may well be "your own" (i.e., the accountant's!)

It is December 2005, the 12th month of your fiscal year. Last month you did your normal duties and reconciled the General Ledger (G/L). All subsidiary ledgers correctly tied to the general ledger, all the bank accounts reconciled, and all tax reports agreed with your G/L. At November 30, 2005 you had a clean set of books. Any errors you may find are in December. For help with technical terms, you should check with the "Controller", your instructor.

1. The first order of business is to get the balances from your old accounting system into your new accounting system. You have prepared a journal entry (see December Reports & Schedules) with these balances and given them to the clerk to record in the new General Journal and post to the General Ledger. Your clerk has done both these tasks. She reports that her journal entry (Journals) balance agrees with your journal entry, but her hash total doesn't agree with your hash total. Your task:
 - a. Determine why the two hash totals differ.
 - b. Prepare a journal entry to correct the error.
 - c. Record this journal entry in proper form in the General Journal.
 - d. Post and update the General Ledger for this journal entry.
 - e. All posting references should be indicated in both the General Journal and the General Ledger.
2. Now you must go through each account in the General Ledger and ascertain whether the balance is correct as of the end of December 31 2005. For the Balance Sheet Accounts you will use Reconciliations, bank statements, Aging

reports, tax reports and so forth to determine whether the balances are correct. For the Income Statement accounts you will rely on reasonableness tests; that is, is it reasonable for that account to have that kind of balance (debit or credit), tax reports, supporting schedules, and size of balance (large or small)?

- a. Start with the two cash accounts and do bank reconciliations for those bank accounts. (Note that Petty Cash is not a bank account.) Bank statements for December are provided, as well as the bank reconciliations for November. Any necessary adjustments should be made in proper format in the General Journal and then posted to the General Ledger and the General Ledger updated. All posting references should be indicated.
- b. Petty Cash is real cash kept in a lock box in the secretary's desk. You have counted the Petty Cash box and determined that there are cash and receipts totaling \$500.00.
- c. Prepare an Accounts Receivable Aging Report like the one prepared in November. Refer to the Accounts Receivable Subsidiary Ledger. Compare this report to A/C 1200 Accounts Receivable in the General Ledger. The total in your A/R Aging Report should agree with the balance in A/C 1200 A/R in the General Ledger. If the two numbers do not agree, you must determine why. Your aging report may be incorrect. Be sure to check the General Journal, Sales Journal, and/or the Cash Receipts Journal; ensure that all entries have been posted to both the subsidiary ledger and the General Ledger before making any adjustments. It is possible that you are dealing with a posting error. If you need to make an adjustment to the General Ledger, use the General Journal. If you need to adjust a Customer Account by issuing a Credit Memo or a Debit Memo, do so using the Sales Journal. If an entry has not been posted to either the subsidiary ledger or the General Ledger, then post that entry and re-do the Aging report. Repeat this process until your Aging report agrees with your General Ledger.
- d. Your firm uses 2% of the balance in Accounts Receivable as the Allowance for Doubtful Accounts. Once you have established the correct balance in A/R make sure that the Allowance for Doubtful Accounts equals 2% of A/R by making an entry in the General Journal. Post the entry to the General Ledger. Be sure to include Journal references.
- e. A/C 9100, A/C 1230, A/C 1240: Interest Income, Interest Receivable, and Note Receivable should tie (this means that the General Ledger amounts should agree with the amounts in the amortization table) to *Amortization Table 1* which names 'Your Company' as the Lender. (See December Reports & Schedules.)
- f. The auditors have observed the physical count of inventory, and together you have worked up a list of inventory. This list indicates that there are 10 units of item 10, 3 units of item 20, zero (0) units of item 30, and 17 units of item 40 on hand. First, check the General Ledger and Subsidiary Ledgers to see if they agree with this inventory count. If they do not, then next check the Purchases, Sales, and Cash Disbursements journals to see if all inventory items have been correctly posted to the General Ledger *and*

the Subsidiary Ledger. After identifying and correcting any posting errors, if discrepancies remain, then adjust inventory to agree with the auditors count, using the Shrinkage and Waste account (A/C 4700) and the General Journal to make your entry. Post to the General Ledger, being sure to include Journal references. When you are finished, prepare an Inventory reconciliation report like the one prepared in November, indicating that the inventory subsidiary ledger now agrees with the General Ledger. Be sure that you have updated both the Subsidiary Ledger *and* the General Ledger. Be sure to update quantities and dollar amounts.

- g. Prepaid Insurance should be expensed at the rate indicated on the invoice. You need to check the Cash Disbursements Journal or the Purchase Journal, identify and locate the invoice, and determine how much of the insurance needs to be expensed and which accounts are affected. Prepare a General Journal entry to expense the proper amount. Post the entry, with proper posting references to the General Ledger.
- h. Prepare a Fixed Asset Report like the one prepared in November. Obtain these numbers from the Fixed Asset Subsidiary Ledger. Compare the total in the "Cost" column to the total in A/C 1500 – Furniture and Fixtures. (Furniture and Fixtures is a type of Fixed Asset.) These two numbers should agree. If the two numbers are not the same, then you need to check the General Journal, Cash Disbursements Journal and Purchases Journal for anything that looks like a fixed asset purchase. You are looking for something that might have been recorded either in the subsidiary ledger but not the General Ledger, or in the General Ledger but not the subsidiary ledger, or else something that was recorded in both the subsidiary ledger AND the General Ledger but in the wrong General Ledger account. Once you identify the error, correct the appropriate ledger or ledgers. Compare the total in the "Accumulated Depreciation" column to the total in A/C 1505 Accumulated Depreciation. If these two numbers do not agree, check the General Journal and General Ledger to see what amounts were posted to the General Ledger from other journals. Net Book Value should equal Cost – Accumulated Depreciation. Re-do the Fixed Asset Report until it agrees with the General Ledger.
- i. For each item listed in the Cash Disbursements Journal and the Purchases Journal, trace back to the source documents and make sure the document has been recorded properly in the journal. Check the dollar amount, the use of the proper General Ledger Account, and the use of the proper Subsidiary Ledger Account. If you find an error, correct the problem in the appropriate journal: General or Purchases Journal for errors in the Purchases Journal; General Journal for errors found in the Cash Disbursements Journal. Prepare an Accounts Payable Aging Report like the one prepared in November, using the Accounts Payable Subsidiary Ledger. Compare the totals of this report to the balance in A/C 2100 in the General Ledger. If these two amounts do not agree, check the General Journal, the Cash Disbursements Journal, and the Purchases Journal. You

are looking for something that might have been recorded either in the subsidiary ledger but not the General Ledger, or in the General Ledger but not the subsidiary ledger, or else something that was recorded in both the subsidiary ledger AND the General Ledger but in the wrong General Ledger account. Once you identify the error, correct the appropriate ledger or ledgers. Re-do the Accounts Payable Aging report until it agrees with the General Ledger.

- j. A/C 2140 – A/C 2180; A/C 8100, 8200, 8250, and 8400 and A/C 6500 Payroll Tax Liabilities, Payroll Tax Expenses, Salaries and Wages: Tie these accounts and the Salaries and Wages Sub-Ledger to the payroll tax reports (see Taxes.)
- k. A/C 9000, A/C 2190, A/C 2220 and A/C 2700: Interest Expense, Interest payable, Current and Notes Payable should be tied to the amortization table for First Bank: Amortization Table 2.
- l. A/C 2200 FIT Payable. The tax rate is 23% but only if you manage to have a net income for 2005. Leave this and “m” for last; you will need to figure your net income before you can calculate income tax.
- m. A/C 2210 KS Income Tax Payable. The tax rate is 5%, but only if you manage to have a net income for 2005. Leave this for last; you will need to figure your net income before you can calculate income tax.
- n. A/C 2710 is a line of credit from First National Bank. Your company is authorized to draw up to \$1,000,000 on this line of credit. Any amount drawn down must pay interest to the bank at the rate of 2% per month (see the terms on the line of credit document); the balance is drawn down and remains outstanding and unpaid to the bank. The \$50,000 has been outstanding since April 1, 2005.
- o. If your Balance Sheet accounts are OK, the only thing that can be wrong with your Income Statement accounts are misclassifications. Your clerk is notorious for picking up the wrong account number, however. Your browse through the Income Statement accounts finds 3 accounts that are very strange. (You should find that at least one of these, perhaps more, has already been fixed as a by-product of your fixing a balance sheet account.)
 - Accounting fees has two entries from the Purchase Journal, and you know that you have only had your inventory counted. No other accounting work has yet been done.
 - Depreciation expense has an entry from the Payroll Journal. This strikes you as odd.
 - Salaries and wages has no entry for December.
 - FUTA expense seems high.
 - For the above accounts, you should go back to the journals and trace the entries to learn whether there is a posting error. If so, you should fix these errors using the General Journal.
- p. Use Miscellaneous Income and Expense if you need to make a small off-setting journal entry.

- q. Once the General Ledger is cleaned up, you are ready to prepare reports. Normally one would prepare all the standard financial statements but for this manual project you will prepare just one report: prepare a Trial Balance in good form using professional presentation.

The out-of-class project detailed above is a learning exercise only. Your knowledge will later be tested and the bulk of your grade assigned based on the in-class, timed and proctored exam. Therefore it does not make sense merely to copy the results of this exercise. Feel free to seek help from the Professor, and you may consult with anyone else; but be sure to work through all the steps of this exercise to gain a full understanding for the exam, which repeats portions of this problem. There will NOT be adequate time to re-copy your exercise results on the test.

This assignment, although required to be handed in, counts for only _____ points. It will be handed back for study purposes only. The exam counts for _____ points.

Pre-Adjustment Trial Balance
December 31, 2005

Account	Description	Debit	Credit
1100	Cash - Operating Account	98,961.68	
1110	Cash - Payroll	10.00	
1130	Petty Cash	500.00	
1200	Accounts Receivable	120,000.00	
1205	Allowance for Doubtful Accounts		2,280.00
1230	Interest Receivable	0.00	
1240	Notes Receivable	96,957.81	
1300	Inventory	86,500.00	
1410	Prepaid Insurance	12,000.00	
1500	Fixed Assets	265,500.00	
1505	Accumulated Depreciation-Fixed Assets		37,829.17
2100	Accounts Payable		43,895.00
2140	KS State Withholding Payable		0.00
2150	Federal Withholding Payable		0.00
2160	FICA Payable		0.00
2165	Medicare Payable		0.00
2170	FUTA Payable		0.00
2180	KS State SUTA Payable		0.00
2190	Interest Payable		0.00
2200	Federal Income Tax Payable		0.00
2210	KS Income Tax Payable		0.00
2220	Current N/P to Banks		39,294.12
2700	Notes Payable to Banks		81,250.48
2710	Other Liabilities		50,000.00
3100	Common Stock		5,000.00
3120	Additional Paid-In Capital-Common Stock		495,000.00
3200	Retained Earnings	21,884.33	
4100	Sales		557,000.00
4180	Sales Discounts	720.00	
4190	Sales Returns	3,000.00	
4500	Cost of Goods Sold	339,500.00	
4700	Shrinkage and Waste	0.00	
4800	Freight and Handling	5,000.00	
5100	Accounting Fees	30,000.00	
5200	Advertising Expense	1,500.00	
5300	Bad Debts Expense	0.00	
5400	Bank Fees	0.00	
5600	Depreciation Expense	33,159.17	
5700	Dues & Subscriptions	500.00	
5800	Employee Benefits	23,872.32	
5900	Insurance	0.00	
6000	Legal Fees	10,000.00	
6100	Life Insurance - Administration	0.00	
6250	Postage	100.00	
6300	Rent Expense	24,000.00	
6400	Repairs & Maintenance Expense	1,545.00	
6500	Salaries and Wages	115,500.00	
6600	Supplies	300.00	
6700	Telephone & Utilities	4,850.00	
8000	Taxes - Federal Income	0.00	
8100	Taxes - FUTA Expense	875.00	
8200	Taxes - FICA Expense	7,161.00	
8250	Taxes - Medicare Expense	1,827.00	
8300	Taxes - State Income	0.00	
8400	Taxes - SUTA Expense	950.40	
9000	Interest Expense	4,875.06	
9100	Interest Income	0.00	
9200	Miscellaneous Income/Expense	0.00	
		1,311,548.77	1,311,548.77

1. General Ledger

Account 1100						
Cash - Operating Account			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	342,106.61		342,106.61
12	30		CD		376,467.12	34,360.51
12	30		CR	133,322.19		98,961.68

Account 1110						
Cash-Payroll			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	10.00		10.00
12	30		PR		7,969.87	7,959.87
12	30		CD	7,969.87		-

Account 1130						
Petty Cash			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				
12	30		CD	500.00		500.00

Account 1200						
Accounts Receivable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	114,000.00		114,000.00
12	30		SJ	137,000.00		251,000.00
12	30		CR		131,000.00	120,000.00

Account 1205						
Allowance for Doubtful Accounts			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		2,280.00	2,280.00

General Ledger

Account 1230						
Interest Receivable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 1240						
Notes Receivable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	1		CD	100,000.00		100,000.00
12	31		CR		3,042.19	96,957.81

Account 1300						
Inventory			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	29,500.00		29,500.00
12	30		SJ		78,000.00	48,500.00
12	30		PJ	135,000.00		86,500.00

Account 1410						
Prepaid Insurance			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		CD	12,000.00		12,000.00

Account 1500						
Fixed Assets			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	265,500.00		265,500.00

Account 1505						
Accumulated Depreciation Fixed Assets			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		15,500.00	15,500.00
12	30		GJ 2		22,329.17	37,829.17

Account 2100						
Accounts Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		105,000.00	105,000.00
12	30		PR		663.12	105,663.12
12	30		PJ		178,895.00	284,558.12
12	30		CD	240,663.12		43,895.00

Account 2140						
KS State Withholding Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		PR		273.76	273.76
12	30		CD	273.76		0.00

Account 2150						
Federal Withholding Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		PR		790.00	790.00
12	30		CD	790.00		0.00

Account 2160						
FICA Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		PR		651.00	651.00
12	30		CD	651.00		0.00

Account 2165						
Medicare Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		PR		152.25	152.25
12	30		CD	152.25		0.00

Account 2170						
FUTA Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 2180						
KS State SUTA Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 2190						
Interest Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 2200						
Federal Income Tax Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 2210						
KS Income Tax Payable			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 2220						
Current NP to Banks			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		39,294.12	39,294.12

General Ledger

Account 2700						
Notes Payable to Banks			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		84,164.91	84,164.91
12	30		CD	2,914.43		81,250.48

Account 2710						
Other Liabilities			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		50,000.00	50,000.00

Account 3100						
Common Stock			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		5,000.00	5,000.00

Account 3120						
Additional Paid-In Capital - CS			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		495,000.00	495,000.00

Account 3200						
Retained Earnings			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	21,884.33		21,884.33

Account 4100						
Sales			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1		417,000.00	417,000.00
12	30		SJ		140,000.00	557,000.00

Account 4180						
Sales Discounts			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				
12	30		CR	720.00		720.00

Account 4190						
Sales Returns			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				
12	30		SJ	3,000.00		3,000.00

Account 4500						
Cost of Goods Sold			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	261,500.00		261,500.00
12	30		SJ	78,000.00		339,500.00

Account 4700						
Shrinkage and Waste			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				

Account 4800						
Freight and Handling			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		CD	5,000.00		5,000.00

Account 5100						
Accounting Fees			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	31		PJ	10,000.00		10,000.00
12	31		PJ	20,000.00		30,000.00

Account 5200						
Advertising Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		PJ	1,500.00		1,500.00

Account 5300						
Bad Debts Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 5400						
Bank Fees			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 5600						
Depreciation Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	330.00		330.00
12	30		PR	10,500.00		10,830.00
12	30		GJ 2	22,329.17		33,159.17

Account 5700						
Dues & Subscriptions			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		PJ	500.00		500.00

Account 5800						
Employee Benefits			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	21,882.96		21,882.96
12	30		CD	1,989.36		23,872.32

General Ledger

Account 5900						
Insurance			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 6000						
Legal Fees			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		PJ	10,000.00		10,000.00

Account 6100						
Life Insurance - Administration			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 6250						
Postage			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		CD	100.00		100.00

Account 6300						
Rent Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	22,000.00		22,000.00
12	30		CD	2,000.00		24,000.00

Account 6400						
Repairs & Maintenance Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30		PJ	1,545.00		1,545.00

General Ledger

Account 6500						
Salaries and Wages			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	115,500.00		115,500.00

Account 6600						
Supplies			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
	12	30	CD	300.00		300.00

Account 6700						
Telephone & Utilities			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	4,500.00		4,500.00
	12	30	PJ	350.00		4,850.00

Account 8000						
Taxes - Federal Income			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 8100						
Taxes - FUTA Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	224.00		224.00
	12	30	CD	651.00		875.00

Account 8200						
Taxes - FICA Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	7,161.00		7,161.00

General Ledger

Account 8250						
Taxes - Medicare Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	1,674.75		1,674.75
12	30		CD	152.25		1,827.00

Account 8300						
Taxes - State Income			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 8400						
Taxes - SUTA Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	950.40		950.40

Account 9000						
Interest Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward	GJ1	4,514.98		4,514.98
12	30		CD	360.08		4,875.06

Account 9100						
Interest Income			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

Account 9200						
Miscellaneous Income/Expense			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00

2. SUBSIDIARY LEDGERS

Accounts Receivable Subsidiary Ledger
Accounts Receivable Account 1200

C 10						
Customer 10			Credit Terms: 2/10, Net 30			
			Credit Limit: \$15,000			
			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward (From October)				14,000.00
12	10		CR		10,000.00	4,000.00

C 20						
Customer 20			Credit Terms: 2/10, Net 30			
			Credit Limit: \$30,000			
			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward from November				28,000.00
12	15		CR		25,000.00	3,000.00
12	28	Inv 1205	SJ	24,000.00		27,000.00
12	30	CM 01	SJ		3,000.00	24,000.00

C 30						
Customer 30			Credit Terms: 2/10, Net 30			
			Credit Limit: \$75,000			
			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward November				60,000.00
12	3		CR		60,000.00	0.00
12	5	Inv 1202	SJ	48,000.00		48,000.00

C 40						
Customer 40			Credit Terms: 3/10, Net 30			
			Credit Limit: \$45,000			
			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward November				12,000.00
12	2	Inv 1201	SJ	24,000.00		36,000.00
12	5	Open Balance	CR		36,000.00	0.00
12	10	Inv 1203	SJ	36,000.00		36,000.00

I 10										
Item 10			Preferred Vendor: Vendor 30							
Current Cost: \$1,000			Retail Sales Price: \$2,000 (Price increase from \$1,500)					Quantity		
Stock Item			Ref	Debit	Credit	Debit Balance	Credit Balance	Debit	Credit	Debit Balance
Dec	1	Balance Forward				4,000.00				4
12	3		PJ	10,000.00		14,000.00		10		14
12	20		SJ		4,000.00	10,000.00			4	10

I 20										
Item 20			Preferred Vendor: Vendor 30							
Current Cost: \$1,500			Retail Sales Price: \$3,000 (Price increase from \$2,000)					Quantity		
Stock Item			Ref	Debit	Credit	Debit Balance	Credit Balance	Debit	Credit	Debit Balance
Dec	1	Balance Forward				7,500.00				5
12	3		PJ	15,000.00		22,500.00		10		15
12	10		SJ		18,000.00	4,500.00			12	3

I 30										
Item 30			Preferred Vendor: Vendor 30							
Current Cost: \$2,000			Retail Sales Price: \$4,000 (Price increase from \$3,000)					Quantity		
Stock Item			Ref	Debit	Credit	Debit Balance	Credit Balance	Debit	Credit	Debit Balance
Dec	1	Balance Forward				14,000.00				7
12	3		PJ	10,000.00		24,000.00		5		12
12	28		SJ		12,000.00	12,000.00			6	6

I 40										
Item 40			Preferred Vendor: Vendor 30							
Current Cost: \$4,000			Retail Sales Price: \$6,000 (Price increase from \$5,000)					Quantity		
Stock Item			Ref	Debit	Credit	Debit Balance	Credit Balance	Debit	Credit	Debit Balance
Dec	1	Balance Forward				4,000.00				1
12	3		PJ	40,000.00		44,000.00		10		11
12	5		SJ		32,000.00	12,000.00			8	3
12	6		PJ	60,000.00		72,000.00		15		18

Fixed Assets Subsidiary Ledger
Fixed Assets Account 1500

F 10											
Item 10			Depreciation Method: Straight Line			Annual Depreciation: 18,000.00					
Purchase Date: March 1, 2004			Salvage Value: \$20,000			Useful Life: 10 Years			Accumulated Depreciation		
Vendor: Vendor 20		Disposal Date:	Ref	Debit	Credit	Debit Balance	Credit Balance	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward				200,000.00			15,000.00		15,000.00
12	30		GJ						18,000.00		33,000.00

F 20											
Item 20			Depreciation Method: Straight Line			Annual Depreciation: 3,000.00					
Purchase Date: November 2, 2004			Salvage Value: \$500			Useful Life: 5 Years			Accumulated Depreciation		
Vendor: Vendor 20		Disposal Date:	Ref	Debit	Credit	Debit Balance	Credit Balance	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward				15,500.00			500.00		500.00
12	30		GJ						3,000.00		3,500.00

F 30											
Item 30			Depreciation Method: Straight Line			Annual Depreciation: 4,500					
Purchase Date: October 1, 2005			Salvage Value: \$5,000			Useful Life: 10 Years			Accumulated Depreciation		
Vendor: Vendor 20		Disposal Date:	Ref	Debit	Credit	Debit Balance	Credit Balance	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward				50,000.00					
12	30		GJ						1,125.00		1,125.00

F 40											
Item 40			Depreciation Method: Straight Line			Annual Depreciation: 2,450.00					
Purchase Date: December 2, 2005			Salvage Value: \$200			Useful Life: 4 Years			Accumulated Depreciation		
Vendor: Vendor 20		Disposal Date:	Ref	Debit	Credit	Debit Balance	Credit Balance	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward									
12	30		PJ	10,000.00		10,000.00					
12	30		GJ						204.17		204.17

Accounts Payable Subsidiary Ledger
Accounts Payable Account 2100

V 10							
Vendor 10			Credit Terms: Net 10 Days				
Medical Insurance Vendor			Credit Limit: \$5,000				
			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward					0.00
12	30		PR		663.12		663.12
12	30		CD	663.12			0.00

V 20							
Vendor 20			Credit Terms: 2/10, Net 30				
Fixed Asset Vendor			Credit Limit: \$150,000				
			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward					0.00
12	2		PJ		10,000.00		10,000.00

V 30							
Vendor 30			Credit Terms: 2/10, Net 30				
Inventory Vendor			Credit Limit: \$150,000				
			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward					105,000.00
12	1		CD	105,000.00			0.00
12	3		PJ		75,000.00		75,000.00
12	6		PJ		60,000.00		135,000.00
12	15		CD	135,000.00			0.00

V 40							
Vendor 40			Credit Terms: 2/10, Net 30				
General Supplies & Miscellaneous Vendor			Credit Limit: \$75,000				
			Ref	Debit	Credit	Debit Balance	Credit Balance
Dec	1	Balance Forward					0.00
12	15	Repair Bill V 810	PJ		1,545.00		1,545.00
12	30	Advertising Bill V A01	PJ		1,500.00		3,045.00
12	30	Dues V 907	PJ		500.00		3,545.00

Accounts Payable Account 2100

V 50						
Vendor 50			Credit Terms: Net 30			
Accounting Vendor			Credit Limit: \$75,000			
			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30	Accounting Bill V 222	PJ		20,000.00	20,000.00

V 60						
Vendor 60			Credit Terms: Net 30			
Legal Vendor			Credit Limit: \$75,000			
			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30	Legal Bill V 723	PJ		10,000.00	10,000.00

V 70						
Vendor 70			Credit Terms: Net 30			
Telephone & Utilities Vendor			Credit Limit: \$75,000			
			Ref	Debit	Credit	Credit Balance
Dec	1	Balance Forward				0.00
12	30	Utilities Bill V 654	PJ		350.00	350.00

Salaries and Wages Subsidiary Ledger
Salaries and Wages Account 6500

P 10										
Salaried: \$2,000 per month; Firm pays 3/4 of medical insurance										
W-4 Filed, Married, 0										
Employee 10			Ref	Gross	Federal W/H	State W/H	Social Security	Medicare	Medical Insurance	Check #
Dec	1	Balance Forward	PR	22,000.00	1,540.00	577.50	1,364.00	319.00	1,868.79	16,330.71
12	30		PR	2,000.00	140.00	52.50	124.00	29.00	169.89	1,484.61
		2005 Total		24,000.00	1,680.00	630.00	1,488.00	348.00	2,038.68	17,815.32
		Zero Balance Check:								
		24,000 - 1,680 - 630 - 1,488 - 348 - 2,038.68 - 17,815.32 = 0								

P 20										
Salaried: \$1,500 per month; Firm pays 3/4 of medical insurance										
W-4 Filed, Married, 2										
Employee 20			Ref	Gross	Federal W/H	State W/H	Social Security	Medicare	Medical Insurance	Check #
Dec	1	Balance Forward	PR	16,500.00	2,299.00	818.18	1,023.00	239.25	1,868.79	10,251.78
12	30		PR	1,500.00	209.00	74.38	93.00	21.75	169.89	931.98
		2005 Total		18,000.00	2,508.00	892.56	1,116.00	261.00	2,038.68	11,183.76
		Zero Balance Check:								
		18,000 - 2,508 - 892.56 - 1,116 - 261 - 2,038.68 - 11,183.76 = 0								

P 30										
Salaried: \$3,000 per month; Firm pays 3/4 of medical insurance										
W-4 Filed, Single, 0										
Employee 30			Ref	Gross	Federal W/H	State W/H	Social Security	Medicare	Medical Insurance	Check #
Dec	1	Balance Forward	PR	33,000.00	1,782.00	481.25	2,046.00	478.50	964.92	27,247.33
12	30		PR	3,000.00	162.00	43.75	186.00	43.50	87.72	2,477.03
		2005 Total		36,000.00	1,944.00	525.00	2,232.00	522.00	1,052.64	29,724.36
		Zero Balance Check:								
		36,000 - 1,944 - 525 - 2,232 - 522 - 1,052.64 - 29,724.36 = 0								

P 40										
Salaried: \$4,000 per month; Firm pays 3/4 of medical insurance										
W-4 Filed, Married, 4										
Employee 40			Ref	Gross	Federal W/H	State W/H	Social Security	Medicare	Medical Insurance	Check #
Dec	1	Balance Forward	PR	44,000.00	3,069.00	1,134.43	2,728.00	638.00	2,591.82	33,838.75
12	30		PR	4,000.00	279.00	103.13	248.00	58.00	235.62	3,076.25
		2005 Total		48,000.00	3,348.00	1,237.56	2,976.00	696.00	2,827.44	36,915.00
		Zero Balance Check:								
		3,348 + 1,237.56 + 2,976 + 696 + 2827.44 + 36,915 - 48,000 = 0								

JOURNALS

General Journal

Date	GL Acct #	Explanation	Post Ref	Debit	Credit
		GJ 1			
	1100	Cash - Operating Account	<input checked="" type="checkbox"/>	342,106.61	
	1110	Cash - Payroll	<input checked="" type="checkbox"/>	10.00	
	1200	Accounts Receivable	<input checked="" type="checkbox"/>	114,000.00	
	1205	Allowance for Doubtful Accounts	<input checked="" type="checkbox"/>		2,280.00
	1300	Inventory	<input checked="" type="checkbox"/>	29,500.00	
	1500	Furniture & Fixtures	<input checked="" type="checkbox"/>	265,500.00	
	1505	Accumulated Depreciation-Furniture and Fixtures	<input checked="" type="checkbox"/>		15,500.00
	2100	Accounts Payable	<input checked="" type="checkbox"/>		105,000.00
	2220	Current N/P to Banks	<input checked="" type="checkbox"/>		39,294.12
	2700	Notes Payable to Banks	<input checked="" type="checkbox"/>		84,164.91
	2710	Other Liabilities	<input checked="" type="checkbox"/>		50,000.00
	3100	Common Stock	<input checked="" type="checkbox"/>		5,000.00
	3120	Additional Paid-In Capital-Common Stock	<input checked="" type="checkbox"/>		495,000.00
	3200	Retained Earnings	<input checked="" type="checkbox"/>	21,884.33	
	4100	Sales	<input checked="" type="checkbox"/>		417,000.00
	4500	Cost of Goods Sold - Retail/Parts	<input checked="" type="checkbox"/>	261,500.00	
	5600	Bank Fees	<input checked="" type="checkbox"/>	330.00	
	5800	Employee Benefits	<input checked="" type="checkbox"/>	21,882.96	
	6300	Rent Expense	<input checked="" type="checkbox"/>	22,000.00	
	6500	Salaries and Wages	<input checked="" type="checkbox"/>	115,500.00	
	6700	Telephone and Utilities	<input checked="" type="checkbox"/>	4,500.00	
	8100	Taxes - FUTA Expense	<input checked="" type="checkbox"/>	224.00	
	8200	FICA	<input checked="" type="checkbox"/>	7,161.00	
	8250	Medicare	<input checked="" type="checkbox"/>	1,674.75	
	8400	Taxes - SUTA Expense	<input checked="" type="checkbox"/>	950.40	
	9000	Interest Expense	<input checked="" type="checkbox"/>	4,514.98	
	109,520			1,213,239.03	1,213,239.03
		To input beginning balances. Input by G/L Clerk.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
		GJ 2			
12	30	5600 Depreciation Expense	<input checked="" type="checkbox"/>	22,329.17	
		1505 Accumulated Depreciation	<input checked="" type="checkbox"/>		22,329.17
		To record 2005 Depreciation Expense per Fixed Asset Sub Ledger			
		7105		22,329.17	22,329.17

General Journal

[illegible]

General Journal

[illegible]

Payroll Journal										
			Debit	Credit						
Date	Employee Name		Gross Pay 6500	Federal Withholding 2150	KS State withholding 2140	FICA 2160 .062	Medicare Withheld 2165	Medical Insurance 2100	Net Pay 1110	Check No.
12 30	Employee 10	<input checked="" type="checkbox"/>	2,000.00	140.00	52.50	124.00	29.00	169.89	1,484.61	1045
12 30	Employee 20	<input checked="" type="checkbox"/>	1,500.00	209.00	74.38	93.00	21.75	169.89	931.98	1046
12 30	Employee 30	<input checked="" type="checkbox"/>	3,000.00	162.00	43.75	186.00	43.50	87.72	2,477.03	1047
12 30	Employee 40	<input checked="" type="checkbox"/>	4,000.00	279.00	103.13	248.00	58.00	235.62	3,076.25	1048
			10,500.00	790.00	273.76	651.00	152.25	663.12	7,969.87	
			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
		Zero Balance Check:						Posted to Sub- Ledger V10		
		10,500 - 790.00 - 273.76 - 651.00 - 152.25 - 663.12 - 7,969.87 = 0						<input checked="" type="checkbox"/>		

Cash Receipts Journal

		Debit		Credit					
Date	Description	Cash 1100	Sales Discount 4180	Accounts Receivable 1200			Other Account		
				A/R Acct #	Transaction Amount	Post Ref	GL Acct #	Transaction Amount	Post Ref
12	3 Customer 30	60,000.00		C30	60,000.00	<input checked="" type="checkbox"/>			
12	5 Customer 40	35,280.00	720.00	C40	36,000.00	<input checked="" type="checkbox"/>			
12	10 Customer 10	10,000.00		C10	10,000.00	<input checked="" type="checkbox"/>			
12	15 Customer 20	25,000.00		C20	25,000.00	<input checked="" type="checkbox"/>			
12	31 Note Payment	3,042.19					1240	3,042.19	<input checked="" type="checkbox"/>
		133,322.19	720.00		131,000.00			3,042.19	
		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	
	Zero Balance Check:								
	133,322.19 + 720.00 - 131,000 - 3042.19 = 0.00								

Sales Journal

Date		Customer	Invoice/ Cred Memo #	Debit					Credit			
				A/R Sub Acct #	Post Ref	Accounts Receivable 1200	Sales Return 4190	COGS 4500	Inv Sub Acct #	Post Ref	Inventory 1300	Sales 4100
12	2	Customer 40	1201	C40	<input checked="" type="checkbox"/>	24,000.00		12,000.00	I30		12,000.00	24,000.00
12	5	Customer 30	1202	C30	<input checked="" type="checkbox"/>	48,000.00		32,000.00	I40	<input checked="" type="checkbox"/>	32,000.00	48,000.00
12	10	Customer 40	1203	C40	<input checked="" type="checkbox"/>	36,000.00		18,000.00	I20	<input checked="" type="checkbox"/>	18,000.00	36,000.00
12	20	Customer 10	1204	C10		8,000.00		4,000.00	I10	<input checked="" type="checkbox"/>	4,000.00	8,000.00
12	28	Customer 20	1205	C20	<input checked="" type="checkbox"/>	24,000.00		12,000.00	I30	<input checked="" type="checkbox"/>	12,000.00	24,000.00
12	30	Customer 20	CM01	C20	<input checked="" type="checkbox"/>	(3,000.00)	3,000.00					
						137,000.00	3,000.00	78,000.00			78,000.00	140,000.00
		Zero Balance Check:				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
		137,000 + 3,000 - 140,000 = 0.00										
		78,000 - 78,000 = 0.00										

Purchases Journal										
				Debit			Credit			
					Other Account		Accounts Payable		2100	
Date		Vendor	Vendor Invoice #	Inventory 1300	G/L Acct #	Transaction Amount	Post Ref	A/P Acct #	Transaction Amount	Post Ref
12	2	Vendor 20	V 123		1500	10,000.00	<input checked="" type="checkbox"/>	V20	10,000.00	<input checked="" type="checkbox"/>
12	3	Vendor 30	V456	75,000.00				V30	75,000.00	<input checked="" type="checkbox"/>
		10 Units - Item 10, 10 Units - Item 20, 5 Units - Item 30, 10 Units Item 40								
12	6	Vendor 30	V457	60,000.00				V30	60,000.00	<input checked="" type="checkbox"/>
		15 Units - Item 40								
12	15	Repair Bill	V810		6400	1,545.00	<input checked="" type="checkbox"/>	V40	1,545.00	<input checked="" type="checkbox"/>
12	30	Accounting Bill	V222		5100	20,000.00	<input checked="" type="checkbox"/>	V50	20,000.00	<input checked="" type="checkbox"/>
12	30	Advertising Bill	VA01		5200	1,500.00	<input checked="" type="checkbox"/>	V40	1,500.00	<input checked="" type="checkbox"/>
12	30	Dues	V907		5700	500.00	<input checked="" type="checkbox"/>	V40	500.00	<input checked="" type="checkbox"/>
12	30	Legal Bill	V723		6000	10,000.00	<input checked="" type="checkbox"/>	V60	10,000.00	<input checked="" type="checkbox"/>
12	30	Phone Bill	V654		6700	350.00	<input checked="" type="checkbox"/>	V70	350.00	<input checked="" type="checkbox"/>
		Zero Balance Check:		135,000.00		43,895.00			178,895.00	
		135,000 + 43,895 - 178,895 = 0.00		<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	

Cash Disbursements Journal													
				Credit	Debit								
Date	Check Number		Description	Cash 1100	Accounts Payable 2100			Other Account			Other Account		
					A/P Acct #	Transaction Amount	Post Ref	GL Acct #	Transaction Amount	Post Ref	GL Acct #	Transaction Amount	Post Ref
12	1	2010	Vendor 30	105,000.00	V30	105,000.00	<input checked="" type="checkbox"/>						
12	1	2011	Loan To Stockholder	100,000.00				1240	100,000.00	<input checked="" type="checkbox"/>			
12	1	2012	Petty Cash	500.00				1130	500.00	<input checked="" type="checkbox"/>			
12	5	2013	Insurance	12,000.00				1410	12,000.00	<input checked="" type="checkbox"/>			
12	15	2014	Vendor 30	135,000.00	V30	135,000.00	<input checked="" type="checkbox"/>						
12	30	2015	Freight Bill	5,000.00				4800	5,000.00	<input checked="" type="checkbox"/>			
12	30	2016	Rent	2,000.00				6300	2,000.00	<input checked="" type="checkbox"/>			
12	30	2017	Petty Cash	400.00				6250	100.00	<input checked="" type="checkbox"/>	6600	300.00	<input checked="" type="checkbox"/>
12	30	N/A	Transfer to Payroll	7,969.87				1110	7,969.87	<input checked="" type="checkbox"/>			
12	30	2018	Federal Withholding	790.00				2150	790.00	<input checked="" type="checkbox"/>			
12	30	2019	KS State Withholding	273.76				2140	273.76	<input checked="" type="checkbox"/>			
12	30	2020	FICA	1,302.00				2160	651.00	<input checked="" type="checkbox"/>	8200	651.00	<input checked="" type="checkbox"/>
12	30	2021	Medicare	304.50				2165	152.25	<input checked="" type="checkbox"/>	8250	152.25	<input checked="" type="checkbox"/>
12	30	2022	Medical Insurance	2,652.48	V10	663.12	<input checked="" type="checkbox"/>	5800	1,989.36	<input checked="" type="checkbox"/>			
12	30	2023	First Bank (Note Payable)	3,274.51				2700	2,914.43	<input checked="" type="checkbox"/>	9000	360.08	<input checked="" type="checkbox"/>
				376,467.12		240,663.12			134,340.67			1,463.33	
			Zero Balance Check:	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>				
			240,663.12 + 134,340.67 + 1,463.33 - 376,467.12 = 0.00										

NOVEMBER REPORTS AND SCHEDULES

Student Company
Bank Reconciliation
November 2005

First Bank: Cash Operating Bank A/C # 5551234

		<u>Bank Statement</u>	<u>General Ledger</u>
Unadjusted Balance, 11-30-05		\$234,429.35	\$342,136.61
Add:			
Deposits in Transit	70,000.00		
	<u>45,000.00</u>		
		115,000.00	
Deduct:			
Outstanding Checks			
	#2001 2,000.00		
	#2005 790.00		
	#2006 273.76		
	#2007 1,302.00		
	#2008 304.50		
	#2009 2,652.48		
		(7,322.74)	
Adjustments:			
Bank Service Charges			(30.00)
Adjusted Balance, 11-30-05		<u>\$342,106.61</u>	<u>\$342,106.61</u>

Student Company
Bank Reconciliation
November 2005

First Bank: Payroll A/C # 5551235

	<u>Bank Statement</u>	<u>General Ledger</u>
Unadjusted Balance, 11-30-05	\$5,563.28	\$10.00
Add:		
Deposits in Transit	0.00	
Deduct:		
Outstanding Checks		
#1043 2,477.03		
#1044 3,076.25		
	(5,553.28)	
Adjustments:		0
Adjusted Balance, 11-30-05	<u>\$10.00</u>	<u>\$10.00</u>

Your Company
Accounts Receivable Aging Report
November 30, 2005

Customer	Total Due	0-30 Days	31-60 Days	61-90 Days	> 90 Days
Customer 10	\$ 14,000.00		\$ 14,000.00		
Customer 20	28,000.00	\$ 28,000.00			
Customer 30	60,000.00	60,000.00			
Customer 40	12,000.00	12,000.00			
	\$ 114,000.00	\$ 100,000.00	\$ 14,000.00	\$ -	\$ -

Your Company
Inventory Reconciliation Report
November 30, 2005

Item	Quantity	Cost	Total
Item 10	4	\$ 1,000.00	\$ 4,000.00
Item 20	5	1,500.00	7,500.00
Item 30	7	2,000.00	14,000.00
Item 40	1	4,000.00	4,000.00
			\$ 29,500.00

Your Company Inc.
Fixed Asset Report
As of November 30, 2005

Item	Cost	Accumulated Depreciation	Net Book Value
Item 10	\$ 200,000.00	\$ 15,000.00	\$ 185,000.00
Item 20	15,500.00	500.00	15,000.00
Item 30	50,000.00	-	50,000.00
Totals	\$ 265,500.00	\$ 15,500.00	\$ 250,000.00

General Ledger Balance A/C 1500 Fixed Assets: \$265,500

General Ledger Balance A/C 1505 Accumulated Depreciation: \$15,500

Subsidiary Ledger agrees with General Ledger

Your Company
Accounts Payable Aging Report
November 30, 2005

Account	Total	0-30 Days	31-60 Days	61 - 90 Days	> 90 Days
Vendor 30	\$ 105,000.00	\$ 105,000.00			
Total	\$ 105,000.00	\$ 105,000.00	\$ -	\$ -	\$ -

DECEMBER REPORTS AND SCHEDULES

Prepared by: You
To be Input by the G/L Clerk

GL Acct #	Explanation	Debit	Credit
1100	Cash - Operating Account	342,106.61	
1110	Cash - Payroll	10.00	
1200	Accounts Receivable	114,000.00	
1205	Allowance for Doubtful Accounts		2,280.00
1300	Inventory	29,500.00	
1500	Furniture & Fixtures	265,500.00	
1505	Accumulated Depreciation-Furniture and Fixtures		15,500.00
2100	Accounts Payable		105,000.00
2220	Current N/P to Banks		39,294.12
2700	Notes Payable to Banks		84,164.91
2710	Other Liabilities		50,000.00
3100	Common Stock		5,000.00
3120	Additional Paid-In Capital-Common Stock		495,000.00
3200	Retained Earnings	21,884.33	
4100	Sales		417,000.00
4500	Cost of Goods Sold - Retail/Parts	261,500.00	
5400	Bank Fees	330.00	
5800	Employee Benefits	21,882.96	
6300	Rent Expense	22,000.00	
6500	Salaries and Wages	115,500.00	
6700	Telephone and Utilities	4,500.00	
8100	Taxes - FUTA Expense	224.00	
8200	FICA	7,161.00	
8250	Medicare	1,674.75	
8400	Taxes - SUTA Expense	950.40	
9000	Interest Expense	4,514.98	
109,320		1,213,239.03	1,213,239.03

Loan Calculator

Amortization Table 1

Enter Values	
Loan Amount	\$ 100,000.00
Annual Interest Rate	6.00 %
Loan Period in Years	3
Number of Payments Per Year	12
Start Date of Loan	12/1/2005
Optional Extra Payments	

Loan Summary	
Scheduled Payment	\$ 3,042.19
Scheduled Number of Payments	36
Actual Number of Payments	36
Total Early Payments	\$ -
Total Interest	\$ 9,518.97

Lender Name: Your Company

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance
1	1/1/2006	\$ 100,000.00	\$ 3,042.19	\$ -	\$ 3,042.19	\$ 2,542.19	\$ 500.00	\$ 97,457.81
2	2/1/2006	97,457.81	3,042.19	-	3,042.19	2,554.90	487.29	94,902.90
3	3/1/2006	94,902.90	3,042.19	-	3,042.19	2,567.68	474.51	92,335.22
4	4/1/2006	92,335.22	3,042.19	-	3,042.19	2,580.52	461.68	89,754.70
5	5/1/2006	89,754.70	3,042.19	-	3,042.19	2,593.42	448.77	87,161.28
6	6/1/2006	87,161.28	3,042.19	-	3,042.19	2,606.39	435.81	84,554.90
7	7/1/2006	84,554.90	3,042.19	-	3,042.19	2,619.42	422.77	81,935.48
8	8/1/2006	81,935.48	3,042.19	-	3,042.19	2,632.52	409.68	79,302.96
9	9/1/2006	79,302.96	3,042.19	-	3,042.19	2,645.68	396.51	76,657.28
10	10/1/2006	76,657.28	3,042.19	-	3,042.19	2,658.91	383.29	73,998.38
11	11/1/2006	73,998.38	3,042.19	-	3,042.19	2,672.20	369.99	71,326.17
12	12/1/2006	71,326.17	3,042.19	-	3,042.19	2,685.56	356.63	68,640.61
13	1/1/2007	68,640.61	3,042.19	-	3,042.19	2,698.99	343.20	65,941.62
14	2/1/2007	65,941.62	3,042.19	-	3,042.19	2,712.49	329.71	63,229.13
15	3/1/2007	63,229.13	3,042.19	-	3,042.19	2,726.05	316.15	60,503.09
16	4/1/2007	60,503.09	3,042.19	-	3,042.19	2,739.68	302.52	57,763.41
17	5/1/2007	57,763.41	3,042.19	-	3,042.19	2,753.38	288.82	55,010.03
18	6/1/2007	55,010.03	3,042.19	-	3,042.19	2,767.14	275.05	52,242.89
19	7/1/2007	52,242.89	3,042.19	-	3,042.19	2,780.98	261.21	49,461.91
20	8/1/2007	49,461.91	3,042.19	-	3,042.19	2,794.88	247.31	46,667.02
21	9/1/2007	46,667.02	3,042.19	-	3,042.19	2,808.86	233.34	43,858.17
22	10/1/2007	43,858.17	3,042.19	-	3,042.19	2,822.90	219.29	41,035.26
23	11/1/2007	41,035.26	3,042.19	-	3,042.19	2,837.02	205.18	38,198.24
24	12/1/2007	38,198.24	3,042.19	-	3,042.19	2,851.20	190.99	35,347.04
25	1/1/2008	35,347.04	3,042.19	-	3,042.19	2,865.46	176.74	32,481.58
26	2/1/2008	32,481.58	3,042.19	-	3,042.19	2,879.79	162.41	29,601.80
27	3/1/2008	29,601.80	3,042.19	-	3,042.19	2,894.18	148.01	26,707.61
28	4/1/2008	26,707.61	3,042.19	-	3,042.19	2,908.66	133.54	23,798.96
29	5/1/2008	23,798.96	3,042.19	-	3,042.19	2,923.20	118.99	20,875.76
30	6/1/2008	20,875.76	3,042.19	-	3,042.19	2,937.81	104.38	17,937.94
31	7/1/2008	17,937.94	3,042.19	-	3,042.19	2,952.50	89.69	14,985.44
32	8/1/2008	14,985.44	3,042.19	-	3,042.19	2,967.27	74.93	12,018.17
33	9/1/2008	12,018.17	3,042.19	-	3,042.19	2,982.10	60.09	9,036.07
34	10/1/2008	9,036.07	3,042.19	-	3,042.19	2,997.01	45.18	6,039.06
35	11/1/2008	6,039.06	3,042.19	-	3,042.19	3,012.00	30.20	3,027.06
36	12/1/2008	3,027.06	3,042.19	-	3,027.06	3,011.92	15.14	0.00

Loan Calculator

Amortization Table 2

Enter Values	
Loan Amount	\$ 180,000.00
Annual Interest Rate	3.50 %
Loan Period in Years	5
Number of Payments Per Year	12
Start Date of Loan	3/30/2004
Optional Extra Payments	

Loan Summary	
Scheduled Payment	\$ 3,274.51
Scheduled Number of Payments	60
Actual Number of Payments	62
Total Early Payments	\$ -
Total Interest	\$ 16,470.85

Lender Name: First Bank

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance
1	4/30/2004	\$ 180,000.00	\$ 3,274.51	\$ -	\$ 3,274.51	\$ 2,749.51	\$ 525.00	\$ 177,250.49
2	5/30/2004	177,250.49	3,274.51	-	3,274.51	2,757.53	516.98	174,492.95
3	6/30/2004	174,492.95	3,274.51	-	3,274.51	2,765.58	508.94	171,727.38
4	7/30/2004	171,727.38	3,274.51	-	3,274.51	2,773.64	500.87	168,953.73
5	8/30/2004	168,953.73	3,274.51	-	3,274.51	2,781.73	492.78	166,172.00
6	9/30/2004	166,172.00	3,274.51	-	3,274.51	2,789.85	484.67	163,382.16
7	10/30/2004	163,382.16	3,274.51	-	3,274.51	2,797.98	476.53	160,584.17
8	11/30/2004	160,584.17	3,274.51	-	3,274.51	2,806.14	468.37	157,778.03
9	12/30/2004	157,778.03	3,274.51	-	3,274.51	2,814.33	460.19	154,963.70
							4,434.33	
10	1/30/2005	154,963.70	3,274.51	-	3,274.51	2,822.54	451.98	152,141.16
11	3/2/2005	152,141.16	3,274.51	-	3,274.51	2,830.77	443.75	149,310.40
12	3/30/2005	149,310.40	3,274.51	-	3,274.51	2,839.03	435.49	146,471.37
13	4/30/2005	146,471.37	3,274.51	-	3,274.51	2,847.31	427.21	143,624.06
14	5/30/2005	143,624.06	3,274.51	-	3,274.51	2,855.61	418.90	140,768.45
15	6/30/2005	140,768.45	3,274.51	-	3,274.51	2,863.94	410.57	137,904.51
16	7/30/2005	137,904.51	3,274.51	-	3,274.51	2,872.29	402.22	135,032.22
17	8/30/2005	135,032.22	3,274.51	-	3,274.51	2,880.67	393.84	132,151.55
18	9/30/2005	132,151.55	3,274.51	-	3,274.51	2,889.07	385.44	129,262.48
19	10/30/2005	129,262.48	3,274.51	-	3,274.51	2,897.50	377.02	126,364.98
20	11/30/2005	126,364.98	3,274.51	-	3,274.51	2,905.95	368.56	123,459.03
21	12/30/2005	123,459.03	3,274.51	-	3,274.51	2,914.43	360.09	120,544.61
							4,875.07	
22	1/30/2006	120,544.61	3,274.51	-	3,274.51	2,922.93	351.59	117,621.68
23	3/2/2006	117,621.68	3,274.51	-	3,274.51	2,931.45	343.06	114,690.23
24	3/30/2006	114,690.23	3,274.51	-	3,274.51	2,940.00	334.51	111,750.23
25	4/30/2006	111,750.23	3,274.51	-	3,274.51	2,948.58	325.94	108,801.65
26	5/30/2006	108,801.65	3,274.51	-	3,274.51	2,957.18	317.34	105,844.48
27	6/30/2006	105,844.48	3,274.51	-	3,274.51	2,965.80	308.71	102,878.68
28	7/30/2006	102,878.68	3,274.51	-	3,274.51	2,974.45	300.06	99,904.22
29	8/30/2006	99,904.22	3,274.51	-	3,274.51	2,983.13	291.39	96,921.10
30	9/30/2006	96,921.10	3,274.51	-	3,274.51	2,991.83	282.69	93,929.27
31	10/30/2006	93,929.27	3,274.51	-	3,274.51	3,000.55	273.96	90,928.72
32	11/30/2006	90,928.72	3,274.51	-	3,274.51	3,009.31	265.21	87,919.41
33	12/30/2006	87,919.41	3,274.51	-	3,274.51	3,018.08	256.43	84,901.33
34	1/30/2007	84,901.33	3,274.51	-	3,274.51	3,026.89	247.63	81,874.44
35	3/2/2007	81,874.44	3,274.51	-	3,274.51	3,035.71	238.80	78,838.73
36	3/30/2007	78,838.73	3,274.51	-	3,274.51	3,044.57	229.95	75,794.16
37	4/30/2007	75,794.16	3,274.51	-	3,274.51	3,053.45	221.07	72,740.71
38	5/30/2007	72,740.71	3,274.51	-	3,274.51	3,062.35	212.16	69,678.36
39	6/30/2007	69,678.36	3,274.51	-	3,274.51	3,071.29	203.23	66,607.07
40	7/30/2007	66,607.07	3,274.51	-	3,274.51	3,080.24	194.27	63,526.83
41	8/30/2007	63,526.83	3,274.51	-	3,274.51	3,089.23	185.29	60,437.60
42	9/30/2007	60,437.60	3,274.51	-	3,274.51	3,098.24	176.28	57,339.37
43	10/30/2007	57,339.37	3,274.51	-	3,274.51	3,107.27	167.24	54,232.09
44	11/30/2007	54,232.09	3,274.51	-	3,274.51	3,116.34	158.18	51,115.75
45	12/30/2007	51,115.75	3,274.51	-	3,274.51	3,125.43	149.09	47,990.33
46	1/30/2008	47,990.33	3,274.51	-	3,274.51	3,134.54	139.97	44,855.79
47	3/1/2008	44,855.79	3,274.51	-	3,274.51	3,143.68	130.83	41,712.10
48	3/30/2008	41,712.10	3,274.51	-	3,274.51	3,152.85	121.66	38,559.25
49	4/30/2008	38,559.25	3,274.51	-	3,274.51	3,162.05	112.46	35,397.20
50	5/30/2008	35,397.20	3,274.51	-	3,274.51	3,171.27	103.24	32,225.93
51	6/30/2008	32,225.93	3,274.51	-	3,274.51	3,180.52	93.99	29,045.40
52	7/30/2008	29,045.40	3,274.51	-	3,274.51	3,189.80	84.72	25,855.60
53	8/30/2008	25,855.60	3,274.51	-	3,274.51	3,199.10	75.41	22,656.50
54	9/30/2008	22,656.50	3,274.51	-	3,274.51	3,208.43	66.08	19,448.07
55	10/30/2008	19,448.07	3,274.51	-	3,274.51	3,217.79	56.72	16,230.28
56	11/30/2008	16,230.28	3,274.51	-	3,274.51	3,227.18	47.34	13,003.10
57	12/30/2008	13,003.10	3,274.51	-	3,274.51	3,236.59	37.93	9,766.52
58	1/30/2009	9,766.52	3,274.51	-	3,274.51	3,246.03	28.49	6,520.49
59	3/2/2009	6,520.49	3,274.51	-	3,274.51	3,255.50	19.02	3,264.99
60	3/30/2009	3,264.99	3,274.51	-	3,264.99	3,255.47	9.52	0.00

First Bank	A/C # 5551234	
Student Company	Date of last Statement	Date of this Statement
Pittsburg, KS	11-30-2005	12-31-2005

Account Type	Balance Forward	Total Debits	Total Credits	Closing Balance
Checking Operating Account	234,429.35	371,497.12	245,280.00	108,212.23

Transactions			
Date	Amount	Deposits and other Credits	
12-02	70,000.00	Deposit	
12-02	45,000.00	Deposit	
12-03	60,000.00	Deposit	
12-05	35,280.00	Deposit	
12-10	10,000.00	Deposit	
12-15	25,000.00	Deposit	
Date	Check No.	Amount	Payee
12-02	2001	2,000.00	R. Cook
12-05	2009	2,652.48	Medical Insurance of Kansas
12-05	2006	273.76	KS Dept of Revenue
12-15	2005	790.00	IRS
12-15	2007	1,302.00	IRS
12-16	2008	304.50	IRS
12-01	2010	105,000.00	Vendor 30
12-01	2011	100,000.00	Stockholder A
12-01	2012	500.00	Cash
12-05	2013	12,000.00	Pittsburg Insurance Company
12-15	2014	135,000.00	Vendor 30
12-30	2017	400.00	Cash
12-30	2023	3,274.51	First Bank
12-30	N/A	7,969.87	Transfer to A/C 5551235
12-31	N/A	30.00	Bank Charges

First Bank	A/C # 5551235	
Student Company	Date of last Statement	Date of this Statement
Pittsburg, KS	11-30-2005	12-31-2005

Account Type	Balance Forward	Total Debits	Total Credits	Closing Balance
Payroll	5,563.28	12,591.17	7,969.87	941.98
Checking				

Transactions			
Date	Amount	Deposits and other Credits	
12-30	7,969.87	Transfer from A/C 5551234	
Date	Check No.	Amount	Payee
12-01	1043	2,477.03	Employee 30
12-01	1044	3,076.25	Employee 40
12-30	1045	1,484.61	Employee 10
12-30	1047	2,477.03	Employee 30
12-30	1048	3,076.25	Employee 40

INVOICES AND AGREEMENTS

Date: 12/01/2005

BILL OF LADING – SHORT FORM – NOT NEGOTIABLE

SHIP FROM		Bill of Lading Number:	
Vendor 30 1025 Main Street Kailua, HI 96734 SID No.:		5839	
SHIP TO		Carrier Name:	
Your Company 123 Main Street Pittsburg, KS 66762 CID No.:		Trailer number:30897 Serial number(s):3009986	
THIRD PARTY FREIGHT CHARGES BILL TO		SPAC:	
[Name] [Street Address] [City, ST ZIP Code]		Pro Number:	
Special Instructions:		Freight Charge Terms (Freight charges are prepaid unless marked otherwise):	
		Prepaid <input type="checkbox"/> Collect <input checked="" type="checkbox"/> 3rd Party <input type="checkbox"/>	
		<input type="checkbox"/> Master bill of lading with attached underlying bills of lading.	

CUSTOMER ORDER INFORMATION

Customer Order No.	# of Packages	Weight	Pallet/Slip (circle one)		Additional Shipper Information
5789645	4	250lbs	Y	N	
			Y	N	
			Y	N	
			Y	N	
Grand Total	4	250			

CARRIER INFORMATION

Handling Unit		Package					LTL Only	
Qty	Type	Qty	Type	Weight	HM (X)	Commodity Description <small>Commodities requiring special or additional care or attention in handling or stowing must be so marked and packaged as to ensure safe transportation with ordinary care. See Section 2(e) of NMFC item 360</small>	NMFC No.	Class
4	1	4	1	62.5				

Where the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property as follows: "The agreed or declared value of the property is specifically stated by the shipper to be not exceeding _____ per _____."

COD Amount: \$ 5,000 _____

Fee terms: Collect ☒ Prepaid ☐ Customer check acceptable ☐

Note: Liability limitation for loss or damage in this shipment may be applicable. See 49 USC § 14706(c)(1)(A) and (B).

Received, subject to individually determined rates or contracts that have been agreed upon in writing between the carrier and shipper, if applicable, otherwise to the rates, classifications, and rules that have been established by the carrier and are available to the shipper, on request, and to all applicable state and federal regulations.

The carrier shall not make delivery of this shipment without payment of charges and all other lawful fees.

Shipper Signature _____

Shipper Signature/Date

This is to certify that the above named materials are properly classified, packaged, marked, and labeled, and are in proper condition for transportation according to the applicable regulations of the DOT.

Trailer Loaded:

☐ By shipper
☐ By driver

Freight Counted:

☐ By shipper
☐ By driver/pallets said to contain
☐ By driver/pieces

Carrier Signature/Pickup Date

Carrier acknowledges receipt of packages and required placards. Carrier certifies emergency response information was made available and/or carrier has the DOT emergency response guidebook or equivalent documentation in the vehicle. Property described above is received in good order, except as noted.

FIRST BANK

LINE OF CREDIT AGREEMENT

TO: Student Company

This Line of Credit Agreement (Agreement), made between and among **First Bank**, its successors and assigns (Lender), and **Student Company** its successors and (Borrower).

The Lender has agreed, as described below, to issue a line of credit to the Borrower.

Agreement

NOW, THEREFORE, the Lender and borrower agree as follows:

1. The Lender hereby establishes and agrees to maintain a line of credit for the benefit of the Borrower in the amount of \$1,000,000.

2. Terms of the Line of Credit

(a) The Lender shall make the Line of Credit available to the Borrower as of the date of this agreement and the Lender agrees to continue to do so through **December 31, 2007** (Expiration Date).

(b) This Line of Credit Agreement shall be automatically renewed for an additional year upon the annual anniversary date of the Expiration Date.

3. Borrower's Use of the Line of Credit

(a) The Borrower may draw upon the Line of Credit for business purposes only related to Student Company.

(b) In order to draw upon the Line of Credit, the Borrower shall provide the Lender with a written request.

(c) Any amount drawn down pays interest to First Bank at the rate of 2% per month or partial month as long as that amount remains outstanding and unpaid.

4. Agreement Governed by the Laws of the State of Kansas

The laws of the State of Kansas shall govern the Agreement. Both the Borrower and the Lender agree to submit to the jurisdiction of the State of Kansas for all matters pertaining to this Agreement.

5. Authority to Sign

By executing this agreement, the individuals signing this agreement represent and warrant that they have the authority to execute this Agreement on behalf of the person for whom they are signing and to bind that person to the terms of this Agreement.

Borrower: **Student Company**

By: _____ Date: _____

Name: **Employee 40**

Title: **CEO**

Lender: **First Bank**

By: _____ Date: _____

Name: **Andrew D. Barra**

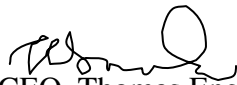
Title: **Vice President of Loans**

PROMISSORY NOTE

\$ 100,000

December 1, 2005
Pittsburg, Kansas

For value received, Thomas Engineering LLC, of 1250 Scott Street, Manhattan, Kansas, promises to pay to the order of **Student Company** at 123 Main Street, Pittsburg, Kansas, 36 months after date without grace, the sum of \$100,000, with interest at the rate of 6% annually.


CEO, Thomas Engineering LLC

R. Heinlein's Accounting Service
438 Main Street
Pittsburg, KS 66762

Invoice No. **V 222**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/30/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
1	Year-end inventory observation	\$ 20,000.00	\$ 20,000.00
SubTotal			\$ 20,000.00
Shipping			
TOTAL			\$ 20,000.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Due upon receipt.

A. McCafferty Advertising
440 Main Street
Pittsburg, KS 66762

Invoice No. **VA 01**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/30/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
1	Yellow-Pages Design Ad	\$ 4,500.00	\$ 4,500.00
		SubTotal	\$ 4,500.00
		Shipping	
		TOTAL	\$ 4,500.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Net 30 Days

A. Clark Rotary
450 Main Street
Pittsburg, KS 66762

Invoice No. **V 907**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/30/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
1	2005 Dues	\$ 500.00	\$ 500.00
SubTotal			\$ 500.00
Shipping			
TOTAL			\$ 500.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Due upon receipt

Pittsburg Insurance Company
520 Main Street
Pittsburg, KS 66762

Invoice No. **V 710**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/2/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
12	Months insurance coverage for business and coverage on the CEO. Breakdown as follows: \$600 per month coverage for the business \$400 per month death benefit on the life of the CEO. Coverage period is from 12/01/2005 to 12/01/2006	\$ 1,000.00	\$ 12,000.00
SubTotal			\$ 12,000.00
Shipping			
Tax Rate(s)			
TOTAL			\$ 12,000.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Due upon receipt

H. Wells, Attorney at Law
460 Main Street
Pittsburg, KS 66762

Invoice No. **V 723**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/30/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
1	Comfort Letter for Year-End Audit Work	\$ 10,000.00	\$ 10,000.00
SubTotal			\$ 10,000.00
Shipping			
TOTAL			\$ 10,000.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Net 30 days

Medical Insurance of Kansas
1056 Main Street
Kansas City, Kansas

Invoice No. **V 654**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/30/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
1	Employee 1 & Spouse	\$ 679.56	\$ 679.56
1	Employee 2 & Spouse	679.56	679.56
1	Employee 3, No Dependents	350.88	350.88
1	Employee 4, Spouse & Dependent Children	942.48	942.48
SubTotal			\$ 2,652.48
Shipping			
TOTAL			\$ 2,652.48

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Due 12/30/2005

Thank you for allowing us to serve you!

Pittsburg Phone & Utility Company
500 Main Street
Pittsburg, KS 66762

Invoice No. **V 654**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/30/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
1	December Phone, Electric and Gas Charges. Details available on-line Please access your on-line account using your user ID and password to view these details. Any discrepancies in these charges must be brought to our attention within 30 days from the date of this invoice.	\$ 350.00	\$ 350.00
		SubTotal	\$ 350.00
		Shipping	
		Tax Rate(s)	
		TOTAL	\$ 350.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Net 30 days

Bill's Repair and Maintenance Company
437 Main Street
Pittsburg, KS 66762

Invoice No. **V 810**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/14/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
2	Maintenance work on office equipment, minor repair work on computers. 2 days work.	\$ 772.50	\$ 1,545.00
SubTotal			\$ 1,545.00
Shipping			
Tax Rate(s)			
TOTAL			\$ 1,545.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Office Use Only

Thank you for allowing us to serve you!

Vendor 20
890 Main Street
Pittsburg, KS 66762

Invoice No. **V 123**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/1/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
1	Fixed Asset	\$ 10,000.00	\$ 10,000.00
SubTotal			\$ 10,000.00
Shipping			
TOTAL			\$ 10,000.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Thank you for allowing us to serve you!

Vendor 30
1025 Main Street
Kailua, HI 96734

Invoice No. **V 456**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/2/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
10	Item 10	\$ 1,000.00	\$ 10,000.00
10	Item 20	1,500.00	15,000.00
5	Item 30	2,000.00	10,000.00
10	Item 40	4,000.00	40,000.00
SubTotal			\$ 75,000.00
Shipping			
TOTAL			\$ 75,000.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Tax Rate(s)

Office Use Only

Usual Credit terms apply.

Thank you for allowing us to serve you!

Vendor 30
1025 Main Street
Kailua, HI 96734

Invoice No. **V 457**

INVOICE

Customer

Name Your Company
Address 123 Main Street
City Pittsburg State KS ZIP 66762
Phone 620-555-1234

Misc

Date 12/6/2005
Order No. _____
Rep _____
FOB _____

Qty	Description	Unit Price	TOTAL
15	Item 40	\$ 4,000.00	\$ 60,000.00
		SubTotal	\$ 60,000.00
		Shipping	
		Tax Rate(s)	
		TOTAL	\$ 60,000.00

Payment

Select One...

Comments _____
Name _____
CC # _____
Expires _____

Office Use Only

Usual Credit terms apply.

Thank you for allowing us to serve you!

TAXES

Student Company 02
SUTA Summary- State of Kansas
Date From: 1/1/2005
Date To: 12/31/2005

SS# Employee	YTD Wages	Taxable Wages
123-34-4567 Employee 10	\$24,000.00	\$8,000.00
575-52-7897 Employee 20	18,000.00	8,000.00
575-25-6666 Employee 30	36,000.00	8,000.00
575-12-5555 Employee 40	48,000.00	8,000.00
<hr/>		
KS State Totals	\$126,000.00	\$32,000.00
	=====	=====

4 Employee(s) Listed Maximum Taxable Wages/Employee: \$8,000.00

SUTA Tax Rate 2.97000% * 32,000

SUTA Tax Due	----- \$950.40 =====
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Student Company
FUTA Summary
Date From: 1/1/2005
Date To: 12/31/2005

SS #	Employee	YTD Wages	Taxable Wages
123-34-4567	Employee 10	\$ 24,000.00	\$7,000.00
575-52-7897	Employee 20	18,000.00	7,000.00
575-25-6666	Employee 30	36,000.00	7,000.00
575-12-5555	Employee 40	48,000.00	7,000.00
Federal Totals		\$126,000.00	\$28,000.00

4 Employee(s) Listed: Maximum Taxable Wages/Employee: \$7,000.00

FUTA Tax Rate 0.80000% * 28,000

FUTA Tax Due	\$224.00
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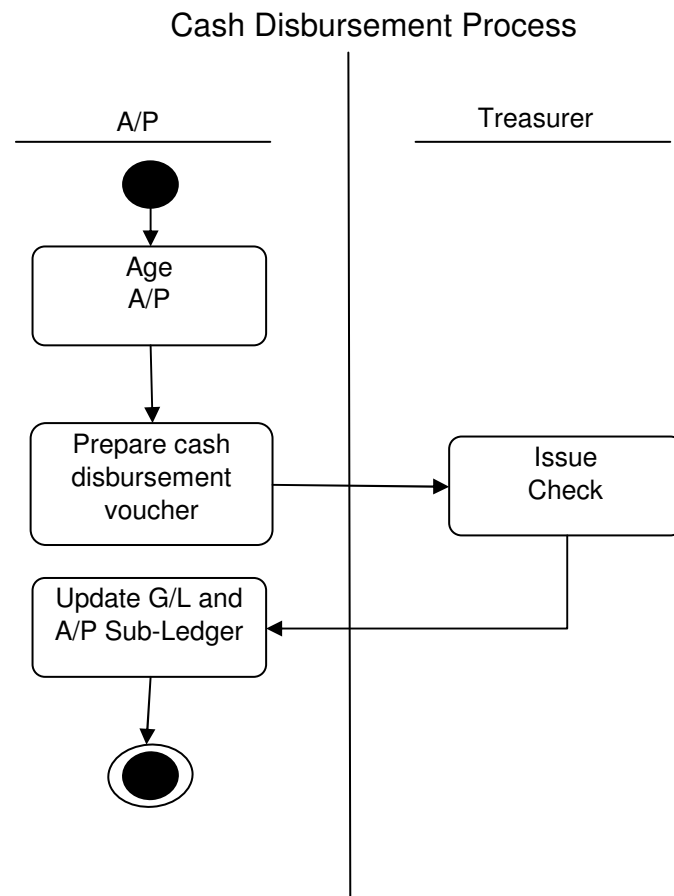
Student Company 02
Payroll Summary

Date From: 1/1/2005
Date To: 12/31/2005
Total

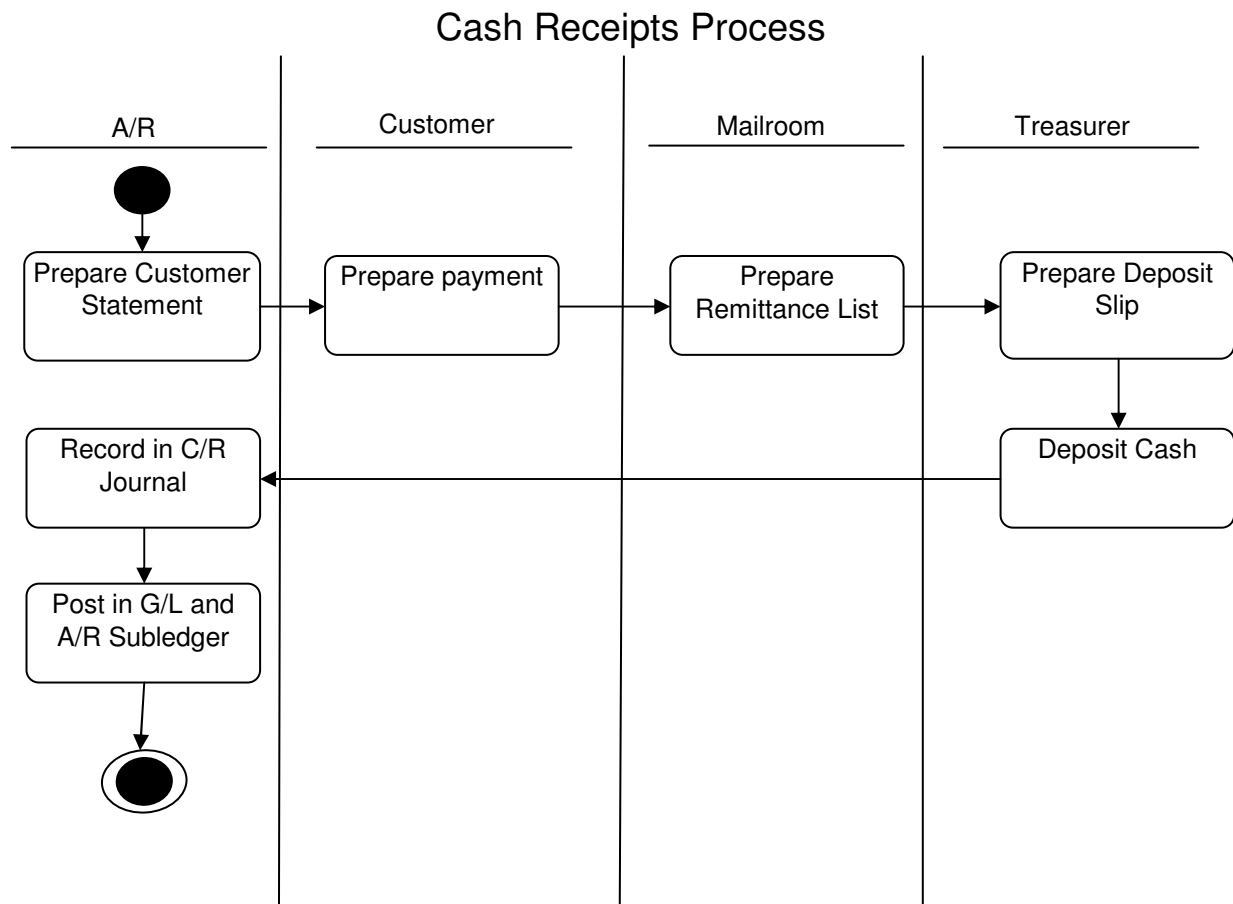
Description

Gross Wages	\$126,000.00
Federal Wages	126,000.00
Federal Taxes Withheld	9,480.00
State Taxes Withheld	3,285.12
FICA Soc Sec Wages	126,000.00
FICA Soc Sec Withheld	7,812.00
FICA Medicare Wages	126,000.00
FICA Medicare Withheld	1,827.00
Net Wages	95,638.44

UML DIAGRAMS



Dr A/P or Various Expense A/C's
Cr Cash

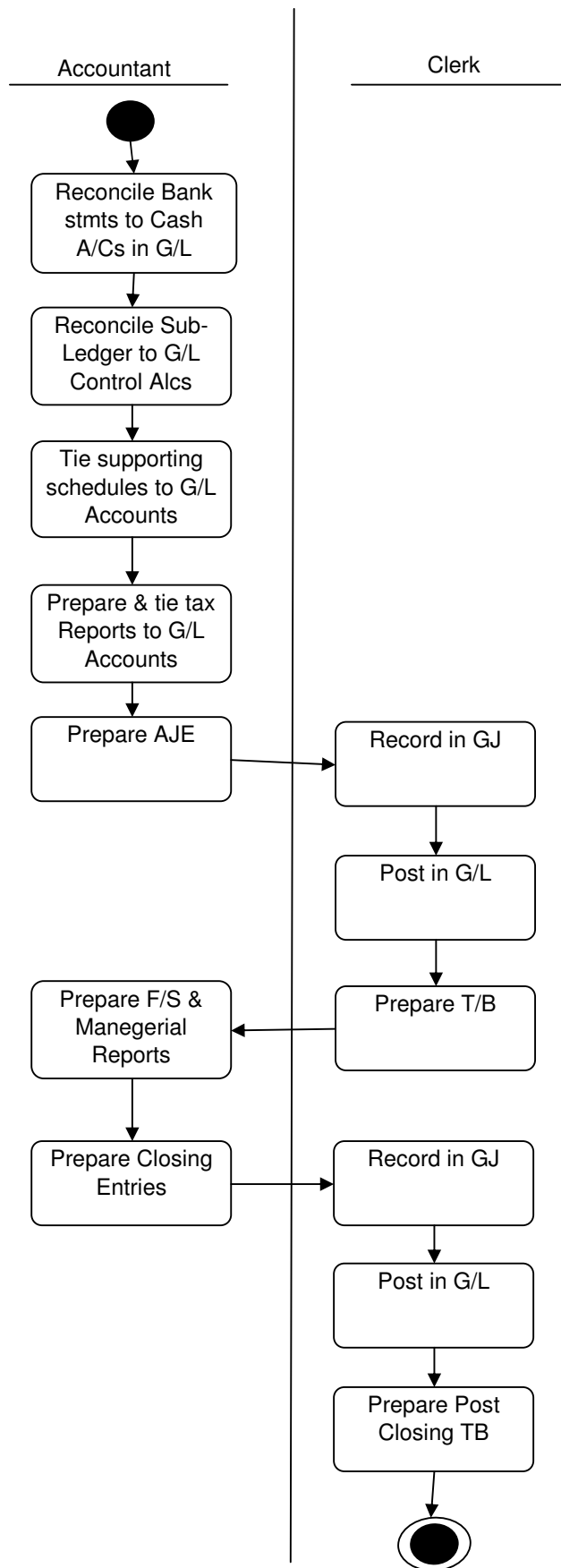


Dr Cash

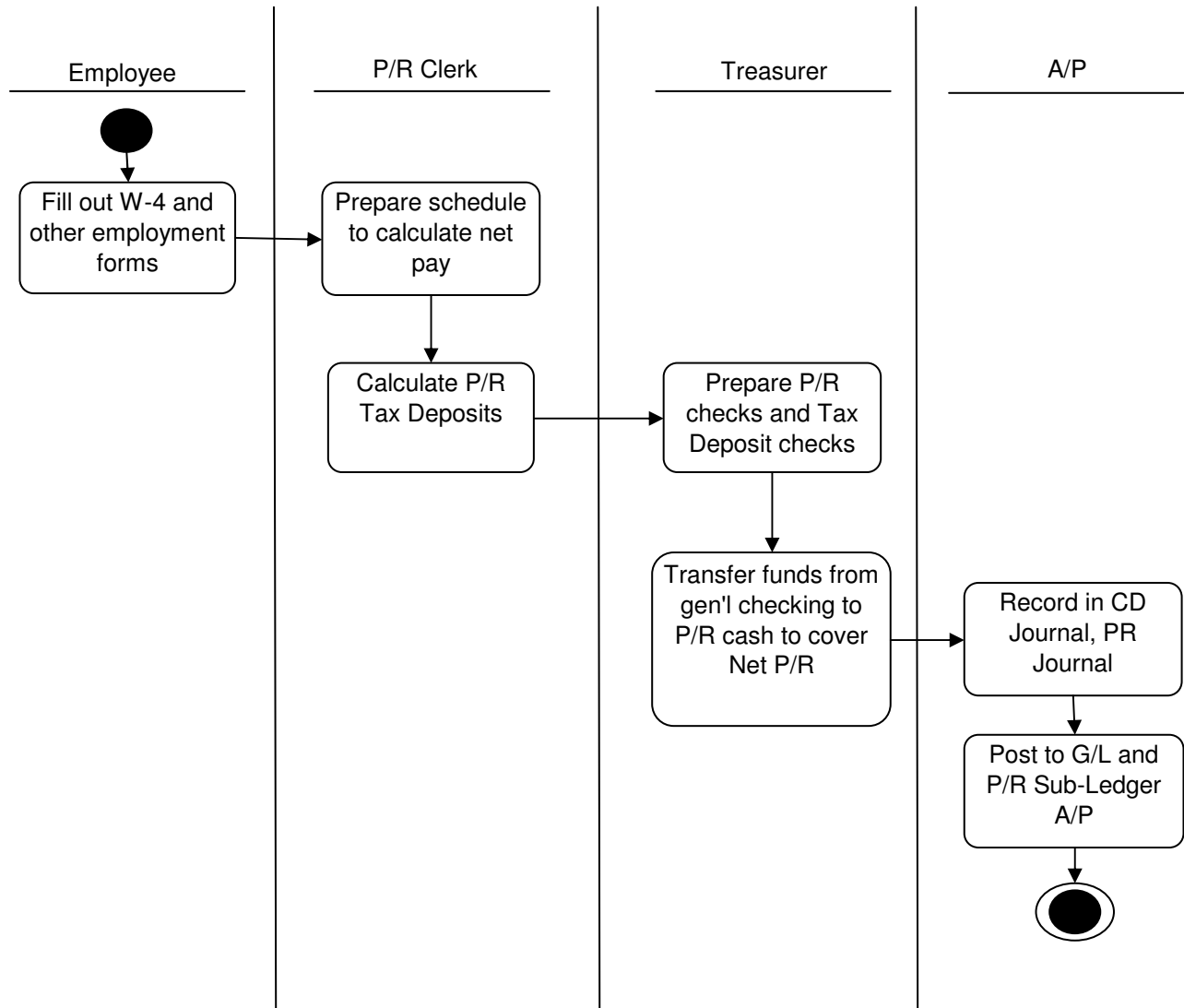
Cr A/R or other misc. Source of Cash

A/R Subledger Tracks: Credit terms, credit limit, sales history, Balance due, contact info

Financial Process



Payroll Process



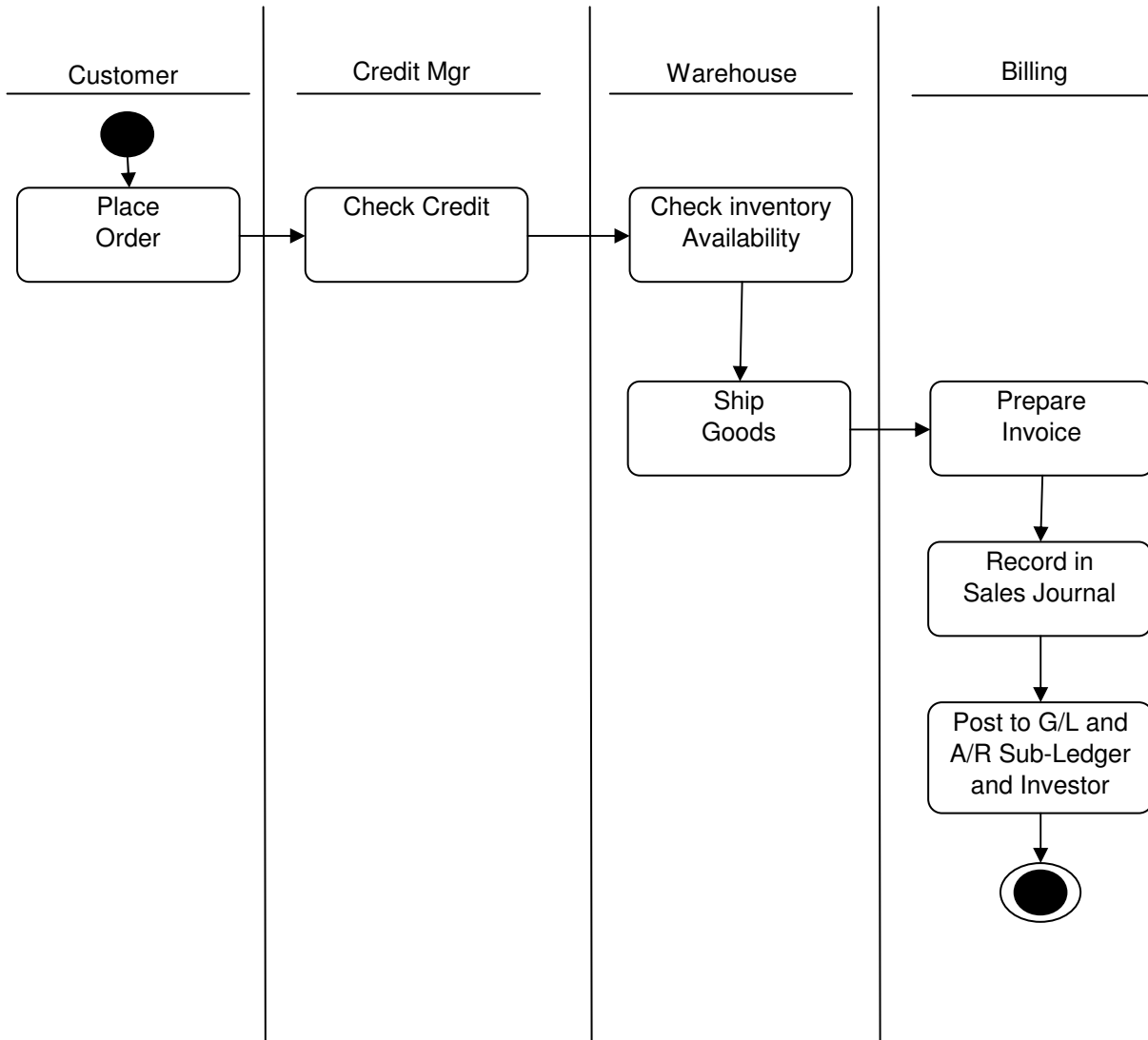
P/R Sub-Ledger Tracks W-4 into, wages Info, Earnings History for each employee

Dr P/R cash A/C for Amnt Net P/R
Cr cash-gen'l operating

Dr Salaries
Cr Various liab A/Cs for amnts w/held
Cr P/R Cash A/C for amount of net P/R

Dr liabilities for amounts w/held
Dr tax expenses
Cr cash gen'l operating

Sales Process



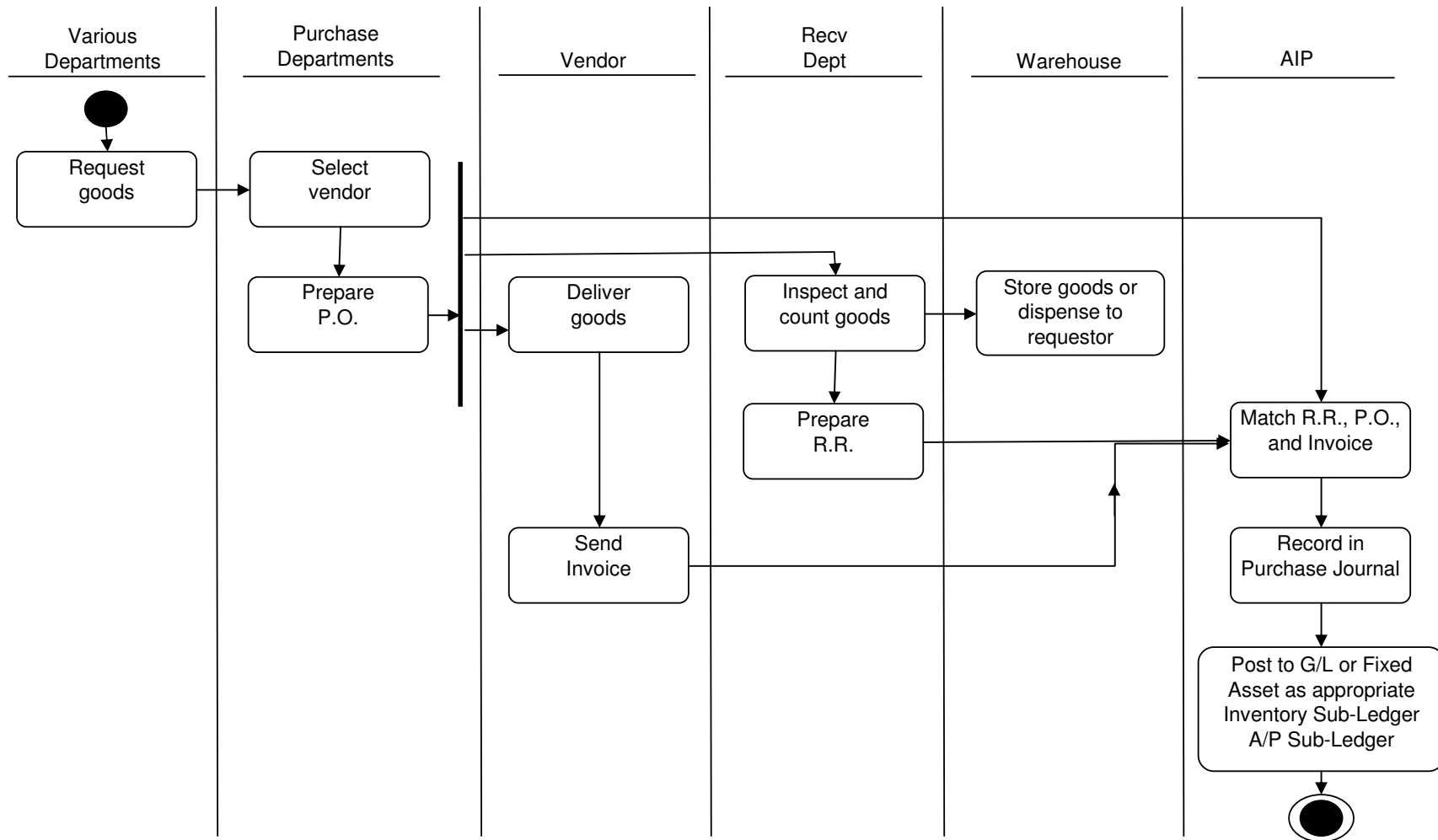
Dr A/R

Cr Sales

Dr COGS

Cr Inventory

Purchase Process



Dr Inventory, Purchases, Fixed Assets, Various Expenses
Cr A/P

Sub-Ledgers track: Fixed Assets: Purchase Date, Salvage Value, Dep Method, Vendor, Disposal Date, Cost, Annual Depreciation, Accumul. Dep.
Inventory : Current cost, Retail or Wholesale prices, Bin (warehouse locations), quantity on hand, EOQ, \$ value.