Using Sage 50 Accounting 2017 (Canadian) 1st edition Purbhoo Solutions Manual

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Chapter, Company	Backup File name / Status	Location of restored file	Session Date (mm-dd-yy)
Online Banking	April transactions completed, ready for downloading May bank statement for reconciliation		

SOLUTION FILES FOR CHAPTER APPLICATIONS

MAKE A WORKING COPY OF THE SOLUTION BACKUP FILES

Instructors should remember that if students alter accounts in the data files, except as required by working through the applications, they invalidate the solution file for that particular application.

We have chosen to provide solutions to all applications as Sage 50 files with all transactions in the text completed rather than providing a set of printed reports. In this way, instructors may print any report for any date after restoring the backup data file with Sage 50. Furthermore, for evaluation purposes, they can request any report without being limited to the ones we might choose. The accounting transactions in the solution files were processed sequentially, just as they appear in each application. In applications that have started a new fiscal year, choose Previous Year in the report options windows to see the reports.

All solution backup files were created with Sage 50 Accounting Premium 2017, Canadian Edition (Release 0), to match the Educational version in most classrooms and the downloaded Student version. You must work with the correct version of the program to restore and access the files. You cannot open Premium version files with the Pro version, and you cannot open 2017 files with earlier versions of the program (Sage Simply Accounting 2012 or earlier). Before 2015, the Sage 50 Program was named Sage Simply Accounting.

The files for each company are restored to a separate folder for that company as shown in the following chart. The session date for each application is provided.

Name of Company	Backup File name	Session Date	Name of restored file in C:\SageSol17)
Muriel's Murals	murals1.CAB	04-30-19	Murals\murals.SAI
Love It Again	love-finish1.CAB	08-31-19*	Love\love-finish.SAI
Groen Fields	groen1.CAB	05-31-19	Groen\groen.SAI
Phoebe's Photo Studio	photo1.CAB	07-31-19	Photo\photo.SAI
Air Care Services	aircare-finish1.CAB	04-30-19	Aircare\aircare-finish.SAI
Helena's Academy	helena1.CAB	10-31-19*	Helena\helena.SAI
Northern Lights	northern-finish1.CAB	06-30-19	Norhtern\northern-finish.SAI
Flabuless Fitness	flabuless1.CAB	02-28-19	Flabuless\flabuless.SAI
Andersson Chiropractic Clinic	andersson1.CAB	10-31-19**	Andersson\andersson.SAI
Maple Leaf Rags	maple1.CAB	09-30-19**	Maple\maple.SAI
Shady Corners	shady1.CAB	06-30-19	Shady\shady.SAI
Sound Inc	sound1.CAB	09-31-19	Sound\sound.SAI
Tesses Tresses	tess-finish1.CAB	02-28-19	Tess\tess-finish.SAI
VeloCity	velocity-finish1.CAB	07-31-19**	Velocity\velocity-finish.SAI
Stratford Country Inn	Stratford-finish1.CAB	07-31-19	Stratford\stratford-finish.SAI
Phoebe's Photo Studio (Cash-basis)	cash1.CAB	07-31-19	Cash\photo-cash.SAI

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Premium Version Only (Chapters 18 and 19)			
Ryder's Routes	ryder1.CAB	08-31-19**	Ryder\ryder.SAI
Able & Associates	able1.CAB	04-30-19	Able\able.SAI
* Session dates are advanced to the next fiscal period – choose Previous Year in the Modify Report window to create reports.			
** Session dates are not advanced to the next fiscal period to allow easier access to all reports.			

Later versions of the Sage 50 Program may result in answers that are different from those provided in the solution files because of federal government payroll tax table changes. Most payroll amounts should be within a few dollars of those provided using the Pro or Premium versions (Release 0) of Sage 50. However, you will be unable to open these files using a later Student version of Sage 50 (2017 or later) – this is a restriction placed on the Student version of the program.

Remember that you cannot open Premium version files with the Pro version of Sage 50.

Creating Error-Free Solution Files

We have made every effort to create an error-free set of solution files. Our goal has been to create files with all transactions completed without any errors in dates, source document or invoice numbers, accounts, suppliers, customers, employees, inventory items and projects, and without using any adjusting entries to correct mistakes unless these were requested in the source documents in the text. Usually this required completing the transactions several times and comparing multiple sets of journal entries against the source documents in the text (i.e., multiple solutions completed by the author as well as the independent keystroke checker for each application). Despite this effort, we may have overlooked some errors and we would appreciate having significant errors drawn to our attention. They will be replaced when possible with a corrected version. We have chosen to ignore minor typos in journal comments because in the process of redoing all transactions, we would likely make a different, and perhaps more serious, mistake.

VERSION DIFFERENCES

Most screens and procedures are the same for Pro and Premium versions. We have tried to make the differences between the versions of the program as explicit as possible in the PRO VERSION margin notes so that everyone will be clear about what to do or what they will see at each stage. In addition, we provide separate data sets for the two versions of the software. All files are ready to use without data conversions. The separate install programs for the two data sets should help you install the right data set for your computer setup. All company files are set up without passwords for maximum flexibility of access.

To choose the correct data set for your program installation, you must know what version of the program you are using. You can get this information from the package that the program came in, from the program CD or by starting the program. Pro or Premium appears on the introductory screen that shows briefly, on the Select Company window and on the title bar of the Home window. (You can open one of the Sample companies to see the Home window.) You can also find the program version and release once you start the program. In the Home window, choose the Help menu and click About Sage 50. The information window shows the program name, version, serial or key code number and Sage Software, Inc. company information. The Student version that you download from the Sage 50 Web site is also a Premium version, Release 0 program so you should use the Premium version of the data files.

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Using the Pro Version of Sage 50

Differences between Pro and Premium versions in keystrokes and screens are minor and are dealt with in the PRO VERSION margin notes throughout the text. For Sage 50 Accounting 2017, most of the differences involve the terminology used for different industry types. This terminology changes for the Premium version but the Pro version uses the same terminology for all types of industries. A complete chart of these terms is provided in the text in Appendix B, page A–16. In addition, in Chapters 7 and 16, we show how you can modify the default terms used by Sage 50 in the Premium version.

Chapters 18 and 19 in Part Three contain separate applications that deal with features that are found in Premium. These chapters cannot be completed with the Pro version.

DATES IN SAGE 50

Sage 50 Accounting accepts dates after 1900, so entering a two-digit year may be ambiguous until you have entered fiscal dates for the company. When you enter 19 as the year during a setup, the year may default to 2019 or 1919. After the fiscal dates are set, these provide limits for the interpretation of a two-digit year for journal entries. Fortunately, Sage 50 controls date formats from within the data files (refer to pages 22–23 in the text). Therefore, we have set up all data files to show the dates on-screen in text format to avoid this ambiguity. We also use the MMM-DD-YYYY order consistently to minimize confusion and error.

However, when you create a new company data set, Sage 50 chooses the default format from your Windows dates settings. Therefore, when you create new companies in Chapters 7, 16 and 17, your initial order may be different. If you follow the setup instructions for date formatting in the text, you will have the order we use.

Sage 50 allows a great deal of flexibility with respect to entering dates. Session dates may be moved forwards and backwards within the fiscal period. Thus, if you advance a date in error, you can change the session date back to an earlier date, as long as you have not advanced to the next fiscal period. You can post transactions to dates in previous months and even in a previous fiscal period, although the program warns you that doing so may affect the fiscal reports for previous periods. When you display reports for a given date, the transactions added later will be included — in journal reports they will have correct dates but later journal entry numbers.

You can also postdate transactions beyond the session date. For the early applications, we have turned off the ability to postdate transactions so that students do not enter future dates in error. You can change the setting from the System Settings screen (Setup menu, Settings, — or Settings icon — Company, System Settings screen). When postdating is allowed, you should turn on the warning to have the program remind you when an entry is future-dated and give you a chance to change the date if this was a mistake.

Sage 50 Accounting 2017 also allows you to enter transactions before completing the company history. Again, we have set up the applications to minimize the chance of error and to increase accounting control. Thus, history is finished first so that the setup cannot be modified inadvertently to prevent later finishing the history. Similarly, we hide modules that are not used. Journals can be accessed even if the modules are not set up. However, since essential settings are missing for these modules, attempting to use these journals will generate error messages that can create confusion. In Air Care Services (Chapter 7), we show an incomplete setup that involves entering transactions before finishing the history. Able & Associates (Chapter 19) also begins with the history unfinished.

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CHAPTER 3: MURIEL'S MURALS

Review Questions

1. *How is the posting date different from the session date?*

The posting date is the actual date that the transaction occurred and this date should be recorded for the transaction in the journal. The session date is the date that the transactions are entered into the computer program, usually the calendar date in an ongoing business. The posting date may be earlier than the session date, but cannot be earlier than the Earliest Transaction date – the date you started to record ongoing journal transactions in Sage 50. Dates later than the session date may be entered if future dates are allowed in the Company Settings.

2. *List some of the different ways to enter May 09, 2019, in a date field.*

The following formats assume that the data file date format is month-day-year – as in all our data files. For other date formats, the order for month, day and year will change accordingly.

- May 9
- may 9
- may 9 19
- 5 9
- 05 09
- 5/9
- 05/09
- 5 9 19 or 5 09 2019
- 05 9 19 or 05 09 2019
- 5/9/19 or 5/09/2019
- 05/9/19 or 05/09/2019

You can use different separator characters to replace the / above. In some date fields you may need to include the year. For example, if the fiscal period is longer than one year, the date might be incorrectly interpreted as May 9, 2019 or May 9, 2020. In this case, you can still enter the year as two digits.

3. *How does Sage 50 help provide a complete audit trail?*

Sage 50 Accounting does not allow entries to be deleted. It requires that you correct journal entries after posting by making complete reversing entries; it provides a complete record of all transactions for an audit trail. You must provide all details (source, date, debit and credit accounts and amounts) before you can post an entry. The Journal report includes all the transactions entered, including these reversing entries when you show the corrections, with full details of the transaction date, the source of the entry and a descriptive comment. Thus it is possible to trace the work completed.

For the journals that include the Adjust An Entry option, the program automatically creates this reversing entry, posts it and adds it to the journal report. These same journals also have the option to reverse transactions in a single step. Again, Sage 50 does not remove the entries; it adds a reversing entry instead. Displaying these corrections is an option in journal reports so that the complete record is always available.

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4. *What are some of the advantages of entering transactions in Sage 50 over using a manual accounting approach? Are there any disadvantages?*

The main advantages are the built-in controls and the ease of generating reports. Because the software will not allow posting of entries until all information is added to the journal and debits and credits are equal, the chance of making a mistake is reduced compared with the manual entries where omissions might not be noticed. Reports are available instantly for any time period without extra data entry. Ledgers are updated automatically and do not require separate entries.

The Adjust An Entry feature in Sage 50 can also save time and prevent errors by allowing a previously recorded entry to be recalled, corrected and resaved. The program automatically creates the intermediate reversing entry and minimizes the chance of making an additional error. Similarly, the program can create a reversing entry automatically when no further corrections are needed. Again, the opportunity for error is reduced.

The principal disadvantage is probably the need to enter complete setup data for the company. However, the initial data required is minimal (most data can be added later when it is needed) and the time saved for preparing Trial Balances, Balance Sheets and Income Statements is more than made up by the setup time. Some people feel that the inability to "erase" mistakes is a disadvantage. It is, however, an important control technique that allows the software to be used in real business settings, so this feature has its own advantages. Instead of erasing incorrect entries, Sage 50 can reverse them automatically in most journals.

5. *Describe a method of creating new General Ledger accounts.*

You can create new accounts from any Account field in a journal by double-clicking while in the field to access the Select Account screen. Click Add New Account and click Create to start the Account Wizard. You can also type in a new unique account number. When you press Tab or Enter, Sage 50 recognizes that the number is new and asks if you want to create or add it. If you choose Yes, the Add Account Wizard will begin.

6. *What are the limits on entering new session dates? On entering transaction dates?*

You can advance the session date up to the first date of the next fiscal period. After starting a new fiscal period, you can enter later session dates for the new fiscal period up to the end of the new fiscal period. Transaction dates must fall between the Earliest Transaction date and the session date. You cannot go beyond a current session date until you advance the session date (unless you have allowed future-dated transactions). You can also move the session date to an earlier date, up to the Earliest Transaction date – the date you started to record ongoing journal transactions in Sage 50. Entering a date for the Company - System screen option Do Not Allow Transactions Dated Before can also place restrictions on the dates you can enter and prevent the user from entering incorrect earlier dates.

7. *What date appears as the default in journals? In reports?*

The default date in journals and reports is usually the session date. If you have a journal open after posting a transaction, the default date is the posting date used for the previous entry. Income Statements, and other reports that cover a period of time, have the Fiscal Start and the session date as the default start and finish dates respectively. The session date is the default for reports that are prepared for a single date.

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8. *How is a General Journal entry in Sage 50 different from a manual accounting journal entry?*

In Sage 50, source information is required before you can post the entry and debit and credit entries must be equal. The account balances are automatically posted to the ledger records for the accounts used, so the General Ledger is continually updated. The manual system has no built-in controls for the accuracy of the bookkeeper. It is possible to record an incomplete entry and the ledger records must be updated separately, creating another opportunity to transcribe the amounts incorrectly. Neither system has the ability to detect an incorrectly chosen account, although the software includes the complete account names so you can more easily check your work.

9. *Describe the different ways that you can add the account number to the account field in the General Journal.*

You can type the account number directly into the Account field in the journal. You can also find the number in the Select Account list. To access the account selection list, click the list icon in the Account field, press Enter when the cursor is in the Account field or double-click the Account field. If you type a number in the account field before opening the selection list, the list will advance to the first account beginning with that number. In the selection list, click the account you need and press Enter or click the Select button to add the account to the account field in the journal.

10. *Describe the procedure for correcting a journal entry after posting.*

Click the Adjust An Entry tool button or choose Adjust An Entry from the Entry menu in the journal. Browse to locate the journal entry you want to correct and double-click it to open it, or click to select it and then click the Select button. Make the corrections and post the changed transaction. Sage 50 posts two entries — the reversing entry and the correct transaction entry. If an entry should be removed, it can be reversed (see question 19).

11. *Describe the procedure for correcting a journal entry before posting.*

Return to the field that has the error. Clicking the field is the easiest way to return to it. Select the text you want to change by clicking or dragging through it and type the correct information. To change an account, click the Account field and press Enter to open the Select Account list. Double-click the account you need or click it to select and click the Select button to add the account to the journal.

12. *What does it mean if a button or menu option is dimmed?*

The option you are selecting is not available. The option may be turned off, not available because of multi-user restrictions, or the command may not apply for the present situation – such as trying to use the copy command when no text has been selected.

13. *How do you advance the session date in Sage 50?*

Close all open windows. You cannot change the session date while other Sage 50 windows are open. You can use the Home window Close All Windows tool or close each window separately. Then choose Change Session Date from the Maintenance menu, enter a new date and click OK. You can also click the date calendar icon beside the current session date on the right-hand side of the Home window in the Enhanced view to open the calendar. Click the new session date on the calendar and then click OK to enter the date and return to your Home window and entering transactions.

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14. *Why would you choose to advance the session date by one week at a time instead of one month at a time if you are entering transactions for one complete month?*

Advancing the session date in smaller increments helps to avoid entering an incorrect transaction date for an entry.

15. *When would you restore a data file from the backup copy? How would you do this?*

You would restore a backup if the original file had been corrupted or damaged so that you could not open it, or if the original file has recent accounting errors that cannot be reversed or corrected. If you have entered other transactions or data after this backup was made, you will need to re-enter that data.

To restore the backup, choose Restore from the File menu in the Home window or from the Company module Data Management icon drop-down list, or choose Restore From Backup in the Select Company window when you start Sage 50. Follow the instructions in the Backup wizard screens to select the backup file and to name the restored file. If the name is the same as the one you used before, you must confirm that you want to replace the existing file.

16. *What does customizing a report mean? Why might you customize a report? How would you do this?*

Whenever you change the default settings you are customizing a report. You can change the default columns that are displayed and you can sort or filter the information according to selected criteria.

You might want to customize a report because you want to show information in a different way that is more appropriate to your business. You might also choose to omit information that does not apply to the business or perhaps to the particular group you are preparing the report for.

To begin the customizing, display the report and click the Modify Report tool to open the Report & Forms Options window. From the Report Centre, select the report you want, click Modify This Report and click OK to open the Report Options window. Then click Report Options, Report Columns, Filter Report or Sort Report to begin entering the changes you want.

17. *What is the difference between sorting and filtering a report?*

Sorting changes the order of information in a report based on the criteria you choose, such as showing latest to earliest date order instead of earliest to latest or sorting by amount or source document. All the data will be included. Filtering selects or includes only part of the data based on the criteria you choose, such as showing only journal entries with source codes that include a key word.

18. *Describe how to Select A Report in the Home window tool bar.*

The Display tool in the Classic view accesses lists and journal reports (or the related report options window) directly when a ledger or journal icon is selected. When no icon is selected, the tool will access a drop-down list of these same reports. The tool button bypasses the Reports menu.

19. *How do you reverse a General Journal entry? Why would you do this?*

To reverse an entry, click the Adjust A Previously Posted Entry tool or choose the Entry menu and click Adjusting Entry to open the Search window. Enter the search parameters to help you locate the entry you need. Click OK to list the transactions that meet the search criteria. Click the transaction you want and click Select to display the transaction in the journal window. At this stage, you can make corrections or reverse the transaction. To reverse it, click the Reverse Entry tool or choose the Entry menu and click Reverse Entry. Click Yes to confirm.

You might choose to reverse an entry if you had entered it twice by mistake. You might also reverse an entry that had a large number of errors. Reversing it first and re-entering it from scratch might be simpler than making a large number of changes.

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20. *What is the difference between backing up a file for the first time and making additional backups?*

The first time you make a backup, the default name is a new backup1.CAB file in a new Backup folder inside your working data file folder. The comment for the backup includes the number 1. You will be asked if you want to create the new file and folder.

The next time you back up the same file, the default location and name will the ones you used before (BACKUP folder and backup1.CAB if you used the defaults). The comment number will be updated to 2. If you are using the same file name as before, you will be asked if you want to replace the existing backup file. The number in the comment will be updated with each backup even when you change the file name.

21. *What is a session date? How does it affect journal entries? Why is it important?*

The session date is the date you are entering transactions, usually the current calendar date in an ongoing business. When you open a journal window, this will be the default date for posting a transaction unless you enter a different date. If future-dated transactions are not allowed, the session date is the latest date you can use for a journal transaction. In this way it offers an important control that minimizes the chances of entering an incorrect date. Since the posting dates are used to generate reports, entering accurate journal dates will help to create accurate reports. For sales and purchases, dates also affect the availability of discounts and interest charges on overdue accounts.

22. *If you enter a date as 02-03-12, what date will Sage 50 enter in the journal date field?*

The date you see in Sage 50 depends on the short and long date formats you have selected.

If you display short dates in journal entries (and reports), you will see 02-03-12 in the date field, but the date represented will change according to your format selection – month, day or year may come first. Thus the date may February 3, 2012, if your order is mm-dd-yy, March 2, 2012, if your order is dd-mm-yy, or even December 3, 2002 if your order is yy-dd-mm.

If you display long dates in journal entries (and reports) the display will vary as follows:

- If your date format is MMM-dd-yyyy, you will see Feb 03, 2012.
- If your date format is MMM-dd-yy, you will see Feb 03-12.
- If your date format is dd-MMM-yy, you will see March 02-12.
- If your date format is dd-MMM-yyyy, you will see March 02, 12

23. *How does accessing reports from the Report Centre differ from using the Reports menu?*

The Reports menu always opens the Report Options window before displaying a report. The Report Centre shows a sample of the report and a description as soon as you select the type of report. Then you can click Display to open the report immediately with the default settings or click Modify This Report to open the Report Options window.

24. *The Select A Report, Reports menu, Reports pane list, Reports icon and Recent Reports pane all off ways to view reports. How are they different, and in what ways are they the same? Can you obtain the same reports from all of these approaches? If so, how?*

The Select A Report tool is in the Classic view, and the Reports list and the Reports Centre in the Home window of the Enhanced view. The menus provides access to all reports and by selecting one of the reports on the list, the list is expanded to provide all of the reports available for the chosen journal or analysis. The report for the journal has to be selected and opened. The process of selection is required to access the desired report.

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25. What are drill-down reports? How do you access them? What information do they provide?

Drill-down reports are additional reports that you see from an open report window. They usually provide (drill down to) more detail about some part of the report. For example, you may access the ledger record for an account, the detail for a summary listing, a journal report entry or the original journal entry.

When you move the mouse pointer over any part of the report display, a magnifying glass icon appears if there is a drill-down report available. The status bar names the drilled down report you can see. Double-clicking this detail in the report will open the secondary or drilled-down report.

26. When will the report from the Recent Reports pane display a modified report and when will it display the report with the Sage 50 original default options?

The Default Report option appears as the template the first time you view a report. The next time you open the previously selected report window the Last Used Report option will display as the template.

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Review Cases

Case One

At the end of April 2019, after paying several bills Muriel's completed the following manual journal entries to record the transactions (cheque numbers are in brackets):

Date	*Ref.*	*Accounts*	*Debit*	*Credit*
Apr. 30	*rent (cheque #434)*	*Expenses*	*800.00*	
		GST	*40.00*	
		Bank		*840.00*
Apr. 30	*hydro (cheque #435)*	*Expenses*	*130.00*	
		GST	*6.50*	
		Bank		*136.50*
Apr. 30	*telephone (cheque #436)*	*Expenses*	*121.00*	
		GST	*6.05*	
		Bank		*127.05*
Apr. 30	*printer cable (cheque #437)*	*Supplies*	*20.00*	
		GST	*1.00*	
		Bank		*21.00*
Apr.30	*rewrit. DVDs (cheque #437)*	*Supplies*	*40.00*	
		GST	*2.00*	
		Bank		*42.00*

Using the account in the Muriel's Murals data file, manually prepare the detailed journal entries that record these transactions as they would appear in a Sage 50 journal report. (You may want to print a General Journal Report for reference to see the details that Sage 50 provides.)

How is the Sage 50 method of entering journal transactions different from the manual accounting procedures? What are the advantages of using Sage 50?

Account numbers and proper account names must be added. The last two purchases should be combined because they use a single cheque number and the same asset account. The Sage 50 entries are:

Apr.30-19	CHQ 434, pay office rent		
	5120 Rental Expenses	800.00	
	2670 GST Paid on Purchases	40.00	
	1080 Cash in Bank		840.00
Apr.30-19	CHQ 435, pay hydro account		
	5060 Hydro Expense	130.00	
	2670 GST Paid on Purchases	6.50	
	1080 Cash in Bank		136.50
Apr.30-19	CHQ 436, pay telephone account		
	5140 Telephone Expenses	121.00	
	2670 GST Paid on Purchases	6.05	
	1080 Cash in Bank		127.05
Apr.30-19	CHQ #437, printer cable & DVDs		
	1340 Supplies: Computer	60.00	(new Account required)
	2670 GST Paid on Purchases	3.00	
	1080 Cash in Bank		63.00

Sage 50 requires that all accounts (and headings, totals and subtotals) have numbers. You may use from 4 to 8 numbers in the Premium version. The sequence of these numbers must follow the pattern of 1000s = Assets, 2000s = Liabilities, etc., for 4-digit account numbers so that the program will know how to prepare the financial reports (e.g., whether a debit entry will increase or decrease the account balance). New accounts must be inserted in the correct sequence, and the numbering requirement means that sometimes they cannot

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just be squeezed between two other accounts. An entry with unequal debits and credits cannot be posted, so the program provides a check on the accuracy of the arithmetic and typing entries. It automatically calculates and enters as a default the debit or credit amount that will balance the entry as you complete a transaction so you do not need to type the final amount. This can save some data entry time and allow you to verify your own amounts. You do not need to write the account name in full. Entering the number (or choosing it from the list) is sufficient. The program fills in the account name so it is easy to check your entry. This saves time when you enter the transaction, but still provides complete information in the journal report. The journal report provides an audit trail very simply when you show corrections, and the software can also generate other major financial reports.

Case Two

Complete the following purchase in the General Journal.

Purchase Invoice #DE-67113 Dated May 7, 2019

From Devon Equipment Co., $300 for power tools, plus $15 GST. Invoice total $315. Terms: net 30 days.

After posting the above transaction, you realize that the equipment was rented instead of purchased, so it should be charged to the equipment rental expense account.

Make the corrections necessary to reflect this expense accurately.

Why is it important to make the correction? What if another expense account were used as the original incorrect account so that the income would not change on the income statement? Would it still be necessary to make the correction? Why?

The original entry can be adjusted using the Adjust General Journal Entry feature. Find the original entry and edit the account number. The following three journal entries will appear in the journal report:

Original entry:

07-31-19	J33	DE-67113, Power tools		
		1550 Tools & Equipment	300.00	
		2670 GST Paid on Purchases	15.00	
		2210 A/P - Devon Equipment		315.00

Reversing entry:

07-31-19	J34	ADJDE-67113, Reversing J33. Correction is J35.		
		2210 A/P - Devon Equipment	315.00	
		1550 Tools & Equipment		300.00
		2670 GST Paid on Purchases		15.00

Correct entry:

07-31-19	J35	(Correct) DE-67113, Power tools		
		5120 Rental Expense	300.00	
		2670 GST Paid on Purchases	15.00	
		2210 A/P - Devon Equipment		315.00

The correction is important because assets do not appear on the income statement and costs would be understated. If another expense account had been used in error, the change should still be made. It is important to record expenses correctly because the historical expense information is used to make decisions about future purchases. For example, if a business rents the same equipment frequently, it may decide to purchase the equipment instead of renting. Accurate information about expenses is also needed for future cost reduction decisions. The journal report with corrections will show all the entries, providing a complete audit trail.

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CHAPTER 4: Love It Again

Review Questions

1. *Why is it important to add non-postable accounts to your Chart of Accounts?*

Non-postable accounts help to organize accounts into groups of related items. They allow you to see subtotals for these groups because the program calculates them automatically. Sage 50 requires at least one Heading and Total for each of the five sections of the Balance Sheet and Income Statement.

2. *Why should you leave spaces between account numbers when you create the Chart of Accounts in Sage 50?*

Spaces between adjacent account numbers allow you to enter new accounts later without breaking the logical sequence of the account groups. Since account numbers cannot be changed once the account has been used for journal entries, this is an easy way to insert these new accounts later.

3. *What is the backup frequency setting? Why is it important? How do you change it?*

The backup frequency setting determines how frequently (relative to the session date) the program reminds you to back up your work. Change the backup frequency from the Home window, Setup menu, Settings option, (or click the Settings icon) and choose Company and Backup.

4. *What does it mean if a field, menu option or tool on your input screen is dimmed?*

Dimmed icons or menu options cannot be selected or accessed. Some additional features and options are not available when you are working in multi-user mode, so these options will also be dimmed.

5. *Describe two ways to access the General Ledger record for an account.*

From the Home window, click the Chart of Accounts icon and then double-click the icon or name of the account (or click the account to select it and then choose Edit from the Edit menu or click the Edit tool) to open the ledger record. From any ledger record, click the Select Account field and choose (click) the account you want from the list to open its ledger record.

6. *How are the Earliest Transaction date and session date different?*

The Earliest Transaction date is the start of the fiscal period or the date that the system was converted to Sage 50, and after the last date for historical information or opening balances. It will be the earliest date you can choose for journal transactions. The session date is the date that the accounting transactions are entered into the computer. In a regular business, the session date is usually the calendar date and is updated regularly by the user. The program updates the Earliest Transaction date automatically to the new fiscal start date when you start a new fiscal period. Before finishing the history, the session date is the Earliest Transaction date.

7. *What does the Open History*  *symbol on the Chart of Accounts icon indicate? How do you remove it?*

The open history (not-finished) symbol means that you can still add historical information and opening account balances. Journal transactions can also be entered at this stage.

To remove the symbol, i.e., finish the ledger history, you must have entered all accounts that have opening balances with their historical account balances, debits must equal credits in the Trial Balance and all accounts must be in logical order (no missing Headings, Subtotals, Totals, etc.). If you are not using other modules and these are not set up, you must hide them. Then choose Finish Entering History from the History menu in the Home window.

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