Accounting Units 1 & 2

Chapter 9 Credit transactions

Aboriginal and Torres Strait Islander content has been excluded as accuracy cannot be guaranteed, and it is better to be respectful than cover the entire curriculum inaccurately.

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Chapter 9 Credit transactions — 9A Credit transactions and recording credit purchases

Theory

Sections 7B and 7C recorded the **cash** a service business receives and pays. But not every transaction is settled in cash at the moment it happens. A **credit transaction** is one in which the good or service changes hands **now** but the money is paid or received **later**, at an agreed future date. The business **buys now and pays later**, or **sells now and is paid later**. Because no cash moves at the time of the transaction, a credit transaction **does not change the Bank balance** now — instead it creates a **debt** that must be settled in a future period.

A credit transaction creates one of two kinds of debt:

- An **account payable** is a supplier (a **creditor**) that the business **owes** for goods or services bought on credit. It is a **liability** — a **present obligation** of the entity to transfer an **economic resource** as a result of **past events** (the credit purchase) — reported in the **Balance Sheet**.
- An **account receivable** is a customer (a **debtor**) that **owes the business** for goods or services sold on credit. It is an **asset** — a **present economic resource controlled** by the business as a result of **past events** (the credit sale), that resource being a **right** with the potential to produce **future economic benefits** (the cash to be received) — also reported in the Balance Sheet.

This section deals with the first side of credit: **recording credit purchases** — the assets and supplies a service business buys **on credit** — each of which creates an **account payable**. (Payments *to* accounts payable are covered in 9B, and receipts *from* accounts receivable in 9C.)

The purchase invoice. A credit purchase is evidenced by a **purchase invoice** — the document the business **receives** from a supplier when it buys **on account**. The invoice names the supplier, the date, a description, the amount excluding GST, the **GST**, and the **total owing** with the credit terms (for example, "net 30 days"). One business's **sales** invoice is another business's **purchase** invoice — the same document seen from the buyer's side. The purchase invoice is the **authority** to record the credit purchase, and its number is entered so the record can be traced and audited.

What a credit purchase does. Recording a credit purchase of an asset or supplies from a purchase invoice has three effects:

- it **increases an asset or an expense** — the equipment, furniture or supplies the business has acquired;
- it **increases an account payable** — the creditor the business now owes; and
- it **reduces the GST Clearing** liability — the GST paid on the purchase is an **input tax credit** that reduces the net GST the business owes the Australian Taxation Office.

Because a service business holds **no inventory**, its credit purchases are of **non-inventory** items: office **supplies** (stationery, consumables) and **non-current assets** (equipment, furniture, tools). A non-current asset is **capitalised** — its GST-exclusive cost is recorded as an **asset** and reported in the **Balance Sheet**, because it provides economic benefit for **more than one reporting period**; it is **not** written off as an expense.

The Purchases Journal. Credit purchases are recorded in a **special journal** called the **Purchases Journal**, which lists every credit purchase for the period and classifies the amounts so the period totals can be reported. For a service business the journal has six columns:

- **Date** — the date on the purchase invoice.
- **Creditor** — the name of the supplier (the account payable) the business now owes.
- **Inv. No.** — the reference number of the purchase invoice.
- **Sundries/Asset $** — the **GST-exclusive** cost of the asset or supplies bought. Each amount here is posted to the particular **asset** (or expense) account named for that purchase.
- **GST $** — the **GST paid**, which is **1/11** of the GST-inclusive amount.
- **Accounts Payable $** — the **full amount owed** to the creditor: the GST-inclusive invoice total.

GST on a credit purchase. GST works exactly as it does on a cash payment: it is **one-eleventh** of a GST-inclusive amount, an exact fraction because a GST-inclusive price is 10 parts base cost plus 1 part GST = 11 parts.

$$\text{GST} = \frac{1}{11} \times (\text{GST-inclusive amount})$$

So a purchase invoice for $1 100 including GST is analysed as $100 GST (1 100 ÷ 11) + $1 000 cost, and the business owes the creditor the full $1 100. The only difference from a cash purchase is **timing**: on credit the business incurs the GST it can claim, and owes the cost, **before** it pays any cash.

The account payable created. Every credit purchase **creates or increases an account payable**. When a business buys twice from the same supplier during the period, that creditor's balance is the **sum** of the two invoices. At any time the **total** of all the individual creditor balances equals the **total of the Accounts Payable column** — a check that what the business owes each supplier separately agrees with what it owes them all together.

Totalling and the cross-check. At the end of the period every money column is **totalled**. Because the amount owed on each invoice is exactly its cost plus its GST, a correctly recorded Purchases Journal must satisfy the **cross-check**:

Total Sundries/Asset + Total GST = Total Accounts Payable.

If the two sides are not equal, a figure has been entered in the wrong column, a GST amount has been miscalculated, or a column has been added incorrectly. The cross-check is a built-in test that the journal is **free from material error** — one of the three components of **faithful representation**.

A single non-current asset — the General Journal alternative. Where a business buys a **single** non-inventory asset on credit and keeps no Purchases Journal column for it, the same information may instead be recorded by a **General Journal** entry — increasing the asset account and GST Clearing, and increasing Accounts Payable — rather than in the Purchases Journal. Either way the three effects are identical: the asset rises by its ex-GST cost, GST Clearing falls by the GST, and the account payable rises by the full amount owed. In this section we record all credit purchases together in the **Purchases Journal**, using the **Sundries/Asset** column for the ex-GST cost of each asset or supply.

Worked model. *Beacon Web Design* (owner R Okafor) is a service business. During March it makes two credit purchases. On 4 March it receives **Purchase Invoice T-220** from *Delta Office Supplies* for stationery and toner, $396 (GST-inclusive). On 18 March it receives **Purchase Invoice 705** from *Apex Technology* for a new office printer (a non-current asset), $1 100 (GST-inclusive). The $396 splits into $36 GST + $360 supplies; the $1 100 into $100 GST + $1 000 equipment.

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Mar 4	Delta Office Supplies	T-220	360	36	396
Mar 18	Apex Technology	705	1 000	100	1 100
Mar 31	**Totals**		**1 360**	**136**	**1 496**

Two accounts payable are created — **Delta Office Supplies $396** and **Apex Technology $1 100** — whose total ($1 496) equals the Accounts Payable column. The journal cross-checks: Sundries/Asset $1 360 + GST $136 = $1 496 = Accounts Payable.

Ethical considerations. The Purchases Journal is where a business claims the **GST input credits** and records the **assets** it says it owns, so it is open to two related abuses. First, under the **accounting entity** assumption the business is separate from its owner: a purchase invoice for goods bought for the **owner's private use** must **not** be recorded as a business credit purchase, because doing so would overstate the business's assets and wrongly claim a **GST credit** the business is not entitled to. Second, entering a **fictitious** or inflated purchase invoice to overstate expenses or assets, or to claim a GST refund the business is not owed, breaches **faithful representation** and **verifiability** — the records would no longer be complete, free from material error and neutral (without bias), and it is a form of **tax fraud**. Ethical recording means entering **only** genuine purchase invoices, for **business** purchases, at their correct amounts, so that Accounts Payable, the assets and the GST owed to the ATO are all faithfully represented.

Worked examples (scaffolded)

Example 1 — recording credit purchases and identifying the account payable created

Harborlight Tutoring is a service business. During April it made the following credit purchases. Record them in the Purchases Journal and total it.

- Apr 3: Bought office supplies on credit from *Cardwell Stationers*, $264 including GST (Purchase Invoice 118).
- Apr 9: Bought a laptop (a non-current asset) on credit from *Nova Computers*, $1 980 including GST (Purchase Invoice A-52).
- Apr 20: Bought further office supplies on credit from *Cardwell Stationers*, $132 including GST (Purchase Invoice 245).

Working	Comment
Apr 3 supplies $264 incl GST: GST = 264 ÷ 11 = $24; supplies = $240 → Sundries/Asset; Accounts Payable $264.	Split every invoice 1/11 to GST and 10/11 to the cost; the full $264 is owed to the creditor.
Apr 9 laptop $1 980 incl GST: GST = 1 980 ÷ 11 = $180; equipment = $1 800 → Sundries/Asset; Accounts Payable $1 980.	A laptop is a non-current asset, recorded (ex-GST) in Sundries/Asset and reported in the Balance Sheet.
Apr 20 supplies $132 incl GST: GST = 132 ÷ 11 = $12; supplies = $120 → Sundries/Asset; Accounts Payable $132.	The second purchase from Cardwell Stationers adds to that creditor's balance.
Accounts payable created: Cardwell Stationers = 264 + 132 = $396; Nova Computers = $1 980.	The two invoices from Cardwell combine into one creditor balance.
Totals & cross-check: Sundries/Asset $2 160 + GST $216 = $2 376 = Accounts Payable.	The two sides match, so the journal is arithmetically sound.

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Apr 3	Cardwell Stationers	118	240	24	264
Apr 9	Nova Computers	A-52	1 800	180	1 980
Apr 20	Cardwell Stationers	245	120	12	132
Apr 30	**Totals**		**2 160**	**216**	**2 376**

The account payable owed to **Cardwell Stationers is $396** and to **Nova Computers is $1 980**; together they equal the Accounts Payable total of $2 376. The total GST of **$216** is an input tax credit that **reduces** the GST Clearing liability owed to the ATO.

Example 2 — a non-current asset among supplies, with the cross-check demonstrated

Summit Physiotherapy made the following credit purchases in May. Record them in the Purchases Journal and total it.

- May 2: Bought treatment supplies on credit from *Medi-Fit Supplies*, $550 including GST (Purchase Invoice 330).
- May 12: Bought a treatment table (a non-current asset) on credit from *Ortho Equip Co*, $3 300 including GST (Purchase Invoice 88).
- May 21: Bought cleaning supplies on credit from *Cleanpro Services*, $187 including GST (Purchase Invoice 415).
- May 28: Bought further treatment supplies on credit from *Medi-Fit Supplies*, $99 including GST (Purchase Invoice 331).

Working	Comment
May 2 supplies $550: GST = 550 ÷ 11 = $50; supplies $500 → Sundries/Asset; AP $550.	Medi-Fit becomes an account payable for $550.
May 12 table $3 300: GST = 3 300 ÷ 11 = $300; equipment $3 000 → Sundries/Asset; AP $3 300.	The treatment table is a non-current asset (Balance Sheet), not an expense, but it still carries GST.
May 21 cleaning $187: GST = 187 ÷ 11 = $17; supplies $170 → Sundries/Asset; AP $187.	Cleanpro becomes an account payable for $187.
May 28 supplies $99: GST = 99 ÷ 11 = $9; supplies $90 → Sundries/Asset; AP $99.	The second Medi-Fit invoice takes that creditor to 550 + 99 = $649.
Cross-check: Sundries/Asset $3 760 + GST $376 = $4 136 = Accounts Payable.	Balanced.

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
May 2	Medi-Fit Supplies	330	500	50	550
May 12	Ortho Equip Co	88	3 000	300	3 300
May 21	Cleanpro Services	415	170	17	187
May 28	Medi-Fit Supplies	331	90	9	99
May 31	**Totals**		**3 760**	**376**	**4 136**

Cross-check: Sundries/Asset $3 760 + GST $376 = **$4 136** = Accounts Payable $4 136. The treatment table's $3 000 cost is reported as a **non-current asset in the Balance Sheet**, because it will provide benefit for more than one period; only its later depreciation becomes an expense.

Worked examples (unscaffolded)

Example 3 — a full month of credit purchases

Riverside Accounting Services made the following credit purchases in June. Prepare the Purchases Journal.

- Jun 1: Office supplies from *PaperPlus Wholesale*, $418 including GST (Purchase Invoice 500).
- Jun 8: Office furniture (a non-current asset) from *DeskWorks*, $2 200 including GST (Purchase Invoice 77).
- Jun 15: Office supplies from *PaperPlus Wholesale*, $154 including GST (Purchase Invoice 512).
- Jun 26: A scanner (a non-current asset) from *TechHire*, $605 including GST (Purchase Invoice 91).

Each invoice splits at 1/11: $418 → $38 GST + $380; $2 200 → $200 GST + $2 000; $154 → $14 GST + $140; $605 → $55 GST + $550. PaperPlus is bought from twice, so that creditor's balance is 418 + 154 = $572.

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Jun 1	PaperPlus Wholesale	500	380	38	418
Jun 8	DeskWorks	77	2 000	200	2 200
Jun 15	PaperPlus Wholesale	512	140	14	154
Jun 26	TechHire	91	550	55	605
Jun 30	**Totals**		**3 070**	**307**	**3 377**

∴ the accounts payable created are **PaperPlus Wholesale $572, DeskWorks $2 200 and TechHire $605** (total $3 377), and the journal cross-checks: 3 070 + 307 = 3 377.

Example 4 — a large asset among supplies; the General Journal alternative

Coastline Surveying made the following credit purchases in July. Prepare the Purchases Journal.

- Jul 2: A survey drone (a non-current asset) from *GeoTech Instruments*, $7 700 including GST (Purchase Invoice 810).
- Jul 11: Stationery from *Office Central*, $319 including GST (Purchase Invoice 233).
- Jul 19: Calibration tools (supplies) from *GeoTech Instruments*, $286 including GST (Purchase Invoice 811).
- Jul 27: Safety supplies from *Fieldgear Co*, $220 including GST (Purchase Invoice 90).

The invoices split at 1/11: $7 700 → $700 GST + $7 000; $319 → $29 GST + $290; $286 → $26 GST + $260; $220 → $20 GST + $200. GeoTech is bought from twice, so that creditor's balance is 7 700 + 286 = $7 986.

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Jul 2	GeoTech Instruments	810	7 000	700	7 700
Jul 11	Office Central	233	290	29	319
Jul 19	GeoTech Instruments	811	260	26	286
Jul 27	Fieldgear Co	90	200	20	220
Jul 31	**Totals**		**7 750**	**775**	**8 525**

∴ total credit purchases owed are **$8 525** (GeoTech Instruments $7 986, Office Central $319, Fieldgear Co $220), and the journal cross-checks: 7 750 + 775 = 8 525. Had the $7 700 drone been the business's **only** credit purchase, it could instead have been recorded by a **General Journal** entry — increasing **Survey equipment** $7 000 and **GST Clearing** $700, and increasing **Accounts Payable – GeoTech Instruments** $7 700 — with exactly the same three effects.

Practice questions — scaffolded

Question 1

Meadowbrook Vet Clinic made the following credit purchases in March.

- Mar 4: Medical supplies from *VetSupply Co*, $385 including GST (Purchase Invoice 210).
- Mar 12: A grooming table (a non-current asset) from *Kennel Kit Ltd*, $1 320 including GST (Purchase Invoice 55).
- Mar 25: Medical supplies from *VetSupply Co*, $165 including GST (Purchase Invoice 231).

a. Prepare the Purchases Journal for March, including totals.

b. State the balance of the account payable created for *VetSupply Co*.

c. State the total GST recorded, and explain its effect on the **GST Clearing** account.

Question 2

Brightline Electrical Services made the following credit purchases in April.

- Apr 3: Electrical supplies from *Voltage Wholesale*, $594 including GST (Purchase Invoice 400).
- Apr 10: A cable tester (a non-current asset) from *ToolMaster*, $539 including GST (Purchase Invoice 61).
- Apr 22: Electrical supplies from *Voltage Wholesale*, $308 including GST (Purchase Invoice 418).

a. Prepare the Purchases Journal for April, including totals.

b. Show that the journal cross-checks (Sundries/Asset + GST = Accounts Payable).

c. Identify the **two** accounts payable created and state each balance.

Question 3

Pinewood IT Support made the following credit purchases in May.

- May 5: Server hardware (a non-current asset) from *ServerPro*, $6 600 including GST (Purchase Invoice 700).
- May 14: Cables and supplies from *Cabletown*, $220 including GST (Purchase Invoice 118).
- May 27: A UPS unit (a non-current asset) from *ServerPro*, $1 100 including GST (Purchase Invoice 701).

a. Prepare the Purchases Journal for May, including totals.

b. State the amount recorded in the **Sundries/Asset** column for the server hardware, and the amount recorded in the **GST** column for it.

c. Explain why the server hardware is recorded in Sundries/Asset (as an asset) rather than as an expense, and explain why this credit purchase does **not** change the **Bank** balance.

Question 4

Great Ocean Fitness made the following credit purchases in June.

- Jun 2: Exercise mats (supplies) from *GymGear Direct*, $242 including GST (Purchase Invoice 900).
- Jun 9: A rowing machine (a non-current asset) from *Fitfab Equipment*, $2 750 including GST (Purchase Invoice 33).
- Jun 18: Further supplies from *GymGear Direct*, $88 including GST (Purchase Invoice 910).
- Jun 24: A weight rack (a non-current asset) from *Fitfab Equipment*, $1 210 including GST (Purchase Invoice 34).

a. Prepare the Purchases Journal for June, including totals.

b. State the balance of the account payable created for *Fitfab Equipment*.

c. Explain the effect of the June credit purchases on the **GST Clearing** account.

Question 5

Alpine Veterinary Clinic made the following credit purchases in July.

- Jul 1: Veterinary supplies from *Petcare Supplies*, $451 including GST (Purchase Invoice 600).
- Jul 8: A surgical light (a non-current asset) from *SurgiTech*, $4 400 including GST (Purchase Invoice 72).
- Jul 16: Veterinary supplies from *Petcare Supplies*, $121 including GST (Purchase Invoice 615).
- Jul 29: An autoclave (a non-current asset) from *SurgiTech*, $2 200 including GST (Purchase Invoice 73).

a. Prepare the Purchases Journal for July, including totals.

b. State the total of the **Accounts Payable** column.

c. Show that the journal cross-checks by demonstrating that Sundries/Asset + GST = Accounts Payable.

Question 6

Harbourview Dental made the following credit purchases in August.

- Aug 2: Clinical supplies from *DentSupply*, $528 including GST (Purchase Invoice 800).
- Aug 9: A dental chair (a non-current asset) from *ChairCo*, $5 500 including GST (Purchase Invoice 45).
- Aug 20: Clinical supplies from *DentSupply*, $77 including GST (Purchase Invoice 812).

a. Prepare the Purchases Journal for August, including totals.

b. State the account payable created for *ChairCo* and its balance.

c. The owner also hands the bookkeeper a $330 (GST-inclusive) invoice for garden furniture delivered to the owner's **home** and asks for it to be entered as a business credit purchase. Using the **accounting entity** assumption, explain why this must **not** be recorded in the Purchases Journal.

Practice questions — unscaffolded

Question 7

Fernvale Cleaning Services made the following credit purchases in September: Sep 1 cleaning supplies from *CleanChem Co* $330 incl GST (Purchase Invoice 150); Sep 10 an industrial vacuum (a non-current asset) from *VacTech* $1 650 incl GST (Purchase Invoice 22); Sep 19 cleaning supplies from *CleanChem Co* $132 incl GST (Purchase Invoice 161); Sep 28 a floor polisher (a non-current asset) from *VacTech* $770 incl GST (Purchase Invoice 23). Prepare the Purchases Journal, state the total Sundries/Asset, total GST and total Accounts Payable, and state the balance owed to **each** creditor.

Question 8

The Purchases Journal of *Lakeshore Marine Services* for October has a Sundries/Asset total of $4 300 and a GST total of $430, but the Accounts Payable total has been smudged and cannot be read. (a) Using the cross-check relationship, calculate the total of the Accounts Payable column, and state the rule you used. (b) A later month's journal shows an Accounts Payable total of $5 940 and a Sundries/Asset total of $5 400; calculate the GST total for that month.

Question 9

For each of the following **GST-inclusive** amounts appearing on a purchase invoice, calculate the GST it contains and the Sundries/Asset (ex-GST) amount: (a) $946; (b) $1 573; (c) $4 400; (d) $209.

Question 10

Blue Gum Landscaping made the following credit purchases in December: Dec 1 garden supplies from *Greenscape Supplies* $594 incl GST (Purchase Invoice 300); Dec 6 a ride-on mower (a non-current asset) from *MowerWorld* $5 500 incl GST (Purchase Invoice 41); Dec 12 garden supplies from *Greenscape Supplies* $253 incl GST (Purchase Invoice 311); Dec 18 a trailer (a non-current asset) from *Toolbarn* $3 300 incl GST (Purchase Invoice 42); Dec 23 garden supplies from *Greenscape Supplies* $110 incl GST (Purchase Invoice 320). Prepare the Purchases Journal, state every column total, demonstrate the cross-check, and state the balance owed to *Greenscape Supplies*.

Question 11

Willow Creek Physiotherapy buys a treatment bed on credit for $2 200 (GST-inclusive) from *MediEquip*, receiving **Purchase Invoice 77**.

a. State the source document and the special journal used to record this transaction.
b. Name and state the balance of the **account payable** created.
c. Explain why this credit purchase does **not** change the **Bank** balance, and state its effect on the **GST Clearing** account.
d. Distinguish between an **account payable** and an **account receivable**.

Question 12

Cedar Ridge Accounting buys a single photocopier on credit for $3 300 (GST-inclusive) from *OfficeTech* (**Purchase Invoice 88**) and makes no other credit purchases this month. Explain how this credit purchase of a **non-inventory asset** may be recorded — either in the **Purchases Journal** (using the Sundries/Asset column) or by a **General Journal** entry — and, for each account affected, state the amount recorded: the amount going to the asset account, to **GST Clearing**, and to **Accounts Payable**.

Question 13

Explain what the **total of the GST column** in the Purchases Journal represents, and how it affects the amount the business owes to (or is owed by) the Australian Taxation Office for GST. Refer to at least one qualitative characteristic in your answer.

Question 14

The Purchases Journal of *Terra Firma Engineering* for November has been started but the **Accounts Payable** column and the totals are missing:

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Nov 3	Ironbark Steel	501	1 900	190	?
Nov 12	Precision Tools	77	800	80	?
Nov 21	Ironbark Steel	512	450	45	?
Nov 30	**Totals**		**?**	**?**	**?**

Complete the Accounts Payable column and all three totals, state the balance owed to *Ironbark Steel*, and confirm that the GST is **1/11** of each Accounts Payable amount.

Question 15

Zenith Marketing made the following credit purchases in June: Jun 3 a large-format printer (a non-current asset) from *PrintWorks* $8 800 incl GST (Purchase Invoice 200); Jun 10 paper and ink (supplies) from *Papyrus Supplies* $429 incl GST (Purchase Invoice 55); Jun 17 print supplies from *PrintWorks* $176 incl GST (Purchase Invoice 210); Jun 24 supplies from *Papyrus Supplies* $99 incl GST (Purchase Invoice 56). Prepare the Purchases Journal, state every column total, and explain the different report treatment of the $8 800 printer purchase and the $429 supplies purchase.

Question 16

A student prepares the Purchases Journal of *Rosewood Catering Services* for April and totals it as Sundries/Asset $3 600, GST $360, Accounts Payable $4 000. Using the cross-check, show that an error has been made, state the size of the discrepancy, and state **two** possible causes.

Question 17

Peppertree Physio buys a treatment table on credit for $1 650 (GST-inclusive), receiving a purchase invoice. Explain why the $1 500 cost is recorded as an **asset** rather than as an expense, state in which report it appears, and refer to the **definition of an asset** in your answer.

Question 18

Morgan, the owner of *Skylark Photography* (a service business), hands the bookkeeper two purchase invoices — each for $1 320 (GST-inclusive) — for camera equipment that was in fact bought for **Morgan's private use at home**, and asks that they be entered in the Purchases Journal so the business can record the equipment as its own asset and claim the GST on the invoices as an input credit. **Discuss** the ethical and reporting problems with this request, with reference to the **accounting entity** assumption and the qualitative characteristic of **faithful representation**, and explain how (if at all) these purchases should be recorded.

Answers

1.
   b. $550 c. GST $170; reduces GST Clearing (totals: Sundries/Asset $1 700, GST $170, AP $1 870)
2.
   b. cross-check $1 441 = $1 441 c. Voltage Wholesale $902; ToolMaster $539 (totals: S/A $1 310, GST $131, AP $1 441)
3.
   b. Sundries/Asset $6 000; GST $600 c. see solutions (totals: S/A $7 200, GST $720, AP $7 920)
4.
   b. $3 960 c. see solutions (totals: S/A $3 900, GST $390, AP $4 290)
5.
   b. $7 172 c. 6 520 + 652 = 7 172 (GST $652)
6.
   b. Accounts Payable – ChairCo, $5 500 c. see solutions (totals: S/A $5 550, GST $555, AP $6 105)
7. Sundries/Asset $2 620; GST $262; Accounts Payable $2 882; CleanChem Co $462; VacTech $2 420
8.
   a. $4 730 (Sundries/Asset + GST) b. $540
9.
   a. GST $86, S/A $860 b. GST $143, S/A $1 430 c. GST $400, S/A $4 000 d. GST $19, S/A $190
10. S/A $8 870; GST $887; AP $9 757; cross-check $9 757 = $9 757; Greenscape Supplies $957
11.
    b. Accounts Payable – MediEquip, $2 200 c. see solutions d. see solutions
12. Asset $3 000; GST Clearing $300; Accounts Payable $3 300 (see solutions)
13. See solutions
14. AP $2 090 / $880 / $495; totals S/A $3 150, GST $315, AP $3 465; Ironbark Steel $2 585
15. S/A $8 640; GST $864; AP $9 504; see solutions
16. Discrepancy $40 (3 600 + 360 = 3 960 ≠ 4 000); see solutions
17. See solutions (asset in the Balance Sheet)
18. See solutions (discussion)

Fully-worked solutions

Question 1

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Mar 4	VetSupply Co	210	350	35	385
Mar 12	Kennel Kit Ltd	55	1 200	120	1 320
Mar 25	VetSupply Co	231	150	15	165
Mar 31	**Totals**		**1 700**	**170**	**1 870**

b. VetSupply Co is bought from twice, so its account payable balance = 385 + 165 = **$550**.

c. Total GST = 35 + 120 + 15 = **$170**. This GST paid is an **input tax credit**: it **reduces the GST Clearing liability** the business owes the ATO (the GST it has paid on its purchases is offset against the GST it collects on its services).

Question 2

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Apr 3	Voltage Wholesale	400	540	54	594

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Apr 10	ToolMaster	61	490	49	539
Apr 22	Voltage Wholesale	418	280	28	308
Apr 30	**Totals**		**1 310**	**131**	**1 441**

b. Cross-check: Sundries/Asset + GST = 1 310 + 131 = **$1 441** = Accounts Payable $1 441. The two sides are equal, so the journal cross-checks.

c. The two accounts payable created are **Voltage Wholesale** = 594 + 308 = **$902** and **ToolMaster** = **$539**; together they equal the Accounts Payable total of $1 441.

Question 3

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
May 5	ServerPro	700	6 000	600	6 600
May 14	Cabletown	118	200	20	220
May 27	ServerPro	701	1 000	100	1 100
May 31	**Totals**		**7 200**	**720**	**7 920**

b. Server hardware: Sundries/Asset **$6 000** (6 600 × 10/11); GST **$600** (6 600 ÷ 11).

c. Under the **period assumption**, an **expense** is **totally consumed within one reporting period**, whereas an **asset** provides benefit to **future reporting periods**. The server hardware will be used by the business for **a number of years** and is **not held for resale**, so it is a **non-current asset**: its GST-exclusive cost is recorded as an **asset** (in Sundries/Asset) and reported in the **Balance Sheet**, not written off as an expense. The credit purchase does **not** change the **Bank** balance because **no cash is paid** at the time of the purchase — the business owes the amount to the creditor and will pay it later, so only Accounts Payable (and the asset and GST Clearing) change now.

Question 4

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Jun 2	GymGear Direct	900	220	22	242
Jun 9	Fitfab Equipment	33	2 500	250	2 750
Jun 18	GymGear Direct	910	80	8	88
Jun 24	Fitfab Equipment	34	1 100	110	1 210
Jun 30	**Totals**		**3 900**	**390**	**4 290**

b. Fitfab Equipment is bought from twice, so its account payable balance = 2 750 + 1 210 = **$3 960**.

c. The June credit purchases include **$390** of GST paid (22 + 250 + 8 + 110). This GST is an **input tax credit** that **reduces the GST Clearing liability** the business owes the ATO by $390 for the period.

Question 5

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Jul 1	Petcare Supplies	600	410	41	451
Jul 8	SurgiTech	72	4 000	400	4 400
Jul 16	Petcare Supplies	615	110	11	121
Jul 29	SurgiTech	73	2 000	200	2 200

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Jul 31	**Totals**		**6 520**	**652**	**7 172**

b. Total of the Accounts Payable column = **$7 172**.

c. Cross-check: Sundries/Asset + GST = 6 520 + 652 = **$7 172** = Accounts Payable $7 172. The two sides are equal, so the journal cross-checks.

Question 6

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Aug 2	DentSupply	800	480	48	528
Aug 9	ChairCo	45	5 000	500	5 500
Aug 20	DentSupply	812	70	7	77
Aug 31	**Totals**		**5 550**	**555**	**6 105**

b. The account payable created for **ChairCo** is **$5 500** (the full GST-inclusive amount owed on Purchase Invoice 45).

c. Under the **accounting entity** assumption, the business is a **separate entity** from its owner. The garden furniture was delivered to the owner's **home** for **private use**, so it is **not** a business asset and its purchase is **not** a business transaction. Recording it as a business credit purchase would **overstate the business's assets** and **wrongly claim a $30 GST input credit** (330 ÷ 11) the business is not entitled to, misrepresenting both the business's position and the GST owed to the ATO. It must be kept out of the Purchases Journal; if the business paid for it, it would instead be treated as the owner's **Drawings**.

Question 7

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Sep 1	CleanChem Co	150	300	30	330
Sep 10	VacTech	22	1 500	150	1 650
Sep 19	CleanChem Co	161	120	12	132
Sep 28	VacTech	23	700	70	770
Sep 30	**Totals**		**2 620**	**262**	**2 882**

Totals: Sundries/Asset **$2 620**, GST **$262**, Accounts Payable **$2 882**. Creditor balances: **CleanChem Co** = 330 + 132 = **$462**; **VacTech** = 1 650 + 770 = **$2 420**. The two creditor balances add to $2 882, agreeing with the Accounts Payable total. Cross-check: 2 620 + 262 = 2 882.

Question 8

a. The cross-check rule is **Total Sundries/Asset + Total GST = Total Accounts Payable**. So Accounts Payable = 4 300 + 430 = **$4 730**.

b. Rearranging the same rule for the missing GST: GST = Accounts Payable − Sundries/Asset = 5 940 − 5 400 = **$540**. (Check: 5 940 ÷ 11 = 540, so the GST is 1/11 of the total owed.)

Question 9

a. $946 ÷ 11 = **$86** GST; Sundries/Asset = 946 − 86 = **$860**.
b. $1 573 ÷ 11 = **$143** GST; Sundries/Asset = 1 573 − 143 = **$1 430**.
c. $4 400 ÷ 11 = **$400** GST; Sundries/Asset = 4 400 − 400 = **$4 000**.
d. $209 ÷ 11 = **$19** GST; Sundries/Asset = 209 − 19 = **$190**.

Question 10

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Dec 1	Greenscape Supplies	300	540	54	594
Dec 6	MowerWorld	41	5 000	500	5 500
Dec 12	Greenscape Supplies	311	230	23	253
Dec 18	Toolbarn	42	3 000	300	3 300
Dec 23	Greenscape Supplies	320	100	10	110
Dec 31	**Totals**		**8 870**	**887**	**9 757**

Column totals: Sundries/Asset **$8 870**, GST **$887**, Accounts Payable **$9 757**. Cross-check: 8 870 + 887 = **$9 757** = Accounts Payable. The balance owed to **Greenscape Supplies** = 594 + 253 + 110 = **$957**.

Question 11

a. The source document is a **purchase invoice** (Purchase Invoice 77), received from MediEquip. It is recorded in the **Purchases Journal**, the special journal for credit purchases.

b. The account payable created is **Accounts Payable – MediEquip**, with a balance of **$2 200** (the full GST-inclusive amount owed). The purchase splits into $200 GST (2 200 ÷ 11) + $2 000 for the treatment bed.

c. The credit purchase does **not** change the **Bank** balance because **no cash is paid now** — payment is deferred to a future date, so only the liability (Accounts Payable), the asset and GST Clearing change at the time of purchase. Its effect on **GST Clearing** is to **reduce** that liability by $200: the GST paid is an input tax credit offset against the GST the business collects on its services.

d. An **account payable** is a **liability** — a supplier (creditor) the business **owes** for a credit purchase, reported among liabilities in the Balance Sheet and settled by paying cash later. An **account receivable** is an **asset** — a customer (debtor) that **owes the business** for a credit sale, reported among assets and settled when the customer pays. They are opposite sides of credit: one is money the business will **pay**, the other money it will **receive**.

Question 12

The photocopier is a **non-inventory (non-current) asset** bought on credit, so its purchase has three effects: **Office equipment (asset) increases $3 000** (3 300 × 10/11), **GST Clearing decreases $300** (3 300 ÷ 11, an input credit), and **Accounts Payable – OfficeTech increases $3 300** (the full amount owed).

- Recorded in the **Purchases Journal**: enter **$3 000** in Sundries/Asset, **$300** in GST, and **$3 300** in Accounts Payable against OfficeTech.
- Recorded by a **General Journal** entry: it would **increase Office equipment $3 000** and **GST Clearing $300**, and **increase Accounts Payable $3 300**.

Either method produces the **same** $3 000 asset, $300 reduction in the GST owed, and $3 300 account payable; the General Journal is simply an alternative where a single non-inventory asset does not warrant a journal column of its own.

Question 13

The total of the **GST column** in the Purchases Journal is the **total GST the business has paid** on its credit purchases for the period. This GST paid is an **input tax credit**: it **reduces the amount of GST the business owes the ATO** (or increases a refund), because the business is a **collector** of GST on behalf of the ATO — it offsets the GST it pays on purchases against the GST it collects on its services and remits only the net difference. Recording it accurately upholds **faithful representation** — the GST liability owed to the ATO is neither overstated nor understated, so the information is **complete**, **free from material error** and **neutral (without bias)** — and supports **relevance**, since a correctly stated GST obligation directly assists the owner in making decisions about the business's cash, and assists the ATO in assessing what it is owed.

Question 14

Each Accounts Payable amount is Sundries/Asset + GST for that row:

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Nov 3	Ironbark Steel	501	1 900	190	2 090
Nov 12	Precision Tools	77	800	80	880
Nov 21	Ironbark Steel	512	450	45	495
Nov 30	**Totals**		**3 150**	**315**	**3 465**

The balance owed to **Ironbark Steel** = 2 090 + 495 = **$2 585**. The GST is **1/11** of each Accounts Payable amount: 2 090 ÷ 11 = 190, 880 ÷ 11 = 80, 495 ÷ 11 = 45 — and for the totals, 3 465 ÷ 11 = 315.

Question 15

Date 2026	Creditor	Inv. No.	Sundries/Asset $	GST $	Accounts Payable $
Jun 3	PrintWorks	200	8 000	800	8 800
Jun 10	Papyrus Supplies	55	390	39	429
Jun 17	PrintWorks	210	160	16	176
Jun 24	Papyrus Supplies	56	90	9	99
Jun 30	**Totals**		**8 640**	**864**	**9 504**

Column totals: Sundries/Asset **$8 640**, GST **$864**, Accounts Payable **$9 504** (cross-check 8 640 + 864 = 9 504). The **$8 800 printer** is a **non-current asset**: its $8 000 ex-GST cost is recorded as an **asset** and reported in the **Balance Sheet**, because it provides benefit for more than one period (only its later depreciation becomes an expense). The **$429 paper and ink** are **supplies consumed** in running the business: their $390 ex-GST cost is a **period cost** reported (as supplies used) in the **Income Statement**. So the printer purchase **increases assets** with no immediate effect on profit, whereas the supplies, once used, **reduce profit** in the current period.

Question 16

The cross-check requires **Sundries/Asset + GST = Accounts Payable**. Here 3 600 + 360 = **$3 960**, but the Accounts Payable total is stated as **$4 000**, so the two sides do **not** agree — the journal does not cross-check and an **error** is present. The discrepancy is 4 000 − 3 960 = **$40**. Two possible causes are: (i) an **addition error** in a column (for example, the Accounts Payable column was overstated by $40, or the Sundries/Asset column understated by $40); or (ii) a **figure entered in the wrong column** or a **GST amount miscalculated**, so that a row's cost + GST does not equal the amount carried to Accounts Payable. The student should re-add each column and re-check each row's split (GST = 1/11 of the amount owed) until the two sides agree.

Question 17

The $1 500 cost of the treatment table is recorded as an **asset** because it satisfies the **definition of an asset** — a **present economic resource controlled** by the business (Peppertree controls the table and decides how it is used) **as a result of past events** (the credit purchase evidenced by the purchase invoice) — that resource being a **right** with the potential to produce **future economic benefits** (it will help generate service revenue). Whether that cost is an **asset** or an **expense** is then settled by the **period assumption**: an expense is **totally consumed within one reporting period**, whereas the table will provide benefit to **future reporting periods**. So the cost is **capitalised** as a **non-current asset** — it is expected to be used for a number of years and is not held for resale — and reported in the **Balance Sheet**, not written off immediately as an expense in the Income Statement. Only the **depreciation** of the table — the portion of its cost consumed each period — is reported as an expense over its useful life. (The $150 GST, 1 650 ÷ 11, is a separate input credit that reduces GST Clearing.)

Question 18

Under the **accounting entity** assumption, Skylark Photography is a **separate accounting entity** from its owner, Morgan. The camera equipment was bought for **Morgan's private use at home**, so it is **Morgan's personal property, not a business asset**, and its purchase is **not a business transaction**. Entering the two invoices in the Purchases Journal would record equipment the business does not own and an account payable (and GST credit) that do not belong to the business.

Doing so would **overstate the business's assets** and **wrongly claim $240 of GST input credits** ($120 on each $1 320 invoice, 1 320 ÷ 11) that the business is not entitled to. This breaches **faithful representation**: the Balance Sheet and the GST owed to the ATO would no longer be **complete**, **free from material error** or **neutral (without bias)** — they would be **biased** to serve Morgan's private interest rather than to report the entity's true position. Improperly claiming GST credits on private purchases is also a form of **tax fraud**, exposing the business to legal penalties, and it misleads every user who relies on the reports — a lender, the ATO, a prospective buyer.

The correct treatment is that these invoices should **not** be recorded as business credit purchases **at all** — no entry belongs in the Purchases Journal, because there is no business asset and no business account payable. If the business were somehow to pay for Morgan's private equipment, that payment would be treated as the owner's **Drawings** (a reduction of owner's equity), with **no GST** claimed. The bookkeeper has a professional and ethical obligation to **refuse** the request and keep Morgan's private purchases strictly separate from the business's records, so that the business's assets, Accounts Payable and GST are all **faithfully represented**.

Chapter 9 Credit transactions — 9B Payments to accounts payable; recording credit fees

Theory

A **credit transaction** is one in which the exchange of the good or service and the exchange of cash happen at **different times**. When a service business buys supplies, services or assets **on credit**, it receives them now and pays later, creating a liability — an **account payable** (a *creditor*). When the same business provides its service **on credit**, it does the work now and is paid later, creating an asset — an **account receivable** (a *debtor*). This section covers the two credit events that follow: **paying an account payable** (recorded in the **Cash Payments Journal**) and **earning a credit fee** (recorded in the **Sales/Fees Journal**). Receipts *from* accounts receivable are covered in 9C.

Recording payments to accounts payable — the Cash Payments Journal. Every payment of cash a service business makes is recorded in the **Cash Payments Journal (CPJ)**, a **multi-column** journal that lists each outflow from the **Bank** account and *classifies* what the payment was for. A special journal gives its own column to the transactions a business repeats most often; because a business that trades on credit **pays its accounts payable frequently**, this section's CPJ has an **Accounts Payable** column. Its columns are:

- **Bank** — the **actual cash paid** (the fall in the Bank asset), evidenced by a cheque butt or **EFT** (electronic funds transfer) reference number.
- **Discount revenue** — a **settlement discount** received from a supplier for paying a debt promptly.
- **Accounts Payable** — the **full amount by which a creditor's account is cleared**. The Details column names the creditor being paid.
- **GST** — the GST paid on a GST-inclusive payment; **GST = 1/11** of any GST-inclusive amount.
- **Sundries** — the catch-all for less frequent payments: **Wages**, other expenses (rent, advertising, insurance, electricity), **Drawings**, cash purchases of **non-current assets**, and **loan** repayments and interest. The Details column names the account.

Paying an account payable — clearing the creditor. When a business pays a debt in full with **no discount**, the **Bank** (cash paid) equals the **Accounts Payable** cleared. When the supplier offers a **settlement discount** for prompt payment, the business pays **less cash** than it owes: the smaller cash amount goes in **Bank**, the saving goes in **Discount revenue**, and the **full amount owed** is entered in **Accounts Payable**, because the creditor's account is cleared in full. In every case,

Bank + Discount revenue = Accounts Payable cleared (for that payment).

GST is not adjusted on a settlement discount. The GST on the original credit purchase was recorded in full when that purchase was made, so paying early does not change it. A settlement discount is a reward for prompt payment, not a change to the original price, so the study design **excludes GST from settlement discounts** — the GST column is left blank on a creditor payment.

Totalling and the cross-check. At period-end every money column is totalled and a **bold Totals row** is added. Because the cash paid plus any discount received funds everything the payments were analysed into, a correctly recorded journal must satisfy the **cross-check**:

Total Bank + Total Discount revenue = Total Accounts Payable + Total GST + Total Sundries.

If the two sides are unequal, a figure is in the wrong column or a column has been mis-added. The cross-check is a built-in test of **verifiability**.

Recording credit fees — the Sales/Fees Journal. When a service business provides a service **on credit**, it issues a **sales invoice** and records the transaction in the **Sales/Fees Journal**. A trading firm calls this book the *Sales Journal* (it sells inventory); a service firm's version records **fees**, so it has **no Cost of Sales column** — a service business holds no inventory. Its columns are:

- **Fees** — the **fee revenue earned** (GST-exclusive), the business's main revenue.
- **GST** — the 10% GST added to the customer's invoice, owed to the ATO through **GST Clearing**.

- **Accounts Receivable** — the **GST-inclusive total the debtor owes**, i.e. the asset created. The Details column names the debtor and the invoice number is recorded.

For every invoice, **Accounts Receivable = Fees + GST**, and the journal **cross-adds** when **Total Fees + Total GST = Total Accounts Receivable**.

Why a credit fee is revenue now. Under the **accrual basis assumption**, revenue is recognised in the period it is **earned** — when the service is provided — regardless of when the cash is received. So a credit fee is recorded as **Fees** revenue immediately, even though no cash has yet changed hands; the matching asset is **Accounts Receivable**, not Bank. The GST added is **owed to the ATO** from the moment the taxable supply is made, so it **increases** the GST liability in GST Clearing.

Money format. GST = **1/11** of a GST-inclusive amount is an **exact fraction** (equal to 10% of the GST-exclusive fee): a $660 GST-inclusive payment contains $660 ÷ 11 = $60 GST, and a $2 000 fee "plus GST" adds $200 GST for a $2 200 account receivable.

Ethical considerations. Credit transactions test the honesty of a business's records because the cash has not yet moved. Two temptations arise. First, on the revenue side, an owner may be tempted to record a **credit fee before the service has actually been provided** — inflating **Fees** revenue and **Accounts Receivable** to make the business look more profitable and its assets larger, for example before applying for a loan. This breaches the **accrual basis assumption** (revenue must be earned before it is recognised) and **faithful representation**, because the reports would no longer be complete, neutral and free from material error. Second, on the liabilities side, an owner may be tempted to **delay recording an amount owed to an account payable** so the business appears to owe less than it does. Both practices mislead the users who rely on the reports — a bank, the ATO or a prospective buyer. Acting with integrity means recording each credit fee **only when the service has been provided**, and recording **every** amount owed to accounts payable **in full and promptly**, so that revenue, assets and liabilities are all faithfully represented.

Worked model. Hartwell Bookkeeping is a service business. During February 2026 it **paid two creditors and two other payments**, and **earned three fees on credit**. Its two journals are:

Cash Payments Journal — Hartwell Bookkeeping (February 2026)

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Feb 4	Northgate Office Supplies	EFT 4101	880		880		
Feb 9	Wattle Stationery Supplies	EFT 4102	1 000	100	1 100		
Feb 16	Wages	EFT 4103	1 500				1 500
Feb 23	Rent expense	EFT 4104	660			60	600
Feb 28	**Totals**		**4 040**	**100**	**1 980**	**60**	**2 100**

Northgate is cleared for the full $880 (no discount); Wattle's $1 100 account is cleared for $1 000 cash plus $100 Discount revenue. Cross-check: Bank $4 040 + Discount $100 = $4 140 = Accounts Payable $1 980 + GST $60 + Sundries $2 100.

Sales/Fees Journal — Hartwell Bookkeeping (February 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Feb 5	Ashfield Medical Centre	Inv. 88	600	60	660
Feb 12	Rivergum Primary School	Inv. 89	1 200	120	1 320

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Feb 20	Brookside Apartments	Inv. 90	400	40	440
Feb 28	**Totals**		**2 200**	**220**	**2 420**

Each invoice creates an account receivable equal to Fees + GST. Cross-add: Fees $2 200 + GST $220 = $2 420 = Accounts Receivable $2 420, the total owed to Hartwell Bookkeeping by its debtors.

Worked examples (scaffolded)

Example 1 — payments to accounts payable in the Cash Payments Journal

Oakmont Physiotherapy is a service business that had earlier bought supplies on credit. During March 2026 it made the following payments. Record them in the Cash Payments Journal and total it.

- Mar 3: Paid Sterling Medical Supplies the full $770 owed; no discount was available (EFT 5201).
- Mar 8: Paid Claymore Cleaning Supplies $900 to settle the $990 owed, after a $90 settlement discount (EFT 5202).
- Mar 15: Paid wages, $1 800 (EFT 5203).
- Mar 22: Paid Wattle Stationery Supplies $500 to settle the $550 owed, after a $50 discount (EFT 5204).
- Mar 28: Paid March rent, $1 320 including GST (EFT 5205).

Working	Comment
Mar 3 Sterling $770: Bank $770; Accounts Payable $770.	With no discount, the cash paid equals the amount owed, so the creditor's account is cleared by $770.
Mar 8 Claymore: owed $990, discount $90 → cash $900. Bank $900, Discount revenue $90, Accounts Payable $990.	The **full $990** owed is removed from the creditor; the $90 saved is **Discount revenue**. No GST is adjusted on a settlement discount.
Mar 15 wages $1 800: Bank $1 800; Sundries $1 800.	Wages have no column of their own here, so they go to **Sundries**; wages carry no GST.
Mar 22 Wattle: owed $550, discount $50 → cash $500. Bank $500, Discount revenue $50, Accounts Payable $550.	A second creditor cleared in full for less cash, with $50 Discount revenue.
Mar 28 rent $1 320 incl GST: GST = 1 320 ÷ 11 = $120; rent $1 200 → Sundries. Bank $1 320.	A GST-inclusive expense splits 1/11 to **GST** and 10/11 to the expense in **Sundries**.
Totals & cross-check: Bank $5 290 + Disc $140 = $5 430; Accounts Payable $2 310 + GST $120 + Sundries $3 000 = $5 430.	The two sides match, so the journal is arithmetically sound.

Cash Payments Journal — Oakmont Physiotherapy (March 2026)

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Mar 3	Sterling Medical Supplies	EFT 5201	770		770		
Mar 8	Claymore Cleaning Supplies	EFT 5202	900	90	990		
Mar 15	Wages	EFT 5203	1 800				1 800
Mar 22	Wattle Stationery Supplies	EFT 5204	500	50	550		

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Mar 28	Rent expense	EFT 5205	1 320			120	1 200
Mar 31	**Totals**		**5 290**	**140**	**2 310**	**120**	**3 000**

Example 2 — recording credit fees in the Sales/Fees Journal

Silverbrook Surveying provides surveying services on credit. During April 2026 it issued the following sales invoices for services it had provided. Record them in the Sales/Fees Journal and total it.

- Apr 4: Camberwell Council, surveying fee $2 000 plus GST (Inv. 301).
- Apr 11: Harrington Estates, surveying fee $1 500 plus GST (Inv. 302).
- Apr 19: Nolan Building Group, surveying fee $3 000 plus GST (Inv. 303).
- Apr 26: Oakridge Winery, surveying fee $900 plus GST (Inv. 304).

Working	Comment
Apr 4 Camberwell $2 000 + GST: GST = 10% × $2 000 = $200; Accounts Receivable = $2 200.	The fee earned goes in **Fees**; the GST added to the invoice goes in **GST**; the debtor owes the GST-inclusive total, recorded in **Accounts Receivable**.
Apr 11 Harrington $1 500 + GST: GST $150; AR = 1 500 + 150 = $1 650.	Check each row: Accounts Receivable = Fees + GST.
Apr 19 Nolan $3 000 + GST: GST $300; AR $3 300.	The largest invoice creates the largest account receivable.
Apr 26 Oakridge $900 + GST: GST $90; AR $990.	GST is one-tenth of the fee, or one-eleventh of the $990 invoice.
Totals & cross-add: Fees $7 400 + GST $740 = $8 140 = Accounts Receivable $8 140.	Fees + GST equals the total owed by the debtors, so the journal cross-adds.

Sales/Fees Journal — Silverbrook Surveying (April 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Apr 4	Camberwell Council	Inv. 301	2 000	200	2 200
Apr 11	Harrington Estates	Inv. 302	1 500	150	1 650
Apr 19	Nolan Building Group	Inv. 303	3 000	300	3 300
Apr 26	Oakridge Winery	Inv. 304	900	90	990
Apr 30	**Totals**		**7 400**	**740**	**8 140**

Worked examples (unscaffolded)

Example 3 — a full month of payments, including two accounts payable

Ledgerline Accounting made the following payments in May 2026. Prepare the Cash Payments Journal.

- May 2: Paid Northgate Office Supplies the full $660 owed (EFT 6301).
- May 7: Paid Quillfeather Printing $1 200 to settle $1 320 owing, after a $120 discount (EFT 6302).
- May 14: Wages, $2 400 (EFT 6303).
- May 19: Owner’s drawings, $1 000 cash (EFT 6304).
- May 25: Paid Wattle Stationery Supplies $700 to settle $770 owing, after a $70 discount (EFT 6305).

- May 30: Electricity, $495 including GST (EFT 6306).

Northgate is cleared for $660 (no discount). Quillfeather's $1 320 and Wattle's $770 are each cleared in full for less cash, giving $120 and $70 Discount revenue. Wages and drawings carry no GST and go to Sundries; the electricity splits into $45 GST (495 ÷ 11) and $450 Sundries.

Cash Payments Journal — Ledgerline Accounting (May 2026)

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
May 2	Northgate Office Supplies	EFT 6301	660		660		
May 7	Quillfeather Printing	EFT 6302	1 200	120	1 320		
May 14	Wages	EFT 6303	2 400				2 400
May 19	Drawings	EFT 6304	1 000				1 000
May 25	Wattle Stationery Supplies	EFT 6305	700	70	770		
May 30	Electricity	EFT 6306	495			45	450
May 31	**Totals**		**6 455**	**190**	**2 750**	**45**	**3 850**

∴ total cash paid is $6 455, the accounts payable cleared total $2 750, and the journal cross-checks: 6 455 + 190 = 6 645 = 2 750 + 45 + 3 850.

Example 4 — a month of credit fees

Copperfield Consulting provided consulting services on credit during June 2026 and issued these sales invoices. Prepare the Sales/Fees Journal.

- Jun 3: Deacon Retail Group, consulting fee $1 800 plus GST (Inv. 410).
- Jun 10: Fairhaven Nursing Home, consulting fee $2 600 plus GST (Inv. 411).
- Jun 18: Glenroy Community Centre, consulting fee $1 100 plus GST (Inv. 412).
- Jun 24: Montrose Hotel, consulting fee $3 400 plus GST (Inv. 413).

Each fee adds 10% GST, and each account receivable is the GST-inclusive total: $1 980, $2 860, $1 210 and $3 740 respectively.

Sales/Fees Journal — Copperfield Consulting (June 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Jun 3	Deacon Retail Group	Inv. 410	1 800	180	1 980
Jun 10	Fairhaven Nursing Home	Inv. 411	2 600	260	2 860
Jun 18	Glenroy Community Centre	Inv. 412	1 100	110	1 210
Jun 24	Montrose Hotel	Inv. 413	3 400	340	3 740
Jun 30	**Totals**		**8 900**	**890**	**9 790**

∴ the credit fees earned total $8 900, the GST owed to the ATO on them is $890, and the journal cross-adds: 8 900 + 890 = 9 790 = Accounts Receivable $9 790.

Practice questions — scaffolded

Question 1

Pemberton Plumbing made the following payments in March 2026.

- Mar 2: Paid Redgum Hardware $1 100 to settle $1 210 owing, after a $110 discount (EFT 2101).
- Mar 10: Wages, $1 600 (EFT 2102).
- Mar 18: Paid Ironwood Trade Supplies the full $600 owed, with no discount (EFT 2103).
- Mar 27: Advertising, $330 including GST (EFT 2104).

a. Prepare the Cash Payments Journal for March, including totals.

b. State the total of the Accounts Payable column and the total Discount revenue.

c. Explain why the payment to Ironwood Trade Supplies earned no Discount revenue.

Question 2

Thornbury Tutoring provided tutoring on credit during April 2026 and issued these sales invoices.

- Apr 5: Rivergum Primary School, tutoring fee $700 plus GST (Inv. 51).
- Apr 13: K. Whitmore, tutoring fee $300 plus GST (Inv. 52).
- Apr 20: Brookside College, tutoring fee $1 200 plus GST (Inv. 53).
- Apr 27: L. Petrakis, tutoring fee $450 plus GST (Inv. 54).

a. Prepare the Sales/Fees Journal for April, including totals.

b. State the account receivable created by Inv. 53, and the total accounts receivable created in April.

c. State what the total of the GST column represents and the account it is posted to.

Question 3

Ashgrove Architecture made the following payments in May 2026.

- May 4: Bought office furniture for $3 300 including GST, paying cash (EFT 3301).
- May 11: Wages, $2 200 (EFT 3302).
- May 18: Paid Northgate Office Supplies $1 000 to settle $1 100 owing, after a $100 discount (EFT 3303).
- May 25: Owner's drawings, $800 cash (EFT 3304).

a. Prepare the Cash Payments Journal for May, including totals.

b. State the amount recorded in the Accounts Payable column for the Northgate payment, and the amounts recorded in the GST and Sundries columns for the office furniture.

c. Explain why the office furniture is recorded in Sundries as an asset rather than as an expense.

Question 4

Marigold Marketing provided marketing services on credit during June 2026 and issued these sales invoices.

- Jun 3: Deacon Retail Group, marketing fee $1 400 plus GST (Inv. 70).
- Jun 11: Sunderland Gym, marketing fee $900 plus GST (Inv. 71).
- Jun 19: Montrose Hotel, marketing fee $2 500 plus GST (Inv. 72).
- Jun 26: Ellsworth Motors, marketing fee $1 600 plus GST (Inv. 73).

a. Prepare the Sales/Fees Journal for June.

b. Total every column and prepare the bold Totals row.

c. Explain what the total of the Accounts Receivable column represents and state where it is posted.

Question 5

Castlemaine Cleaning made the following payments in July 2026.

- Jul 1: Wages, $2 600 (EFT 6501).
- Jul 5: Paid Claymore Cleaning Supplies $1 200 to settle $1 320 owing, after a $120 discount (EFT 6502).
- Jul 12: Paid Pinecrest Wholesalers the full $800 owed (EFT 6503).
- Jul 19: Rent, $2 200 including GST (EFT 6504).
- Jul 26: Owner's drawings, $1 500 cash (EFT 6505).

a. Prepare the Cash Payments Journal for July, including totals.

b. State the total cash paid (the Bank total) for July.

c. Show that the journal cross-checks by demonstrating that Bank + Discount revenue = Accounts Payable + GST + Sundries.

Question 6

Wexford Web Services provided web-design services on credit during August 2026 and issued these sales invoices.

- Aug 2: Halloran & Price Lawyers, web-design fee $2 000 plus GST (Inv. 90).
- Aug 9: Camberwell Council, web-design fee $3 500 plus GST (Inv. 91).
- Aug 16: Sunderland Gym, web-design fee $800 plus GST (Inv. 92).
- Aug 23: Oakridge Winery, web-design fee $1 200 plus GST (Inv. 93).

a. Prepare the Sales/Fees Journal for August, including totals.

b. State the account receivable created by Inv. 90 and by Inv. 91.

c. Explain why each fee is recorded as revenue in August, even though no cash has yet been received.

Practice questions — unscaffolded

Question 7

Delford Electrical made the following payments in September 2026: Sep 1 wages $1 900 (EFT 1701); Sep 8 paid Brightspark Electrical Wholesale $2 000 to settle $2 200 owing after a $200 discount (EFT 1702); Sep 15 paid Ironwood Trade Supplies the full $900 owed (EFT 1703); Sep 22 advertising $440 including GST (EFT 1704); Sep 29 owner's drawings $700 cash (EFT 1705). Prepare the Cash Payments Journal, and state the total accounts payable cleared, the total Discount revenue and the total cash paid.

Question 8

Halcyon Health Services provided services on credit during October 2026 and issued these sales invoices: Oct 3 Fairhaven Nursing Home $2 400 plus GST (Inv. 140); Oct 10 Ashfield Medical Centre $1 700 plus GST (Inv. 141); Oct 17 Glenroy Community Centre $1 300 plus GST (Inv. 142); Oct 24 Camberwell Council $2 900 plus GST (Inv. 143). Prepare the Sales/Fees Journal, and state the total accounts receivable created and the total of the GST column with the account it is posted to.

Question 9

Evanston Engineering made the following payments in November 2026: Nov 2 bought testing equipment for $7 700 including GST, cash (EFT 3901); Nov 8 paid Apex Auto Parts $1 500 to settle $1 650 owing after a $150 discount (EFT 3902); Nov 15 wages $2 800 (EFT 3903); Nov 22 repaid $4 000 of the loan principal to Redbank Finance (EFT 3904); Nov 29 owner's drawings $1 000 cash (EFT 3905). Prepare the Cash Payments Journal, and state the total cash paid, the total GST and the total accounts payable cleared.

Question 10

Bramble & Co Landscaping made the following payments in December 2026: Dec 1 wages $2 500 (EFT 4001); Dec 4 paid Verdant Garden Supplies $1 100 to settle $1 210 owing after a $110 discount (EFT 4002); Dec 9 bought a trailer for $3 300 including GST, cash (EFT 4003); Dec 14 paid Redgum Hardware the full $800 owed (EFT 4004); Dec 18 rent $1 320 including GST (EFT 4005); Dec 22 owner's drawings $1 400 cash (EFT 4006); Dec 24 wages $2 500 (EFT 4007). Prepare the Cash Payments Journal, state every column total, and demonstrate the cross-check.

Question 11

Driftwood Design Studio provided design services on credit during March 2026 and issued these sales invoices: Mar 4 Harrington Estates $3 200 plus GST (Inv. 170); Mar 10 Nolan Building Group $2 800 plus GST (Inv. 171); Mar 16 Montrose Hotel $1 500 plus GST (Inv. 172); Mar 23 Oakridge Winery $600 plus GST (Inv. 173); Mar 30 Deacon Retail Group $2 400 plus GST (Inv. 174). Prepare the Sales/Fees Journal and cross-add.

Question 12

Distinguish between fee revenue recorded in the **Cash Receipts Journal** and fee revenue recorded in the **Sales/Fees Journal**. In your answer, state the different asset each creates, and explain why both are recorded as revenue in the period the service is provided.

Question 13

Ravensworth Repairs provided repair services on credit during April 2026 and issued these sales invoices, each stated as a **GST-inclusive** total: Apr 2 Ellsworth Motors $1 320 (Inv. 210); Apr 9 Sunderland Gym $990 (Inv. 211); Apr 16 Montrose Hotel $2 750 (Inv. 212); Apr 23 Deacon Retail Group $1 650 (Inv. 213). Prepare the Sales/Fees Journal, splitting each GST-inclusive invoice into its Fees and GST, and state the total Fees and the total accounts receivable.

Question 14

The Cash Payments Journal of Fitzroy Fitness for May 2026 has the following column totals: Bank $9 400, Discount revenue $150, Accounts Payable $3 000, GST $350. The Sundries total has been smudged and cannot be read. Using the cross-check relationship, calculate the total of the Sundries column and state the rule you used.

Question 15

Glenhaven Veterinary provided veterinary services on credit during June 2026 and issued these sales invoices: Jun 3 Harrington Estates $2 200 plus GST (Inv. 300); Jun 10 Meadowbrook Farm $1 800 plus GST (Inv. 301); Jun 17 Camberwell Council $1 400 plus GST (Inv. 302); Jun 24 K. Whitmore $500 plus GST (Inv. 303). Prepare the Sales/Fees Journal, then explain why this service business's Sales/Fees Journal has **no Cost of Sales column**, unlike a trading firm's Sales Journal.

Question 16

Huntington IT Solutions made the following payments in July 2026: Jul 2 paid Pinecrest Wholesalers $2 000 to settle $2 200 owing after a $200 discount (EFT 3301); Jul 6 paid Northgate Office Supplies the full $660 owed, with no discount because the discount period had ended (EFT 3302); Jul 13 wages $3 100 (EFT 3303); Jul 20 owner's drawings $1 800 cash (EFT 3304); Jul 27 insurance $770 including GST (EFT 3305). Prepare the Cash Payments Journal, state the total Discount revenue, and explain why the payment to Northgate Office Supplies earned no Discount revenue.

Question 17

Explain what the total of the **GST** column in the Sales/Fees Journal represents, and how it affects the amount the business owes to the Australian Taxation Office through the GST Clearing account. Refer to at least one qualitative characteristic in your answer.

Question 18

Nadia, the owner of Brookvale Dental (a service business), is about to apply for a bank loan. To make the business's reports look stronger, she instructs the bookkeeper to record several credit fees in the Sales/Fees Journal for dental work that has been **booked but not yet performed**, and to **leave out** an amount the business owes to a supplier, Sterling Medical Supplies, until after the loan is approved. Discuss the ethical and reporting problems with these instructions, with reference to the **accrual basis assumption** and the qualitative characteristic of **faithful representation**. Explain how the credit fees and the amount owed should be recorded.

Answers

1.
   b. Accounts Payable $1 810; Discount revenue $110 c. see solutions (totals: Bank $3 630, Disc $110, AP $1 810, GST $30, Sundries $1 900)
2.
   b. Inv. 53 → $1 320; total accounts receivable $2 915 c. GST $265, posted to GST Clearing (Fees $2 650, GST $265, AR $2 915)
3.
   b. Northgate AP $1 100; furniture GST $300, Sundries $3 000 c. see solutions (totals: Bank $7 300, Disc $100, AP $1 100, GST $300, Sundries $6 000)
4.
   b. Fees $6 400, GST $640, Accounts Receivable $7 040 c. see solutions
5.
   b. Bank $8 300 c. 8 300 + 120 = 8 420 = 2 120 + 200 + 6 100 (Disc $120, AP $2 120, GST $200, Sundries $6 100)
6.
   b. Inv. 90 → $2 200; Inv. 91 → $3 850 c. see solutions (Fees $7 500, GST $750, AR $8 250)
7. Accounts payable cleared $3 100; Discount revenue $200; cash paid (Bank) $5 940 (GST $40, Sundries $3 000)
8. Total accounts receivable $9 130; GST $830, posted to GST Clearing (Fees $8 300)
9. Cash paid (Bank) $17 000; GST $700; accounts payable cleared $1 650 (Disc $150, Sundries $14 800)
10. Bank $12 920; Disc $110; AP $2 010; GST $420; Sundries $10 600; cross-check $13 030 = $13 030
11. Fees $10 500; GST $1 050; Accounts Receivable $11 550 (cross-adds to $11 550)
12. See solutions
13. Total Fees $6 100; total accounts receivable $6 710 (GST $610)
14. Sundries $6 200
15. Fees $5 900; GST $590; Accounts Receivable $6 490; no Cost of Sales column (see solutions)
16. Discount revenue $200; Northgate paid after the discount period (see solutions) (Bank $8 330, AP $2 860, GST $70, Sundries $5 600)
17. See solutions
18. See solutions (discussion)

Fully-worked solutions

Question 1

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Mar 2	Redgum Hardware	EFT 2101	1 100	110	1 210		
Mar 10	Wages	EFT 2102	1 600				1 600
Mar 18	Ironwood Trade Supplies	EFT 2103	600		600		
Mar 27	Advertising	EFT 2104	330			30	300
Mar 31	**Totals**		**3 630**	**110**	**1 810**	**30**	**1 900**

b. Accounts Payable total = 1 210 + 600 = **$1 810**; Discount revenue = **$110**.

c. The payment to **Ironwood Trade Supplies** earned no Discount revenue because **no settlement discount was available** — the business paid the **full $600** owed (Bank $600 = Accounts Payable $600), so the Discount revenue column is left blank for that row. Discount revenue arises only when a supplier rewards prompt payment by accepting less cash than the amount owed.

Question 2

Sales/Fees Journal — Thornbury Tutoring (April 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Apr 5	Rivergum Primary School	Inv. 51	700	70	770
Apr 13	K. Whitmore	Inv. 52	300	30	330
Apr 20	Brookside College	Inv. 53	1 200	120	1 320
Apr 27	L. Petrakis	Inv. 54	450	45	495
Apr 30	**Totals**		**2 650**	**265**	**2 915**

b. Inv. 53 (Brookside College) creates an account receivable of **$1 320** (1 200 + 120). The total accounts receivable created in April = **$2 915** (the Accounts Receivable column total).

c. The GST column total (**$265**) is the **GST charged on the credit fees**, which the business owes to the ATO. It is posted to the **GST Clearing** account (increasing the GST liability). Cross-add: Fees $2 650 + GST $265 = $2 915 = Accounts Receivable $2 915.

Question 3

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
May 4	Office furniture	EFT 3301	3 300			300	3 000
May 11	Wages	EFT 3302	2 200				2 200
May 18	Northgate Office Supplies	EFT 3303	1 000	100	1 100		
May 25	Drawings	EFT 3304	800				800
May 31	**Totals**		**7 300**	**100**	**1 100**	**300**	**6 000**

b. Northgate: **Accounts Payable $1 100** (cleared in full for $1 000 cash + $100 discount). Office furniture: **GST $300** (3 300 ÷ 11) and **Sundries $3 000** (3 300 × 10/11).

c. Office furniture is a **non-current asset**: it provides economic benefit to the business for **more than one reporting period**, so its GST-exclusive cost is recorded as an **asset** (in Sundries, against the Office furniture account) and reported in the **Balance Sheet**. It is not an expense; only its consumption over time (depreciation) becomes an expense.

Question 4

Sales/Fees Journal — Marigold Marketing (June 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Jun 3	Deacon Retail Group	Inv. 70	1 400	140	1 540
Jun 11	Sunderland Gym	Inv. 71	900	90	990
Jun 19	Montrose Hotel	Inv. 72	2 500	250	2 750
Jun 26	Ellsworth Motors	Inv. 73	1 600	160	1 760
Jun 30	**Totals**		**6 400**	**640**	**7 040**

b. Totals as shown (bold row): Fees **$6 400**, GST **$640**, Accounts Receivable **$7 040**.

c. The Accounts Receivable column total (**$7 040**) is the **total amount owed to the business by its credit customers** for services provided in June. It is posted to the **Accounts Receivable** account, increasing that asset in the Balance Sheet. (Check: Fees $6 400 + GST $640 = $7 040.)

Question 5

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Jul 1	Wages	EFT 6501	2 600				2 600
Jul 5	Claymore Cleaning Supplies	EFT 6502	1 200	120	1 320		
Jul 12	Pinecrest Wholesalers	EFT 6503	800		800		
Jul 19	Rent expense	EFT 6504	2 200			200	2 000
Jul 26	Drawings	EFT 6505	1 500				1 500
Jul 31	**Totals**		**8 300**	**120**	**2 120**	**200**	**6 100**

b. Total cash paid (Bank) = **$8 300**.

c. Cross-check: Bank + Discount revenue = 8 300 + 120 = **$8 420**; Accounts Payable + GST + Sundries = 2 120 + 200 + 6 100 = **$8 420**. The two sides are equal, so the journal cross-checks.

Question 6

Sales/Fees Journal — Wexford Web Services (August 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Aug 2	Halloran & Price Lawyers	Inv. 90	2 000	200	2 200
Aug 9	Camberwell Council	Inv. 91	3 500	350	3 850
Aug 16	Sunderland Gym	Inv. 92	800	80	880
Aug 23	Oakridge Winery	Inv. 93	1 200	120	1 320
Aug 31	**Totals**		**7 500**	**750**	**8 250**

b. Inv. 90 (Halloran & Price Lawyers) creates an account receivable of **$2 200**; Inv. 91 (Camberwell Council) creates **$3 850**.

c. Under the **accrual basis assumption**, revenue is recognised when it is **earned** — when the service is provided — not when the cash is received. Wexford Web Services completed and invoiced each web-design job in August, so the fee is **earned** in August and is recorded as **Fees** revenue then, with the matching asset being **Accounts Receivable** (the debtor's promise to pay) rather than Bank.

Question 7

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Sep 1	Wages	EFT 1701	1 900				1 900
Sep 8	Brightspark Electrical Wholesale	EFT 1702	2 000	200	2 200		
Sep 15	Ironwood Trade	EFT 1703	900		900		

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
	Supplies						
Sep 22	Advertising	EFT 1704	440			40	400
Sep 29	Drawings	EFT 1705	700				700
Sep 30	**Totals**		**5 940**	**200**	**3 100**	**40**	**3 000**

Accounts payable cleared = 2 200 + 900 = **$3 100**; Discount revenue = **$200**; cash paid (Bank) = **$5 940**. Cross-check: 5 940 + 200 = 6 140 = 3 100 + 40 + 3 000.

Question 8

Sales/Fees Journal — Halcyon Health Services (October 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Oct 3	Fairhaven Nursing Home	Inv. 140	2 400	240	2 640
Oct 10	Ashfield Medical Centre	Inv. 141	1 700	170	1 870
Oct 17	Glenroy Community Centre	Inv. 142	1 300	130	1 430
Oct 24	Camberwell Council	Inv. 143	2 900	290	3 190
Oct 31	**Totals**		**8 300**	**830**	**9 130**

Total accounts receivable created = **$9 130**; GST total = **$830**, posted to the **GST Clearing** account. Cross-add: 8 300 + 830 = 9 130.

Question 9

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Nov 2	Testing equipment	EFT 3901	7 700			700	7 000
Nov 8	Apex Auto Parts	EFT 3902	1 500	150	1 650		
Nov 15	Wages	EFT 3903	2 800				2 800
Nov 22	Loan – Redbank Finance	EFT 3904	4 000				4 000
Nov 29	Drawings	EFT 3905	1 000				1 000
Nov 30	**Totals**		**17 000**	**150**	**1 650**	**700**	**14 800**

Cash paid (Bank) = **$17 000**; GST = **$700** (only the testing equipment carried GST); accounts payable cleared = **$1 650**. Cross-check: 17 000 + 150 = 17 150 = 1 650 + 700 + 14 800.

Question 10

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Dec 1	Wages	EFT 4001	2 500				2 500

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Dec 4	Verdant Garden Supplies	EFT 4002	1 100	110	1 210		
Dec 9	Trailer	EFT 4003	3 300			300	3 000
Dec 14	Redgum Hardware	EFT 4004	800		800		
Dec 18	Rent expense	EFT 4005	1 320			120	1 200
Dec 22	Drawings	EFT 4006	1 400				1 400
Dec 24	Wages	EFT 4007	2 500				2 500
Dec 31	**Totals**		**12 920**	**110**	**2 010**	**420**	**10 600**

Column totals: Bank **$12 920**, Discount revenue **$110**, Accounts Payable **$2 010**, GST **$420**, Sundries **$10 600**. Cross-check: 12 920 + 110 = **$13 030** = 2 010 + 420 + 10 600 = **$13 030**.

Question 11

Sales/Fees Journal — Driftwood Design Studio (March 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Mar 4	Harrington Estates	Inv. 170	3 200	320	3 520
Mar 10	Nolan Building Group	Inv. 171	2 800	280	3 080
Mar 16	Montrose Hotel	Inv. 172	1 500	150	1 650
Mar 23	Oakridge Winery	Inv. 173	600	60	660
Mar 30	Deacon Retail Group	Inv. 174	2 400	240	2 640
Mar 31	**Totals**		**10 500**	**1 050**	**11 550**

Cross-add: Fees $10 500 + GST $1 050 = **$11 550** = Accounts Receivable $11 550. The journal cross-adds.

Question 12

Both journals record **fee revenue** earned by the service business, but they differ in **how the customer pays** and therefore in the **asset created**.

- Fees recorded in the **Cash Receipts Journal** are **cash fees**: the customer pays immediately, so the asset created is **Bank** (cash), and the GST-inclusive amount is banked at once.
- Fees recorded in the **Sales/Fees Journal** are **credit fees**: the customer is invoiced and pays later, so the asset created is **Accounts Receivable** (a debtor), and no cash is received when the service is provided.

Both are recorded as **Fees revenue in the period the service is provided**, because under the **accrual basis assumption** revenue is recognised when it is **earned** (the service is delivered), regardless of when the cash is received. The difference is only in the offsetting asset — Bank for a cash fee, Accounts Receivable for a credit fee.

Question 13

Split each GST-inclusive invoice: GST = invoice ÷ 11, Fees = invoice − GST. $1 320 → GST $120, Fees $1 200; $990 → GST $90, Fees $900; $2 750 → GST $250, Fees $2 500; $1 650 → GST $150, Fees $1 500.

Sales/Fees Journal — Ravensworth Repairs (April 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Apr 2	Ellsworth Motors	Inv. 210	1 200	120	1 320
Apr 9	Sunderland Gym	Inv. 211	900	90	990
Apr 16	Montrose Hotel	Inv. 212	2 500	250	2 750
Apr 23	Deacon Retail Group	Inv. 213	1 500	150	1 650
Apr 30	**Totals**		**6 100**	**610**	**6 710**

Total Fees = **$6 100**; total accounts receivable = **$6 710**. (Each Accounts Receivable figure equals the GST-inclusive invoice; cross-add 6 100 + 610 = 6 710.)

Question 14

The cross-check rule is **Total Bank + Total Discount revenue = Total Accounts Payable + Total GST + Total Sundries**. Rearranging for the missing figure:

Sundries = Bank + Discount revenue − Accounts Payable − GST = 9 400 + 150 − 3 000 − 350 = **$6 200**.

Question 15

Sales/Fees Journal — Glenhaven Veterinary (June 2026)

Date 2026	Debtor	Inv. No.	Fees $	GST $	Accounts Receivable $
Jun 3	Harrington Estates	Inv. 300	2 200	220	2 420
Jun 10	Meadowbrook Farm	Inv. 301	1 800	180	1 980
Jun 17	Camberwell Council	Inv. 302	1 400	140	1 540
Jun 24	K. Whitmore	Inv. 303	500	50	550
Jun 30	**Totals**		**5 900**	**590**	**6 490**

Glenhaven Veterinary's Sales/Fees Journal has **no Cost of Sales column** because it is a **service business** that holds **no inventory**: it earns revenue by providing a service, so each credit sale has **no cost of inventory** to assign. A **trading firm's** Sales Journal records **two** effects of each credit sale — the **Sales revenue (and GST)** owed by the debtor, *and* the **Cost of Sales** of the inventory handed over (which reduces the Inventory asset). A service business records only the **Fees** earned and the **GST**; the account receivable it creates is simply Fees + GST.

Question 16

Date 2026	Details	Chq/EFT	Bank $	Discount revenue $	Accounts Payable $	GST $	Sundries $
Jul 2	Pinecrest Wholesalers	EFT 3301	2 000	200	2 200		
Jul 6	Northgate Office Supplies	EFT 3302	660		660		
Jul 13	Wages	EFT 3303	3 100				3 100
Jul 20	Drawings	EFT 3304	1 800				1 800
Jul 27	Insurance	EFT 3305	770			70	700
Jul 31	**Totals**		**8 330**	**200**	**2 860**	**70**	**5 600**

Total Discount revenue = **$200** (on the Pinecrest payment only). The payment to **Northgate Office Supplies** earned no Discount revenue because it was made **after the supplier's settlement-discount period had ended** — no discount was available, so the business paid the **full $660** owed (Bank $660 = Accounts Payable $660) and left the Discount revenue column blank for that row. Cross-check: 8 330 + 200 = 8 530 = 2 860 + 70 + 5 600.

Question 17

The total of the **GST** column in the Sales/Fees Journal is the **total GST the business has charged its credit customers** on the fees it has invoiced for the period. This GST is **collected on behalf of the ATO**, so it **increases the amount the business owes the ATO**, recorded as a credit to the **GST Clearing** account (a liability). The business owes this GST from the moment the **taxable supply** is made — when the service is provided and invoiced — even though the cash has not yet been received from the debtor. Recording it accurately upholds **faithful representation**: the GST liability owed to the ATO is neither overstated nor understated, so the reports are complete, neutral and free from material error. It also supports **relevance**, since a correctly stated GST obligation is decision-useful to the owner managing the business's future cash outflow to the ATO.

Question 18

Under the **accrual basis assumption**, revenue may be recognised **only when it has been earned** — that is, when the service has actually been provided. The dental work that has been **booked but not yet performed** has **not** been earned, so recording it now as a credit fee in the Sales/Fees Journal would **overstate Fees revenue and overstate Accounts Receivable**, reporting an asset (a debtor) that does not yet exist. Likewise, an amount the business **owes** to Sterling Medical Supplies is a present liability; **leaving it out** until after the loan is approved would **understate Accounts Payable and understate the business's liabilities**, making the business appear to owe less than it does.

Both instructions breach **faithful representation**: the reports would no longer be **complete** (a liability is omitted), **neutral** (they are deliberately slanted to obtain the loan) or **free from material error** (revenue and assets are inflated, liabilities understated). They would **mislead the bank**, which relies on the reports to judge whether Brookvale Dental can repay the loan — a decision based on a distorted picture of the business's performance and financial position. Deliberately misrepresenting the reports to obtain finance is also **dishonest** and exposes both Nadia and the bookkeeper, who has a professional and ethical obligation to **refuse** to make the entries.

The correct treatment is: record each credit fee in the Sales/Fees Journal **only when the dental work has actually been performed and invoiced** (Fees + GST, creating the account receivable then); and record the amount owed to **Sterling Medical Supplies as an account payable in full, when it is incurred**, so that liabilities are complete. Prepared this way, revenue, assets and liabilities are all **faithfully represented**, and the bank receives a true account of the business on which to base its decision.

Chapter 9 Credit transactions — 9C Receipts from accounts receivable; the Statement of Account

Theory

When a service business supplies a fee **on account** it issues a **sales invoice**, earning revenue now but agreeing to be paid **later**. The customer who owes the money becomes an **account receivable** (a **debtor**), an **asset** of the business — the right to collect cash in the future. Section 9B recorded those credit fees and the account receivable they create. This section records what happens when the debtor finally **pays**: the cash **received** from an account receivable, and the **Statement of Account** the business sends each debtor to summarise their account.

Recording a receipt from an account receivable. Every receipt of cash — whoever it comes from — is recorded first in the **Cash Receipts Journal (CRJ)**, evidenced by a sequentially numbered **receipt**. A receipt from a debtor is analysed differently from a cash fee, because **no new revenue is earned**: the revenue (and its GST) was recognised back when the fee was first invoiced. Collecting the debt simply **converts one asset into another** — the **Bank** asset rises and the **Accounts Receivable** asset falls by the same amount. So a receipt from an account receivable:

- puts the cash actually banked in the **Bank** column;
- puts the amount the debtor's account is **cleared by** in the **Sundries** column, named **Accounts Receivable** (or the debtor's name);
- carries **no GST** — the GST was already collected on the original invoice.

Settlement discount (discount expense). To encourage debtors to pay promptly, a business may offer a **settlement discount** — a small reduction if the account is paid within a stated period. When a debtor takes the discount they pay **less cash** than they owed, yet their account must still be **cleared in full**. The difference is a **discount expense** — the cost of collecting early — recorded in its own **Discount expense** column. For a receipt from an account receivable:

Bank + Discount expense = the amount of Accounts Receivable cleared (Sundries).

A settlement discount is a reward for prompt payment, not a change to the price of the service, so the study design **excludes GST from settlement discounts**. The GST recorded when the fee was invoiced is **not** adjusted, and nothing is entered in the GST column for the discount. **Discount expense** reduces net profit even though no cash leaves the business.

Column structure. The service-business Cash Receipts Journal has the columns below; a receipt from a debtor uses only **Bank**, **Discount expense** (if a discount is allowed) and **Sundries**:

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
…	*debtor's name*	…	*cash banked*	*discount allowed*			*Accounts Receivable cleared*

At period end every money column is totalled and the journal must **cross-add**: **Bank total + Discount expense total = Fees total + GST total + Sundries total.** The **Sundries** items are posted **individually** to Accounts Receivable (and each debtor's subsidiary record), never as one figure.

Clearing the debtor's account. Recording the receipt reduces the debtor's balance in the business's **accounts-receivable record**. A debtor who owed $440 and pays $432 with an $8 discount has their account **cleared by $440** ($432 + $8) — the balance owing falls to nil. If the debtor pays only part of what they owe, only that part clears and a balance remains outstanding.

The Statement of Account. A **Statement of Account** is a periodic (usually **monthly**) summary a business **sends to each of its account customers**, setting out everything that has happened on that debtor's account for the period: the **opening balance owing**, every **invoice** (credit fee) charged, every **credit note** issued, every **receipt** of cash, any **settlement discount** allowed, and the **closing balance owing**. It is presented as a **running balance**. Because the debtor is an **asset**, a **charge** (an invoice) is a **debit** that **raises** the balance owing, while a **credit note**, a **receipt** and a **settlement discount** are **credits** that **reduce** it:

running balance = previous balance + Debit − Credit

so that **opening balance + total charges − total credits and receipts = closing balance owing**.

A Statement of Account **does not record a new transaction and triggers no new entry** — every line has already been evidenced by an invoice, a credit note or a receipt. Its purpose is to be **checked**: it tells the customer exactly what they owe and lets both parties **reconcile** the account.

Worked model. *Brookvale Cleaning Co* is a service business. Its debtor *Marlin Cafe* owed $440 at 1 May 2025. During May, Brookvale issued **Invoice 101** for a $800 cleaning fee plus $80 GST ($880), issued **Credit Note 9** for $88 (an agreed $80 allowance plus $8 GST), and on 22 May received $432 from Marlin (**Receipt 52**) in settlement of the $440 opening balance, allowing an $8 discount. The receipt is recorded in the Cash Receipts Journal:

Cash Receipts Journal — Brookvale Cleaning Co (May 2025)

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
3 May	Cash fees	51	990		900	90	
22 May	Marlin Cafe	52	432	8			440
28 May	Ridge Dental	53	700				700
	Totals		**2 122**	**8**	**900**	**90**	**1 140**

Marlin's receipt clears $432 + $8 = **$440** of Accounts Receivable (no GST); Ridge Dental pays its $700 account in full with no discount. The month-end Statement of Account Brookvale sends Marlin Cafe gathers **all** of Marlin's activity:

Statement of Account — Brookvale Cleaning Co (to Marlin Cafe, as at 31 May 2025)

Date 2025	Details	Debit $	Credit $	Balance $
1 May	Balance owing			440
8 May	Invoice 101	880		1 320
15 May	Credit Note 9		88	1 232
22 May	Receipt 52		432	800
22 May	Discount allowed		8	792
31 May	**Closing balance owing**			**792**

Reading down the balance column, $440 + $880 − $88 − $432 − $8 = **$792** still owing at month end. Marlin has settled its $440 opening balance (with the $8 discount) and now owes for **Invoice 101** less **Credit Note 9**. If Marlin's own records agree with $792, the account is verified.

Reconciling and interpreting a Statement of Account. When a customer receives a Statement of Account they **check it against their own records** of that account. A difference is investigated — it is usually one of:

- an **unrecorded credit note** — the business has allowed the customer a credit note that the customer has not yet entered, so the customer's balance is temporarily higher than the statement;
- a **payment in transit (timing difference)** — the customer has paid near month-end but the business had not processed the payment when it drew up the statement, so the statement is temporarily higher;
- an **error on the statement** — for example an invoice omitted from, or duplicated on, the statement.

Reconciling explains every difference and confirms the true balance owing. Checking the statement is a valuable **internal control**: it catches errors, omitted credit notes and even fraudulent charges before money changes hands, protecting both the business (which is owed the right amount) and the customer (who pays only what they genuinely owe).

Ethical considerations. Because a Statement of Account both **collects money** from customers and **relies on a debtor's trust**, the business has an ethical duty to make it a **faithful representation** of the account — complete, neutral and free from bias. It is dishonest (and unlawful) to leave a genuine **credit note off** a customer's statement so the customer overpays, to **add a charge for which no invoice was issued**, or to **repeat** an invoice already billed. Equally, when a debtor pays, the full amount received must be recorded in the Cash Receipts Journal and the debtor's account cleared by exactly what was collected; recording a **fictitious settlement discount** to understate the cash banked (and divert the difference) understates revenue collected and misstates both parties' records. Under **verifiability**, every line on a statement should be traceable to a genuine invoice, credit note or receipt, so that the customer can confirm it independently. Acting with integrity means issuing accurate statements, investigating every discrepancy honestly, and clearing each debtor's account by the true amount received.

Worked examples (scaffolded)

Example 1 — recording receipts from accounts receivable in the Cash Receipts Journal

Cedar Lawn Care recorded the following receipts in June 2025: 5 June, cash lawn-care fees $700 plus GST (**Rec. 60**); 12 June, $735 from the debtor *Waverley Motel*, allowed a $15 settlement discount on its $750 account (**Rec. 61**); 20 June, $480 from the debtor *T. Okafor* in full settlement of their $480 account, with **no** discount (**Rec. 62**); 27 June, $960 from the debtor *Belmont Clinic*, allowed a $40 discount on its $1 000 account (**Rec. 63**). Record the receipts, total the columns and cross-add.

Working	Comment
5 Jun — Cash fees $700 + GST (Rec. 60): GST = $70; Bank $770; Fees $700; GST $70.	Cash fee revenue earned now — the only receipt here that carries GST.
12 Jun — Waverley Motel (Rec. 61): Bank $735; Discount expense $15; Sundries $750 (Accounts Receivable).	$735 + $15 = $750 clears the debtor's account. No GST on the discount; no new revenue.
20 Jun — T. Okafor (Rec. 62): Bank $480; Sundries $480 (Accounts Receivable).	Paid in full with no discount, so Bank alone clears the $480 account; nothing in Discount expense.
27 Jun — Belmont Clinic (Rec. 63): Bank $960; Discount expense $40; Sundries $1 000 (Accounts Receivable).	$960 + $40 = $1 000 cleared; again no GST on the settlement discount.
Cross-add: Bank $2 945 + Discount $55 = $3 000 = Fees $700 + GST $70 + Sundries $2 230.	The two sides agree, so the analysis is complete.

Cash Receipts Journal — Cedar Lawn Care (June 2025)

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
5 Jun	Cash fees	60	770		700	70	
12 Jun	Waverley Motel	61	735	15			750
20 Jun	T. Okafor	62	480				480
27 Jun	Belmont Clinic	63	960	40			1 000
	Totals		**2 945**	**55**	**700**	**70**	**2 230**

The three receipts from accounts receivable cleared $750, $480 and $1 000 of debtor balances; the Sundries total of $2 230 is posted to **Accounts Receivable** (and to each debtor's subsidiary record).

Example 2 — preparing a Statement of Account (running balance)

Ironbark Plumbing prepares the month-end Statement of Account it will send its debtor *Hillside Apartments* for July 2025. Hillside owed $550 at 1 July. During July: 6 July, **Invoice 210** for a $900 plumbing fee plus $90 GST ($990); 13 July, **Credit Note 14** for $132 (an agreed $120 allowance plus $12 GST); 21 July, **Receipt 88** of $539 in settlement of the $550 opening balance, allowing an $11 discount. Prepare the Statement of Account and state the closing balance owing.

Working	Comment
Start from the **opening balance owing $550** (the debit balance brought forward from June).	The debtor is an asset, so it opens with a balance *owing to* the business.
6 Jul — Invoice 210 $990 (Debit): 550 + 990 = **$1 540**.	A credit fee is a **charge** — a debit that raises the balance owing.
13 Jul — Credit Note 14 $132 (Credit): 1 540 − 132 = **$1 408**.	A credit note reduces what the debtor owes.
21 Jul — Receipt 88 $539 (Credit): 1 408 − 539 = **$869**.	Cash received reduces the balance owing.
21 Jul — Discount allowed $11 (Credit): 869 − 11 = **$858**.	Receipt $539 + discount $11 = $550 clears the July-opening balance.

Statement of Account — Ironbark Plumbing (to Hillside Apartments, as at 31 July 2025)

Date 2025	Details	Debit $	Credit $	Balance $
1 Jul	Balance owing			550
6 Jul	Invoice 210	990		1 540
13 Jul	Credit Note 14		132	1 408
21 Jul	Receipt 88		539	869
21 Jul	Discount allowed		11	858
31 Jul	**Closing balance owing**			**858**

The **closing balance owing at 31 July is $858** ($550 + $990 − $132 − $539 − $11). Hillside has cleared its $550 opening balance and now owes for Invoice 210 less Credit Note 14.

Worked examples (unscaffolded)

Example 3 — reconciling a Statement of Account

Vantage Security sends the Statement of Account below to its debtor *Parkline Offices* for August 2025. Parkline's own records show that it owes Vantage $1 320. Verify the statement's closing balance, then identify and explain the discrepancy and state what Parkline must do.

Statement of Account — Vantage Security (to Parkline Offices, as at 31 August 2025)

Date 2025	Details	Debit $	Credit $	Balance $
1 Aug	Balance owing			484
9 Aug	Invoice 305	1 320		1 804
18 Aug	Receipt 121		484	1 320
27 Aug	Credit Note 22		220	1 100
31 Aug	**Closing balance owing**			**1 100**

Footing the balance column: $484 + $1 320 − $484 − $220 = **$1 100**, so the statement is internally correct. Parkline's own record, however, shows **$1 320** owing — a discrepancy of $1 320 − $1 100 = **$220**. The difference is exactly **Credit Note 22**, issued by Vantage on 27 August: Vantage has recorded the $220 allowance (and reduced Parkline's account), but Parkline has **not yet entered** the credit note in its own records. This is not an error on the statement — it is a genuine credit note Parkline has overlooked.

∴ the statement foots to **$1 100**; the $220 discrepancy is **Credit Note 22 not yet recorded by Parkline**, which Parkline must now record (reducing what it owes Vantage), after which both records agree at $1 100.

Example 4 — a receipt from a debtor: the journal line and the Statement of Account together

Meadow Consulting's debtor *Foxglove Retail* owed $1 650 at 1 September 2025. On 8 September Meadow issued **Invoice 410** for a $1 500 consulting fee plus $150 GST ($1 650). On 20 September Foxglove paid $1 620 (**Receipt 90**) in settlement of its $1 650 opening balance, allowed a $30 discount. Record the 20 September receipt in the Cash Receipts Journal and prepare the Statement of Account for September.

The receipt clears $1 620 + $30 = $1 650 of Accounts Receivable, with no GST on the discount:

Cash Receipts Journal (extract) — Meadow Consulting (September 2025)

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
20 Sep	Foxglove Retail	90	1 620	30			1 650

Statement of Account — Meadow Consulting (to Foxglove Retail, as at 30 September 2025)

Date 2025	Details	Debit $	Credit $	Balance $
1 Sep	Balance owing			1 650
8 Sep	Invoice 410	1 650		3 300
20 Sep	Receipt 90		1 620	1 680
20 Sep	Discount allowed		30	1 650
30 Sep	**Closing balance owing**			**1 650**

∴ the receipt banks $1 620 and clears the $1 650 opening balance (Bank $1 620 + Discount $30); Foxglove now owes **$1 650** — the amount of Invoice 410, still unpaid at month end.

Practice questions — scaffolded

Question 1

Rosewood Gardening recorded in October 2025: 4 October, cash gardening fees $600 plus GST (**Rec. 1**); 11 October, $980 from the debtor *Lakeview Motel*, allowed a $20 discount on its $1 000 account (**Rec. 2**); 19 October, $350 from the debtor *C. Nguyen* in full settlement of their $350 account, with no discount (**Rec. 3**); 26 October, $588 from the debtor *Aspen Offices*, allowed a $12 discount on its $600 account (**Rec. 4**).

a. Prepare the Cash Receipts Journal for October, with a bold Totals row.

b. State the amount by which each debtor's account is cleared.

c. Show that the journal cross-adds (Bank + Discount expense = Fees + GST + Sundries).

Question 2

Harbourview Legal's debtor *Seagrove Cafe* owed $396 at 1 November 2025. During November: 7 November, **Invoice 55** for a $700 fee plus $70 GST ($770); 16 November, **Credit Note 8** for $55; 24 November, **Receipt 63** of $388 in settlement of the $396 opening balance, allowing an $8 discount.

a. Prepare the Statement of Account that Harbourview sends Seagrove Cafe for November (Date, Details, Debit, Credit, Balance).

b. State the closing balance owing at 30 November.

c. Explain the effect of **Invoice 55** on Seagrove Cafe's balance, and state why it is recorded in the Debit column.

Question 3

Brightside Tutoring sends the Statement of Account below to its debtor *Rowan College* for December 2025. Rowan's own records show it owes Brightside $1 100.

Statement of Account — Brightside Tutoring (to Rowan College, as at 31 December 2025)

Date 2025	Details	Debit $	Credit $	Balance $
1 Dec	Balance owing			550
8 Dec	Invoice 120	1 100		1 650
20 Dec	Receipt 200		550	1 100
28 Dec	Credit Note 15		165	935
31 Dec	**Closing balance owing**			**935**

a. Verify the statement's closing balance owing.

b. Calculate the discrepancy between the statement and Rowan's own records, and state its most likely cause.

c. State what Rowan College must do so that its records agree with the statement.

Question 4

Clifftop Cleaning's debtor *Marigold Spa* owed $1 250 at 1 March 2026. On 12 March Clifftop issued **Invoice 70** for an $800 fee plus $80 GST ($880). On 24 March Marigold paid $1 225 (**Receipt 40**) in settlement of its $1 250 opening balance, allowed a $25 discount.

a. Prepare the Statement of Account for March and state the closing balance owing.

b. State the amount by which Marigold's account is reduced on 24 March, and show how it relates to the Bank and Discount expense columns of the Cash Receipts Journal.

c. Record the 24 March receipt as the single line it forms in the Cash Receipts Journal.

Question 5

Ferndale Physio sends its debtor *Oakridge Gym* the following Statement of Account for April 2026. Some balances are missing.

Statement of Account — Ferndale Physio (to Oakridge Gym, as at 30 April 2026)

Date 2026	Details	Debit $	Credit $	Balance $
1 Apr	Balance owing			484
6 Apr	Invoice 88	1 210		?
15 Apr	Credit Note 10		110	?
23 Apr	Receipt 77		484	?
30 Apr	**Closing balance owing**			**?**

a. Complete the Balance column and state the closing balance owing at 30 April.

b. Calculate the GST included in **Invoice 88** and in **Credit Note 10**.

c. Explain why the Statement of Account itself does not create an entry in Oakridge Gym's records.

Question 6

Willowfield Bookkeeping is a service business.

a. Explain what a **Statement of Account** sent to a customer shows, and state its purpose.

b. Explain why a **settlement discount** allowed to a debtor carries **no GST**.

c. A debtor telephones to query a $66 charge on its statement, saying it never received an invoice for it. Explain how Willowfield should respond, and describe the **internal-control** role the Statement of Account plays.

Practice questions — unscaffolded

Question 7

Sandpiper Signs recorded in May 2026: 2 May, cash sign-writing fees $840 plus GST (**Rec. 100**); 9 May, $882 from the debtor *Bayside Retail*, allowed an $18 discount on its $900 account (**Rec. 101**); 17 May, $1 200 from the debtor *Forsyth Legal* in full settlement of its $1 200 account, no discount (**Rec. 102**); 25 May, $1 078 from the debtor *Cove Clinic*, allowed a $22 discount on its $1 100 account (**Rec. 103**). Prepare the Cash Receipts Journal, and state the Bank total and the total discount expense.

Question 8

Redgum Consulting's debtor *Marlowe Estates* owed $1 320 at 1 June 2026. During June: 7 June, **Invoice 300** for a $2 000 fee plus $200 GST ($2 200); 15 June, **Credit Note 30** for $220; 23 June, **Receipt 140** of $1 287 in settlement of the $1 320 opening balance, allowing a $33 discount. Prepare the Statement of Account Redgum sends Marlowe Estates for June and state the closing balance owing.

Question 9

Trailhead Tours sends its debtor *Cedar Lodge* a Statement of Account for July 2026 showing: opening balance owing $660; 8 July Invoice 210 $1 650; 19 July Receipt 90 $660; closing balance owing $1 650. Cedar Lodge's own records show it owes Trailhead $1 100, because Cedar made a $550 EFT payment on 30 July. Verify the statement's closing balance, explain the $550 discrepancy, and state whether it is an error or a timing difference.

Question 10

The Statement of Account that *Kestrel IT* sends its debtor *Brightleaf Dental* for August 2026 shows a closing balance owing of $924. During August the account had one invoice for $1 320 (GST-inclusive), one credit note for $110, and one receipt of $825 which, with a $15 settlement discount allowed, cleared $840 of the account. Calculate the **opening balance owing** at 1 August.

Question 11

Willowbrook Catering recorded in September 2026: 1 September, cash catering fees $1 200 plus GST (**Rec. 200**); 8 September, $1 960 from the debtor *Grandview Venues*, allowed a $40 discount on its $2 000 account (**Rec. 201**); 16 September, commission revenue $300 plus GST (**Rec. 202**); 22 September, $1 176 from the debtor *Lakeshore Weddings*, allowed a $24 discount on its $1 200 account (**Rec. 203**); 29 September, $500 from the debtor *P. Ellery* in full settlement of their $500 account, no discount (**Rec. 204**). Prepare the Cash Receipts Journal and cross-add.

Question 12

For each of the following receipts of *Northgate Cleaning* during October 2026, state the analysis column(s) used and the account (if any) recorded in the Sundries column:

i. Cash cleaning fees of $770 (GST-inclusive).

ii. $490 from the debtor *J. Ash* in full settlement of her $500 account.

iii. $1 200 from the debtor *Coastal Motel* in full settlement of its $1 200 account.

iv. $8 000 of additional capital contributed by the owner.

v. $1 470 from the debtor *Vista Offices* in settlement of its $1 500 account.

Question 13

The Statement of Account *Emberline Design* sends its debtor *Halcyon Media* for November 2026 shows: opening balance owing $880; **Invoice 410** $1 650; **Credit Note 18** $132; a **receipt** (amount not shown) that settled the $880 opening balance in full, with a $20 discount allowed. Calculate the amount of the receipt and the closing balance owing at 30 November.

Question 14

Silvercrest Security's debtor *Meridian Mall* owed $990 at 1 October 2026. During October: 6 October, **Invoice 500** for a $1 800 fee plus $180 GST ($1 980); 14 October, **Credit Note 40** for $198; 22 October, **Receipt 300** of $972 in settlement of the $990 opening balance, allowing an $18 discount. Prepare the Statement of Account for October **and** the single Cash Receipts Journal line for the 22 October receipt. State the closing balance owing and the amount posted to the Bank account from the receipt.

Question 15

Beacon Electrical prepares a Statement of Account for its debtor *Cliffside Gym* showing a closing balance owing of $1 452. Cliffside's own records show it owes Beacon $1 782. Investigation finds that Beacon issued **Invoice 88** for $330 (GST-inclusive) on 28 November, which Cliffside has correctly recorded but which was accidentally **left off** the statement. Calculate the correct closing balance owing, state which record is wrong, and state what Beacon must do.

Question 16

Explain how recording a receipt from an account receivable in the Cash Receipts Journal affects (i) the **Bank** balance, (ii) the **Accounts Receivable** balance and (iii) **net profit**. Distinguish the case where a settlement discount is allowed from the case where none is, using as your example a $1 000 debtor account paid with a $20 discount.

Question 17

Explain why a **Statement of Account** a business sends to a customer does **not** itself create an entry in the customer's records, and explain how **checking** the statement against each party's own records supports the qualitative characteristic of **verifiability** and acts as an internal control over accounts receivable and payable.

Question 18

The owner of *Larkspur Fitness Studio*, a service business, instructs the bookkeeper to do two things at month end. First, to **leave a $220 credit note off** the Statement of Account sent to a corporate debtor who is genuinely owed the allowance, so the debtor pays $220 more than it should. Second, when another debtor pays its $1 000 account in cash, to record the receipt in the Cash Receipts Journal as $980 cash plus a $20 "settlement discount" that was **never actually granted**, and to keep the $20 difference. **Discuss** the ethical considerations involved, identify the qualitative characteristics breached, and explain the effect of each instruction on the business's and the customers' records.

Answers

1.
   b. Lakeview Motel $1 000; C. Nguyen $350; Aspen Offices $600. c. Bank $2 578 + Discount $32 = $2 610 = Fees $600 + GST $60 + Sundries $1 950.
2.
   b. $715. c. Increases the balance owing by $770 (a charge = a debit).
3.
   a. $935. b. $165 — Credit Note 15 not yet recorded by Rowan. c. Record the $165 credit note.
4.
   a. $880. b. $1 250 = Bank $1 225 + Discount expense $25. c. Bank $1 225, Discount $25, Sundries $1 250 (Accounts Receivable).
5.
   a. $1 694; $1 584; $1 100; closing $1 100. b. Invoice 88 GST $110; Credit Note 10 GST $10. c. See solutions.
6. a–c. See solutions.
7. Bank $4 084; total discount expense $40.
8. Closing balance owing $1 980.
9. Statement closing $1 650; discrepancy $550 = Cedar's 30 July payment not yet processed — a **timing difference**, not an error.
10. Opening balance owing $554.
11. Bank $5 286 (cross-adds to $5 350).
12. i Bank $770, Fees $700, GST $70; ii Bank $490, Discount $10, Sundries $500 (Accounts Receivable); iii Bank $1 200, Sundries $1 200 (Accounts Receivable); iv Bank $8 000, Sundries $8 000 (Capital); v Bank $1 470, Discount $30, Sundries $1 500 (Accounts Receivable).
13. Receipt $860; closing balance owing $1 518.
14. Closing balance owing $1 782; $972 posted to Bank.
15. Correct closing $1 782; the **statement** is wrong (an invoice omitted); Beacon must correct and reissue the statement.
16. See solutions.
17. See solutions.
18. See solutions.

Fully-worked solutions

Question 1

Cash Receipts Journal — Rosewood Gardening (October 2025)

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
4 Oct	Cash fees	1	660		600	60	
11 Oct	Lakeview Motel	2	980	20			1 000
19 Oct	C. Nguyen	3	350				350
26 Oct	Aspen Offices	4	588	12			600
	Totals		**2 578**	**32**	**600**	**60**	**1 950**

b. Each debtor's account is cleared by Bank + Discount expense: **Lakeview Motel $1 000** (980 + 20), **C. Nguyen $350** (350 + 0), **Aspen Offices $600** (588 + 12).

c. Bank $2 578 + Discount $32 = $2 610 = Fees $600 + GST $60 + Sundries $1 950 = $2 610. The journal cross-adds.

Question 2

Statement of Account — Harbourview Legal (to Seagrove Cafe, as at 30 November 2025)

Date 2025	Details	Debit $	Credit $	Balance $
1 Nov	Balance owing			396
7 Nov	Invoice 55	770		1 166
16 Nov	Credit Note 8		55	1 111
24 Nov	Receipt 63		388	723
24 Nov	Discount allowed		8	715
30 Nov	**Closing balance owing**			**715**

b. Closing balance owing = 396 + 770 − 55 − 388 − 8 = **$715**.

c. **Invoice 55** is a credit fee charged to Seagrove Cafe — a **charge** that **increases** the balance owing by $770. Because the debtor is an asset, a charge is recorded in the **Debit** column, raising the running balance from $396 to $1 166.

Question 3

a. Footing the balance column: 550 + 1 100 = 1 650; 1 650 − 550 = 1 100; 1 100 − 165 = **$935**, which agrees with the statement's closing balance owing.

b. Rowan's own records show **$1 100**; the statement shows **$935**; the discrepancy is 1 100 − 935 = **$165**. The most likely cause is that **Credit Note 15 ($165)** — issued by Brightside on 28 December — has **not yet been recorded by Rowan**, so Rowan's balance is temporarily $165 higher than the statement.

c. Rowan must **record the $165 credit note** (reducing what it owes Brightside). Its balance then falls from $1 100 to $935 and agrees with the statement.

Question 4

Statement of Account — Clifftop Cleaning (to Marigold Spa, as at 31 March 2026)

Date 2026	Details	Debit $	Credit $	Balance $
1 Mar	Balance owing			1 250
12 Mar	Invoice 70	880		2 130
24 Mar	Receipt 40		1 225	905
24 Mar	Discount allowed		25	880
31 Mar	**Closing balance owing**			**880**

a. Closing balance owing = 1 250 + 880 − 1 225 − 25 = **$880** (the amount of Invoice 70, still owing).

b. Marigold's account is reduced on 24 March by **$1 250** — the full opening balance. This equals **Bank $1 225 + Discount expense $25**: the cash received plus the discount allowed together clear the debtor's account.

c. The single Cash Receipts Journal line:

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
24 Mar	Marigold Spa	40	1 225	25			1 250

Question 5

a. Balance column: 484 + 1 210 = **$1 694**; 1 694 − 110 = **$1 584**; 1 584 − 484 = **$1 100**. The **closing balance owing at 30 April is $1 100**.

Statement of Account — Ferndale Physio (to Oakridge Gym, as at 30 April 2026)

Date 2026	Details	Debit $	Credit $	Balance $
1 Apr	Balance owing			484
6 Apr	Invoice 88	1 210		1 694
15 Apr	Credit Note 10		110	1 584
23 Apr	Receipt 77		484	1 100
30 Apr	**Closing balance owing**			**1 100**

b. GST on **Invoice 88** = $1 210 ÷ 11 = **$110** (fee $1 100); GST on **Credit Note 10** = $110 ÷ 11 = **$10** (allowance $100).

c. The Statement of Account only **summarises** transactions Oakridge has **already recorded** from their own source documents — the invoice, the credit note and its own payment. It creates **no new entry** because it reports nothing new; its role is to be **checked** against Oakridge's records, not to be recorded.

Question 6

a. A **Statement of Account** sent to a customer sets out the customer's account for the period: the **opening balance owing**, every **invoice** (charge) and **credit note**, every **receipt** of cash and any **settlement discount**, and the **closing balance owing** — presented as a running balance. Its purpose is to tell the customer exactly what they owe and to let both parties **check (reconcile)** the account.

b. A **settlement discount** is a reward for paying promptly, not a reduction in the price of the service originally supplied. The study design **excludes GST from settlement discounts**, so the GST recorded when the fee was first invoiced is not adjusted, and no GST is entered against the discount.

c. Willowfield should **not** simply demand payment. It should **check the $66 charge against its own records** — its copy of any invoice issued to that debtor. If no genuine invoice supports the $66, the charge is an **error** (or was billed to the wrong account) and must be **removed** and a corrected statement issued; if a valid invoice exists, Willowfield sends the debtor a copy as evidence. This is the Statement of Account acting as an **internal control**: by inviting the customer to compare it with their own records, it surfaces errors, omitted credit notes or charges that lack a source document **before** any money changes hands, protecting both parties.

Question 7

Cash Receipts Journal — Sandpiper Signs (May 2026)

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
2 May	Cash fees	100	924		840	84	
9 May	Bayside Retail	101	882	18			900
17 May	Forsyth Legal	102	1 200				1 200
25 May	Cove Clinic	103	1 078	22			1 100
	Totals		**4 084**	**40**	**840**	**84**	**3 200**

Bank total = **$4 084**; total discount expense = $18 + $22 = **$40**. Cross-add: Bank $4 084 + Discount $40 = $4 124 = Fees $840 + GST $84 + Sundries $3 200.

Question 8

Statement of Account — Redgum Consulting (to Marlowe Estates, as at 30 June 2026)

Date 2026	Details	Debit $	Credit $	Balance $
1 Jun	Balance owing			1 320
7 Jun	Invoice 300	2 200		3 520
15 Jun	Credit Note 30		220	3 300
23 Jun	Receipt 140		1 287	2 013
23 Jun	Discount allowed		33	1 980
30 Jun	**Closing balance owing**			**1 980**

Closing balance owing = 1 320 + 2 200 − 220 − 1 287 − 33 = **$1 980**. (Receipt $1 287 + discount $33 = $1 320 clears the opening balance; Marlowe now owes for Invoice 300 less Credit Note 30.)

Question 9

Footing the statement: 660 + 1 650 = 2 310; 2 310 − 660 = **$1 650**, which agrees with the statement's closing balance owing.

Cedar Lodge's own records show **$1 100**, a discrepancy of 1 650 − 1 100 = **$550**. This is exactly Cedar's **$550 EFT payment of 30 July**, which Cedar has recorded (reducing its balance to $1 100) but which Trailhead had **not yet processed** when it drew up the statement. It is therefore a **timing difference (a payment in transit), not an error** — once Trailhead processes the $550, its statement balance falls to $1 100 and the two records agree.

Question 10

Rearranging the running-balance rule (opening + invoices − credit notes − receipts − discounts = closing):

Opening = closing − invoice + credit note + receipt + discount = 924 − 1 320 + 110 + 825 + 15 = **$554**.

Check: 554 + 1 320 − 110 − 825 − 15 = **$924**, the stated closing balance. (The receipt $825 + discount $15 cleared $840 of the account — the $554 opening balance plus $286 of the August invoice, so $924 remains owing.) The **opening balance owing at 1 August was $554**.

Question 11

Cash Receipts Journal — Willowbrook Catering (September 2026)

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
1 Sep	Cash fees	200	1 320		1 200	120	
8 Sep	Grandview Venues	201	1 960	40			2 000
16 Sep	Commissio n revenue	202	330			30	300
22 Sep	Lakeshore Weddings	203	1 176	24			1 200
29 Sep	P. Ellery	204	500				500
	Totals		**5 286**	**64**	**1 200**	**150**	**4 000**

Cross-add: Bank $5 286 + Discount $64 = $5 350 = Fees $1 200 + GST $150 + Sundries $4 000 = $5 350. The three receipts from accounts receivable cleared $2 000, $1 200 and $500; the commission's GST ($30) goes to the GST column even though the commission itself sits in Sundries.

Question 12

Receipt	Bank $	Analysis columns used
i. Cash fees $770 (GST-inclusive)	770	Fees $700; GST $70 ($770 ÷ 11 = $70).
ii. $490 from J. Ash ($500 account)	490	Discount expense $10; Sundries $500 (**Accounts Receivable**); no GST.
iii. $1 200 from Coastal Motel ($1 200 account)	1 200	Sundries $1 200 (**Accounts Receivable**); no discount, no GST.
iv. Owner's capital $8 000	8 000	Sundries $8 000 (**Capital**); no GST.
v. $1 470 from Vista Offices ($1 500 account)	1 470	Discount expense $30; Sundries $1 500 (**Accounts Receivable**); no GST.

Question 13

The receipt settled the $880 opening balance in full together with a $20 discount, so the cash received was 880 − 20 = **$860** (Receipt $860 + Discount $20 = $880 cleared).

Closing balance owing = opening + invoice − credit note − receipt − discount = 880 + 1 650 − 132 − 860 − 20 = **$1 518**.

Statement of Account — Emberline Design (to Halcyon Media, as at 30 November 2026)

Date 2026	Details	Debit $	Credit $	Balance $
1 Nov	Balance owing			880
…	Invoice 410	1 650		2 530
…	Credit Note 18		132	2 398
…	Receipt		860	1 538
…	Discount allowed		20	1 518
30 Nov	**Closing balance owing**			**1 518**

The **receipt was $860** and the **closing balance owing is $1 518**.

Question 14

Statement of Account — Silvercrest Security (to Meridian Mall, as at 31 October 2026)

Date 2026	Details	Debit $	Credit $	Balance $
1 Oct	Balance owing			990
6 Oct	Invoice 500	1 980		2 970
14 Oct	Credit Note 40		198	2 772
22 Oct	Receipt 300		972	1 800
22 Oct	Discount allowed		18	1 782
31 Oct	**Closing balance owing**			**1 782**

The single Cash Receipts Journal line for the 22 October receipt:

Date	Details	Rec. No.	Bank $	Discount expense $	Fees $	GST $	Sundries $
22 Oct	Meridian Mall	300	972	18			990

Closing balance owing = 990 + 1 980 − 198 − 972 − 18 = **$1 782**. The amount posted to the **Bank** account from the receipt is the Bank figure, **$972** (the cash actually received); the $18 discount expense clears the remaining $18 of the $990 opening balance without any cash.

Question 15

Cliffside's own records show **$1 782**; the statement shows **$1 452**, a difference of 1 782 − 1 452 = **$330**. The investigation shows this is **Invoice 88 ($330)**, genuinely issued and correctly recorded by Cliffside, but **omitted from the statement**. So the **statement is wrong** — it understates the balance owing — and Cliffside's record is correct. Adding the omitted invoice, the **correct closing balance owing is 1 452 + 330 = $1 782**. Beacon must **correct its statement (add Invoice 88) and reissue it** to $1 782; checking caught an error that would otherwise have left $330 of a genuine debt uncollected.

Question 16

Recording a receipt from an account receivable **converts one asset into another**; it earns no new revenue.

- **(i) Bank** increases by the **cash actually received**. With a $20 discount on a $1 000 account, Bank rises by **$980**; with no discount, Bank rises by the full **$1 000**.
- **(ii) Accounts Receivable** decreases by the **whole amount the account is cleared by** — **$1 000** in both cases (Bank + Discount expense = 980 + 20 = 1 000; or 1 000 + 0 = 1 000). The debtor's balance owing falls to nil either way.
- **(iii) Net profit.** With **no discount**, net profit is **unaffected** — the receipt is not revenue, merely the collection of a debt. With a **$20 settlement discount**, a **discount expense of $20** is incurred (the cost of collecting early), which **reduces net profit by $20** even though no cash left the business.

So allowing the discount banks $20 less cash **and** reduces profit by $20, while clearing the same $1 000 of Accounts Receivable.

Question 17

A **Statement of Account** is only a **summary** of transactions that have **already been recorded** by both parties from their own source documents — the invoices, credit notes and receipts. It reports nothing new, so it **triggers no entry**: the customer has already recorded each invoice (as an account payable), each credit note and each of its own payments. To record the statement as well would **double-count** those transactions.

Its value lies in being **checked**. When the customer compares the statement it **receives** with its own records — and when the business compares its own debtor record with the statement it **sends** — any difference is investigated and explained (an unrecorded credit note, a payment in transit, an omitted or duplicated invoice). This supports **verifiability**: because both parties keep independent records built from the same source documents, a figure can be **confirmed by comparing the two**, and an entry that cannot be traced to a genuine document is exposed. The comparison is therefore a powerful **internal control** over accounts receivable and payable — it detects errors and fraud **before** cash is paid or collected, so each party settles only the amount genuinely owed.

Question 18

Both instructions are **dishonest**, breach the qualitative characteristics, and would produce records that are **not a faithful representation** of the accounts. The bookkeeper has an ethical (and legal) duty to **refuse** them.

(i) Omitting the $220 credit note from a debtor's statement. Leaving off a credit note the debtor is genuinely owed **overstates the debtor's balance owing by $220** and causes the customer to **overpay by $220** (which includes $20 of GST). This breaches **faithful representation** — the statement is neither complete nor neutral — and breaches **verifiability**, because the balance shown cannot be reconciled to the genuine credit note. It is also simply unfair to the customer and would damage the business's reputation and expose it to legal action once discovered.

(ii) Recording a fictitious $20 "settlement discount". When the debtor pays its $1 000 account in cash in full, the true entry is **Bank $1 000, Sundries $1 000 (Accounts Receivable)** — the account is cleared by $1 000 of cash. Recording it as **Bank $980 plus a $20 discount that was never granted understates the cash banked by $20**, records a **discount expense that did not occur**, and lets the owner **pocket $20** of the business's money. This again breaches **faithful representation** (a transaction is recorded that did not happen) and **verifiability** (there is $20 of cash received with no receipt to support the missing amount); in substance it is **theft** from the business and, because it understates recorded revenue collected, is part of concealing income.

Effect on the records. The first instruction inflates the debtor's account and the reported accounts receivable, and makes the customer pay too much; the second understates the Bank asset and overstates discount expense, reducing reported cash and net profit. Acting with integrity, the bookkeeper must **issue the credit note on the statement**, **record the full $1 000 received**, and refuse to falsify either record — so that every debtor's account, and the cash collected, are reported truthfully and can be independently verified.