AIN2601
2018

AIN2601 Lecturers

Pastel
Focus Areas for today

- First semester exam feedback
- Theory
- Pastel Component – Part 1
- Pastel Component – Part 2
First semester exam feedback

- General
- Theory
- Pastel
- Excel
Theory

• Study! Study! Study!
• Make sure you understand it and understand the different terminology used.
• Questions?
Pastel Component – Part 1
How to approach PASTEL
HOW TO APPROACH PASTEL?

• Step 1: Installed software successfully? Queries must be sorted ASAP.

• Step 2: Worked through the Training manual & MO002 (Topic 6 & Topic 3 [Transaction processing])

• Step 3: Attempt Assignment 2
WORKING THROUGH TRAINING MANUAL & MO002(TOPIC 6 and Topic 3)

• From Lesson 1 - 12
• PRACTICE
• Made a mistake?
• It's ok.
• Try and try again until you get it right.
• Still stuck? Ask the lecturers.
• **Some Important things to look out for:**
  • Take-on of a company balances

• Bank reconciliation

• "Amount due" vs "Amount outstanding"
Take-on of a company balances

• Lesson 12 - C

• **What is Take-on of company balances?**

• Importing the **EXISTING** data/balances of a company into accounting software.

• Very **important** that the balances are recorded on the correct date.
Take-on of a company balances

- All balance sheet accounts are recorded on the year end date, i.e prior year journal.
- Remember to create the 4 suspense accounts.

<table>
<thead>
<tr>
<th>Account</th>
<th>Used for take-on of</th>
</tr>
</thead>
<tbody>
<tr>
<td>9990/001</td>
<td>General Ledger</td>
</tr>
<tr>
<td>9990/002</td>
<td>Customers</td>
</tr>
<tr>
<td>9990/003</td>
<td>Suppliers</td>
</tr>
<tr>
<td>9990/004</td>
<td>Inventory</td>
</tr>
</tbody>
</table>
Take-on of a company balances

• **Why do we need the suspense accounts?**
  • To have an audit trail.

• **Customer, supplier and inventory?**
  • Made up of different balances, easy way to differentiate between categories/ customers/ suppliers/ dates.
Take-on of a company balances

**Trial Balance – 29th February 2016.**

**BDS Tools**

**Trial Balance**

1st March 2015 – 29th February 2016

<table>
<thead>
<tr>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained Income</td>
<td>174 188.80</td>
</tr>
<tr>
<td>Loan Account - B D Sinclair</td>
<td>6 701.32</td>
</tr>
<tr>
<td>Instalment Sale Creditors - Wesbank</td>
<td>86 672.50</td>
</tr>
<tr>
<td>Motor Vehicle - @ Cost</td>
<td>132 000.00</td>
</tr>
<tr>
<td>Motor Vehicle - Accum Depreciation</td>
<td>9 333.33</td>
</tr>
<tr>
<td>Computer Equipment - @ Cost</td>
<td>10 788.60</td>
</tr>
<tr>
<td>Computer Equipment - Accum Depreciation</td>
<td>3 596.20</td>
</tr>
<tr>
<td>Furniture &amp; Fittings - @ Cost</td>
<td>2 141.83</td>
</tr>
<tr>
<td>Furniture &amp; Fittings - Accum Depreciation</td>
<td>428.37</td>
</tr>
<tr>
<td>Machinery &amp; Tools - @ Cost</td>
<td>7 771.93</td>
</tr>
<tr>
<td>Machinery &amp; Tools - Accum Depreciation</td>
<td>1 554.39</td>
</tr>
<tr>
<td>Inventory Control Account</td>
<td>56 000.00</td>
</tr>
<tr>
<td>Customer Control Account</td>
<td>10 037.72</td>
</tr>
<tr>
<td>ABSA Current Account</td>
<td>70 739.38</td>
</tr>
<tr>
<td>Supplier Control Account</td>
<td>2 636.26</td>
</tr>
<tr>
<td>VAT / Tax Control Account</td>
<td>4 368.29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>289 479.46</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>289 479.46</strong></td>
</tr>
</tbody>
</table>
Take-on example

• **Loan account BD Sinclair?**
• **Date, amount, debit or credit?**
  • **Date:** 29/02/2016
  • **Amount:** 6,701.32 (Credit)

• **Which account do I debit?**
• **9990/001 – General Ledger**
## Loan acc in T-account view

<table>
<thead>
<tr>
<th>Date</th>
<th>Loan account BD-Sinclair</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit</td>
</tr>
<tr>
<td>29/02/16</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>9990/001 – General Ledger suspense</strong></td>
</tr>
<tr>
<td>29/02/16</td>
<td>6,701.32</td>
</tr>
</tbody>
</table>
Take-on example

- **Customer control suspense account**
- Date, amount, debit or credit?
  - **Date:** 29/02/2016
  - **Amount:** 10,037.72 (Debit)

- **Which account do I credit?**
  - 9990/001 – General Ledger
### Customer acc in T-account view

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>29/02/16</td>
<td>9990/002 – Customer control account</td>
<td>10,037.72</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loan account BD-Sinclair</td>
<td></td>
<td>6,701.32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29/02/16</td>
<td>9990/001 – General Ledger Suspense</td>
<td>6,701.32</td>
<td>10,037.72</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Take-on example

• What must happen to the suspense acc?
• Needs to be eliminated(removed)
• Recording the different invoices on their individual dates and in correct period.
Take-on example

- Total Customer balance: 10,037.72
- Debit ABC Machines:
- Invoice 325 – 2016-01-23
- Period and amount?
  - Period 11 R1,250
- Invoice 362 – 2016-01-25
- Period and amount?
  - Date: 25/01/16 (Period 11) R750,00
- Etc Etc
Take-on example

- Total Customer balance: 10,037.72
- Debit Plant & Hire:
  - Inv 521 – 2016-02-21
  - Period and amount?
  - Period 12  R2,037.72
  - Inv 587 – 2016-02-24
  - Period and amount?
  - Period 12  R2,000
- Etc Etc
## Customers in T-account view

<table>
<thead>
<tr>
<th>Date</th>
<th>9990/002 – Customer Suspense account</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit</td>
<td></td>
<td>Credit</td>
</tr>
<tr>
<td>29/02/16</td>
<td>10,037.72</td>
<td>23/01/16</td>
<td>1,250.00</td>
</tr>
<tr>
<td></td>
<td>25/01/16</td>
<td>750.00</td>
<td>21/02/16</td>
</tr>
<tr>
<td></td>
<td>24/02/16</td>
<td>2,000.00</td>
<td></td>
</tr>
</tbody>
</table>

### ABC Machines

<table>
<thead>
<tr>
<th>Date</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>23/01/16</td>
<td>1,250</td>
</tr>
<tr>
<td>25/01/16</td>
<td>750.00</td>
</tr>
</tbody>
</table>

### Plant & Hire

<table>
<thead>
<tr>
<th>Date</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>21/02/16</td>
<td>2,037.72</td>
</tr>
<tr>
<td>24/02/16</td>
<td>2,000</td>
</tr>
</tbody>
</table>
Take-on of a company balances

• **Very important:**
  • Make sure your settings are set to record in “last year”.
  • When recording debtors & suppliers, the correct date and corresponding period for each individual invoice.
Take-on of a company balances

- **Why is the date and period for debtors & suppliers invoice so important?**
  - Correct ageing
  - Affects payments & discounts
  - Can create penalties & fines
Take-on of a company balances

- Once the data has been entered, your TB must not have any suspense accounts.
- Age analysis at year-end must look identical as the information provided.
- If it is not the same, check if entered details on correct invoice date.
Take on of a company balances

- NB!!!!!!
- **BDSTools** a separate c/o to **Spotless** and Isabella’s(Ass2)
- i.e. Separate company in reality = separate company in Pastel
- **Don't** mix up the information for Spotless with BDSTools.
- Eg: Think of PicknPay and Checkers.
Bank reconciliation

- Lesson 12 – E
- To process the “take-on” bank recon:
- **Why doesn’t my recon balance?:**
  - Opening bal not indicated as “reconciled”
  - Captured opening bal in incorrect GL acc
  - Reconciling items captured incorrect a/cs
  - (MO002 SU18, 2.4 and manual)
Bank reconciliation

Bank Reconciliation Steps

1. Enter Payments & Receipts in the Cash Book.
2. Reconcile transactions on the bank statements against those made in Sage Pastel.
3. Enter items not on the bank statement into Cash Book.
4. Update the Cash Book batches.
5. Update the Bank Reconciliation.
6. Complete the reconciliation so that it is in balance.
Bank reconciliation

• Lesson 9 – D

**To process the monthly bank recon in CY:**

• Why doesn’t my recon balance?:
  • Monthly transactions not processed correctly
  • All bank transactions not recorded in cashbook
  • Discount calculated incorrectly
  • Amount due vs amount outstanding
Amount due vs Amount outstanding

• **Is there a difference? What is the difference?**

• **Amount due:** Based on the terms set out for customer or by supplier, payment not expected immediately but after a certain time. i.e 30days, 60days.

• **Full amount outstanding:** Pay full balance outstanding, regardless of terms.
Amount due vs Amount outstanding

- **Example 1:**
  - 1 Feb 16 - Thabo buys goods for R850.
  - 2 Mar 16 – Thabo buys good for R1650.
  - *Customers normal monthly payment terms are 30 days*

- 28 Feb: What is the amount due by Thabo?
Amount due vs Amount outstanding

- **Example:**
  - 1 Feb 16- Thabo buys goods for R850.
  - 2 Mar 16 – Thabo buys good for R1650.
  - *Customers normal monthly payment terms are 30 days*
  - **When is it expected for him to pay for the 1 Feb purchases?**
Amount due vs Amount outstanding

- **Example 2:**
  - 1 Feb 16 - Thabo buys goods for R850.
  - 2 Mar 16 – Thabo buys good for R1650.
  - *Customers normal monthly terms are 30 days.*
  - *Early payment terms: At 10% within 10 days from invoice date*
  - 8 Mar: Nathi decides to pay full amount outstanding on this date.
Pastel Processing – Sales

• Quotation → Sales order → Tax invoice
Credit note
• Be very careful, make sure your dates are the correct date when completing each document
Pastel Processing – Purchasing

- Purchase order → Goods rec note → Return & Debit
- Supplier inv → Return & Debit
- Be very careful, make sure your dates are the correct date when completing each document
Month-end & year-end transactions & reports

- Tax reports – VAT ---→ Correct VAT category
- Bank recon
- Income statement
- Balance sheet
- Cash flow
Very important for Assignment 2

• BACKUP! BACKUP! BACKUP!!!
• **Options to correct an error:**
• Batch not yet updated you can still correct it by opening the batch and correct.
Correcting an error

- **Batch updated, these are your options:**
  - Restore the backup you've made before this task
  - Reverse the incorrect entries by capturing it exactly as previously but with negative amounts (a positive + negative = 0). Now capture the correct entry or
  - Start over.
Submission of Assignment 2

- Only submit your printouts in pdf/xps.
- Do not submit Backups!
Pastel component – Part 2
Topics in this session

- Initial Company set-up
- Menu Bar - Navigation
- Customer & Supplier
- Inventory
- Processing
- Print files
Initial Company Set-Up

- Requirements
- Financial Year End
- Chart of Accounts
  - Banking Account / Petty Cash
- Users
Menu Bar - Navigation

- Where to perform the various operations
- Case Study example
BACKGROUND
John Bear Equipment is a business that sells various types of farming and construction equipment including tractors, ploughs and bulldozers. They use Pastel to record their business transactions. Both John Bear and The Farm Factory (FAR001) are registered VAT vendors. John Bear always purchases tractors and ploughs on credit from The Farm Factory.

Pastel has been setup that the inventory is integrated with the general ledger (perpetual inventory system), and the inventory quantity on hand is therefore reflected as soon as it has been received into the system. It is the policy of John Bear to record the inventory immediately when received or sold.
1.1 Which Pastel main menu will you use for the following procedures?

1.1.1 Adjust Invoice Discount (1)  
1.1.2 Change user access rights (1)  
1.1.3 Capture a supplier invoice (1)  
1.1.4 Print the Inventory Reorder Report (1)  
1.1.5 Open a company (1)
Customer & Supplier

• Where to Begin?

• Level of detail required – (Common Default Data)

• VAT Implications – (next slide)

• Effect of Credit Limits
Customer & Supplier

Tasks 7 and 8: VAT implications on supplier and customer setup

Please take note of the following when completing Tasks 7 and 8:

- The **customer** is NOT a registered VAT-vendor: The default tax type will still be selected as 01, as Ben’s is a registered VAT-vendor entitled to claim input VAT on purchases and in turn should raise output VAT on all sales. (The customer will not have a VAT registration number).
- The **supplier** is NOT a registered VAT-vendor: The default tax type will be selected as 00, as the supplier will not raise output VAT on their sales. Ben’s is therefore not allowed to claim input VAT on purchases from a supplier who is not registered for VAT.
Customer & Supplier

- Early Payment Terms
  - Period End vs Invoice Date
  - Discounts

- Age Analysis

- Open Item vs Balance Forward
Inventory

• Set – Up
  – Why Must inventory be set up correctly?

• Min & Max Reorder Qty
  – Purpose & Effect on Stock

• Prices
  – Private & Wholesale etc… Why?
Inventory

- Physical & Service Characteristics
  - Can include on supplier journals

- Physical
  - Reorder Levels impact
  - On hand Quantity monitoring

- Service
  - Cannot use for Inventory Journals
  - Infinity: sales
• Customer
  – Flow
  – Impact on Inventory

Revenue and receipts cycle

Revenue
  – Quotation process
  – Sales order process
  – Delivery process
  – Billing process

Customer returns

Receipts
Processing

• Supplier
  – Flow
  – Impact on Inventory

Acquisition and payments cycle

Acquisition

Purchase order

Inventory received

Invoice received

Inventory returned

Payments
BACKGROUND
John Bear Equipment is a business that sells various types of farming and construction equipment including tractors, ploughs and bulldozers. They use Pastel to record their business transactions. Both John Bear and The Farm Factory (FAR001) are registered VAT vendors. John Bear always purchases tractors and ploughs on credit from The Farm Factory.

Pastel has been setup that the inventory is integrated with the general ledger (perpetual inventory system), and the inventory quantity on hand is therefore reflected as soon as it has been received into the system. It is the policy of John Bear to record the inventory immediately when received or sold.
1.1 In Pastel Partner the Dizzy Dozer 250 inventory item reorder level was setup with a minimum reorder level of 15 and a maximum reorder level of 50. If the inventory quantity on hand was 17 and a customer’s tax invoice is processed for three (3) Dizzy Dozer 250s, what will be reflected on the inventory reorder report as the quantity to order for Dizzy Dozer 250s?

(2)
PASTEL

QUESTION 2
BACKGROUND
Dough Delights is a business that sells various types frozen ready-to-bake dough products including Danish pastries, bread rolls and muffin mixes. Dough Delights is a registered VAT vendor and the financial year ends on the last day of April 2017.

Dough Delights uses Pastel Partner to record their business transactions. The inventory integration has been setup that the inventory is integrated with the general ledger (perpetual inventory system). Refer to the screen print below
Below is more information relating to some of Dough Delights inventory items:

<table>
<thead>
<tr>
<th>Inventory description</th>
<th>Unit</th>
<th>Sales price per unit (excluding VAT)</th>
<th>Cost price per unit (excluding VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blueberry muffin mix</td>
<td>per kg</td>
<td>R 15.00</td>
<td>R 7.50</td>
</tr>
<tr>
<td>Chocolate muffin mix</td>
<td>per kg</td>
<td>R 20.00</td>
<td>R 10.00</td>
</tr>
</tbody>
</table>
Only two of Dough Delights customers, namely Easy Treats (ETS001) and Home Chef (HCF002), are allowed to buy on credit. All other customers must pay cash for their purchases.

Easy Treats is a registered VAT vendor but Home Chef is not a registered VAT vendor.

- Dough Delights customer terms are as follows:
  - normal monthly terms are 30 days
  - customer accounts are prepared using both open item and balance forward processing
  - invoice discount for Easy Treats has been set up as 10% and for Home Chef as 5%
  - early payment terms is set up as 15% within 5 days from period end for customers who are allowed to buy on credit
Below is a screen print of the customer age analysis as at 31 August 2016

<table>
<thead>
<tr>
<th>Educational No: Dough Delights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Age Analysis for Monthly Customers as at 31/08/2016</td>
</tr>
<tr>
<td>Name</td>
</tr>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>Customer : ETS001 - Easy Treats</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Totals :</td>
</tr>
<tr>
<td>Customer : HCF002 - Home Chef</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Totals :</td>
</tr>
<tr>
<td>Totals :</td>
</tr>
<tr>
<td>PERCENTAGE :</td>
</tr>
<tr>
<td>GRAND TOTALS :</td>
</tr>
</tbody>
</table>

2.1 Refer to the **printed Pastel Partner Customer Age Analysis**.
2.1.1 Which customer account was processed using **open item processing**? Provide a reason for your answer.
2.1.2 Which customer account was processed using **balance forward processing**? Provide a reason for your answer.

(2)
2.2. Refer to the printed Pastel Partner Customer Age Analysis. Customer invoice of INA10001 was paid in full by Easy Treats using the reference RC567. What was the amount paid in cash by Easy Treats to Dough Delights? Show detail of your calculation as part of your answer.

2.3. In which accounting period was invoice INA10006 issued to Home Chef on 31 August 2016 captured? List only the accounting period number.

Please refer to the case study information to answer questions 4.5 to 4.7.

2.4. Which Pastel main menu will you use for the following procedures?
   2.4.1 Restore a backup of a company (1)
   2.4.2 Print the customer age analysis (1)
   2.4.3 Create a customer quotation (1)
   2.4.4 Change user access rights (1)
   2.4.5 Modify a specific customer’s early payment terms (1)
2.5. Home Chef purchased 200 kg of blueberry muffin mix on 12 September 2016 from Dough Delights. Tax invoice INA10010 was issued for this purchase. The trial balance of Dough Delights gave you the following general ledger account numbers and account descriptions.

<table>
<thead>
<tr>
<th>Account number</th>
<th>Account description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8000/000</td>
<td>Customer Control Account</td>
</tr>
<tr>
<td>8400/000</td>
<td>Bank account</td>
</tr>
<tr>
<td>9000/000</td>
<td>Supplier Control Account</td>
</tr>
<tr>
<td>9500/000</td>
<td>Vat / Tax Control Account</td>
</tr>
</tbody>
</table>

Draw the table below in your answer book. Use this table to record the accounting entries for tax invoice INA10010. Note: You should show all the applicable accounting entries and use specified accounts where available. Where applicable, all amounts must be rounded to 2 decimal places.

Tip: draw the T-accounts for yourself as rough work in your answer book to help ensure your debits and credits are correct. (8)
2.6. In the “GCS” column of the payment cashbook journal each letter has a specific meaning.

2.6.1 What does the letter “G” represent? (1)

2.6.2 What does the letter “C” represent? (1)

2.6.3 What does the letter “S” represent? (1)

2.7. Why is the “C” normally not available in the “GCS’ column of the payment cash book journal? (1)

2.8. Assume there are no receipt transactions. Calculate the bank balance amount for general ledger account 8400/000 if the current payment journal batch was updated as it currently is? Your answer should indicate if the general ledger balance is a debit or a credit balance. (2)

2.9. Identify which transaction was captured incorrectly on this journal and should, therefore, be deleted before updating the batch. Also give a brief reason why this transaction was captured in the wrong journal. (2)
QUESTION 4  (9 marks)

Ruby is the owner of Polka Mazurka. Polka Mazurka sells wedding décor items in bulk at retail prices to wedding planners and stylists. The décor items that are sold by Polka Mazurka include vintage bird cages, bell jars, antique silver trophies and glass vases. Polka Mazurka buys and resells some of the items and some of the items are manufactured in house.

Polka Mazurka is a registered Value Added Tax (VAT) vendor and the current VAT rate is 14%.

During the year Ruby decided to buy the Pastel Partner accounting software package and her accounting staff performed the necessary take on of opening balances and captured all the current year transactions on Pastel Partner.

Lilies & Lace is one of Polka Mazurka’s biggest clients and they always buy on credit. Early payment terms for all customers are 10% within ten days from period end. Lilies & Lace always pays regularly and on time. They claim early payment discount if applicable. They only buy from Polka Mazurka once a month.

Lilies & Lace purchased bell jars to the total value of R5,000.00 excluding VAT on 27 September 2014. A cash payment to settle this invoice has been received on 9 October 2014.

Lilies & Lace phoned Polka Mazurka’s debtor’s clerk on 31 October 2014 upon receiving their monthly statement and queried the fact that no settlement discount has been granted.
QUESTION 4 (continued)

Ruby consulted you as her good friend with Pastel experience. You investigated the matter and you found the following during your investigation with regard to the setup of customers (refer to the screen shot from Pastel Partner version 12 below).

![Edit Customer Accounts](image)

**Required:**
4.2 Refer to the case study information and the screen shot from Pastel Partner version 12 above. Draw the table below in your answer book. Now use this table to write the accounting entries into the general ledger master file for the transaction on 9 October 2014 as if settlement discount has been granted correctly on transaction date. Note: You should show all the applicable accounting entries, based on accounting principles and use specified accounts where available.

<table>
<thead>
<tr>
<th>General ledger account description</th>
<th>Debit/Credit</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tip: draw the T-accounts for yourself as rough work in your answer book to help ensure your debits and credits are correct.
Thank you