

FREEDOM OF MOVEMENT

*Bethany Free has decided to set up a physiotherapy clinic called **Freedom of Movement**. The clinic will specialise in treating elderly patients who are losing mobility. She has been able to arrange that rooms available at the local retirement village can be rented for her clinic. The address is 245 Waterdale Road, Heidelberg.*

On November 1 2007, Bethany deposits \$15000 in an account at the Eastpac Bank for use in the business.

Instructions

1. Open QuickBooks 2008/09. On the blue bar (menu bar) at the top of the screen, click on **file > New Company**.
2. At the *Get Started* box, click on **Start Interview**.
3. At the next screen, key in **Freedom of Movement** and the address of the business: **245 Waterdale Road, Heidelberg**. Click on **Next**.
4. At the next screen, use the scroll down list to move down then select **Service Business**. Click on **Next**.
5. At the next screen, select **Individual tax return**. Click on **Next**.
6. At the next screen, select the month for the beginning of the financial year. Accept **July**. Click on **Next** three times.
7. Quickbooks will now create your company file. You will need to enter the location where the file is to be saved to. This may take a little while, depending on where the file is saved. Click on **Save**.
8. When the file is created, click **Next**
9. The next section asks questions which will determine the format of your data file

Feature	Select	Press
What do you sell?	Select Services only	Next
Do you track tax?	Yes	Next
Do you want to create estimates?	No	Next
Do you want to use sales receipts?	Yes	Next
Do you want to use billing statements?	Yes	Next
Do you want to use invoices?	Yes	Next
Do you want to use progress invoices?	No	Next
Do you want to keep track of bills you owe?	Yes	Next

Do you print cheques?	Select I don't currently print cheques and I don't plan to	Next
Do you want to track time?	No	Next
Do you have employees?	No	Next
Using accounts in QuickBooks		Next
Select a date for tracking	Select Use today's date or the beginning of the last month or quarter and key in 1/11/07	Next
Would you like to add an existing bank account?	No – add one later	Next
Review Income and Expense accounts	Accept the list displayed	Next

Click on **Finish**

10. On the menu bar, click on **Lists > Chart of Accounts > Account > New**.
11. Select **Bank**, click on **Continue**.
12. Key in **Eastpac Bank** to create a bank account for the business. Click on **Save & Close**.
13. When the Chart of Accounts returns, click **Account > New** and select **Equity**. Key in **Capital** as the account name. Click **Save & Close**.
14. The Chart of Accounts screen will appear. Double click on **Eastpac Bank**. The detail screen (register) for the bank account will appear.
15. In the date column, key in **1/11/07**. Locate the cursor in top line of the account field. Key in **Bethany Free**. Press Tab on the keyboard. Select **Quickadd** to enter this name on to the list of 'other' names.
16. In the DEPOSIT column, key in **15000**.
17. Locate the cursor on the second line of the Account field (where the word 'Account' appears grey), use the pull down list and select **Capital**.
18. Click on **Record** at the bottom of the screen. The balance of the Bank account will now be shown and the highlight will move down for the next entry.
19. On the menu bar, click on **Reports > Company & Financial > Balance Sheet**. Adjust the date to **30/11/07**. Click on **Refresh**. Check the Balance Sheet to make sure that the accounting equation is in balance and shows the two effects of the transaction. (Asset Bank ↑, Equity Capital ↑)

Bethany buys equipment for use in treating the patients costing \$2000 (plus GST) for cash on November 2

- 20 Return to the register for the bank account (click on **Lists > Chart of Accounts >** double click on **Eastpac Bank**). Adjust the date to show **2/11/07**, locate the cursor in the next column and key in **ATM**.
- 21 On the top line for the entry, key in **Cash** and add to the list of other names.
- 22 Locate the cursor in the PAYMENT column and key in **2200** (this includes the GST).
- 23 In the account field on the second line of the entry, key in **Equipment**. Press Tab on the keyboard and use the pull down list to open the account as a **Fixed Asset**.
- 24 Click on **Splits** at the bottom left of the screen. Adjust the amount to **2000**. Locate the cursor on the second line, use the pull down list to select **Tax Payable**. Key in **200** in the amount field. Click **Close** and then **Record**.
- 25 Open the balance sheet to see the effect of this transaction. (Asset Bank ↓ by \$2200, Asset Equipment ↑ by \$2000, Tax Payable (in the Current Liabilities) - \$200.)
Note – when the Tax Payable account shows a minus amount, this means that the business is due for a refund from the ATO. This is really an asset.

Bethany buys a treatment couch on credit from Medical Equipment Supplies on credit for \$3000 (plus GST). She pays a deposit of \$1100 cash and will pay the balance in 3 months.

- 26 On the menu bar, click on **Lists > Chart of Accounts > Account > New**. Open an account for the **Treatment Couch** as a Fixed Asset. Open an account for **Sundry Creditor** as an Accounts Payable account (use the pull down list of ‘other types’). Click **Save & Close**.
- 27 When the chart of accounts appears, double click on ‘Sundry Creditor’. Key in **Medical Equipment Supplies**. as the supplier. Press Tab to add this name to the list of suppliers.
- 28 In the column **Billed**, key in **2200**. In the account field, use the pull down list and select **Treatment Couch**.
- 29 Click on **Splits** at the bottom left of the screen. Adjust the amount to **2000**. Locate the cursor on the second line, use the pull down list to select **Tax Payable**. Key in **200** in the amount field. Click **Close** and then **Record**.
- 30 Open the Eastpac Bank account. Key in the date **03/11/07**. Enter **ATM** in the Number/Type column. In the Account column, key in **Medical Equipment Supplies**. In the payment column, key in **1100**. Select **Treatment Couch** in the Account field, select **Splits** at the bottom of the screen. Adjust the amount to **1000**, enter the tax amount **100** into the **Tax payable** account. Click **Close** and **Record**.

- 31 Open the balance sheet to check the effect of the transaction (Asset Bank ↓by \$1100, Asset Treatment Couch ↑ \$3000, liability Sundry Creditor ↑ \$2200, Tax liability has increased by -\$300.)

Bethany has the following transactions on November 4:

Paid rent for one month to Easy Living Retirement Village \$1200 (plus GST)

Withdraws \$400 cash for her own use from the business bank account.

Advertising leaflets printed at Quikcopy \$250 (plus GST)

Treats 5 patients at \$50 (plus GST) each cash

- 32 On the menu bar, click on **Lists > Chart of Accounts**. Double click on **Eastpac Bank** to open the register (or use **Windows > Eastpac Bank** on the menu bar). Adjust the date to **4/11/07**.
- 33 In the account field, key in **Easy Living Retirement Village** (add this to the list of 'other names').
- 34 In the 'Payment' column, key in **1320**.
- 35 On the second line of the entry, key in **Rent**.
- 36 Click on **Splits** at the bottom of the screen. Adjust the amount to **1200**. Locate the cursor on the second line, use the pull down list to select **Tax Payable**. Key in **120** in the amount field. Click on **Close**, then on **Record**.
- 37 On the menu bar, click on **Reports > Company & Financial > Profit and Loss Standard**. Adjust the dates to show **01/11/07** to **30/11/07**. Click on **Refresh**.
The item for Rent will be shown as an expense. Open the balance sheet. (Asset Bank ↓ \$1320, Equity Net Income ↓ \$1200 Tax payable -\$120).
- 38 Return to the bank account register. On the top line of the next entry, key in **Cash** (this should appear as you start to type).
- 39 Key **400** into the Payment column.
- 40 On the second line of the entry, key in **Drawings**. Press Tab and open an account for Drawings as an Equity. Click on **Record**.
- 41 Open the balance sheet. Asset Bank ↓ \$400, Equity ↓ \$400 (Drawings)
- 42 Return to the bank account register. Key in **Quikcopy** on the top line of the entry. Add to the list of 'other names'.
- 43 Key **275** into the 'Payment' column.
- 44 On the second line of the entry, key in **Advertising** press Tab and open an account for this as an expense account. Click on **Splits**

- 45 Adjust the amount and enter the tax into the **Tax Payable** account. Click on **Close**, then on **Record**.
- 46 Open the profit and loss statement to check the entry, then go to the balance sheet. Asset Bank ↓ \$275, Equity ↓ \$250, Tax Payable ↑ \$25.
- 47 On the menu bar, click **Edit > Preferences > Sales & Customers > Company Preferences** then click on *Use undeposited funds as a default deposit to account* to remove the tick. Click **OK**.
- 48 On the menu bar, click on **Customers > Enter Sales Receipts**. Check that the date is correct (**4/11/07**). In the **Item** column, key in **Consultations**. Press Tab. Accept **Service** as the type. Key in **Consulting and treatment** in the description box. Key in **50** into the Rate box. Use the pull down list for Sales Tax Code and select **GST 10%**. Key in **Fees Earned** in the Account box, press Tab and open the account as an Income. Click on **OK**.
- 49 When the sales receipts screen returns, key in **10** in the Quantity column.
- 50 Click on the button for **Deposit to** at the bottom of the screen and make sure that Eastpac Bank is displayed in the box. Click on **Save & Close**.
- 51 Open the profit and loss statement from the Windows list on the menu bar. Check that the income has been included. Open the balance sheet, check the changes to the accounting equation (Asset Bank ↑ \$550, Equity ↑ \$500 (now showing a loss of \$950) and Tax Payable -\$595).
Note – the tax collected from the customers reduces the ATO refund

BANK RECONCILIATION

EASTPAC BANK				
Main Street Heidelberg				
Account Freedom of Movement				
Date	Details	Debit	Credit	Balance
	Balance			Nil
Nov 1	Cash/Chq		15000	15000 Cr
2	ATM	2200		12800 Cr
3	ATM	1100		11700 Cr
4	Cash/Chq		550	12250 Cr
	ATM	1320		10930 Cr
	ATM	275		10655 Cr
	ATM	400		10255 Cr

1. On the menu bar, click on **Banking > Reconcile**.

2. Adjust the statement date (**4/11/07**) In the Ending Balance field, key in **10255** (the final balance from the bank statement). Click on **Continue**.
3. At the Reconcile screen, notice the **Difference** amount at the bottom right of the box. This difference will reduce to Nil as the items on the cash book are marked off.
4. Compare the bank statement with the cash book listings on this screen. For any item which appears on both records, click in the ✓ column next to the item. Watch the 'difference' adjust as each item is checked off. When the difference shows Nil, the account is ready to be reconciled.
5. Click on **Reconcile Now**. This takes a few seconds.
6. At the box, select the type of reconciliation report required **Summary, Detail, Both** (or close).