

Easy Steps



Unit 26768 (V1)

Use a computerised accounts receivable and payable system to produce financial information

with

**MYOB AccountRight Standard
2011.1**

- ☒ Easy to follow
- ☒ Step-by-step instructions
- ☒ Covers Unit Standard Criteria

A Cheryl Price Publication

Unit Standard 26768 (Version 1)

Use a computerised accounts receivable and payable system to produce financial information -
MYOB AccountRight Standard 2011.1

This book covers the course outline for the following New Zealand Qualifications Authority Unit Standards:

Unit Standard 26768 - BUSINESS ADMINISTRATION SERVICES (Level 3, Credit 7)
Use a computerised accounts receivable and payable system to produce financial information

All topics in the above Unit Standard are included in this book.

This book can also be used for practical aspects of the following unit standards:

Unit Standard 11610 - ACCOUNTING – MIDDLE LEVEL (Level 4, Credit 4)
Perform the accounting functions for accounts receivable (Version 5)

Unit Standard 11611 - ACCOUNTING – MIDDLE LEVEL (Level 4, Credit 4)
Perform the accounting functions for accounts payable (Version 5)

Please read the Introduction pages of this book before commencing.

Supplied files are included with this book. These are available for free download from our web site at www.cherylprice.co.nz. Instructions for downloading are included on the next page.

© Cherylprice.co.nz Limited, July 2012

Cheryl Price
T.Dip.WP, T.Dip.T.

ISBN 978-1-877562-41-9

Disclaimer

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, scanning, recording, or any information storage and retrieval system, without permission in writing from Cherylprice.co.nz Limited. No patent liability is assumed with respect to the use of the information contained herein. While every precaution has been taken in the preparation of this book, the publisher and authors assume no responsibility for errors or omissions. Neither is any liability assumed for damages resulting from the use of the information contained herein.



PO Box 187
Matakana
Auckland 0948

Phone: (09) 422 7230
Mobile: 021 715566
Fax: (09) 422 7236


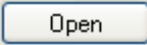




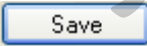
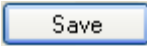
Web address:

www.cherylprice.co.nz

Published and printed in New Zealand

Downloading Supplied Files

Supplied files can be downloaded from the Cheryl Price web site as follows:

1	In your web browser, type: www.cherylprice.co.nz
2	Press Enter on the keyboard to display the Cheryl Price website.
3	Click in the Product Search box and type the number of this unit standard, as shown at the right. <div data-bbox="1161 510 1461 689" data-label="Form"> <div>Product Search</div> <div>US 26768</div> <div>Search</div> </div>
4	Click on 
5	Click on US 26768
6	Under the Exercise Files heading click on the underlined blue hyperlink, ie Book Exercise Files – V1 MYOB ARS 2011.1 Supplied Files Free Download The File Download dialog box will display.
7	If you have Winzip use the following instructions otherwise move to step 8.
	a Click on  .
	b Click on the  of the  button.
	c If My Documents folder is not displayed click on Set default unzip folder at the bottom of the list. Ensure My Documents is selected then click on Select Folder.
	d Click on the  of the  button and click on the My Documents folder. The files will be unzipped.
8	Click on  and ensure My Documents folder is displayed. Click on 
9	Click on Open Folder which will display My Documents folder. Right click on the zipped exercise file and select Extract All. Click on Extract. A folder will be created containing the exercise folders. The MYOB files are contained within the folders.

Note You will need to refer to Copying a File into the MYOB Library on page viii of the Introduction for instructions on how to copy and use these files.

Unit Standard 26768 Version 1

Title	Use a computerised accounts receivable and payable system to produce financial information		
Level	3	Credits	7

Purpose	People credited with this unit standard are able to demonstrate knowledge of accounts receivable and payable, and operate a computerised accounts receivable and accounts payable system in accordance with system and office requirements.
----------------	---

Classification	Business Administration > Business Administration Services
-----------------------	--

Available grade	Achieved
------------------------	----------

Explanatory notes

All activities associated with this unit standard must comply with the requirements of: Health and Safety in Employment Act 1992, Copyright Act 1994, Goods and Services Tax Act 1985, Human Rights Act 1993, Privacy Act 1993, and their subsequent amendments.

Outcomes and evidence requirements

Outcome 1

Demonstrate knowledge of accounts receivable and payable.

Evidence requirements

- 1.1 Accounts receivable and payable are defined.
- 1.2 Accounts receivable and payable are described in terms of their relationship with other accounting information.

Range information includes but is not limited to – chart of accounts, bank reconciliation, reports.

Outcome 2

Operate a computerised accounts receivable and accounts payable system in accordance with system and office requirements.

Evidence requirements

2.1 Source documents are processed and processing is checked for accuracy.

Range sales, sales returns, purchases, purchase returns, cash payments, cash receipts.

2.2 Invoices and statements are produced.

2.3 Audit trail report is produced.

2.4 Bank reconciliation is completed.

2.5 Master lists for accounts receivable and payable and two specialist reports are produced.

Range specialist reports may include but are not limited to – sales analysis, purchase analysis, aged balances, specific accounts receivable and payable information.

2.6 Back-up and scheduled processing is completed.

Range completion may be demonstrated by end-of-period reports.

Replacement information	This unit standard replaced unit standard 331, unit standard 332, and unit standard 333.
--------------------------------	--

Planned review date	31 December 2015
----------------------------	------------------

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	9 December 2010	N/A

Accreditation and Moderation Action Plan (AMAP) reference	0113
--	------

Table of Contents

Introduction

MYOB Versions	vi
MYOB Test Drive or Student version	vi
Supplied Files	vi
Important Note to Tutors	vi
Layout of this book	vii
Session Date	vii
Back Up	viii
Location of MYOB Files	viii
Copying a File into the MYOB Library	viii
Restoring a Backup File	ix
Transactions Changeable/Unchangeable	ix

Section 1 - Theory

Accounting Concepts	2
Objectives	2
Assets and Liabilities	2
Debits and Credits	2
Computerised Accounting	3
The Advantages of a Computerised Accounting Program	3
MYOB Command Centres	4
The MYOB Process	7
Transaction Journal	7
Sales (Accounts Receivable)	7
Purchases (Accounts Payable)	7
Inventory	8
Customer Payments	8
Supplier Payments	8
GST	9
Chart of Accounts	10
General Journal Entries	14
Reports	16
Audit Trail (Journal Security Audit)	16
Sales Reports	18
Purchases Reports	18
Trial Balance	19
Bank Reconciliation	19
Profit & Loss	21
Balance Sheet	22
MYOB Command Panel	23
To Do List	23
Find Transactions	23
Business Insights	23
Computerised Accounting Considerations	24
System Investment Costs	24
Training Requirements	24
Data Integrity and Security Requirements	24
Revision	25

Section 2 - Exploring MYOB

Starting MYOB	28
Setting the Date.....	28
Entering MYOB	28
Exiting MYOB.....	28
To End Windows	28
Looking at MYOB.....	29
Exploring a Sample Company	29
The Command Centre.....	31
Control Menu.....	31
Minimize, Maximize and Restore Down	31
Close.....	31
Title Bar.....	32
Menu Bar.....	32
Command Centre Icons.....	32
Command Centre.....	32
Command Panel.....	32
To Do List.....	32
Find Transactions	32
Reports.....	32
Business Insights.....	32
Account Number Display	34
Dialog Boxes	35
Option Buttons.....	36
Drop-down List Box	36
Tabs	36
Pop-up Buttons.....	36
Text Boxes	36
Check Boxes	36
Blue Arrow Buttons.....	36
Accounts/General Ledger.....	37
Chart of Accounts.....	38
Header Account.....	39
Detail Account	39
Banking.....	41
Sales.....	42
Process of an Invoice	43
Creating an Invoice	44
Viewing Sales Transactions	48
Printing an Invoice.....	49
Purchases.....	51
Process of a Purchase Order	52
Making a Purchase.....	53
Converting a Purchase Order to a Bill	55
Viewing Purchase Transactions	56
Inventory	58
Viewing Inventory Records.....	59
Adjusting Inventory Records.....	59
Viewing Inventory Prices	62
Card File	63
Viewing Card Files	64
Adding Details to a Card.....	66
Security and Audit Reports.....	70
Audit Trail (Journal Security Audit Report).....	70
Viewing and Printing a Journal Security Audit Report.....	70

Session Report (Session Security Audit Report).....	71
End of Month Reports.....	72
Sales Reports.....	72
Purchases Reports.....	73
Backing up Data Files and Exiting MYOB.....	74
End of Financial Year.....	74
Accounts Reports.....	75
Trial Balance.....	75
Formatting and Printing a Trial Balance.....	75
Profit & Loss.....	77
Viewing and Printing a Profit & Loss Statement.....	77
Balance Sheet.....	79
Viewing and Printing a Balance Sheet.....	79
Exporting a Balance Sheet (or other report) to Excel.....	81
Business Insights Reports.....	82
Looking at Profitability.....	82
Looking at Customer Analysis.....	83
Backing up Data Files and Exiting MYOB.....	84
Revision.....	85

Section 3 - Purchases, Supplier Payments

Before Starting this Section.....	88
Setting the Date.....	88
Office Design Ltd File.....	88
Purchases.....	90
Selecting a Purchase Order Form.....	90
Creating a Purchase Order for Inventory Items.....	91
Viewing a Purchase Order.....	94
Checking Goods Received against Purchase Order.....	95
Viewing Inventory Levels.....	96
Printing a Batch of Purchase Order Forms.....	98
Payments for Non-Inventory Items.....	100
Cash Payments.....	101
Recurring Purchase Orders.....	102
Using a Recurring Purchase Order.....	103
Purchase Reports.....	103
Payments to Suppliers.....	104
Printing Cheques from MYOB (notes only).....	106
Paying Several Suppliers.....	106
Back Up Data File and Exit MYOB.....	107
Revision.....	108

Section 4 - Invoices, Credit Notes, Customer Payments

Before Starting this Section.....	110
Opening an Existing Data File.....	110
About this Section.....	111
Invoices.....	112
Invoice Form.....	112
Creating an Invoice.....	113
Types of Invoices.....	113
Preparing an Invoice.....	114
Transaction Journal.....	116
Cash Sale Invoice.....	119

Printing a Batch of Invoices	121
Viewing Accounts Receivable Transactions	123
Creating a Recurring Invoice	124
Using a Recurring Invoice	126
Printing a Master List of Accounts Receivable and Payable	126
Creating an Invoice with a Back Order	128
Processing a Back Order.....	133
Maintaining Inventory	135
Checking Inventory Levels	135
Looking at Restocked Inventory Items.....	137
Credit Transactions	139
Understanding Credit Notes and Returns	139
Creating a Credit Note and Altering a Trade Debtors Account.....	140
Settling a Credit.....	141
Issuing a Refund	142
Viewing a Customer Sales Summary	145
Returning Goods to the Supplier	146
Payments from Customers.....	148
Recording Part Payment of an Invoice	150
Preparing a Bank Deposit.....	151
Security and Audit Reports.....	152
Journal Security Audit (ie Audit Trail).....	152
Viewing and Printing a Journal Security Audit.....	152
Session Security Audit (ie Session Report)	153
Back Up Data File and Exit MYOB	154
Revision	155

Section 5 - Statements, Printing Reports, Reconcile a Bank Account, End of Month, End of Year

Before Starting this Section.....	158
Opening an Existing Data File	158
About this Section	159
Statements.....	160
Printing Statements	160
Printing Reports	161
Sales Reports.....	162
Accounts Payable.....	163
GST.....	163
Items Register Report	165
Sales	166
Bank Register.....	166
Trial Balance	168
Reconciling a Bank Account.....	169
Backing Up.....	175
Locking a Data File	176
End of Financial Year.....	177
Setting the Date.....	177
Balance Day Adjustments	177
Accruals	178
Prepayments	179
Bad Debts and Doubtful Debts	180
Bad Debts	180
Doubtful Debts.....	180
Depreciation	182

Printing Reports	183
Profit & Loss	183
Balance Sheet	184
Sending a Data file	185
Backing Up and Locking the Data File	185
Revision	186

Section 6 – Additional Exercise and Practice Assessment

Additional Exercise	190
Scenario	190
Company Details	190
Task 1 - Invoices	191
Task 2 – Print Statements and Make Purchases	191
Statements	191
Purchases.....	192
Customer Payments	192
Payments to Suppliers	192
Task 4 - Reports	192
Practice Assessment	193
Scenario	193
Company Details	193
Suppliers (ie Trade Creditors)	193
Customers (ie Trade Debtors).....	193
Inventory.....	193
Task 1 – Purchase Orders	194
Task 2 – Goods Received	195
Task 3 - Customer Invoices	195
Task 4 - Goods Returned	196
Task 5 – Print Statements	196
Task 6 - Payments to Suppliers	196
Task 7 – Cash Payments for Non-inventory Items	196
Task 8 - Payments from Customers.....	197
Task 9 - End of Month/Year	197
Theory	198
Demonstration	198

Section 7 - Appendix

Making Changes in MYOB	200
How can I? Questions	201
Card File.....	201
Chart of Accounts	201
Purchases	201
Inventory.....	203
Sales	203
General Ledger.....	204
Banking	204
FAQs.....	205
Glossary	209

Introduction

It is important that you read the Introduction notes before commencing this book.

MYOB Versions

This book has been written to use with MYOB AccountRight Standard 2011.1. It is possible to use this book with other versions, eg version 19.5 but the appearance will be different and the location of some reports, eg Audit Trail etc. The MYOB web site at www.myob.co.nz contains information on the differences.

MYOB Test Drive or Student version

A free trial copy of MYOB AccountRight Standard 2011.1 is available from the MYOB web site at the following link:

<http://myob.co.nz/products/small-business/accounting-finance/acountright-standard-1257828259406>

Each company file can be used with the trial version for 30 days. As you proceed through this book all options will be available to you but you will not be able to change the end of year date in Section 5. You can, however, simply use the last day of the month for this section (dates on reports will be different) to practise those exercises.

Supplied Files

The following zipped folders are supplied with this book. The Download instructions at the beginning of the book will extract folders containing the relevant MYOB files to the My Documents folder or a folder specified by you. You will need to refer to Copying a File into the MYOB Library on page viii of this Introduction for instructions on how to copy these files.

Folder name	Where used	Purpose
Office Design Ltd	Beginning of Section 3	For entering transactions and doing reports
OD-endSection3	Beginning of Section 4	Accounts Receivable
OD-midSection4	Middle of Section 4	Prior to Back Orders
OD-endSection4	Beginning of Section 5	End of month, End of year
Training Plus Ltd	Section 6	For entering transactions and doing reports
Home & Garden Supplies Ltd	Section 6	For entering transactions and doing reports

Important Note to Tutors

Three MYOB company files have been set up for students to use with this book. These files need to be copied into the location of each student's MYOB Library as instructed on page viii of this Introduction – Copying a File into the MYOB Library.

The files to be copied are shown below, and where they are used in this book:

Office Design Ltd	Beginning of Section 3
Training Plus Ltd	Beginning of Section 6
Home & Garden Supplies Ltd	Mid Section 6

(The other supplied mid and end section files listed further up this page can be used in the event that errors are made. These files do not need to be copied unless they are required.)

Layout of this book

This book is divided into seven sections as described below.


- Section 1** Basic accounting theory and reports and how MYOB is organised.
- Section 2** Looking at a sample company. Basic transactions and printing of reports.
- Section 3** The supplied MYOB company file called Office Design Ltd is opened to do -
Purchases
Supplier payments.
- Section 4** Invoicing, processing back orders, restocking inventory, credit transactions and deposits.
- Section 5** End of month: Printing statements, reports, reconciling a bank statement.
End of year: Balance day adjustments, accruals, prepayments, bad and doubtful debts, and depreciation.
- Section 6** Contains –
An additional exercise using the supplied MYOB file called Training Plus Ltd.
A Practice Assessment which uses the MYOB file called Home & Garden Supplies.
- Section 7** Making changes in MYOB.
Frequently Asked Questions.
Glossary

Notes

The same company, Office Design Ltd is used in Sections 3-5.
When using MYOB it is important to check every detail on every screen.
Be patient at each stage as MYOB may take time to refresh/update.

Session Date

The following **must** be done at the beginning of Sections 2-5, part way through Section 4, for the additional exercise and Practice Assessment in Section 6. You must do this **before** entering MYOB. If you forget, you will need to exit, change the date and then re-enter.

- 1 Move the mouse pointer to the time shown at the bottom right of your screen (The current time and date will be displayed).
- 2 Click on this icon then click on [Change date and time settings...](#)
- 3 Click on  [Change date and time...](#)
- 4 Change the day, month and year as indicated.
- 5 Click on OK twice.

11:15 a.m.
19/07/2012

Back Up


Backup files are stored in a location specified by you when you backup your first file.

You are requested to back up at the end of Sections 2-5 and part way through Section 4.

However, we strongly advise you to back up your files at more regular intervals so you can revert back to that point in the book if you make an error. When writing/editing this book we backed up using this system with naming the backup files, for example -

Section 4 – Page 101

A backup file is stored in a backup folder as shown below:

 Section 4 - Page 101	1/06/2012 10:13 a.m.	Compressed (zipped) Folder	227 KB
--	----------------------	----------------------------	--------

The actual MYOB file, eg Office Design Ltd file is stored in that folder as shown below:

Name	Type	Compressed size	Password ...	Size	Ratio
 Office Design Ltd	MYOX File	276 KB	No	3,604 KB	93%

Location of MYOB Files

On a standard installation of MYOB the MYOB files are stored in an MYOB library. The location of these files on a stand-alone computer is as follows:

C:\Users\Public\Public Documents\MYOB\My AccountRight Files



If you are on a network write the location of your MYOB AccountRight files in the space below.

--


Note If you need to copy/restore the sample company, Clearwater Ltd this file is located in the My AccountRight Files\Samples\NZ\2011.1 folder.

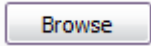
Copying a File into the MYOB Library

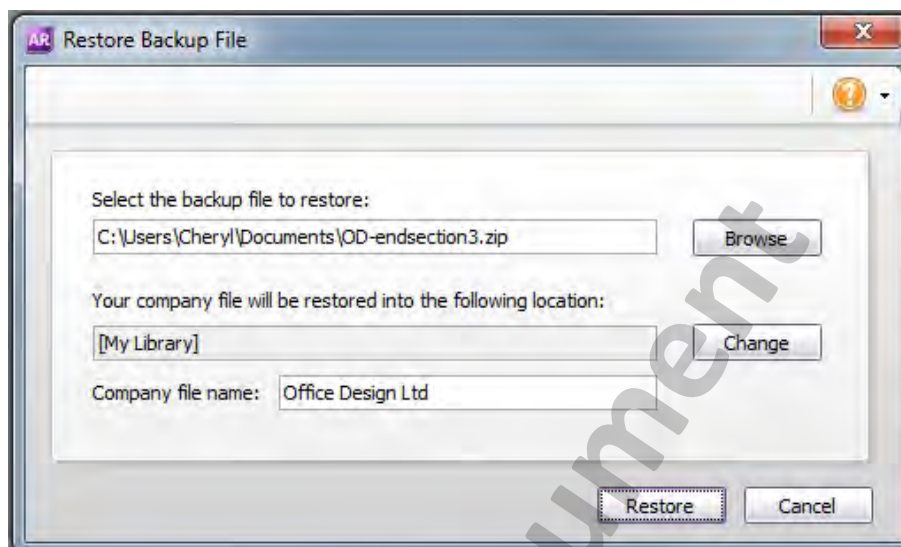
When you wish to use an MYOB file that you have backed up (or to copy a company file, eg Office Design Ltd, Training Plus Ltd, Home & Garden Supplies Ltd OR the mid/end section files) do the following:

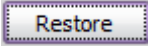
- 1 Go to the folder where the company files and mid/end section files supplied with this book (or your backup files) are located, usually My Documents.
- 2 Double click on the folder required, eg  Office Design Ltd which will display the MYOB file, eg  Office Design Ltd .
- 3 Right click on the MYOB file and select Copy.
- 4 Go to the MYOB Library location described above under the heading Location of MYOB Files.
- 5 (If you are using a mid/end section or backup file delete the MYOB file that is displayed with the same file name.)
- 6 Right click and select Paste to paste the MYOB file you are copying, into the MYOB library.
- 7 This will be the file that is now displayed in the Welcome to AccountRight Standard when you first enter MYOB. Simply click on it to open it OR click on Open and select the file.

Restoring a Backup File

The Restore option on the File menu or Restore a backup file in the Welcome to AccountRight Standard window can be used to restore a file that has been backed up. You must delete your current MYOB file, eg  Office Design Ltd from the MYOB Library first.

You would click on the  button and select the relevant zipped folder. The dialog box will then be displayed as shown below.



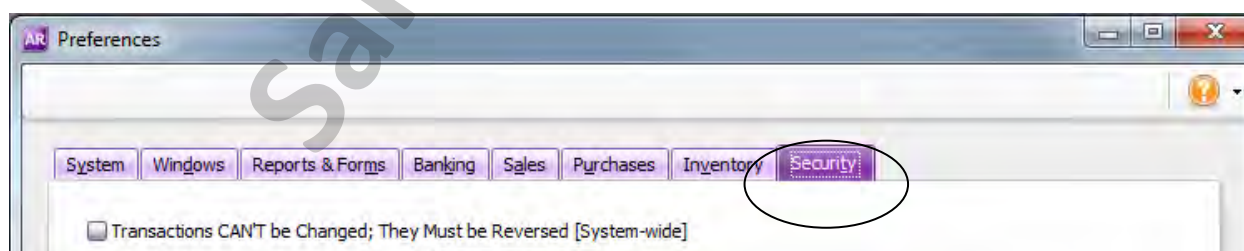
When you click on  the file will be restored to the MYOB Library location described on the previous page. MYOB will not replace an existing MYOB file with the same file name.

Transactions Changeable/Unchangeable



In MYOB you can specify whether you want transactions to be changeable or unchangeable. Although this is not good accounting practice, we recommend that you uncheck this option when learning MYOB. (This feature can be turned on/off at any time).

To do this ,click on Set Up on the menu bar, click on Preferences then click on the Security tab.

Remove the tick in the Transactions CAN'T be Changed; They Must be Reversed [System-wide] box as shown below.



Arrows next to transactions in MYOB (eg sales, purchases, payments etc) indicate if they are changeable or unchangeable as shown below:

-  Indicates that the transaction is changeable
-  Indicates that the transaction is unchangeable (and must be reversed if a change is needed).

Information on making changes in MYOB is included in Section 8 - please refer to this section if you make errors. You can also use the MYOB Help function.

Frequently asked questions (FAQs) and terminology are included in Section 7.

Learning Outcomes

At the end of this section you should be able to -

- ☐ Understand basic accounting concepts
- ☐ State some advantages of a computerised accounting system
- ☐ Identify the different MYOB Command Centres
- ☐ Define the purpose of a Chart of Accounts
- ☐ Identify when a journal entry is created
- ☐ Understand the different features in the MYOB Command Panel
- ☐ Recognise the main accounting reports
- ☐ State basic system requirements for a computerised accounting system
- ☐ Understand the need for training in MYOB and how MYOB handles data integrity and security

Accounting Concepts

Objectives

- To record and account for all transactions.
- To summarise transactions typically under the following headings.

Assets

Liabilities

Equity

Income

Expenses

Sales

Other Income

Cost of Sales

Other Expenses

Expenses (Overhead)

- To calculate the financial performance of a company over a specific period of time (called the Profit & Loss).
- To calculate the net worth of a business on a specific date (called the Balance Sheet).

Assets and Liabilities

An asset is an item of value to a business, eg cash, accounts receivable (ie money owing to the business), land, buildings etc.

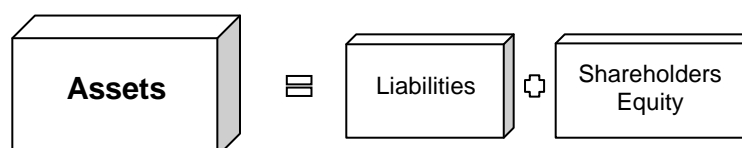
A liability is something that is owed by the business, eg accounts payable (ie money owing for purchases), bank loans, overdrafts etc.

Debits and Credits

In the double entry accounting system assets and costs (ie expenses) are entered as debits. Liabilities, gains and equity are entered as credits. The principles of double entry bookkeeping mean that -

every Debit has a corresponding Credit

The Accounting Equation can be represented as follows.



The Trial Balance shows all the debit and credit balances that have been posted to the General Ledger.

Computerised Accounting

There are many computerised accounting programs on the market today, varying considerably in price and functionality. MYOB has become a popular choice of accounting package for small to medium-sized businesses.

The Advantages of a Computerised Accounting Program

- When data is entered (eg invoice, purchase order, etc) the computer posts the transaction to the General Ledger (which is self-balancing) and updates it automatically. This creates efficiency in both time and accuracy.
- Inventory (ie stock) is updated automatically when sales and purchases are made.
- Sales and purchases transactions (ie debtors and creditors) can be analysed.
- Customer and supplier details can be recorded and updated.
- The following important accounting reports (and numerous others) can be displayed and printed at any time, making available up-to-the minute information with which to manage an organisation.
 - Aged Receivables and Aged Payables
 - General Ledger
 - Inventory Lists
 - Audit Trail (ie Journal Security Audit) and Session Report (ie Session Security Audit)
 - Trial Balance (which shows a list of debit and credit balances)
 - Profit & Loss Statement (which shows the performance of the company)
 - Balance Sheet (which is a statement of the financial position of the company).

These reports can be used for tax planning, and general analysis of an organisation's performance. In addition, they can be exported into a spreadsheet program (such as Excel), where they can be used to create cash flow forecasts and statements.

MYOB consists of seven "Command Centres" for the different areas of accounting, ie Accounts (General Ledger), Sales, Purchases, Inventory, Card File and Banking which are shown on the following pages.

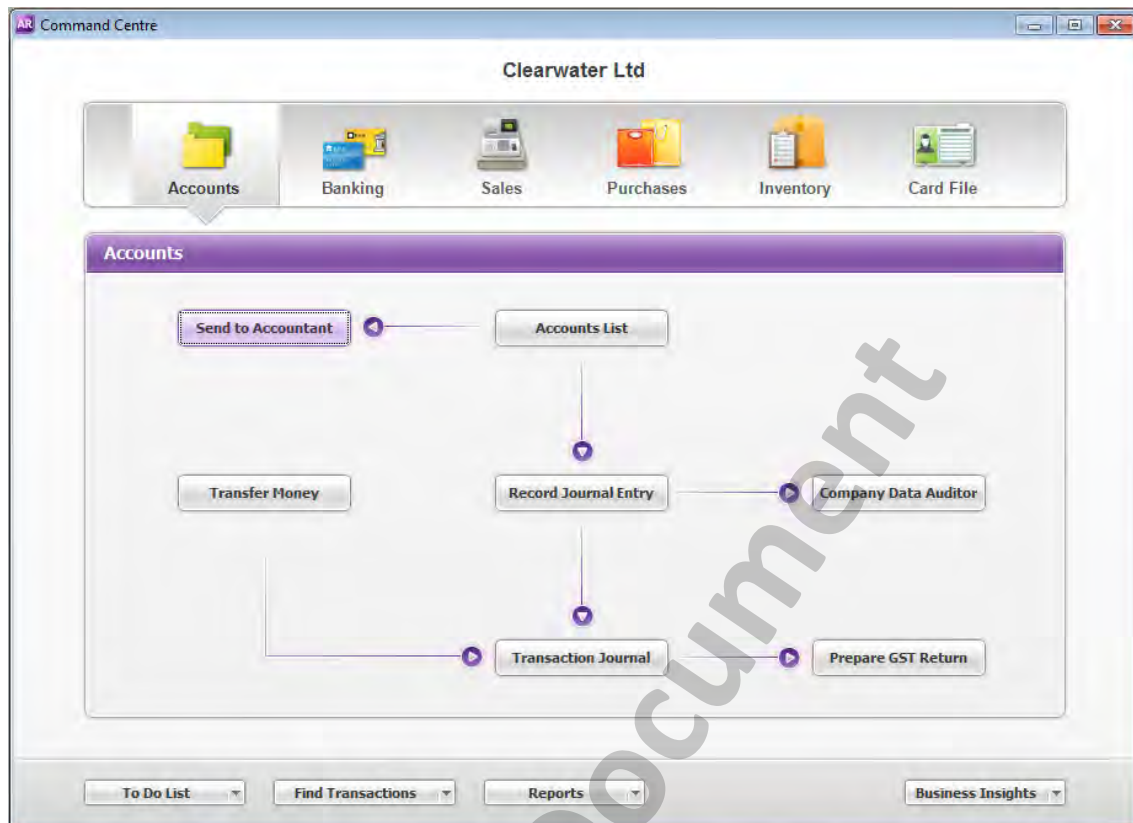
The "Accounts" (General Ledger) is the hub of the whole system and the following illustration shows the flow of transactions between the Command Centres.



MYOB Command Centres

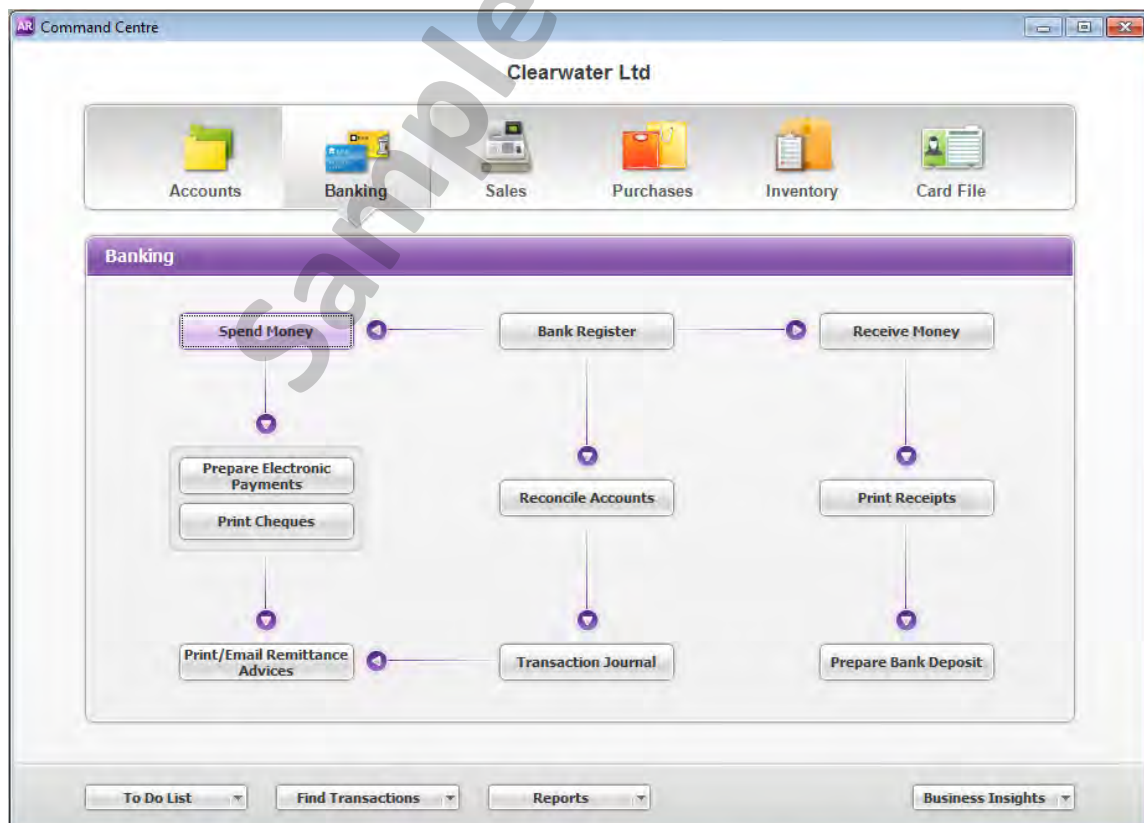
Accounts

(Account information processed - reports generated)



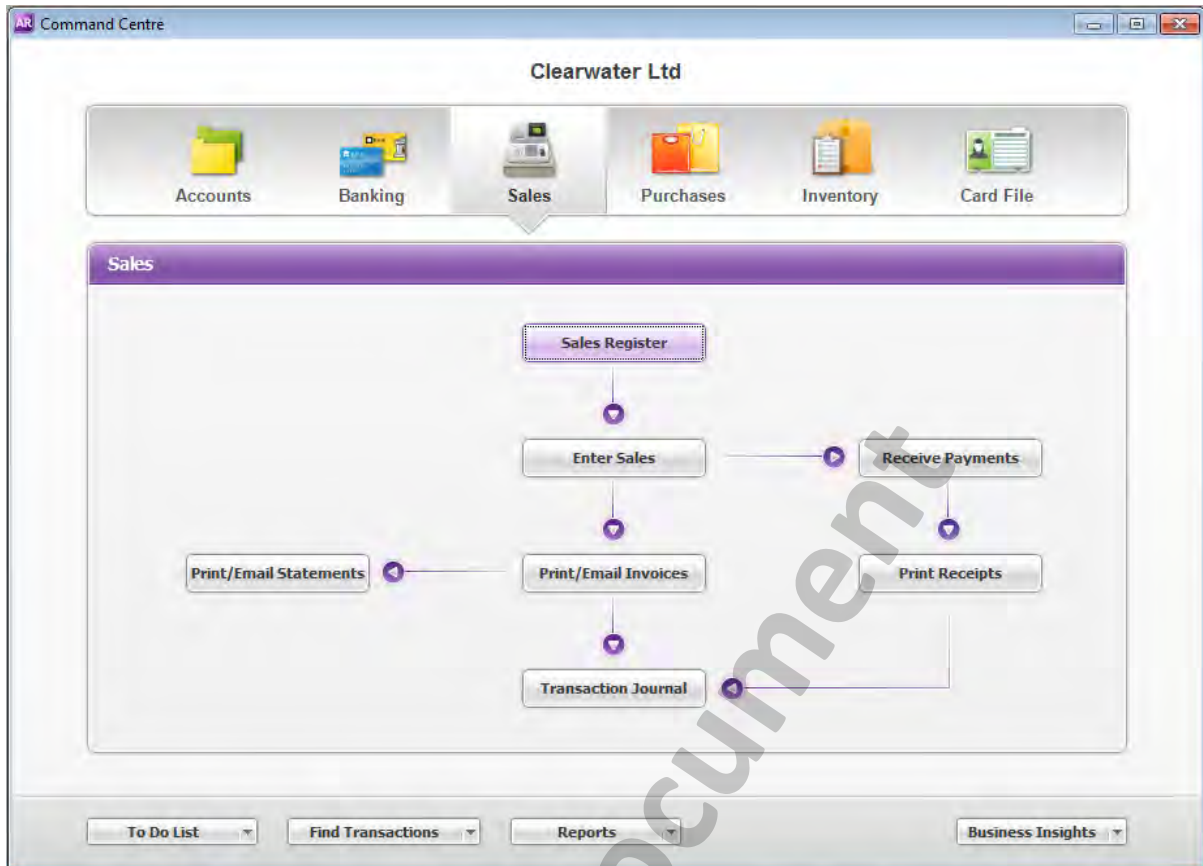
Banking

(Payments made and received)



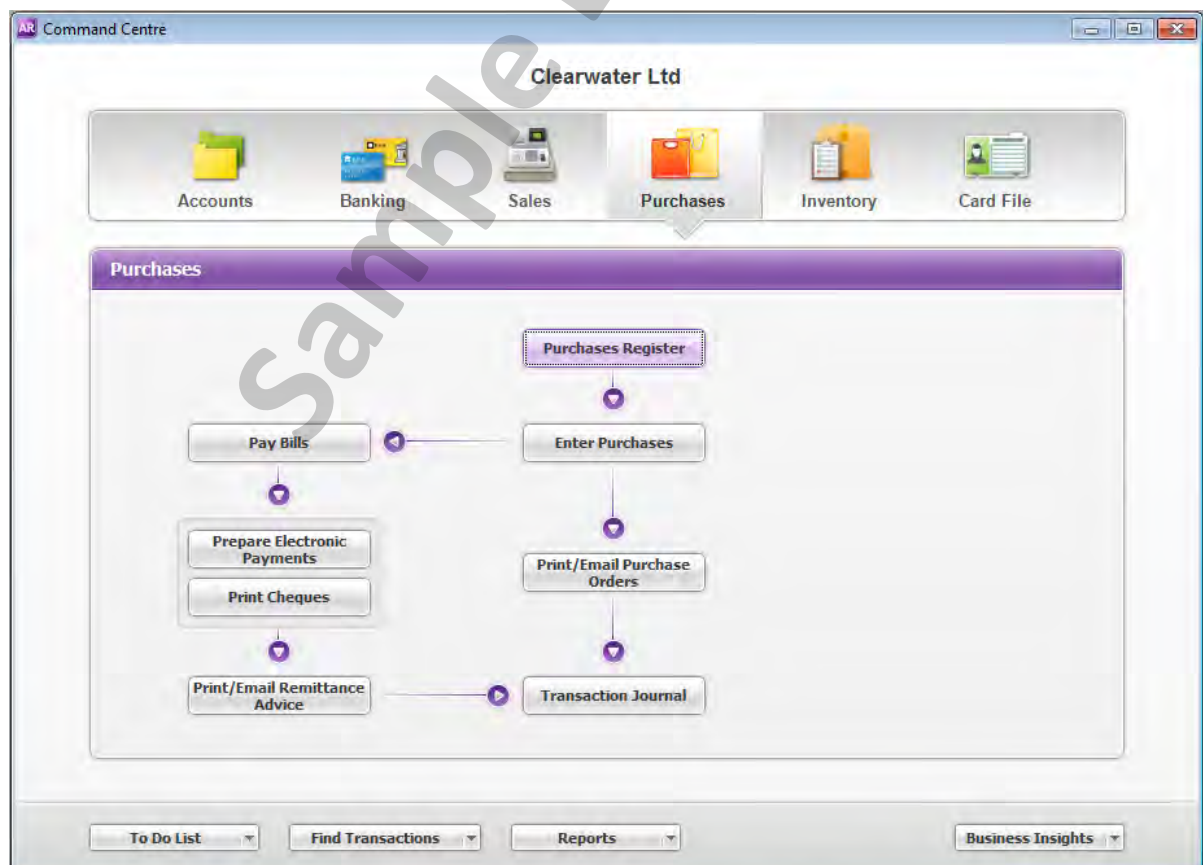
Sales

(Sales made to customers, ie invoices)



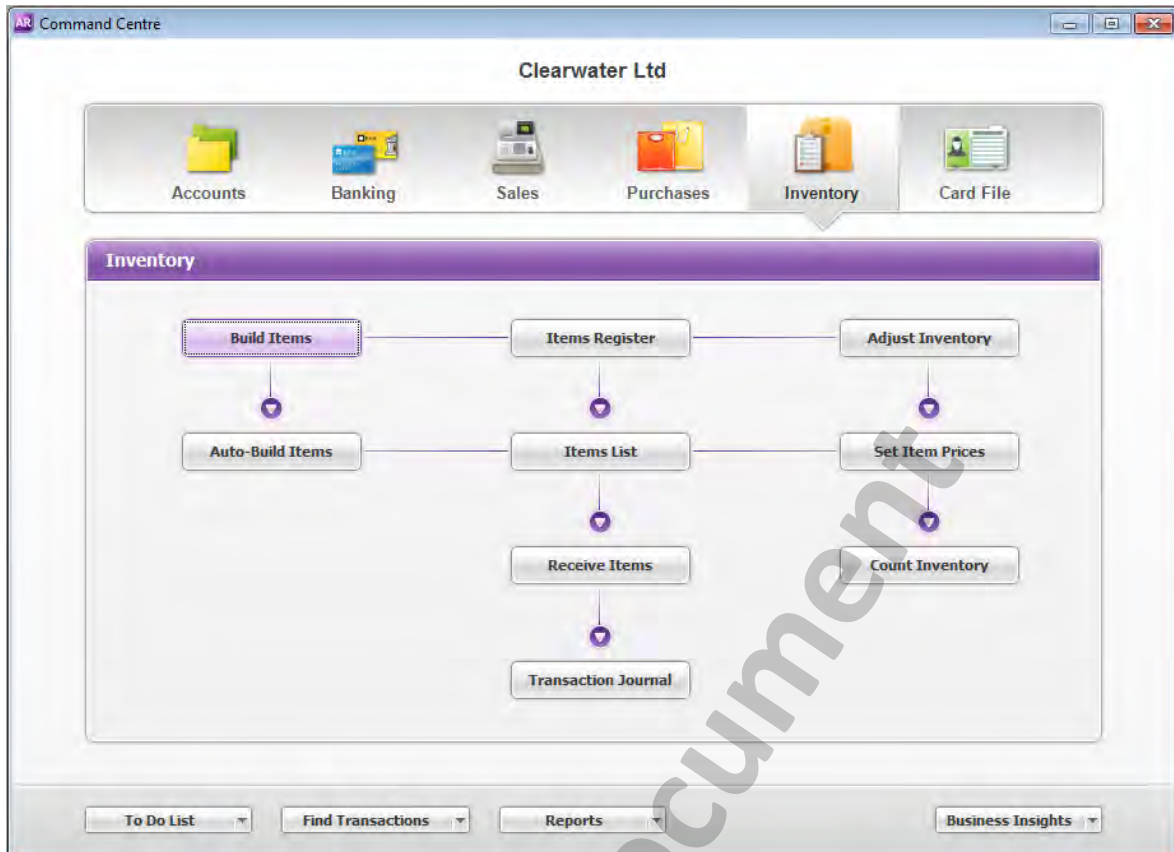
Purchases

(Purchases made from suppliers, ie purchase orders)



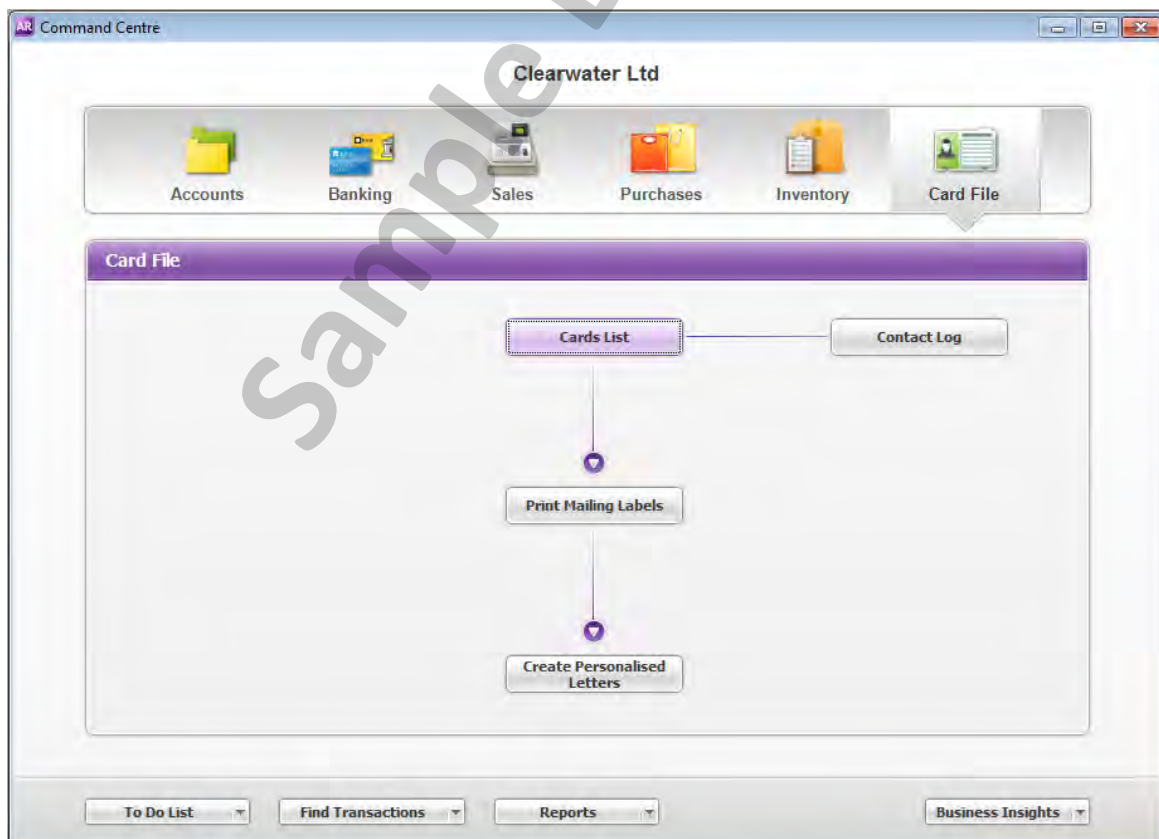
Inventory

(Sales and purchases transactions update stock)



Card File

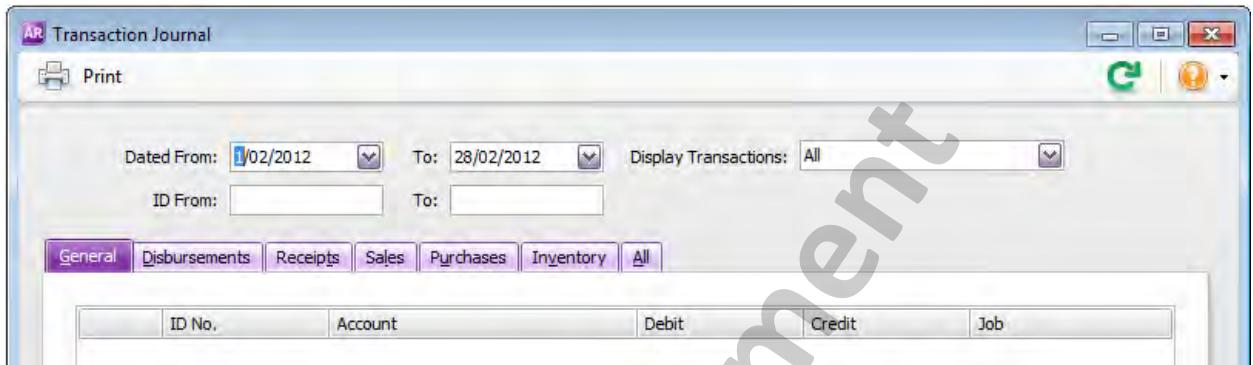
(Customer and supplier details)



The MYOB Process

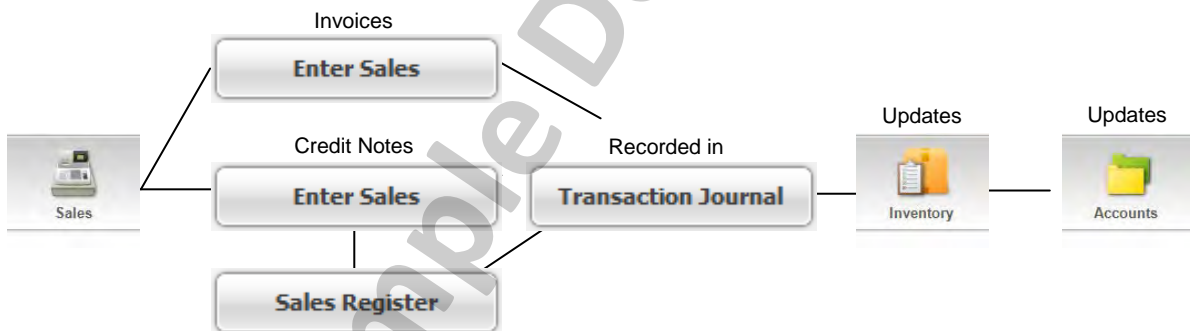
Transaction Journal

Sales, Purchases and Banking transactions are processed through the Transaction Journal. This is divided into sections which are displayed in the various Command Centres by way of the Transaction Journal buttons. When you click on the Transaction Journal button in any Command Centre the tabs at the top of the window will display the various journal sections. The All button displays all entries in MYOB.



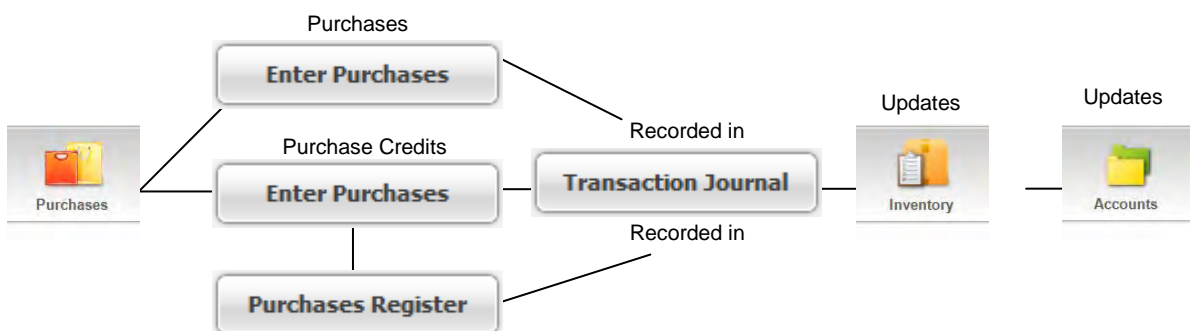
Sales (Accounts Receivable)

Sales transactions are processed as shown below.



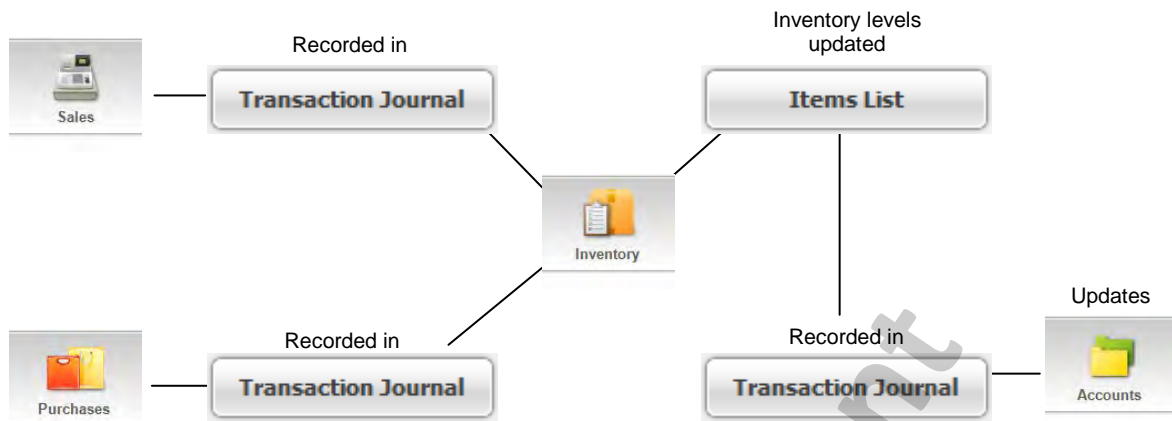
Purchases (Accounts Payable)

Purchase transactions are processed as shown below.



Inventory

When sales are made or goods purchased inventory (ie stock) is updated as shown below.



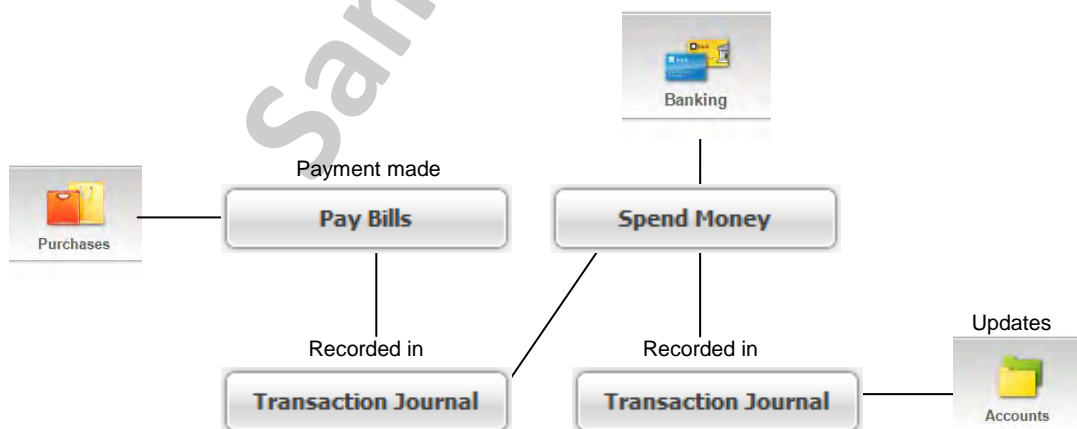
Customer Payments

Payments received for goods sold on invoice are processed as shown below.



Supplier Payments

Payments made by us for goods purchased on purchase order are processed as shown below.



GST

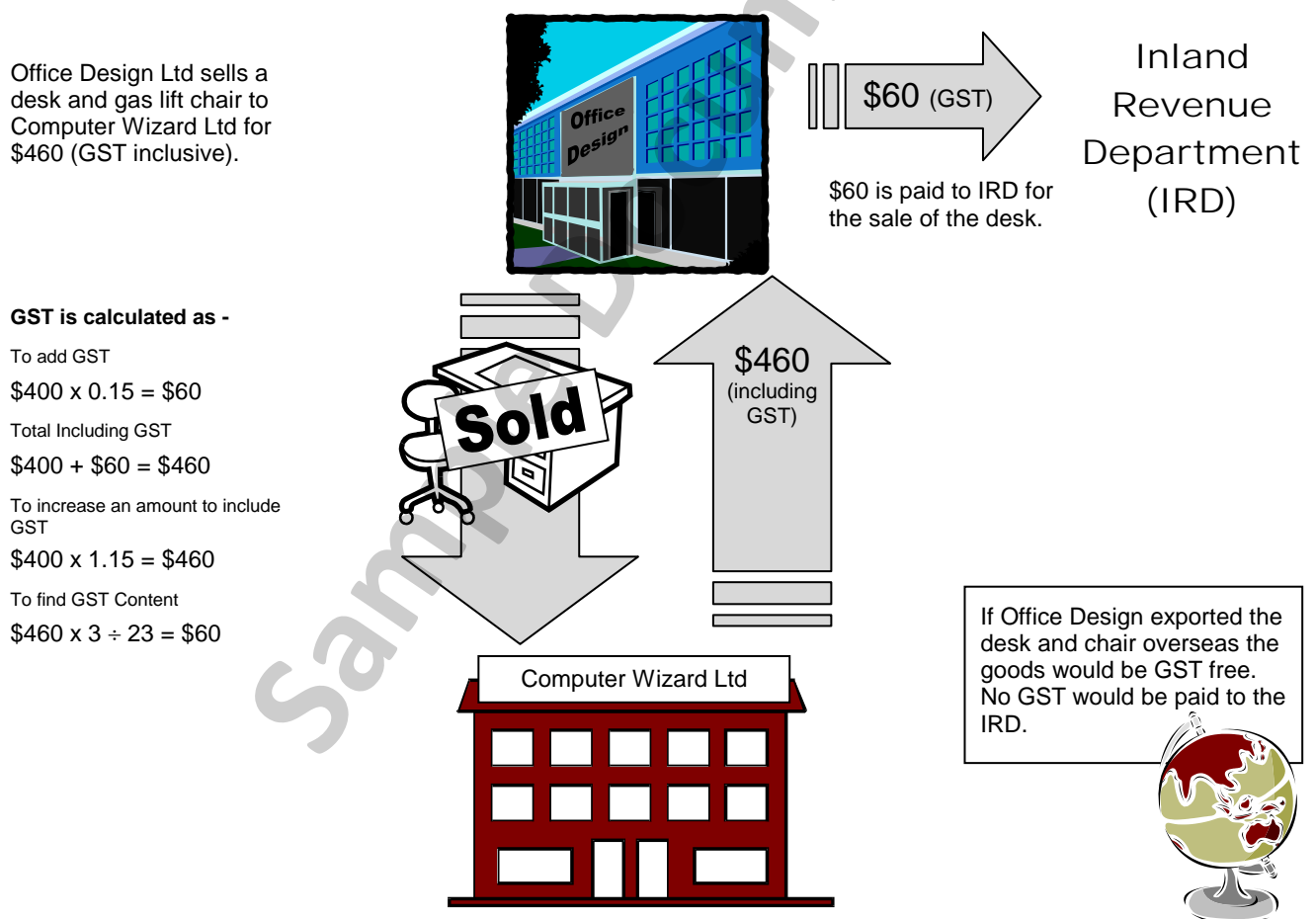
GST means *Goods and Services Tax*. GST of 15% is applied to specific goods and services in New Zealand.

Not all goods and services are subject to GST. Some of the goods and services that are GST free are listed below:

- Letting property as a private dwelling
- Exports
- Financial Services
- Interest Received
- The sale of donated goods and services by a non-profit body

For more details visit the Inland Revenue Department web site shown at the bottom of this page.

The following illustrates how GST works.



GST reports are filed one-monthly, two-monthly or six-monthly depending on the option chosen by the company.

To find out more on GST visit the Inland Revenue Department web site at <http://www.ird.govt.nz>

Chart of Accounts

A Chart of Accounts is a plan showing the names and identifying numbers of all the ledger accounts in a business General Ledger system. Accounting transactions are assigned to these accounts.

The way in which a chart of accounts is set up and numbered will depend on the categories the business requires. MYOB has a wide range of existing charts of accounts that are set up for a variety of businesses. These can be amended as desired. The chart of accounts headings include:

Category	Examples	
Assets (Things you own, eg land and buildings or what people owe you.)	<ul style="list-style-type: none"> • Bank (not overdraft) • Debtors (those who owe you money) • Goods/inventory • Vehicles • Land and buildings 	Balance Sheet The balances of these accounts are transferred to the Balance Sheet which lists a company's assets, liabilities and equity.
Liabilities (What you owe to others, eg GST, bank loans, accounts payable for goods purchased.)	<ul style="list-style-type: none"> • Creditors (those who you owe money) • Loans • Bank (overdraft) • GST 	
Equity (The owner's investment in the business. Includes capital, retained profits and shareholders' loans to the business. It is the company's net worth, ie assets minus liabilities.)	<ul style="list-style-type: none"> • Capital • Drawings 	
Income (Money that comes in to the business)	<ul style="list-style-type: none"> • All sales to customers • Freight collected 	Profit & Loss Statement The balances of these accounts are transferred to the Profit & Loss Statement. This lists the company's income and deducts the cost of sales expenses to produce a gross profit. Operating expenses are deducted from the gross profit to produce an operating profit. Other income is added and other expenses are deducted to produce a net profit.
Cost of sales (Direct costs involved in sales or service)	<ul style="list-style-type: none"> • All purchases for the business • Discounts given • Freight paid 	
Expenses (Overheads of the business)	<ul style="list-style-type: none"> • Advertising • Power • Stationery • Telephone • Insurance 	
Other income (Income that is not part of the everyday running of the business)	<ul style="list-style-type: none"> • Interest 	
Other expenses (Expenses that are not part of the everyday running of the business)	<ul style="list-style-type: none"> • Water damage costs 	

Remember, in accounting a double entry system is used where every debit must have a credit.

A simple way to remember debits and credits is to use the words ACE and LIE as follows:

Debit

Assets

Cost of sales

Expenses

Credit

Liabilities

Income

Equity

The following table contains a sample list of items showing how they're categorised and whether they are a debit or credit.

Item	Category	Debit	Credit
Bank account	Asset	✓	
Office equipment	Asset	✓	
Stationery	Expense	✓	
Advertising	Expense	✓	
Bank loan	Liability		✓
Power	Expense	✓	
Computer and printer	Asset	✓	
Photocopy paper	Expense	✓	
Purchase of coffee	Expense	✓	
Purchase of petrol	Expense	✓	
Inventory	Asset	✓	
Drawings	Equity		✓
Bank overdraft	Liability		✓
Freight paid	Cost of sales	✓	
Telephone	Expense	✓	
Purchase of delivery van	Asset	✓	
Debtors	Asset	✓	
Creditors	Liability		✓
Cash sale	Income		✓
Interest from bank account	Other income		✓
Products purchased for onselling to customers.	Cost of sales	✓	
Interest for bank loan	Other expense	✓	

A very basic Chart of Accounts is shown on the next page.

Most organisations would have more categories than this, but you can see that there is a definite pattern to the way in which accounts are designated and numbered.

When transactions are made in the various Command Centres in MYOB the chart of accounts numbers are recorded next to the entries.

The way in which the accounts are numbered allows for additions to be made to each category.

You will note in the following Chart of Accounts that account 1-1310 Trade Debtors (ie Accounts Receivable – money owed to the company) is displayed as an Asset and account 2-2150 Trade Creditors (ie Accounts Payable – money owed by the company) is displayed as a Liability.

Chart of Accounts	
1-0000 Assets	4-0000 Income
1-1000 Current Assets	4-1400 Furniture Sales
1-1100 Bank Accounts	4-1800 Freight Collected
1-1110 Business Bank Account #1	
1-1300 Other Current Assets	5-0000 Cost of Sales
1-1310 Trade Debtors	5-1000 Cost of Goods Sold
1-1320 Inventory	5-5000 Discounts Received
1-2000 Non-Current Assets	6-0000 Expenses
1-2100 Furniture	6-1000 General & Admin Expenses
1-2200 Office Equipment	6-1050 Audit Fees
1-2210 Office Equipment At Cost	6-1100 Accounting/Bookkeeping Fees
2-0000 Liabilities	6-5000 Depreciation Expenses
2-1000 Current Liabilities	6-5500 Low Value Pool Depreciation
2-1300 GST Liabilities	8-0000 Other Income
2-1210 GST Collected	8-1000 Interest Income
2-1230 GST Paid	
2-1500 Other Current Liabilities	9-0000 Other Expenses
2-1510 Trade Creditors	9-1000 Interest Expense
2-2000 Long Term Liabilities	9-2000 Other Expense
2-2100 Business Loan #1	
3-0000 Equity	
3-1000 Owner's/Shareholder's Capital	
3-1130 Directors Loans and Advances	
3-9000 Current Year Earnings	

There are other subcategories within these account headings, eg assets can be either fixed or current. The categories will be numbered in sequence and each category will have its own 'block' of numbers. At this stage, it is important only to recognise the basic headings to enable the overall picture to be understood.

"Linked accounts" are used in MYOB to record transactions in the correct general ledger accounts. This removes the need to manually allocate debits and credits to specific accounts. Click on Setup on the menu bar then click on Linked Accounts to look at the account type, eg General Ledger Accounts, Receivable Accounts, Payable Accounts. An example of the use of linked accounts is a customer payment, which is automatically assigned to the cheque account as shown below.

