

Answers to Chapter 2 Activities

$$\begin{aligned} 2.1 \quad \text{GST} &= \$2,390.65 \div 23 \times 3 \\ &= \$311.82 \end{aligned}$$

The GST content is \$311.82 and the GST exclusive amount is \$2,078.83 (\$2,390.65 - \$311.82).

$$\begin{aligned} 2.2 \quad \text{GST} &= \$308.90 \div 23 \times 3 \\ &= \$40.29 \end{aligned}$$

The GST content is \$40.29 and the GST exclusive amount is \$268.61 (\$308.90 - \$40.29).

$$\begin{aligned} 2.3 \quad \text{GST} &= \$22,999.95 \div 23 \times 3 \\ &= \$2,999.99 \end{aligned}$$

The GST content is \$2,999.99 and the GST exclusive amount is \$19,999.96 (\$22,999.95 - \$2,999.99).

$$\begin{aligned} 2.4 \quad \text{GST} &= \$17,545 \times 15\% \\ &= \$2,631.75 \end{aligned}$$

GST of \$2,631.75 should be added to the cost of the car, which means that the GST inclusive cost of the car is \$20,176.75 (\$17,545 + \$2,631.75).

You can check this answer by dividing the GST inclusive amount by 23 and multiplying by 3 (\$20,176.75 \div 23 \times 3 = \$2,631.75). This check gives you the same GST content as you calculated above, so your calculations must be correct.

$$\begin{aligned} 2.5 \quad \text{GST} &= \$14.60 \times 15\% \\ &= \$2.19 \end{aligned}$$

GST of \$2.19 should be added to the cost of the calculator, which means that the GST inclusive cost of the calculator is \$16.79 (\$14.60 + \$2.19).

$$\begin{aligned} 2.6 \quad \text{GST} &= \$245.00 \times 15\% \\ &= \$36.75 \end{aligned}$$

GST of \$36.75 should be added to the cost of the television, which means that the GST inclusive cost of the television is \$281.75 (\$245 + \$36.75).

- 2.7 The main advantage to Shae in choosing to register for GST is that she could claim back the GST she incurs on all her business expenditure, including the purchase of the new equipment.

The main disadvantage is that she would have to charge her customers GST. Presumably most of Shae's customers are private consumers, and could not claim back the GST. The cost of Shae's products will therefore have to increase making her less competitive, or if she maintains prices her gross profit will decrease.

Registering for GST will also increase Shae's compliance costs.

- 2.9 Provided Rick keeps the required details he can claim \$60 GST ($\$460 \div 23 \times 3$).

2.10 General journal Page 1

Date	Account titles	Debit	Credit
2012		\$	\$
June 1	Bank	11.00	
	Interest income		11.00
	<i>Being entry required to record interest income credited to bank account</i>		

Did you remember that interest income is exempt from GST, because it is a financial service?

June 1	Security expense	29.67	
	GST paid	4.45	
	Bank		34.12
	<i>Being ch 407 to Security Plus for alarm monitoring</i>		
June 1	Rent expense	1,508.70	
	GST paid	226.30	
	Bank		1,735.00
	<i>Being rent paid by direct debit</i>		

Commercial rent includes GST. It is only residential rent that is exempt from GST.

June 2	Bank	5,200.00	
	Commission income		4,521.74
	GST collected		678.26
	<i>Being commission income banked</i>		
	<i>– receipt 898</i>		

June 3	Commission expense	1,130.43	
	GST paid	169.57	
	Bank		1,300.00
	<i>Being commission expense paid</i>		
	<i>– cheque 408</i>		

June 3	Wages expense	1,962.50	
	Bank		1,962.50
	<i>Being wages expense paid by</i>		
	<i>direct credit</i>		

Did you remember that wages do not include GST?

June 3	Bank fees	4.50	
	Bank		4.50
	<i>Being bank fees debited to</i>		
	<i>bank account</i>		

Bank fees are a financial transaction, and therefore do not include GST.

June 4	Bank	87.50	
	Rental commission income		76.09
	GST collected		11.41
	<i>Being rental commission income</i>		
	<i>banked – receipt 899</i>		

June 5	Drawings	600.00	
	Bank		600.00
	<i>Being weekly drawings</i>		
	<i>– cheque 409</i>		

Did you remember that cash drawings do not include GST? They do not involve the supply of goods or services.

June 5	Electricity expense	184.93	
	GST paid	27.74	

	Bank		212.67
	<i>Being electricity expense paid by direct debit</i>		
June 5	Computer printer	782.61	
	GST paid	117.39	
	Accounts payable		
	– Computer Supplies Ltd		900.00
	<i>Being computer printer purchased on credit from Computer Supplies Ltd</i>		
June 5	Telephone expense	213.83	
	GST paid	32.07	
	Bank		245.90
	<i>Being telephone account paid – cheque 410</i>		

2.11 General journal Page 1

Date	Account titles	Debit	Credit
2012		\$	\$
July 1	Bank	200.00	
	Training income		173.91
	GST collected		26.09
	<i>Being entry required to record training income received – receipt 76</i>		
July 4	Purchases	182.61	
	GST paid	27.39	
	Bank		210.00
	<i>Being cheque 1405 to FIT Suppliers for nutrients</i>		
July 4	Bank	50.00	
	Product income		43.48
	GST collected		6.52
	<i>Being product income received – receipt 77</i>		
July 5	Bank fees	15.00	
	Bank		15.00
	<i>Being bank fees deducted from account</i>		

July 5	Bank	120.00	
	Training income		104.35
	GST collected		15.65
	<i>Being entry required to record training income received – receipt 77</i>		
July 6	Stationery expense	29.57	
	GST paid	4.43	
	Bank		34.00
	<i>Being stationery purchased by EFTPOS</i>		
July 7	Drawings	450.00	
	Bank		450.00
	<i>Being weekly drawings – auto payment</i>		
July 7	Bank	150.00	
	Training income		95.65
	Product income		34.78
	GST collected		19.57
	<i>Being entry required to record training and product income received – receipt 79</i>		

You needed to be careful with your rounding with this general journal entry, to make sure the credits added up to exactly \$150.00.

Date	Account titles	Debit	Credit
2012		\$	\$
Aug 1	Tools	582.61	
	GST paid	87.39	
	Accounts payable – The Tool Kit		670.00
	<i>Being entry required to record tools purchased on credit from The Tool Kit</i>		
Aug 1	Accounts receivable/J Sawyer	350.00	
	Service income		304.35
	GST collected		45.65
	<i>Being services billed to J Sawyer</i>		
Aug 2	Motor vehicle expense	34.78	
	GST paid	5.22	
	Bank		40.00
	<i>Being petrol purchased by EFTPOS</i>		
Aug 3	Computer supplies expense	85.22	
	GST paid	12.78	
	Bank		98.00
	<i>Being computer supplies purchased by EFTPOS</i>		
Aug 3	Bank	300.00	
	Service income		260.87
	GST collected		39.13
	<i>Being services paid by cash</i>		
Aug 4	Telephone expenses	153.04	
	GST paid	22.96	
	Accounts payable /Vodaphone		176.00
	<i>Being Vodaphone telephone account received</i>		

Aug 4	Accounts receivable/T Chan	500.00	
	Service income		434.78
	GST collected		65.22
	<i>Being services billed to T Chan</i>		
Aug 5	Advertising expense	252.17	
	GST paid	37.83	
	Accounts payable		
	– The Guardian		290.00
	<i>Being advertising account received from The Guardian</i>		
Aug 5	Bank	350.00	
	Accounts receivable		
	– J Sawyer		350.00
	<i>Being \$350 received from J Sawyer in full payment of account</i>		

Did you remember that the GST on this transaction was recorded when the sale was first made?

Aug 5	Subscription expense	95.65	
	GST paid	14.35	
	Bank		110.00
	<i>Being payment of subscription</i>		

2.13 General journal Page 1

Date	Account titles	Debit	Credit
2012		\$	\$
Sep 1	Bank	45.00	
	Service income		39.13
	GST collected		5.87
	<i>Gardening income banked</i>		
Sep 2	Accounts receivable/R Bush	90.00	
	Service income		78.26
	GST collected		11.74
	<i>Services billed to Rose Bush</i>		
Sep 2	Motor vehicle expense	43.48	

	GST paid	6.52	
	Bank		50.00
	<i>Being petrol purchased by EFTPOS</i>		
Sep 5	Bank	60.00	
	Service income		52.17
	GST collected		7.83
	<i>Gardening income banked</i>		
Sep 5	Bank	100.00	
	Service income		43.48
	GST collected		6.52
	Accounts receivable/Ivy Tan		50.00
	<i>Gardening income and back payment from Ivy Tan</i>		

The GST on the back payment would have already been recorded when the original invoice was issued.

Sep 6	Motor vehicle expense	217.39	
	GST paid	32.61	
	Bank		250.00
	<i>Being motor vehicle registration paid by EFTPOS</i>		
Sep 6	Drawings	300.00	
	Bank		300.00
	<i>Cash drawings taken</i>		
Sep 7	Bank	120.00	
	Service income		104.35
	GST collected		15.65
	<i>Gardening income banked</i>		
Sep 7	Protective clothing	52.17	
	GST paid	7.83	
	Bank		60.00
	<i>Gardening shoes purchased paid by EFTPOS</i>		
Sep 7	Stationery expense	4.35	
	GST paid	0.65	

Bank	5.00
<i>Invoice book purchased</i>	
<i>paid by EFTPOS</i>	

2.14 General journal Page 1

Date	Account titles	Debit	Credit
2012		\$	\$
Oct 3	Supplies	23.48	
	GST paid	3.52	
	Bank		27.00
	<i>Experiment supplies purchased</i>		
	<i>paid by EFTPOS</i>		
Oct 3	Accounts receivable/J Small	200.00	
	Service income		173.91
	GST collected		26.09
	<i>Being services billed to</i>		
	<i>Jenny Small</i>		
Oct 4	Bank	100.00	
	Service income		86.96
	GST collected		13.04
	<i>Fees received from Keith Berryman</i>		
Oct 5	Drawings	100.00	
	Bank		100.00
	<i>Cash drawings taken</i>		
Oct 5	Accounts receivable/S Smart	80.00	
	Service income		69.57
	GST collected		10.43
	<i>Being services billed to</i>		
	<i>Sam Smart</i>		
Oct 6	Bank	200.00	
	Accounts receivable		
	– Jenny Small		200.00
	<i>Payment received from Jenny Small</i>		

Oct 7	Bank	160.00	
	Service income		139.13
	GST collected		20.87
	<i>Fees received from Tina Sims</i>		
Oct 7	Stationery expense	15.65	
	GST paid	2.35	
	Bank		18.00
	<i>Stationery purchased, using EFTPOS</i>		
Oct 7	Drawings	100.00	
	Bank		100.00
	<i>Being personal rent paid from business account</i>		

There is no GST on residential rent. No GST is claimed on personal expenditure.

Oct 7	General expenses (or Gifts)	8.70	
	GST paid	1.30	
	Bank		10.00
	<i>Chocolates purchased for student</i>		

2.15 General journal

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Date	Account titles	Debit	Credit
2012		\$	\$
Aug 1	Motor vehicle at cost	16,521.74	
	Computer at cost	3,478.26	
	Inventory	1,739.13	
	GST paid	3,260.87	
	Bank	1,000.00	
	Loan		5,000.00
	Capital – Linda Brown		21,000.00
	<i>Being entry required to record assets introduced on commencement of business</i>		
	Linda can claim 3/23rds of the value of the vehicle, computer and inventory.		
Aug 4	Rent	869.57	
	GST paid	130.43	
	Bank		1,000.00
	<i>Being rent for August</i>		

Aug 5	Bank	200.00	
	Sales income		173.91
	GST collected		26.09
	<i>Being cash sales banked</i>		
Aug 6	Accounts receivable/Smalls Gallery	350.00	
	Sales income		304.35
	GST collected		45.65
	<i>Being credit sale to Smalls Gallery</i>		
Aug 7	Purchases	347.83	
	GST paid	52.17	
	Accounts payable/Art Supplies Ltd		400.00
	<i>Being inventory purchased from Art Supplies Ltd</i>		
Aug 8	Stationery	41.74	
	GST paid	6.26	
	Bank		48.00
	<i>Stationery purchased from Warehouse Stationery</i>		
Aug 11	Equipment	1,913.04	
	GST paid	286.96	
	Accounts payable/Equipment Supplies		2,200.00
	<i>Being equipment purchased on credit from Equipment Supplies</i>		
Aug 12	Accounts Receivable/Little Accorns	1,050.00	
	Sales income		913.04
	GST collected		136.96
	<i>Being credit sale to Little Accorns</i>		
Aug 14	Bank	2,000.00	
	Funds introduced		2,000.00
	<i>Being entry required to record a further \$2,000 capital introduced</i>		

Aug 15	Wages	450.00	
	Bank		360.00
	PAYE payable		90.00
	<i>Being wages paid and PAYE payable</i>		

Did you remember that there is no GST on wages?

Aug 18	Purchases	608.70	
	GST paid	91.30	
	Account payable/Art Supplies		700.00
	<i>Being inventory purchased from Art Supplies Ltd</i>		

Aug 19	Accounts payable/Art Supplies	80.00	
	Purchases returns		69.57
	GST collected		10.43
	<i>Being inventory returned to Art Supplies Ltd</i>		

Aug 20	Purchases	400.00	
	GST paid	60.00	
	Bank		460.00
	<i>Being inventory purchased for cash</i>		

Aug 22	Bank	350.00	
	Accounts receivable/Smalls Gallery		350.00
	<i>Payment received from Smalls Gallery</i>		

Aug 23	Bank	3,245.00	
	Sales income		2,821.74
	GST collected		423.26
	<i>Being cash sales banked</i>		

Aug 24	Accounts receivable/Smalls Gallery	1,900.00	
	Sales income		1,652.17
	GST collected		247.83
	<i>Being credit sales to Smalls Gallery</i>		

Aug 26	Drawings	100.00	
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Purchases	86.96
GST collected	13.04
<i>Being inventory taken for own use</i>	

There is a credit to GST here because the inventory has been taken for private use. The original claim for GST has to be in effect cancelled, in the same way as it is with returns.

Aug 29	Accounts payable/Art Supplies	400.00	
	Bank		392.00
	Discount received		6.96
	GST collected		1.04
	<i>Being payment of inventory purchased from Art Supplies</i>		

In this case there is a credit to GST on the discount received, because the total amount paid is less than what was originally recorded.

Aug 29	Motor vehicle expenses	121.74	
	GST paid	18.26	
	Bank		140.00
	<i>Being payment of petrol account</i>		

2.16 General journal Page 1

Date	Account titles	Debit	Credit
2012		\$	\$
Feb 1	Van at cost	19,130.43	
	Sanding equipment at cost	7,391.30	
	Inventory	1,565.22	
	GST paid	4,213.05	
	Bank	3,200.00	
	Loan		12,000.00
	Capital – Jason Stamper		23,500.00
	<i>Being entry required to record assets and liabilities introduced on commencement of business</i>		
Feb 2	Mobile phone at cost	686.96	
	GST paid	103.04	
	Bank		790.00
	<i>Being purchase of mobile phone</i>		

Feb 4	Bank	1,950.00	
	Contract income		1,695.65
	GST collected		254.35
	<i>Being income banked</i>		
Feb 5	Printing and stationery	321.74	
	GST paid	48.26	
	Bank		370.00
	<i>Being business cards designed & printed</i>		
Feb 9	Accounts receivable	2,700.00	
	Contract income		2,347.83
	GST collected		352.17
	<i>Being contract income earned</i>		
Feb 12	Wages	160.00	
	Bank		142.00
	PAYE payable		18.00
	<i>Being wages paid and PAYE payable</i>		
Feb 13	Purchases	1,386.96	
	GST paid	208.04	
	Accounts payable/Best Supplies		1,595.00
	<i>Sanding supplies purchased on credit from Best Supplies</i>		
Feb 14	Drawings	98.00	
	Bank		98.00
	<i>Being personal expenditure</i>		

No GST can be claimed on personal expenditure.

Feb 16	Accounts payable/Best Supplies	95.00	
	Purchase returns		82.61
	GST collected		12.39
	<i>Being return of sanding supplies to Best Supplies</i>		

Feb 17	Motor vehicle expenses	60.87	
	GST paid	9.13	
	Bank		70.00
	<i>Being entry required to record petrol purchased</i>		
Feb 18	Protective clothing	139.13	
	GST paid	20.87	
	Bank		160.00
	<i>Being protective clothing purchased</i>		
Feb 19	Advertising	773.91	
	GST paid	116.09	
	Accounts payable		890.00
	<i>Being advertising account received</i>		
Feb 20	Bank	3,750.00	
	Contract income		3,260.87
	GST collected		489.13
	<i>Being contract income earned</i>		
Feb 23	Bank	2,600.00	
	Discount allowed	86.96	
	GST paid	13.04	
	Accounts receivable		2,700.00
	<i>Payment received from debtor, discount allowed</i>		
Feb 23	Legal fees	1,565.22	
	GST paid	234.78	
	Bank		1,800.00
	<i>Being legal fees re purchase</i>		
Feb 24	Bank	1,750.00	
	Contract income		1,521.74
	GST collected		228.26
	<i>Being contract income earned</i>		
Feb 26	Wages	154.00	

	Bank		137.00
	PAYE payable		17.00
	<i>Being wages paid and PAYE payable</i>		
Feb 27	Accounts payable/Best Supplies	1,500.00	
	Discount received		13.04
	GST collected		1.96
	Bank		1,485.00
	<i>Being payment of Feb 13th purchase</i>		
Feb 28	Drawings	95.00	
	Purchases		82.61
	GST collected		12.39
	<i>Being inventory taken for own use</i>		