



Completing Balance Day Adjustments

Part A: Adjustments for accounts receivable, accounts payable and depreciation

The following is a trial balance extract for *Taupo Souvenirs* and the adjustments required at balance day.



Taupo Souvenirs Trial Balance (extract)
as at 31 March 2011

Shop Fittings	40,000	Sales	282,000
Purchases	105,000	GST	1,700
		Accumulated Depreciation on Shop Fittings	6,000

Adjustments:

1. Invoices on hand for credit sales \$9,200 including GST.
2. Invoices on hand for credit purchases \$2,300 including GST.
3. Depreciation on shop fittings is 10% p.a.

What to do:

1. Invoices on hand for credit sales \$9,200 including GST. You need to create Accounts Receivable asset \$9,200 as a debit entry. You then add the GST exclusive amount of \$8,000 to sales so the sales figure becomes \$290,000. The amount of GST \$1,200 is added to the GST (when GST is a credit entry). This is illustrated below:

			Sales	282,000	290,000
			GST	1,700	2,900
Accounts Receivable	9,200				

You will see that this has adjusted the GST to \$2,900 so we will start with GST at this figure for the next adjustment which has an additional effect on the GST account.

2. Invoices on hand for credit purchases \$2,300 including GST. You need to create Accounts Payable as a credit entry. You then add the GST exclusive amount of \$2,000 to purchases so the purchases figure becomes \$107,000. The amount of GST \$300 is subtracted from the GST (when GST is a credit entry). This is illustrated below:

Purchases	105,000	107,000	GST	2,900	2,600
			Accounts Payable		2,300