

## CHAPTER 11 ACCOUNTS PAYABLE

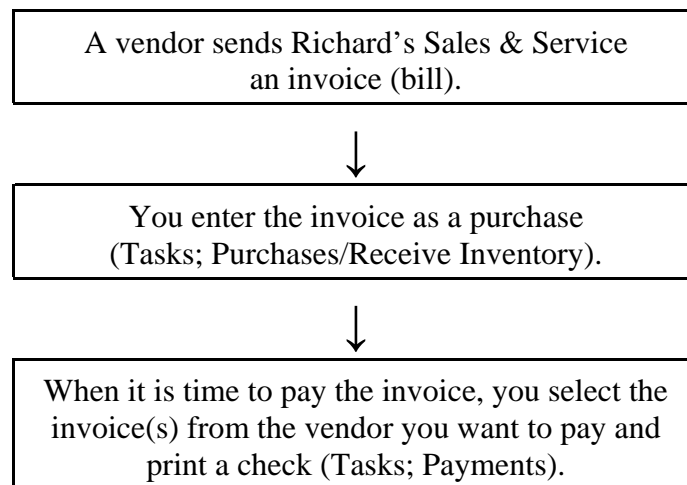
Chapter 11 begins Part 3 of the book: Peachtree Complete Accounting 2005 for Merchandising Businesses. Merchandising businesses are retail stores that resell goods and services. In this chapter, your students set up two merchandising business—Richard's Sales & Service and Student Name Service Merchandise. Richard's Sales & Service is a partnership owned by Michael Lee and Barbara Henley. Mr. Lee and Ms. Henley divide their income equally. Student Name Service Merchandise is a sole proprietorship.

Merchandising businesses purchase the merchandise they sell from suppliers known as vendors. Vendors are the businesses that offer Richard's Sales & Service credit to buy merchandise and/or assets, or credit for expenses incurred. When Richard's Sales & Service makes purchases on account from these vendors, the transactions are known as accounts payable transactions.

PCA organizes and monitors Richard's Sales & Service's accounts payable. Accounts Payable is the amount of money the business owes to suppliers or vendors.

When your students enter a purchase, they first enter the vendor's code. The vendor's name and address information, the standard payment terms, and the general ledger purchase account are automatically entered in the appropriate places. This information can be edited if any changes are needed. This works similarly for accounts receivable.

Once your students have entered purchase information, printing a check to pay for a purchase is simple. When the student enters the vendor's code, a list of purchases displays. The student selects the purchase invoices to be paid, then clicks on the Pay box. At that point, the student can also print the check. The flowchart on the next page illustrates how vendors are paid.



**SOFTWARE OBJECTIVES:** In Chapter 11, your students used the software to:

1. Set up company information for Richard's Sales & Service.
2. Enter the following general ledger information: chart of accounts and beginning balances.
3. Enter the following accounts payable information: vendor defaults and vendor records.
4. Enter the following inventory information: inventory defaults, inventory items, inventory beginning balances.
5. Record accounts payable transactions: merchandise purchases, purchase orders, cash purchases, and purchase returns.
6. Make four backups: 1) back up Chapter 11 beginning data; 2) back up Chapter 11 data; 3) back up Exercise 11-1; 4) back up Exercise Exercise 11-2.<sup>1</sup>

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<sup>1</sup>The chart on page 136 - IMK shows you the size of each backup file. Refer to this chart for backing up data. Remember, you can back up to external media such as a floppy disk (which holds 1,440,000 bytes of data); Zip drive; USB drive; CD-R; or DVD-R.

**WEB OBJECTIVES:** In Chapter 11, your students did these Internet activities:

1. Used their Internet browser to go to the book's website. (Go online to [www.mhhe.com/yacht2005](http://www.mhhe.com/yacht2005).)
2. Went to the Internet Activity link on the book's website. Then, selected WEB EXERCISES PART 3. Completed the first web exercise in Part 3, Accounting List.
3. Used a word processing program to write summaries of the websites that they visited.

### PCA TIPS, Chapter 11

- Students begin two merchandising businesses in Chapter 11: Richard's Sales & Service and Exercises 11- 1 and 11-2, Student Name Service Merchandise.
- The two businesses that students begin in Chapter 11 are continued in Chapters 12, 13 and 14.

**Comment: What if your students want to use Richard's Sales & Service, on a computer that does not have this company set up in Peachtree?**

When your students set up the new company, Richard's Sales & Service, a folder or subdirectory is placed on the hard drive of the computer they are using. The default program path and data path is C:\Program Files\Peachtree\Company\xxxxxxx. (Substitute the x's for the students' data path). Peachtree shortens the company name and places a folder on its program path.

Some computer labs delete subdirectories from the hard drive; for example, a back up file exists but the company is *not* shown when your student opens an existing company or selects browse to check for that company. Or, the computer lab has Peachtree Complete Accounting 2005 installed but *not* the companies that students previously set up.

Students can restore to an existing company—one that is previously set up—or they can restore to a new company, *bypassing the process of setting up a new company*. The Restore Wizard includes two options on the Select Company screen: An Existing Company *and* A New Company. If A New Company is selected, then the company will be named exactly as the backup file selected.

If you start Peachtree and the appropriate company *cannot* be opened, use the Restore Wizard to select A New Company. Using the appropriate backup file, and the selection for A New Company, your students are able to start where they left off the last time they used Peachtree.

This is also the method for restoring PTB files from the Instructor's Edition website. PTB is the extension used by Peachtree to identify backup files.

**LECTURE OUTLINE FOR Chapter 11: ACCOUNTS PAYABLE**

- A. Software Objectives, page 363
- B. Web Objectives, page 363
- C. Getting Started, pages 365-369
- D. General Ledger, pages 369-374
- E. Accounts Payable, pages 374-378
- F. Inventory Items, pages 378-384
- G. Backing Up Your Data, pages 384
- H. Accounts Payable Tasks: Purchases/Receive Inventory, pages 384-385
  - 1. Using the Purchase Journal: Purchases/Receive Inventory Window, pages 385-390
  - 2. Additional purchases, pages 390-391
- I. Cash Purchases: Write Checks Window, pages 391-392
  - 1. Printing the check, pages 392-396
- J. Purchase Returns, pages 396-397
  - 1. Paying a vendor, minus a return of merchandise, pages 398-400
- K. Paying Specific Vendor Invoices, pages 400-402
  - 1. Editing payments, page 402
- L. Printing the Purchase Journal and Cash Disbursements Journal, pages 403-404
- M. Vendor Ledgers, page 405

- N. Printing the General Ledger Trial Balance, pages 405-406
- O. Backing Up Chapter 11 Data, pages 406-407
- P. Internet Activity, page 407
- Q. Summary and Review, pages 407-408
  - 1. Going to the net, page 408
  - 2. True/Make True Questions, pages 408-410
  - 3. Exercise 11-1, page 411-417
  - 4. Exercise 11-2, 417-419
  - 5. Chapter 11 Index, page 420

### **ANSWERS TO GOING TO THE NET**

- 1. a. Setup Guide
  - b. Preparation checklist
  - c. Navigation aids
  - d. Wizards
  - e. Online Tutorial
- 2. Navigation Aids make it easier to understand how transactions are processed and provide instant access to frequently used software features.
- 3. 75 sample chart of accounts

### **ANSWERS TO TRUE/MAKE TRUE QUESTIONS**

- 1. True
- 2. True
- 3. True
- 4. Accounts Payable is money owed to suppliers or vendors.
- 5. True
- 6. Each time you use the Purchases/Receive Inventory window, you are journalizing in the Purchase Journal.
- 7. Each time you use the Payments window, you are journalizing in the Cash Disbursement Journal.
- 8. True.
- 9. True
- 10. The purchase discount amount is credited to Account No. 59500, Purchase Discounts.

## Solution to Exercise 11-1 (7)

Student Name Service Merchandise Chart of Accounts As of Jan 31, 2005			
Filter Criteria includes: Report order is by ID. Report is printed with Accounts having Zero Amounts and in Detail Format.			
Account ID	Account Description	Active?	Account Type
10200	Portland Bank	Yes	Cash
10300	Payroll Checking Account	Yes	Cash
10400	Downtown Savings & Loan	Yes	Cash
11000	Accounts Receivable	Yes	Accounts Receivable
11100	Contracts Receivable	Yes	Accounts Receivable
11500	Allowance for Doubtful Account	Yes	Accounts Receivable
12000	Merchandise Inventory	Yes	Inventory
13000	Supplies	Yes	Other Current Assets
14000	Prepaid Insurance	Yes	Other Current Assets
15000	Furniture and Fixtures	Yes	Fixed Assets
15100	Computers & Equipment	Yes	Fixed Assets
15500	Building	Yes	Fixed Assets
17000	Accum. Depreciation - Furn&Fix	Yes	Accumulated Depreciation
17100	Accum. Depreciation - Comp&Eq	Yes	Accumulated Depreciation
17500	Accum. Depreciation - Building	Yes	Accumulated Depreciation
20000	Accounts Payable	Yes	Accounts Payable
23000	Accrued Expenses	Yes	Other Current Liabilities
23100	Sales Tax Payable	Yes	Other Current Liabilities
23200	Wages Payable	Yes	Other Current Liabilities
23400	Federal Payroll Taxes Payable	Yes	Other Current Liabilities
23500	FUTA Tax Payable	Yes	Other Current Liabilities
23600	State Payroll Taxes Payable	Yes	Other Current Liabilities
23700	SUTA Payable	Yes	Other Current Liabilities
23900	Income Taxes Payable	Yes	Other Current Liabilities
24000	FICA Employee Taxes Payable	Yes	Other Current Liabilities
24100	FICA Employer Taxes Payable	Yes	Other Current Liabilities
24200	Medicare Employee Taxes Payabl	Yes	Other Current Liabilities
24400	Medicare Employer Taxes Payabl	Yes	Other Current Liabilities
24500	Contracts Payable	Yes	Other Current Liabilities
27000	Long-Term Notes Payable	Yes	Long Term Liabilities
27100	Contracts Payable-Noncurrent	Yes	Long Term Liabilities
27400	Mortgage Payable	Yes	Long Term Liabilities
39005	Beginning Equity	Yes	Equity-Retained Earnings
39009	Student Name, Capital	Yes	Equity-doesn't close
39010	Student Name, Drawing	Yes	Equity-gets closed
40000	Service Fees	Yes	Income
40200	Sales-Hardware	Yes	Income
40400	Sales-Tools	Yes	Income
40800	Interest Income	Yes	Income
41000	Other Income	Yes	Income
45400	Finance Charge Income	Yes	Income
45500	Shipping Charges Reimbursed	Yes	Income
48000	Sales Returns and Allowances	Yes	Income
49000	Sales Discounts	Yes	Income
50000	Cost of Goods Sold-Hardware	Yes	Cost of Sales
50500	Cost of Goods Sold-Tools	Yes	Cost of Sales
57000	Cost of Sales-Salaries and Wag	Yes	Cost of Sales
57500	Cost of Sales-Freight	Yes	Cost of Sales
58500	Inventory Adjustments	Yes	Cost of Sales
59000	Purchase Returns and Allowance	Yes	Cost of Sales
59500	Purchase Discounts	Yes	Cost of Sales
60000	Default Purchase Expense	Yes	Expenses
60100	Advertising Expense	Yes	Expenses
61500	Bad Debt Expense	Yes	Expenses
62000	Bank Charges	Yes	Expenses
64000	Deprec Exp-Furn & Fixtures	Yes	Expenses
64500	Deprec Exp-Computers & Equip	Yes	Expenses
64600	Deprec Exp-Building	Yes	Expenses
65500	Freight Expense	Yes	Expenses
66000	Gifts Expense	Yes	Expenses
66500	Income Tax Expense	Yes	Expenses
67000	Insurance Expense	Yes	Expenses
67500	Interest Expense	Yes	Expenses
68500	Legal and Professional Expense	Yes	Expenses

**Solution to Exercise 11-1 (7) (Concluded)**

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**Student Name Service Merchandise  
Chart of Accounts  
As of Jan 31, 2005**

Filter Criteria includes: Report order is by ID. Report is printed with Accounts having Zero Amounts and in Detail Format.

Account ID	Account Description	Active?	Account Type
69000	Licenses Expense	Yes	Expenses
69500	Loss on NSF Checks	Yes	Expenses
70000	Maintenance Expense	Yes	Expenses
70500	Meals and Entertainment Exp	Yes	Expenses
71000	Office Expense	Yes	Expenses
72000	Payroll Tax Expense	Yes	Expenses
72500	Penalties and Fines Exp	Yes	Expenses
72510	FICA Expense	Yes	Expenses
72530	FUTA Expense	Yes	Expenses
72540	SUTA Expense	Yes	Expenses
73500	Postage Expense	Yes	Expenses
74500	Repairs Expense	Yes	Expenses
75500	Supplies Expense	Yes	Expenses
76000	Telephone Expense	Yes	Expenses
77500	Wages Expense	Yes	Expenses
77600	Overtime Expense	Yes	Expenses
78000	Utilities Expense	Yes	Expenses
89000	Other Expense	Yes	Expenses
89500	Purchase Disc-Expense Items	Yes	Expenses
90000	Gain/Loss on Sale of Assets	Yes	Expenses

**Solution to Exercise 11-1 (8)**

Student Name Service Merchandise Balance Sheet January 31, 2005		
ASSETS		
Current Assets		
Portland Bank	\$	40,000.00
Downtown Savings & Loan		14,300.00
Merchandise Inventory		14,750.00
Supplies		1,000.00
Prepaid Insurance		2,400.00
		<u>72,450.00</u>
Total Current Assets		
Property and Equipment		
Furniture and Fixtures		3,500.00
Computers & Equipment		5,500.00
Building		85,000.00
		<u>94,000.00</u>
Total Property and Equipment		
Other Assets		
		<u>0.00</u>
Total Other Assets		
Total Assets		<u>\$ 166,450.00</u>
LIABILITIES AND CAPITAL		
Current Liabilities		
		<u>0.00</u>
Total Current Liabilities		
Long-Term Liabilities		
Long-Term Notes Payable	\$	10,000.00
Mortgage Payable		60,000.00
		<u>70,000.00</u>
Total Long-Term Liabilities		
Total Liabilities		70,000.00
Capital		
Student Name, Capital	96,450.00	
Net Income	0.00	
		<u>96,450.00</u>
Total Capital		
Total Liabilities & Capital		<u>\$ 166,450.00</u>



**Solution to Exercise 11-2 (3)**

<b>Student Name Service Merchandise Purchase Journal</b> <b>For the Period From Jan 1, 2005 to Jan 31, 2005</b>						Page: 1
Filter Criteria includes: Report order is by Date. Report is printed in Detail Format.						
Date	Account ID Account Description	Invoice/CM #	Line Description	Debit Amount	Credit Amount	
1/2/05	12000 Merchandise Inventory 20000 Accounts Payable	480CP	tools Carl Pierce Tools	300.00		300.00
1/5/05	12000 Merchandise Inventory 20000 Accounts Payable	SJH52	copper hardware Sharon Jacobson Hardware	400.00		400.00
1/6/05	12000 Merchandise Inventory 20000 Accounts Payable	VCM480CP	tools Carl Pierce Tools	60.00		60.00
				760.00		760.00
				760.00		760.00

**Solution to Exercise 11-2 (4)**

<b>Student Name Service Merchandise Cash Disbursements Journal For the Period From Jan 1, 2005 to Jan 31, 2005</b>					
<small>Filter Criteria includes: Report order is by Date. Report is printed in Detail Format.</small>					
Date	Check #	Account ID	Line Description	Debit Amount	Credit Amount
1/9/05	2020	59500 20000 10200	Discounts Taken Invoice: SJH52 Sharon Jacobson Hardware	400.00	8.00 392.00
1/9/05	2021	59500 20000 10200	Discounts Taken Invoice: 480CP Carl Pierce Tools	240.00	4.80 235.20
1/13/05	2022	70000 10200	Maintenance Expense Tom Walsh	120.00	120.00
1/15/05	2023	73500 10200	Postage Expense U.S. Post Office	37.00	37.00
1/16/05	2024	71000 10200	Office Expense Portland Office Supplies	139.82	139.82
1/16/05	2025	76000 10200	Telephone Expense Western Telephone	41.07	41.07
1/26/05	2026	39010 10200	Student Name, Drawing Student Name	400.00	400.00
<b>Total</b>				<u>1,377.89</u>	<u>1,377.89</u>

**Solution to Exercise 11-2 (5)**

<b>Student Name Service Merchandise Vendor Ledgers For the Period From Jan 1, 2005 to Jan 31, 2005</b>							Page: 1
<small>Filter Criteria includes: Report order is by ID.</small>							
Vendor ID Vendor	Date	Trans No	Type	Paid	Debit Amt	Credit Amt	Balance
CPT12	1/2/05	480CP	PJ	*		300.00	300.00
Carl Pierce Tools	1/6/05	VCM480CP	PJ	*	60.00		240.00
	1/9/05	2021	CDJ		4.80	4.80	240.00
	1/9/05	2021	CDJ		240.00		0.00
SJH14	1/5/05	SJH52	PJ	*		400.00	400.00
Sharon Jacobson Hardwa	1/9/05	2020	CDJ		8.00	8.00	400.00
	1/9/05	2020	CDJ		400.00		0.00

**Solution to Exercise 11-2 (6)**

<b>Student Name Service Merchandise                      General Ledger Trial Balance                      As of Jan 31, 2005</b>			
Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.			
Account ID	Account Description	Debit Amt	Credit Amt
10200	Portland Bank	38,634.91	
10400	Downtown Savings & Loan	14,300.00	
12000	Merchandise Inventory	15,390.00	
13000	Supplies	1,000.00	
14000	Prepaid Insurance	2,400.00	
15000	Furniture and Fixtures	3,500.00	
15100	Computers & Equipment	5,500.00	
15500	Building	85,000.00	
27000	Long-Term Notes Payable		10,000.00
27400	Mortgage Payable		60,000.00
39009	Student Name, Capital		96,450.00
39010	Student Name, Drawing	400.00	
59500	Purchase Discounts		12.80
70000	Maintenance Expense	120.00	
71000	Office Expense	139.82	
73500	Postage Expense	37.00	
76000	Telephone Expense	41.07	
	<b>Total:</b>	<b>166,462.80</b>	<b>166,462.80</b>