



FNSACC414

## Prepare financial statements for non-reporting entities

Learner Support document

Prepare to Use Xero

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# Preparing to Use Xero

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You will now apply what you have learnt in the Online resources by completing a case study to report on financial activity using Xero, a popular online accounting software.

You must use the free trial version of Xero to complete this case study. You will have access to this version for 30 days of creating the simulated company file in Xero. You must complete the assessment within this 30-day timeframe.

General instructions:

- Throughout this assessment, you must create new accounts or modify the default Xero accounts when necessary to complete the assessment tasks.
- You must follow Bounce Fitness's accounting policies and procedures to guide you through your tasks.
- Access and review the following documents for Bounce Fitness:
  - [Bounce Fitness Accounting Policies and Procedures](#)
  - FNSACC414-Bounce Fitness SFC Transactions Information-LR Xero Case Study

*This document is provided along with this learner guide. It contains company and transaction information that you will enter in the Bounce Fitness SFC organisation file in Xero.*

## Sign Up With Xero and Activate Your Account

You can sign up for a free Xero account to complete this case study. After activating your Xero account, you will **add an organisation** to complete the tasks in the case study.

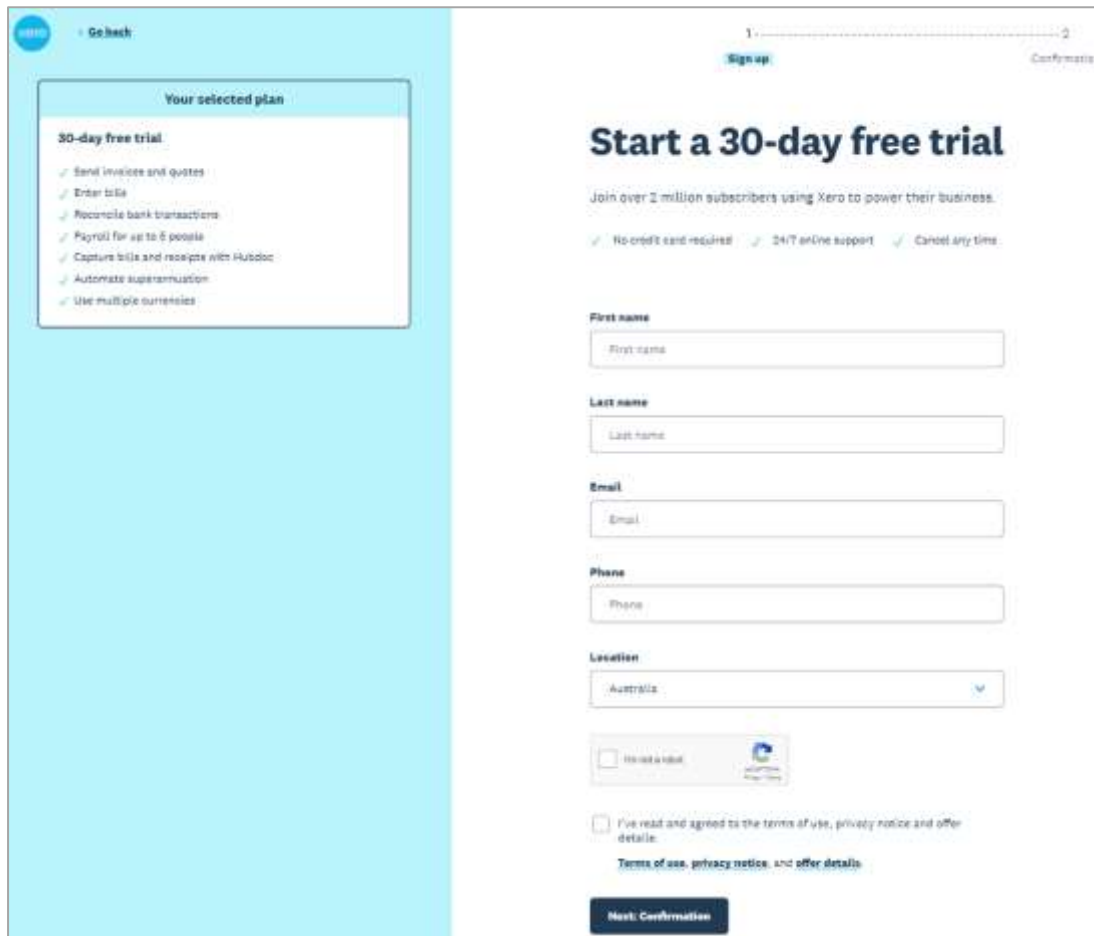
## Required Reading

Read Xero's support page on signing up with Xero through the link below.

[Sign up with Xero](#)

To sign up for Xero and activate your account, follow the steps outlined here:

1. Go to the [Xero sign-up page](#).



The screenshot displays the Xero sign-up interface. On the left, a light blue sidebar contains a 'Go back' button and a box titled 'Your selected plan' which lists features of the 30-day free trial: Send invoices and quotes, Enter bills, Reconcile bank transactions, Payroll for up to 6 people, Capture bills and receipts with Hubdoc, Automate superannuation, and Use multiple currencies. The main content area is white and features a progress indicator at the top with '1' and '2' (Confirmation). The heading 'Start a 30-day free trial' is prominent, followed by the text 'Join over 2 million subscribers using Xero to power their business.' Below this, three benefits are listed: 'No credit card required', '24/7 online support', and 'Cancel any time'. The registration form includes fields for 'First name', 'Last name', 'Email', 'Phone', and a 'Location' dropdown menu currently set to 'Australia'. There are two checkboxes: one for 'Host a site' with a 'Host a site' button, and another for 'I've read and agreed to the terms of use, privacy notice and offer details'. A link for 'Terms of use, privacy notice, and offer details' is provided. At the bottom, a dark blue button labeled 'Next: Confirmation' is visible.

2. Enter your details, read and agree to the terms of use and privacy policy, then click '**Get started**'.
3. Open the activation email from Xero. Check your spam folder if you do not receive the email within a few minutes.
4. Click '**Yes, it's me - let's get started**'.
5. Create a password. Your password must contain at least eight characters and one number.
6. Click '**Activate your account**'.
7. Once your account is activated, you can start using Xero.

# Bounce Fitness Seniors Fitness Club

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You are an accounting assistant for Bounce Fitness, a fitness services company. Bounce Fitness provides premier personal training services in Cairns, Brisbane, Sydney, and Melbourne. They also own Bounce Fitness Seniors Fitness Club (Bounce Fitness SFC), a not-for-profit fitness club that provides services to promote health and fitness for seniors.

You must:

- Start an organisation in Xero
- Record financial data
- Calculate and analyse financial ratios
- Prepare financial accounts and statements

For this case study, you must record transactions in Xero in the financial year corresponding with the financial year in which you are completing this report unless otherwise specified.

***For example, if you complete this assessment in October 2022, then the financial year is 1 July 2022 to 30 June 2023. You must enter transactions for this financial year unless otherwise specified.***

The financial year notations used in all provided instructions and templates are as follows:

---

1 July 20YY: The first day of the current financial year

---

30 June 20YY+1: The last day of the current financial year

---

20YY minus 1 or 20YY-1: One year before the current financial year

---

20YY minus 2 or 20YY-2: Two years before the current financial year

---

20YY plus 1 or 20YY+1: One year after the current financial year

---

20YY plus 2 or 20YY+2: Two years after the current financial year

All screenshots shown in this case study are for the financial year 1 July 2022 to 30 June 2023.

## 1. Start a New Organisation File in Xero

To start a new organisation file for Bounce Fitness SFC, you must **add an organisation** in Xero by doing the following:

1. Review content in the Conversion Information and Conversion Balances sheets in the *Bounce Fitness SFC Transactions Information-LR Xero Case Study* file.
2. Identify the following information:
  - From the Conversion Information sheet:
    - New Organisation Information
    - Organisation Details
    - Financial Settings
    - Conversion Date

The financial year must be based on the current financial year when you are completing the assessment. For example, if you are completing this assessment in October 2022, then the financial year is 1 July 2022 – 30 June 2023.

- Conversion balances from the Trial Balance in the Conversion Balances sheet

## i. Enter Conversion Information

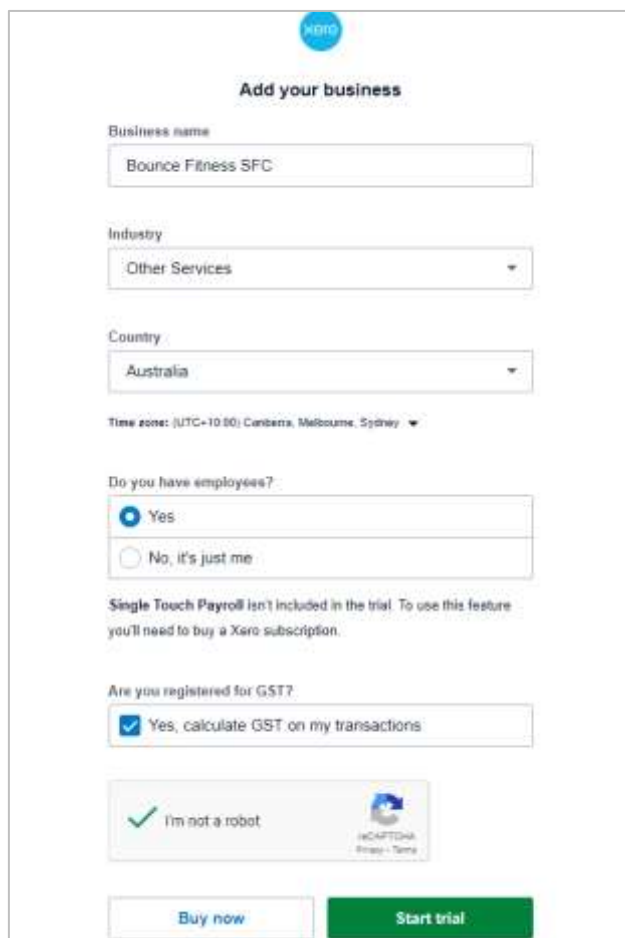
### Required Reading

Before entering conversion information, please read Xero's support page on how to add your organisation to Xero through the link below.

[Add your organisation to Xero](#)

Here are the following steps:

1. Log in to Xero.
2. Enter **Bounce Fitness SFC** as the organisation's name and complete the other fields.
3. Click **Start Trial** to add a trial organisation for Bounce Fitness SFC.



The screenshot shows the 'Add your business' form in Xero. At the top, there is a Xero logo and the heading 'Add your business'. The form contains the following fields and options:

- Business name:** A text input field containing 'Bounce Fitness SFC'.
- Industry:** A dropdown menu with 'Other Services' selected.
- Country:** A dropdown menu with 'Australia' selected.
- Time zone:** A dropdown menu with '(UTC+10:00) Canberra, Melbourne, Sydney' selected.
- Do you have employees?:** Radio button options for 'Yes' (selected) and 'No, it's just me'.
- Single Touch Payroll:** A note stating 'Single Touch Payroll isn't included in the trial. To use this feature you'll need to buy a Xero subscription.'
- Are you registered for GST?:** A checked checkbox for 'Yes, calculate GST on my transactions'.
- Verification:** A green checkmark icon and the text 'I'm not a robot' next to a reCAPTCHA logo and 'Privacy Terms' link.
- Buttons:** A 'Buy now' button and a green 'Start trial' button.



## ii. Enter Organisation Details

### Required Reading

Before entering the organisation details, please read Xero's support page on how to update your organisation's details in Xero through the link below.

[Update your organisation's details](#)

Here are the following steps:

1. Click on the **Bounce Fitness SFC** organisation name, select **Settings**, and then click **Organisation details**.
2. Enter or edit the **Basic Information**.
3. Click **Save**.

Organisation settings > Organisation details

Include some of your information on the online invoices you send. [Learn more.](#)  
You can choose which details below:

On  Off

**Basic Information**

Display name: Bounce Fitness SFC

Legal / Trading name: Bounce Fitness SFC

Logo:

What is your line of business?: Other Services

Organisation type: Not for Profit

Australian Business Number: 23 009 947 815

Branch (if applicable):

Organisation description:

### iii. Enter Financial Settings

#### Required Reading

Before entering financial settings, please read Xero's support page on setting up your organisation's financial settings in Xero through the link below.

[Set up your organisation's financial settings](#)

Here are the following steps:

1. In the **Accounting** menu, select **Advanced**, then click **Financial settings**.
2. Under **Financial Year End**, click **Change**.
3. Select your Financial Year End **day** and **month**.
4. Choose the **Activity Statement Settings**.
5. Set the **Tax Defaults**.
6. Click **Save**.

The screenshot shows the 'Financial settings' page in Xero. At the top, there is a notification banner: 'There's a new activity statement that supports both the ATO's Simpler BAS and Full BAS reporting. You can change to the new BAS and manage your BAS settings from the new activity statement.' with a 'Go to new BAS' link. Below this, the 'Financial Year End' section has a dropdown for '30' and a dropdown for 'June'. The 'Activity Statement Settings' section includes fields for 'GST Accounting Method' (Accruals Basis), 'Tax File Number' (255 245 245), 'GST Calculation' (Quarterly (Optional)), 'PAYG Withheld Period' (None), and 'PAYG Income Tax Method' (None). There are also checkboxes for 'Additional tax areas applicable to your business': Fringe Benefits Tax, Fuel Tax Credits, and Wine Equalisation Tax. The 'Tax Defaults' section has dropdowns for 'Per Sales' and 'Per Purchases' tax exclusives, with explanatory text. The 'Lock Dates' section states that lock dates stop data from being changed for a specific period and that the lock date for this organisation is not set. The 'Time zone' section has a dropdown set to '(UTC+10:00) Canberra, Melbourne, Sydney'. At the bottom right, there are 'Save' and 'Cancel' buttons.

#### iv. Change User Settings to Grant Yourself Adviser Access

You will need adviser access to record manual journals.

### Required Reading

Before changing user settings to grant yourself adviser access, please read Xero's support page on finding and changing assigned user roles in Xero through the link below.

[Find and change assigned user roles](#)

Here are the following steps:

1. Click on the **Bounce Fitness SFC** organisation name, then select **Settings**.
2. Under **General**, click **Users**.
3. Select your username.
4. In **Business and accounting**, select **Adviser**.
5. Click **Update permissions**.

The screenshot shows the 'Business and accounting' permissions section in Xero. At the top, it says 'You have access to:' followed by a list of permissions. The 'Business and accounting' section is expanded, showing a table of permissions with checkboxes. The 'Adviser' role is selected. The 'Can add and edit bank account details held for customers and suppliers' checkbox is checked. The 'Can send tax obligations to the government directly from Xero' checkbox is unchecked. The 'Update permissions' button is visible at the bottom right.

Permission	Checked
Buy and purchase	<input checked="" type="checkbox"/>
Bank accounts and balances	<input checked="" type="checkbox"/>
Bank account details	<input checked="" type="checkbox"/>
Can add and edit bank account details held for customers and suppliers	<input checked="" type="checkbox"/>
Reports	<input checked="" type="checkbox"/>
Publish reports	<input checked="" type="checkbox"/>
Set lock dates	<input checked="" type="checkbox"/>
Submit BAS	<input type="checkbox"/>
Can send tax obligations to the government directly from Xero	<input type="checkbox"/>
Full settings	<input checked="" type="checkbox"/>
Storage items	<input checked="" type="checkbox"/>

## v.Add a Bank Account

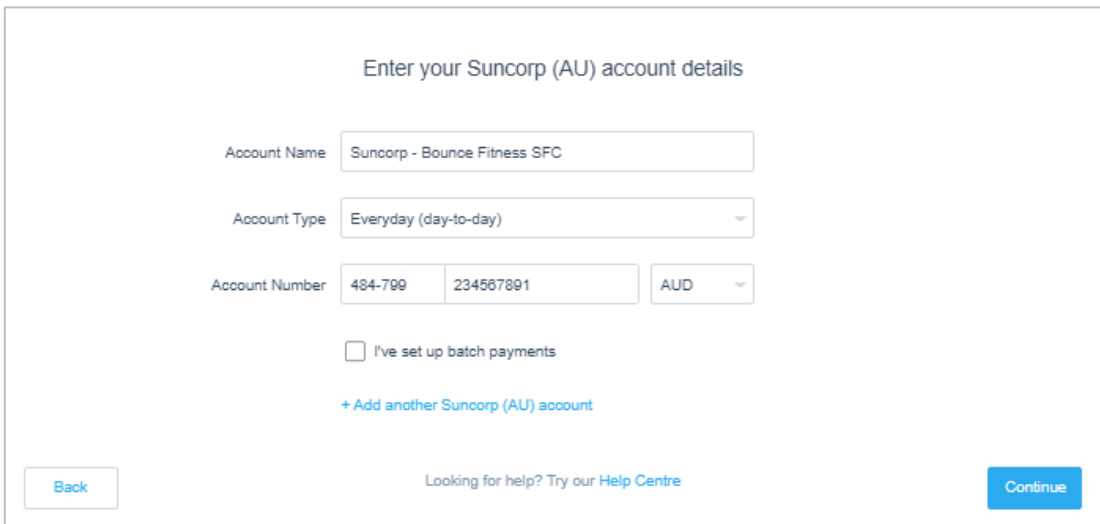
### Required Reading

Before adding a bank account, please read Xero's support page on how to add a bank account or credit card account in Xero through the link below.

[Add a bank account or credit card account](#)

Here are the following steps:

1. In the **Accounting** menu, select **Bank Accounts**.
2. Click **Add Bank Account**.
3. Start typing the bank's name. Select the bank from the list.
4. Enter the bank account details. See the image below for reference:



The screenshot shows a form titled "Enter your Suncorp (AU) account details". The form contains the following fields and options:

- Account Name:** A text input field containing "Suncorp - Bounce Fitness SFC".
- Account Type:** A dropdown menu with "Everyday (day-to-day)" selected.
- Account Number:** Three input fields: "484-799", "234567891", and "AUD".
- I've set up batch payments
- [+ Add another Suncorp \(AU\) account](#)
- [Back](#) button
- Looking for help? Try our [Help Centre](#)
- [Continue](#) button

5. Click **Continue**.
6. Do not follow instructions to **Connect** with the bank. Leave the page.
7. In the **Accounting** menu, select **Chart of Accounts**.
8. Click the bank account to open the **Edit Bank Account Details** window.
9. Enter the **Code** of the bank account.
10. Click **Save**.

Refer to the image below for a reference to the 'Edit Bank Account Details' window:

### Edit Bank Account Details ×

**Your Bank**  
Suncorp Bank (AU)  
 **Bank feeds are available**

---

**Account Name**  
Suncorp - Bounce Fitness SFC  
As you would like it to appear in Xero (limited 150 characters)

---

**Account Type**  
Everyday (day-to-day) ▼

---

**Code**  
601 '601' is available  
A unique code/number for this account (limited to 10 characters)

---

**Currency**  
AUD Australian Dollar

---

**Bank Account Number**  
BSB                      Account Number  
484-799                      - 234567891

---

**Use the options below if you make batch payments...?**

DE User ID  (Required by some banks)

Include self-balancing transaction in the ABA file

**Save** **Cancel**

## vi. Enter Conversion Balances

### Required Reading

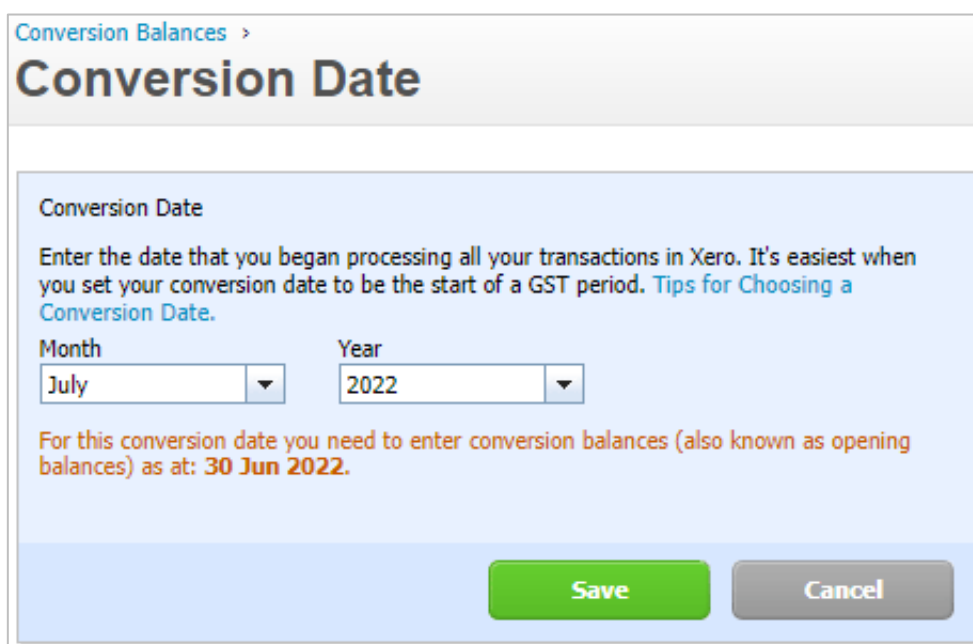
Before entering conversion balances, please read Xero's support pages on how to enter conversion balances and how to add, edit or delete an account in Xero through the links below.

[Enter conversion balances](#)

[Add, edit or delete an account](#)

Here are the following steps:

1. In the **Accounting** menu, select **Advanced**, then click **Conversion balances**.
2. Click **Conversion Date**. Select the **Month** and **Year** of conversion. Click **Save**.



Conversion Balances >

## Conversion Date

Conversion Date

Enter the date that you began processing all your transactions in Xero. It's easiest when you set your conversion date to be the start of a GST period. [Tips for Choosing a Conversion Date.](#)

Month: July  
Year: 2022

For this conversion date you need to enter conversion balances (also known as opening balances) as at: **30 Jun 2022.**

Save Cancel


3. Click **Show all accounts**.

4. Enter balances from Bounce Fitness SFC's trial balance into the debit and credit fields.

*To add an account not listed, click Add a new line, then click Add new account. Refer to the image below for reference:*

Advanced accounting >

## Conversion balances

 Conversion date saved.

[+ Add Comparative Balances](#) [📅 Conversion Date](#)

**1 Jul 2021 - 30 Jun 2022**

### Enter your account balances as at 30 Jun 2022

Account	Debit	Credit
601 - Suncorp - Bounce Fitness SFC	73,500.00	
980 - Members Funds Introduced		73,500.00

[+ Add a new line](#) [Show all accounts](#) [Remove zero balances](#)

---

<b>Total Debits</b>	<b>73,500.00</b>	<b>Total Credits</b>	<b>73,500.00</b>
---------------------	------------------	----------------------	------------------

**Adjustments** **0.00**  
This accounts for the difference between debits and credits and for FX gains and losses

**Lock balances at 30 Jun 2022**  
Locking ensures no accidental edits to balances or transactions are made before this date. Only users with Adviser roles will be able to make any changes. [Read more](#)

[Save](#) [Cancel](#)

5. Click **Save**.

## vii. Generate the Trial Balance Report

To confirm accuracy, you should now generate the Trial Balance report for Bounce Fitness and compare it with the conversion balances you entered.

### Required Reading

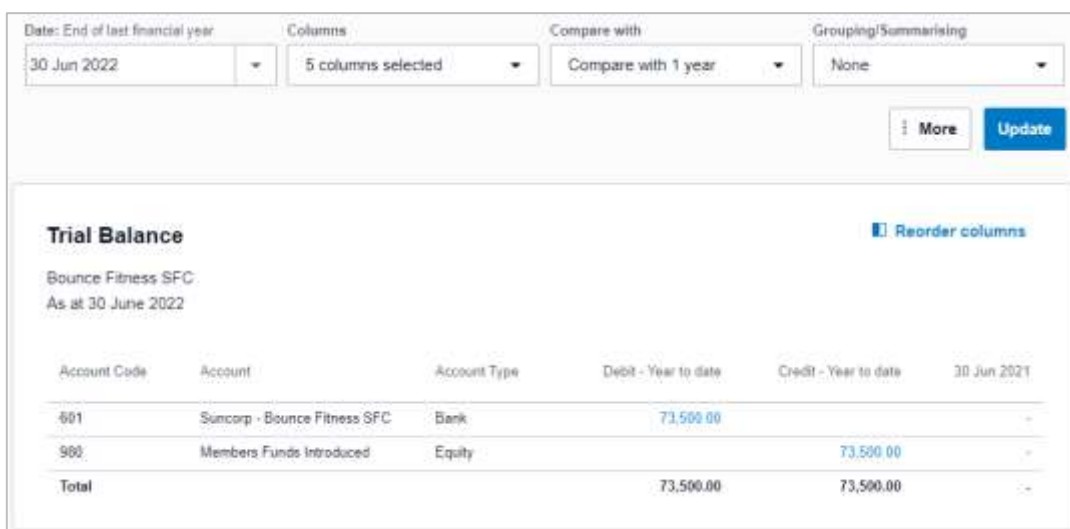
Before generating the trial balance report, please read Xero's support page on the Trial Balance report through the link below.

[Trial Balance report](#)

Here are the following steps to do so:

1. In the **Accounting** menu, select **Reports**.
2. Find and open the **Trial Balance** report. Use the search field in the top right corner.
3. Set a Date range by selecting **End of last financial year** for the date of the report.
4. Click **Update**.
5. Compare the Trial Balance report with the conversion balances you entered.

Refer to the image below to see what a Trial Balance report looks like:



Account Code	Account	Account Type	Debit - Year to date	Credit - Year to date	30 Jun 2021
601	Suncorp - Bounce Fitness SFC	Bank	73,500.00		-
900	Members Funds Introduced	Equity		73,500.00	-
<b>Total</b>			<b>73,500.00</b>	<b>73,500.00</b>	<b>-</b>

6. Correct any errors or discrepancies.
7. **Export** the report and save it to your computer.



## 2. Record Journal Entries

Continue using the Bounce Fitness SFC organisation file in Xero to record journal entries.

1. Access the **Bounce Fitness Accounting Policies and Procedures** file and review the policies and procedures for:
  - Checking source documents
  - Recording journal entries
2. Access the *Bounce Fitness SFC Transactions Information-LR Xero Case Study* file.
  - i. Check the content in the **Source Documents** sheet in the *Bounce Fitness SFC Transactions Information-LR Xero Case Study* file.
  - ii. Identify all errors in the source documents, which are required to be referred for resolution and corrected. Compare your identified errors with those shown in the table below.

Transaction Type	Source Document	Date	Error/Discrepancy Description	Rectification
Purchase	Tax Invoice	18/7/20YY	No GST has been included	Include \$245 GST
Cash Payment	Cheque Butt	9/7/20YY	Payee details are missing	Include payee details

- iii. Identify the source documents that have no errors.

*These are the external financial data that are consistent and accurate. These transactions will be entered into the Bounce Fitness SFC organisation in Xero as journal entries.*

### Further Reading

Please read the ATO's page on grants and sponsorships for not-for-profits to understand the GST implications on grants through the link below.

[Grants and sponsorships for not-for-profits](#)


## i. Record Grants Received

### Required Reading

Before recording grants received, please read Xero's support page on creating an invoice for your customer through the link below.

[Create an invoice for your customer](#)

Post journal entries for each identified grant-received transaction that had no errors to the appropriate general ledger accounts using the Invoices option. Here are the steps to do so:

1. From the header, click the quick launch icon , then select **Invoice**.
2. In the **To** field, type the contact's name. Select '**Add as new contact**'.
3. Complete the remaining invoice details.

*You must fill out the Due date, Description, Account, and Tax Rate fields to approve the invoice.*

*To select an account not listed, click in the Account field, then click Add new account.*

### Add New Account ✕

**Account Type**  
Revenue ▼

**Code**  
A unique code/number for this account (limited to 10 characters)  
201  
'201' is available

**Name**  
A short title for this account (limited to 150 characters)  
Grants - Federal Government

**Description (optional)**  
A description of how this account should be used

**Tax**  
The default tax setting for this account  
GST on Income ▼

Show on Dashboard Watchlist  
 Show in Expense Claims  
 Enable payments to this account

**How account types affect your reports**

Profit & Loss	Balance Sheet
Income	Current Assets
Revenue	Current Assets
Sales	Inventory
Less Cost of Sales	Prepayments
Direct Costs	Plus Bank
<b>GROSS PROFIT</b>	Bank Accounts
Plus Other Income	Plus Fixed Assets
Other Income	Fixed Assets
Less Expenses	Plus Non-current Assets
Expenses	Non-current Assets
Depreciation	<b>TOTAL ASSETS</b>
Overheads	Less Current Liabilities
<b>NET PROFIT</b>	Current Liabilities
	Less Non-current Liabilities
	Liabilities
	Non-current Liabilities
	<b>NET ASSETS</b>
	Equity
	Equity
	Plus Net Profit
	<b>TOTAL EQUITY</b>

**Save** **Cancel**

You can also modify where accounts appear in your reports using [Customised Report Layouts](#)

Basic overview | INVOICES | **New Invoice**

**It is recommended that you add your organisation contact details before sending invoices.**

To: Australian Government | Date: 1 Jul 2022 | Due Date: 9 Aug 2022 | Invoice #: INV-0001 | Reference: | Preview | Print

AUD Australian Dollar | Amount: 161,700.00 | Tax: Excluded

Item	Description	Qty	Unit Price	Disc %	Account	Tax Rate	Amount AUD
	Driving Social Inclusion through Sport and Physical Activity Grant Program	1.00	147,000.00		281 - Grants - Federal Government	GST on income	147,000.00
Subtotal							147,000.00
Total GST 10.00%							14,700.00
<b>TOTAL</b>							<b>161,700.00</b>

Save | Approve | Cancel

4. Check all details.
5. Click **Approve**.
6. Similarly, create invoices for the remaining grants received transactions.

Refer to the following images for reference:

**Add New Account** [X]

**Account Type**  
Revenue

**Code**  
A unique code/number for this account (limited to 10 characters)  
202  
**'202' is available**

**Name**  
A short title for this account (limited to 150 characters)  
Grants - State Government

**Description (optional)**  
A description of how this account should be used

**Tax**  
The default tax setting for this account  
GST on Income

Show on Dashboard Watchlist  
 Show in Expense Claims  
 Enable payments to this account

**How account types affect your reports**

Profit & Loss	Balance Sheet
Income	Current Assets
Revenue	Current Assets
Sales	Inventory
Less Cost of Sales	Prepayments
Direct Costs	Plus Bank
<b>GROSS PROFIT</b>	Bank Accounts
Plus Other Income	Plus Fixed Assets
Other Income	Fixed Assets
Less Expenses	Plus Non-current Assets
Expenses	Non-current Assets
Depreciation	<b>TOTAL ASSETS</b>
Overheads	Less Current Liabilities
<b>NET PROFIT</b>	Current Liabilities
	Less Non-current Liabilities
	Liabilities
	Non-current Liabilities
	<b>NET ASSETS</b>
	Equity
	Equity
	Plus Net Profit
	<b>TOTAL EQUITY</b>

You can also modify where accounts appear in your reports using [Customised Report Layouts](#)

Save | Cancel

**1** It is recommended that you add your organisation contact details before sending invoices.

To	Date	Due Date	Invoice #	Reference			
Victorian Govern...	15 Jul 2022	15 Aug 2022	INV-0002		<a href="#">Preview</a>		
AUD Australian Dollar					Amounts are Tax Inclusive		
Item	Description	Qty	Unit Price	Disc %	Account	Tax Rate	Amount AUD
	Seniors Participation Grants Program	1.00	24,500.00		202 - Grants - State Government	GST on income	24,500.00
<a href="#">Add a new line</a>							
Subtotal							24,500.00
Total GST 10.00%							2,450.00
<b>TOTAL</b>							<b>26,950.00</b>
<a href="#">Save</a>					<a href="#">Approve</a>		<a href="#">Cancel</a>

Sales overview - Invoicing							
<b>New Invoice</b>							
<b>1</b> It is recommended that you add your organisation contact details before sending invoices.							
To	Date	Due Date	Invoice #	Reference			
Victorian Govern...	24 Jul 2022	24 Aug 2022	INV-0003		<a href="#">Preview</a>		
AUD Australian Dollar					Amounts are Tax Inclusive		
Item	Description	Qty	Unit Price	Disc %	Account	Tax Rate	Amount AUD
	Port Phillip Bay Fund grants program	1.00	12,250.00		202 - Grants - State Government	GST on income	12,250.00
<a href="#">Add a new line</a>							
Subtotal							12,250.00
Total GST 10.00%							1,225.00
<b>TOTAL</b>							<b>13,475.00</b>
<a href="#">Save</a>					<a href="#">Approve</a>		<a href="#">Cancel</a>


## ii. Record Purchases

### Required Reading


Before recording purchases, please read Xero's support page on adding and approving bills through the link below.

[Add and approve bills](#)

Post the purchase journal entries for each identified purchase transaction with no errors to the appropriate general ledger accounts using the Bills option. Here are the following steps:

1. From the header, click the quick launch icon , then select **Bill**.
2. In the **From** field, type the contact's name. Select '+ new contact'.
3. Complete the remaining bill details.

*You must fill out the Due Date, Description, Account, and Tax Rate fields to be able to approve the bill.*



From	Date	Due Date	Reference	Total
Weight Training Services	25 Jul 2022	25 Aug 2022	#505	1347.50

Item	Description	Qty	Unit Price	Account	Tax Rate	Amount AUD
1	Weights purchased for sale	1.00	1,225.00	310 - Cost of Goods Sold	GST on Expenses	1,225.00

Subtotal	1,225.00
Total GST 15.00%	122.50
<b>TOTAL</b>	<b>1,347.50</b>

4. Check all details.
5. Click **Approve**.
6. Similarly, create bills for the remaining purchase transactions that have no errors.

## Required Reading

### iii. Record Cash Receipts


## Required Reading

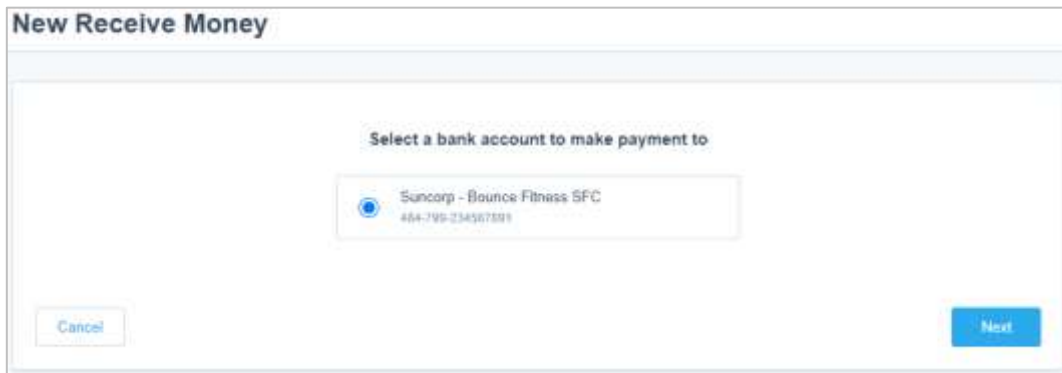
Before recording cash receipts, please read Xero's support pages on adding a receive money transaction and recording a payment on a customer invoice through the links below.

[Add a receive money transaction](#)

[Record a payment on a customer invoice](#)

Post the cash receipt journal entries for each identified cash payment transaction without errors to the appropriate general ledger accounts using the Receive Money option. Here are the following steps:

1. From the header, click the quick launch icon , then select **Receive money**.
2. Select the bank account you have received money into, then click **Next**.



3. In the **From** field, type the contact name. Select '+ new contact'.
4. Complete the remaining transaction details.

*Refer to the images on the next page for reference.*

### Add New Account ✕

**Account Type**  
 Revenue ▼

**Code**  
 203  
'203' is available  
 A unique code/number for this account (limited to 10 characters)

**Name**  
 Donations  
 A short title for this account (limited to 150 characters)

**Description (optional)**  
 [Empty text area]  
 A description of how this account should be used

**Tax**  
 GST Free Income ▼  
 The default tax setting for this account

Show on Dashboard Watchlist  
 Show in Expense Claims  
 Enable payments to this account

**How account types affect your reports**

Profit & Loss

Income

- Revenue
- Sales

Less Cost of Sales

- Direct Costs

---

GROSS PROFIT

Plus Other Income

- Other Income

Less Expenses

- Expenses
- Depreciation
- Overheads

---

NET PROFIT

Balance Sheet

Current Assets

- Current Assets
- Inventory
- Prepayments

Plus Bank

- Bank Accounts

Plus Fixed Assets

- Fixed Assets

Plus Non-current Assets

- Non-current Assets

---

TOTAL ASSETS

Less Current Liabilities

- Current Liabilities

Less Non-current Liabilities

- Liabilities
- Non-current Liabilities

---

NET ASSETS

Equity

- Equity

Plus Net Profit

---

TOTAL EQUITY

You can also modify where accounts appear in your reports using [Customised Report Layouts](#)

Save
Cancel

Bank Accounts | Sarcep - Bounce Fitness SFC

### New Receive Money

Received as: Direct Payment 🔗

From: On Road Trainers NEW    Date: 8 Jul 2022 ▼    Reference: 368    Total: 980

AUD Australian Dollar    Amounts are: Tax Inclusive ▼

Item	Description	Qty	Unit Price	Account	Tax Rate	Amount AUD	
⋮	Donation	1.00	980.00	203 - Donations	GST Free Income	980.00	X
						Subtotal	980.00
						GST	0.00
<b>TOTAL</b>						<b>980.00</b>	

Save
Save & add another
Cancel

5. Check all details.
6. Click **Save**.

7. Similarly, record the remaining cash receipt transactions.

### Add New Account

Account Type: Revenue

Code: 204  
'204' is available  
 A unique code/number for this account (limited to 10 characters)

Name: Fundraising Revenue  
 A short title for this account (limited to 150 characters)

Description (optional):  
 A description of how this account should be used

Tax: GST Free Income  
 The default tax setting for this account

Show on Dashboard Watchlist  
 Show in Expense Claims  
 Enable payments to this account

**How account types affect your reports**

**Profit & Loss**

Income

- Revenue
- Sales

Less Cost of Sales

- Direct Costs

---

GROSS PROFIT

Plus Other Income

- Other Income

Less Expenses

- Expenses
- Depreciation
- Overheads

---

NET PROFIT

**Balance Sheet**

Current Assets

- Current Assets
- Inventory
- Prepayments

Plus Bank

- Bank Accounts

Plus Fixed Assets

- Fixed Assets

Plus Non-current Assets

- Non-current Assets

---

TOTAL ASSETS

Less Current Liabilities

- Current Liabilities

Less Non-current Liabilities

- Liabilities
- Non-current Liabilities

---

NET ASSETS

Equity

- Equity

Plus Net Profit

---

TOTAL EQUITY

You can also modify where accounts appear in your reports using [Customised Report Layouts](#)

Save
Cancel

Bank Accounts > Starcorp > Expense Filters SFC >

### New Receive Money

✔ The transaction has been saved.

Received as: Direct Payment

From: Casual clients    Date: 14 Jul 2022    Reference: 458    Total: 1225

AUD Australian Dollar    Amounts are: Tax Inclusive

Item	Description	Qty	Unit Price	Account	Tax Rate	Amount AUD
	Fundraising raffle	1.00	1,225.00	204 - Fundraising Revenue	GST Free Income	1,225.00
Subtotal						1,225.00
GST						0.00
<b>TOTAL</b>						<b>1,225.00</b>

Save
Save & add another
Cancel



## iv. Record Cash Payments


### Required Reading

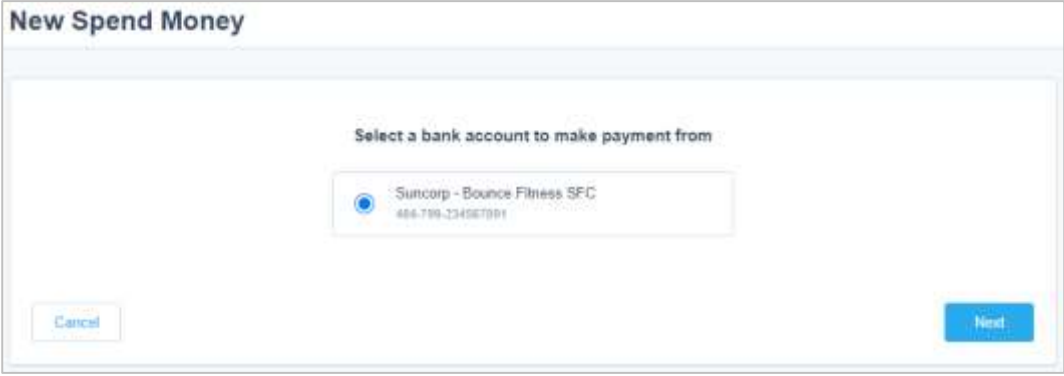
Before recording cash payments, please read Xero's support pages on how to add a spend money transaction and record the payment of a bill through the links below.

[Add a spend money transaction](#)

[Record payment of a bill](#)

Post the cash payment journal entries for each identified cash payment transaction without any errors to the appropriate general ledger accounts using the Spend Money option. Here are the following steps:

1. From the header, click the quick launch icon , then select **Spend money**.
2. Select the bank account you have spent money from, then click **Next**.



The screenshot shows a 'New Spend Money' dialog box. The main content area contains the text 'Select a bank account to make payment from' above a search bar. The search bar displays 'Suitcorp - Bounce Fitness SFC' and '486-799-234567891'. At the bottom left, there is a 'Cancel' button, and at the bottom right, there is a 'Next' button.

3. In the **From** field, type the contact's name. Select '**+ new contact**'.

4. Complete the remaining transaction details.

Bank Accounts > Suncorp - Source Fitness BFC > **New Spend Money**

Spent as: **Direct Payment**

To: Fishy Accounts    Date: 17 Jul 2022    Reference: 6598    Total: 269.50

AUD Australian Dollar    Amounts are: Tax Inclusive

Item	Description	Qty	Unit Price	Account	Tax Rate	Amount AUD
	Accounting	1.00	269.50	412 - Consulting & Accounting	GST on Expenses	269.50

Subtotal: 269.50  
Includes GST 10.00%: 24.50

**TOTAL 269.50**


Buttons: Save, Save & add another, Cancel

5. Check all details.

6. Click **Save**.

7. Similarly, record all cash payments.

Bank Accounts > Suncorp - Source Fitness BFC > **New Spend Money**



Spent as: **Direct Payment**

To: Beta Property Managers    Date: 20 Jul 2022    Reference: 4888    Total: 1347.50

AUD Australian Dollar    Amounts are: Tax Inclusive

Item	Description	Qty	Unit Price	Account	Tax Rate	Amount AUD
	Lease premises	1.00	1,347.50	468 - Rent	GST on Expenses	1,347.50

Subtotal: 1,347.50  
Includes GST 10.00%: 122.50

**TOTAL 1,347.50**

Buttons: Save, Save & add another, Cancel

## v. Generate the Trial Balance Report

You should now generate the Trial Balance report for Bounce Fitness and compare it with the transactions you entered to confirm accuracy. Here are the following steps:

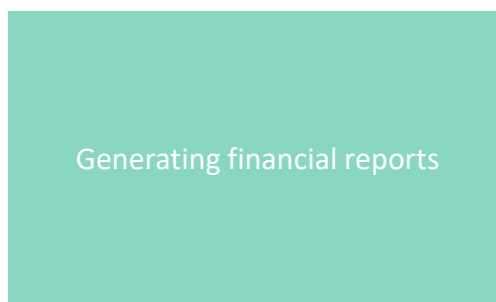
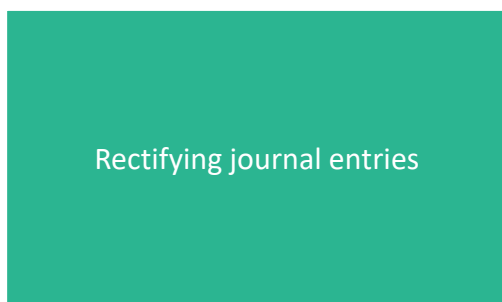
1. Set a Date range by selecting **30 June (20YY+1)** for the date of the report, corresponding to the end of the current financial year.
2. Click **Update**.
3. Compare the Trial Balance report with the transactions you entered.

Account Code	Account	Account Type	Debit - Year to date	Credit - Year to date	30 Jun 2022
201	Grants - Federal Government	Revenue		147,000.00	-
202	Grants - State Government	Revenue		36,750.00	-
203	Donations	Revenue		980.00	-
204	Fundraising Revenue	Revenue		1,225.00	-
310	Cost of Goods Sold	Direct Costs	1,225.00		-
412	Consulting & Accounting	Expense	245.00		-
469	Rent	Expense	1,225.00		-
601	Suncorp - Bounce Fitness SFC	Bank	74,088.00		73,500.00
610	Accounts Receivable	Current Asset	202,125.00		-
800	Accounts Payable	Current Liability		1,347.50	-
820	GST	Current Liability		111,105.50	-
980	Members Funds Introduced	Equity		73,500.00	(73,500.00)
<b>Total</b>			<b>278,908.00</b>	<b>278,908.00</b>	

### 3. Prepare Financial Statements

Continue using the Bounce Fitness SFC organisation file in Xero to prepare and review financial statements.

Access the **Bounce Fitness Accounting Policies and Procedures** file and review the policies and procedures for:



#### i. Generate the Profit and Loss Statement

This will display income or expense accounts to reflect gross and net profits for the reporting period.

#### Required Reading

Before generating the Profit and Loss Statement, please read Xero's support page on the Profit and Loss Statement by using the link below.

[Profit and Loss](#)

Here are the following steps:

1. In the **Accounting** menu, select **Reports**.
2. Find and open the **Profit and Loss** report. You can use the search field in the top right corner.
3. Set a Date range by selecting **This financial year**.

4. Click **Update**.

Date range: This financial year      Compare with

1 Jul 2022    30 Jun 2023    ▾      None      ▾      [More](#)    [Update](#)

---

### Profit and Loss

Bounce Fitness SFC  
For the year ended 30 June 2023

2023

---

#### Trading Income

Donations	980.00
Fundraising Revenue	1,225.00
Grants - Federal Government	147,000.00
Grants - State Government	38,750.00
<b>Total Trading Income</b>	<b>185,955.00</b>

---

#### Cost of Sales

Cost of Goods Sold	1,225.00
<b>Total Cost of Sales</b>	<b>1,225.00</b>

---

#### Gross Profit

	<b>184,730.00</b>
--	-------------------

---

#### Operating Expenses

Consulting & Accounting	245.00
Rent	1,225.00
<b>Total Operating Expenses</b>	<b>1,470.00</b>

---

#### Net Profit

	<b>183,260.00</b>
--	-------------------

5. Check the Profit and Loss report.
6. Correct any errors or discrepancies.
7. **Export** the report and save it to your computer.

## ii. Generate the Balance Sheet

This will display asset, liability and equity accounts as of the reporting date.

### Required Reading

Before generating the Balance Sheet, please read Xero's support page on the Balance Sheet by using the link below.

[Balance Sheet](#)

Here are the following steps:

1. In the **Accounting** menu, select **Reports**.
2. Find and open the **Balance Sheet** report. You can use the search field in the top right corner.
3. Enter the **Date** for the end of this financial year, **30 June (20YY+1)**.
4. Click **Update**.

Date: Custom		Compare with	More	Update
30 Jun 2023		None		
<b>Balance Sheet</b>				
Bounce Fitness SFC				
As at 30 June 2023				
30 Jun 2023				
<b>Assets</b>				
<b>Bank</b>				
Suncorp - Bounce Fitness SFC				74,088.00
<b>Total Bank</b>				<b>74,088.00</b>
<b>Current Assets</b>				
Accounts Receivable				202,125.00
<b>Total Current Assets</b>				<b>202,125.00</b>
<b>Total Assets</b>				<b>276,213.00</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable				1,347.50
GST				18,105.50
<b>Total Current Liabilities</b>				<b>19,453.00</b>
<b>Total Liabilities</b>				<b>19,453.00</b>
<b>Net Assets</b>				<b>256,760.00</b>
<b>Equity</b>				
Current Year Earnings				183,260.00
Members Funds Introduced				73,500.00
<b>Total Equity</b>				<b>256,760.00</b>

5. Check the Balance Sheet report.
6. Correct any errors or discrepancies.

7. **Export** the report and save it to your computer.

### iii. Generate the Cash Flow Statement

This will show how the business has received and used cash within the reporting period.

This report only includes cash-based transactions. Non-cash movements are not included.

#### Required Reading

Before generating the Cash Flow Statement, please read Xero's support page on the Cash Flow Statement by using the link below.

[Statement of Cash Flows](#)

Here are the following steps:

1. In the Accounting menu, select Reports.
2. Find and open the Statement of Cash Flows - Direct Method report. You can use the search field in the top right corner.
3. Set a Date range by selecting **This financial year**.
4. Click **Update**.

The screenshot shows the Xero interface for generating a Statement of Cash Flows. At the top, there are controls for 'Date range: This financial year' (1 Jul 2022 to 30 Jun 2023) and 'Compare with' (None). A 'More' menu icon and an 'Update' button are also visible. The main content area displays the following table:

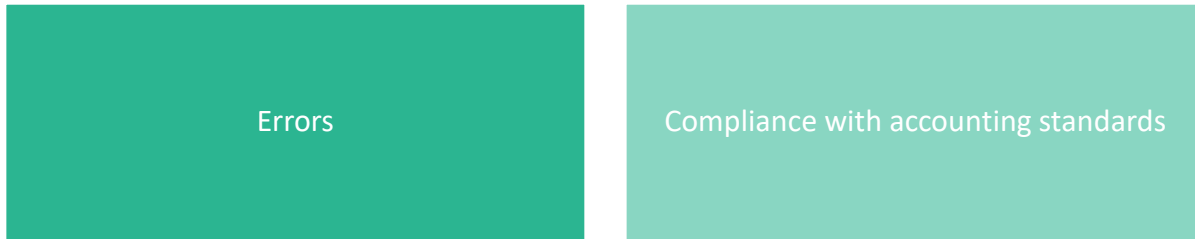
Statement of Cash Flows	
Bounce Fitness SFC	
For the year ended 30 June 2023	
	2023
<b>Operating Activities</b>	
Receipts from customers	2,205.00
Payments to suppliers and employees	(1,617.00)
<b>Net Cash Flows from Operating Activities</b>	<b>588.00</b>
<b>Net Cash Flows</b>	<b>588.00</b>
<b>Cash and Cash Equivalents</b>	
Cash and cash equivalents at beginning of period	73,500.00
Net change in cash for period	588.00
Cash and cash equivalents at end of period	74,088.00

5. Check the **Statement of Cash Flows - Direct Method**.
6. Correct any errors or discrepancies.
7. **Export** the report and save it to your computer.

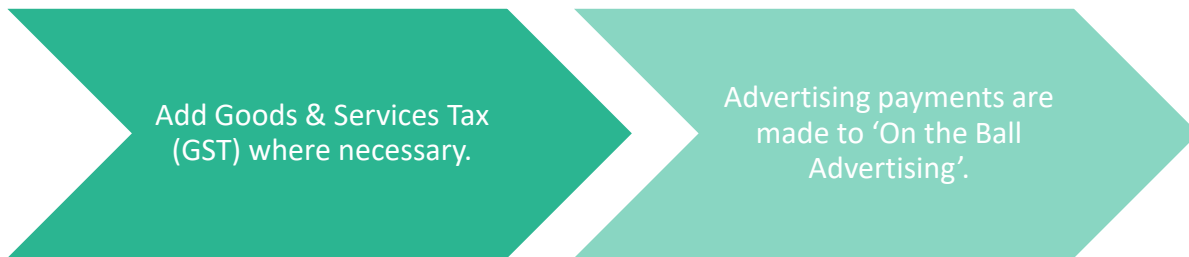


#### iv. Rectify Errors Identified in Source Documents

Review each financial report for:



Assume that you have received authorisation to rectify the errors in source documents, as follows:



Use the following templates to prepare and document the original journal entries for each rectified transaction. Date the journal entries 31/7/20YY.

JOURNAL			
Date	Account	Debit	Credit
31/7/20YY	Cost of Goods Sold	2,450.00	
	GST	245.00	
	Accounts Payable		2,695.00
Description	<i>Trainer Services Bill 3564</i>	2,695.00	2,695.00

JOURNAL			
Date	Account	Debit	Credit
31/7/20YY	Advertising	1,470.00	
	GST	147.00	
	Suncorp Bank		1,617.00
Description	<i>On the Ball Advertising Ref 7845</i>	1,617.00	1,617.00

#### v. Post Rectified Journal Entries

Post the rectified journal entries to the appropriate general ledger accounts of the Bounce Fitness SFC company file in Xero. Refer to the images below:

### New Bill

From	Date	Due Date	Reference	Total
Trainer Services	31 Jul 2022	18 Aug 2022	3594	2695

AUD Australian Dollar

Item	Description	Qty	Unit Price	Account	Tax Rate	Amount AUD
	Contract banners	1.00	2,450.00	310 - Cost of Goods Sold	GST on Expenses	2,450.00

Subtotal: 2,450.00  
Total GST 10.00%: 245.00

**TOTAL 2,695.00**

Buttons: Save, Approve, Cancel

### New Spend Money

Spent as: Direct Payment

To	Date	Reference	Total
On The Ball Advertising	9 Jul 2022	7845	1617

AUD Australian Dollar

Item	Description	Qty	Unit Price	Account	Tax Rate	Amount AUD
	Advertising	1.00	1,617.00	400 - Advertising	GST on Expenses	1,617.00

Subtotal: 1,617.00  
Includes GST 10.00%: 147.00

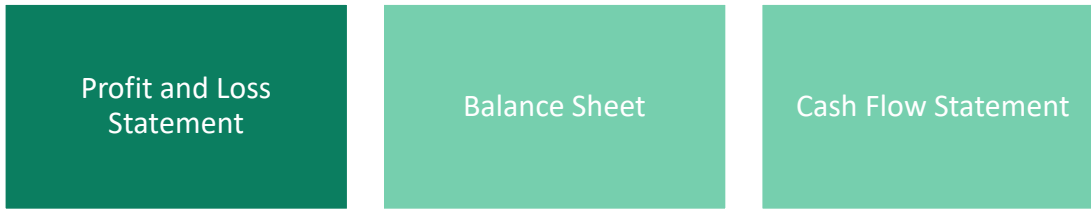
**TOTAL 1,617.00**

Buttons: Save, Save & add another, Cancel

## vi. Re-generate Financial Reports

Here are the following steps to do so:

1. Re-generate the following reports for Bounce Fitness SFC in Xero:



- **Profit and Loss Statement** for the current financial year [1 July 20YY to 30 June (20YY+1)]

Here is an example of a Profit and Loss Statement:

Date range: This financial year:		Compare with:		
1 Jul 2022	30 Jun 2023	None	More	Update
<b>Profit and Loss</b>				
Bounce Fitness SFC				
For the year ended 30 June 2023				
				2023
<b>Trading Income</b>				
Donations				980.00
Fundraising Revenue				1,225.00
Grants - Federal Government				147,000.00
Grants - State Government				36,750.00
<b>Total Trading Income</b>				<b>185,955.00</b>
<b>Cost of Sales</b>				
Cost of Goods Sold				3,675.00
<b>Total Cost of Sales</b>				<b>3,675.00</b>
<b>Gross Profit</b>				<b>182,280.00</b>
<b>Operating Expenses</b>				
Advertising				1,470.00
Consulting & Accounting				245.00
Rent				1,225.00
<b>Total Operating Expenses</b>				<b>2,940.00</b>
<b>Net Profit</b>				<b>179,340.00</b>

- **Balance Sheet** as of the end of the current financial year [30 June (20YY+1)]

Here is an example of a Balance Sheet:

Date: Custom		Compare with	
30 Jun 2023	▼	None	▼
		<a href="#">More</a> <a href="#">Update</a>	
<b>Balance Sheet</b>			
Bounce Fitness SFC			
As at 30 June 2023			
			30 Jun 2023
<b>Assets</b>			
<b>Bank</b>			
Suncorp - Bounce Fitness SFC			72,471.00
<b>Total Bank</b>			<b>72,471.00</b>
<b>Current Assets</b>			
Accounts Receivable			202,125.00
<b>Total Current Assets</b>			<b>202,125.00</b>
<b>Total Assets</b>			<b>274,596.00</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable			4,042.50
GST			17,713.50
<b>Total Current Liabilities</b>			<b>21,756.00</b>
<b>Total Liabilities</b>			<b>21,756.00</b>
<b>Net Assets</b>			<b>252,840.00</b>
<b>Equity</b>			
Current Year Earnings			179,340.00
Members Funds Introduced			73,500.00
<b>Total Equity</b>			<b>252,840.00</b>

- **Cash Flow Statement** for the current financial year [1 July 20YY to 30 June (20YY+1)]

Here is an example of a Cash Flow Statement:

Date range: This financial year		Compare with
1 Jul 2022	30 Jun 2023	None
		<a href="#">More</a> <a href="#">Update</a>

<b>Statement of Cash Flows</b>	
Bounce Fitness SFC	
For the year ended 30 June 2023	
	2023
<b>Operating Activities</b>	
Receipts from customers	2,285.00
Payments to suppliers and employees	(3,234.00)
<b>Net Cash Flows from Operating Activities</b>	<b>(1,029.00)</b>
<b>Net Cash Flows</b>	<b>(1,029.00)</b>
<b>Cash and Cash Equivalents</b>	
Cash and cash equivalents at beginning of period	73,500.00
Net change in cash for period	(1,029.00)
Cash and cash equivalents at end of period	72,471.00

2. Export the re-generated reports and save them to your computer.
3. Obtain verification and authorisation of each financial report from the authorised persons in your organisation.

## vii. Calculate Financial Ratios

Here are the following steps to do so:

- Calculate the following financial ratios for Bounce Fitness SFC.
  - Liquidity – Current Ratio
  - Activity – Inventory Turnover Ratio
  - Profitability – Operating Profit Margin
- Analyse the significance of each financial ratio for Bounce Fitness SFC.
- Compare your ratios and analysis with those shown below:

Financial Ratio	Calculated Value	Significance of Financial Ratio
Liquidity – Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$ $= \frac{202,125.00}{21,756.00}$ $= 9.29$	This high current ratio indicates that Bounce SFC is highly liquid and can pay its debts and payables by converting its current assets to cash.
Activity – Payables Turnover Ratio	$\frac{\text{Cost of Goods Sold}}{\text{Accounts Payable}} \times 100$ $= \frac{3,675.00}{4,042.50} \times 100$ $= 90.91\%$	This high payable turnover ratio may indicate that Bounce SFC is paying creditors too fast.
Profitability – Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Trading Income}} \times 100$ $= \frac{182,280.00}{185,955.00} \times 100$ $= 98.02\%$	This high gross profit margin indicates that Bounce SFC retains 98.02 cents as gross profit for each dollar of revenue that they generate.

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**End of Document**