

# Excel for Accounting

part

1

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# Excel Tour

# 1

## *In this chapter you will learn:*

- Excel's capabilities and new features
- How to start, navigate, and work with Excel files
- How to use Excel help
- How Excel is used in accounting

## **Case: What SUP, Inc.**

Nathan Peters and Meagan Lopez own What SUP, Inc., located in Seattle, Washington. They've been in business for five years and have developed a number of online customers. The fast-growing sport of stand up paddleboarding (SUP) is a fun, easy way for their customers to go play on the water. With a minimum of equipment, their customers can paddle anything from ocean surf to lakes and rivers—no waves required. They are eager to expand their customer base and their supplier pool. Their local C.P.A., Kyle Ski, has suggested hiring a local college student to help them computerize their operations. He suggests they use QuickBooks to keep their accounting records but also encourages them to use a worksheet software application to help them analyze their business situation and support their accounting operations. Nathan, excited to get started, places an ad in the local college paper.

As an accounting student at the local college, you've become fairly adept at using computers to complete homework assignments but you're eager to broaden your horizons. You'd like to combine your accounting and computer skills with some practical experience. Lucky for you, an ad in the college paper for part-time computer and accounting help falls on your desk one afternoon. After an intense interview and background check, you're hired!

Your initial meeting with Nathan, Meagan, and Kyle reveals some unfamiliarity with the software application Kyle has suggested you use. Kyle has agreed to coach you through the basic use of the worksheet program after Nathan and Meagan reluctantly agree to pay his fees. They're hoping, of course, that you can learn the worksheet application quickly and help them use it to further their business expansion.

First off, Kyle introduces you to Excel, a powerful worksheet application he has been using since the mid-eighties. Kyle explains that this most recent incarnation of Excel is far more than a simple calculation program.

## Understanding Excel's Capabilities

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You have often used paper worksheets in your accounting courses and ask Kyle if Excel is just an electronic version of that same worksheet. He explains that, in essence, you are correct. In your beginning accounting courses, a worksheet might have been used to adjust a trial balance for accrual accounting and to create financial statements like the income statement, balance sheet, and statement of cash flows. You added columns of numbers, subtotaled them in places, drew lines, created titles, and so forth.

Excel is, however, much more than an expensive calculator or place to put information. Built-in functions can help an accountant create financial statements, pivot table reports, analyses, depreciation schedules, loan amortization schedules, cash flow budgets, cost-volume-profit analyses with charts, and more. But first, you need to become familiar with the multitude of Excel commands and procedures.

## Starting, Navigating, and Working with Excel Files

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*Video Demonstration*



**DEMO 1A Exploring the Excel window**

To begin, Kyle asks you if you are familiar with starting programs in Windows 7. Since Nathan and Meagan admit to very little knowledge of computers, you offer to demonstrate. First you explain that some of the company's computers use the Windows Vista, Windows 8, or XP operating system but that the one you are most familiar with uses the Windows 7 operating system. In either case, you explain that starting Excel is the same in either operating system. You then offer to demonstrate the process for starting Excel in Windows 7.

### To start Excel:

- 1 Click the **Start** button.

- 2 Select **All Programs** and then scroll down your list of programs and click the **Microsoft Office** folder. Your window may look like Figure 1.1.



**Figure 1.1**  
Starting Excel

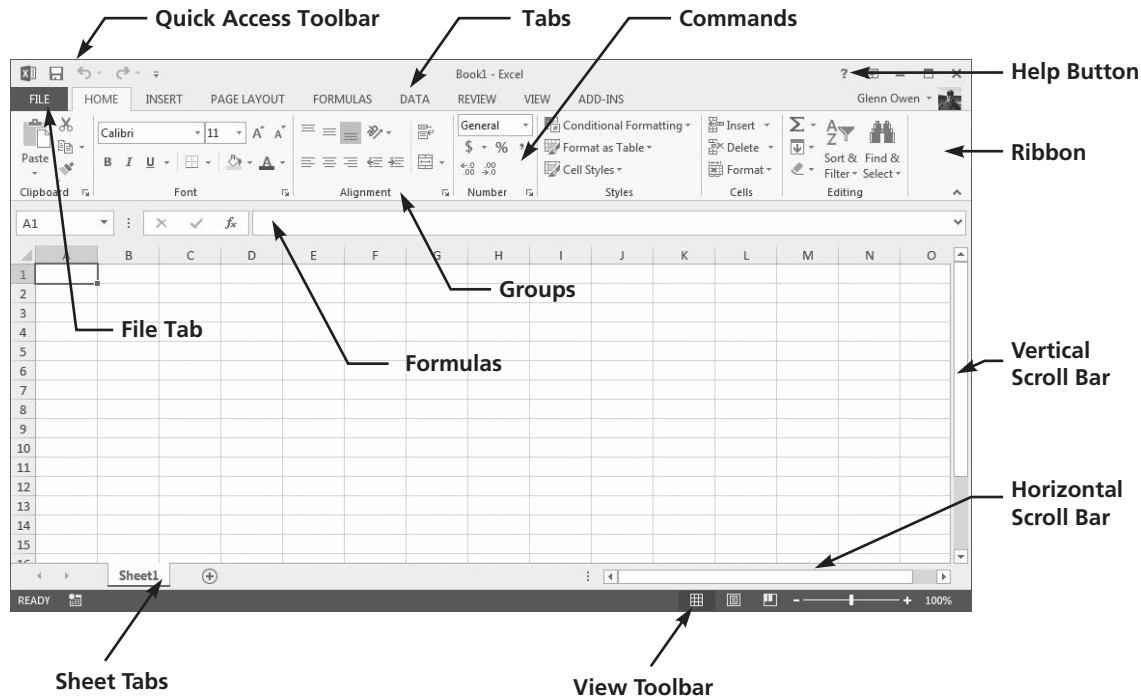
- 3 Click **Microsoft Office Excel 2013** to start the application.

**Trouble?** Your start menu may be completely different from that shown in Figure 1.1. See your instructor or lab personnel for instructions on starting Excel.

Kyle explains that Excel always opens a list of recent worksheets and thumbnail pictures of built-in Excel templates. In this text, you'll be building your own worksheets or modify existing spreadsheets to solve accounting-related problems. To begin you'll often begin by double-clicking a blank worksheet. Your window should look like Figure 1.2. A worksheet is a grid of rows and columns into which you enter information. You can add additional sheets to a workbook if necessary.

Nathan has been replicating Kyle's actions on his own laptop, which has Excel installed as well. He notes that his screen does not exactly match Kyle's, whose Quick Access toolbar and Ribbon seem different than Nathan's. Kyle explains that screen size can change the appearance of the Ribbon and that both the Ribbon and Quick Access toolbar can be customized.

To illustrate, Kyle has captured his Excel window in Figure 1.2 and provided callouts and an explanation of the Excel window characteristics.



**Figure 1.2**

The Excel Window

*File* – This is where you manage your files and the data about them — creating, saving, inspecting for hidden metadata or personal information, and setting options. In short, it is everything that you do to a file that you don’t do in the file.

*Quick Access Toolbar* – At the top of the Excel window is the Quick Access Toolbar, which is designed to give you an easy way to execute the commands used most often. The default setting in Excel provides access to the Save, Undo, and Redo commands. The Quick Access toolbar can be modified to include the Print Preview, Open, Quick Print, and other commands as well. This is accomplished by right-clicking the Quick Access Toolbar and selecting Customize Quick Access Toolbar (or by right-clicking any command on the Ribbon and selecting Add to Quick Access Toolbar). Don’t adjust your Quick Access Toolbar yet; we’ll get to that shortly.

*Ribbon* – There are three basic components of the Ribbon, as follows.

- 1** *Tabs*: There are several of them across the top depending on whether you have added any add-ins to Excel. Each represents core tasks you do in Excel.
- 2** *Groups*: Each tab has groups that show related items together.
- 3** *Commands*: A command is a button, a box to enter information, or a menu. The principal commands in Excel are gathered on the first and second tabs, the File and Home tabs.

The commands on this tab are those that Microsoft has identified as the most commonly used when people do basic tasks with worksheets. For example, the Paste, Cut, and Copy commands are arranged first on the Home tab, in the Clipboard group. Font formatting commands are next, in the Font group. Commands to center text or align text to the left or right are in the Alignment group, and commands to insert and delete cells, rows, columns, and worksheets are in the Cells group. Groups pull together all the commands you're likely to need for a particular type of task, and throughout the task they remain on display and readily available instead of being hidden within menus. These vital commands are visible above your work space.

The commands on the Ribbon are the ones you use the most. Instead of showing every command all the time, Excel 2013 shows some commands in response to an action you take. When you see an arrow (called the Dialog Box Launcher) in the lower right corner of a group, there are more options available for the group. Click the arrow, and you'll see a dialog box or a task pane.

*Other Excel Window Items* – As with all Windows screens, scroll bars control your view of the worksheet (horizontal and vertical). Formulas contained in each cell are displayed in the Formula Bar. The View Toolbar gives you quick access to viewing your worksheet in Normal layout (shown in Figure 1.2), Page layout (shown in Figure 1.5), or Page Break preview layout.

### To demonstrate some of Excel's features, Kyle suggests you follow along while he opens an old Excel file:

- 1 Open Excel, if you closed it previously.
- 2 Click on the right of the Quick Access Toolbar and then place a check next to the Open command. This will add the Open command to your Quick Access Toolbar if it is not already there.
- 3 Click your newly created Open icon in the Quick Access Toolbar to open a new file. (*Note:* if you are using Excel in a computer lab environment, your changes to the Quick Access Toolbar may not reappear the next time you start Excel.)
- 4 Navigate the Open window to the location of this text's student files. (The location would be the CD provided with the text or from your computer lab's server.)
- 5 Double-click the file **ch1-01**, which should be located in a Ch 01 folder. The workbook shown in Figure 1.3 should appear.
- 6 Click the **File** menu and then click **Save As**. (This is done to keep your original student file available in case you need it again and also to provide a unique name for your file.) Click **Computer** and then click **Browse** to navigate yourself to the location where you want to save your file.

Sales Order ID	Customer	Order Date	Order Amount	Salesperson	Store Location
50325	Target	9/1/2015	73192	F. Lemming	CA
50326	Wal-Mart	9/1/2015	51924	S. Moore	FL
50327	Kmart	9/2/2015	39419	G. Sammy	AZ
50328	Target	9/2/2015	52455	A. Foreman	WA
50329	Costco	9/3/2015	16461	R. Clemens	OR
50330	Sears	9/4/2015	49516	A. Rod	TX
50331	Costco	9/7/2015	30177	S. Moore	CA
50332	Target	9/8/2015	21090	G. Sammy	FL
50333	Kmart	9/9/2015	71433	A. Foreman	AZ
50334	Target	9/10/2015	54275	S. Moore	WA
50335	Costco	9/11/2015	16276	R. Clemens	OR
50336	Kmart	9/14/2015	21028	A. Rod	TX
50337	Kmart	9/15/2015	32809	A. Foreman	WA
50338	Wal-Mart	9/16/2015	22663	R. Clemens	FL
50339	Kmart	9/17/2015	39509	A. Rod	AZ
50340	Target	9/18/2015	26616	S. Moore	WA
50341	Costco	9/18/2015	57573	G. Sammy	OR
50342	Sears	9/21/2015	36067	A. Rod	FL

**Figure 1.3**  
Sample Workbook

- 7** Add your name to the file name using the underscore key as shown in Figure 1.4. In this example, the file will be saved as ch1-01\_student\_name (replace student\_name with your name). In this example, the file was saved to a removable flash drive called G Owen (E:) in a folder called Excel Files as seen in Figure 1.4. Your file location may be different but it is recommended that if you are working in a lab environment that you save your files to a removable disk or online location.
- 8** Click **Save**.
- 9** Click in cell **A1**. This is now the active cell.
- 10** Hold the Shift key down and then click in cell **F1**. This should then highlight cells A1:F1. Alternatively, you could click in cell A1 and, with the mouse button down, drag the cursor to cell F1.
- 11** In the Font group, click the **B** icon to make the text in those cells bold.
- 12** In the Alignment group, click the **center text** icon to center the text in those cells.
- 13** Click in cell **D2** and then with the mouse button down, drag the cursor to cell **D31**.
- 14** In the Number group, click the **\$** icon to format the text in those cells in currency format.



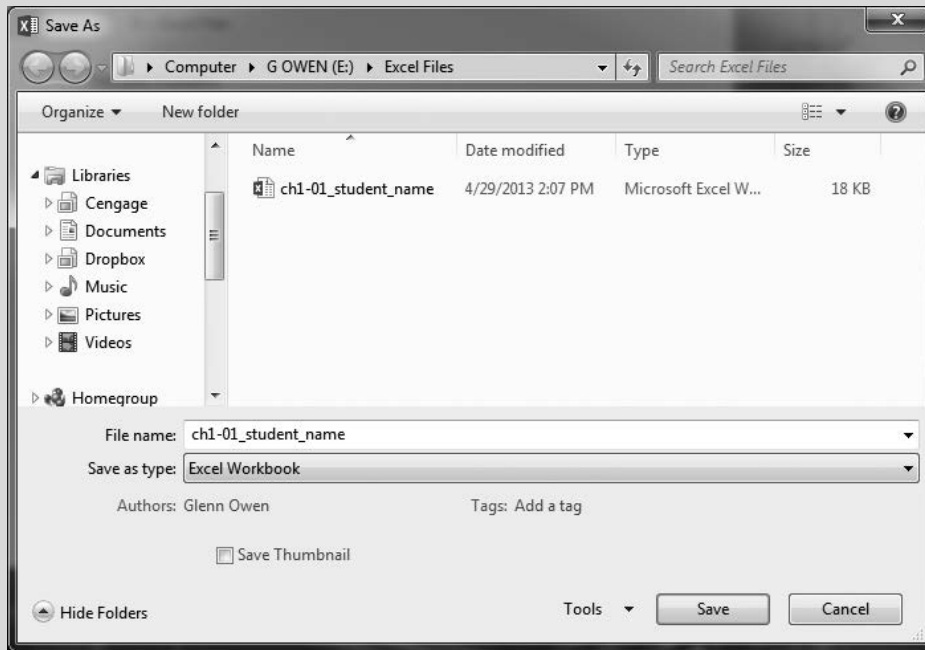


Figure 1.4 Saving a Worksheet

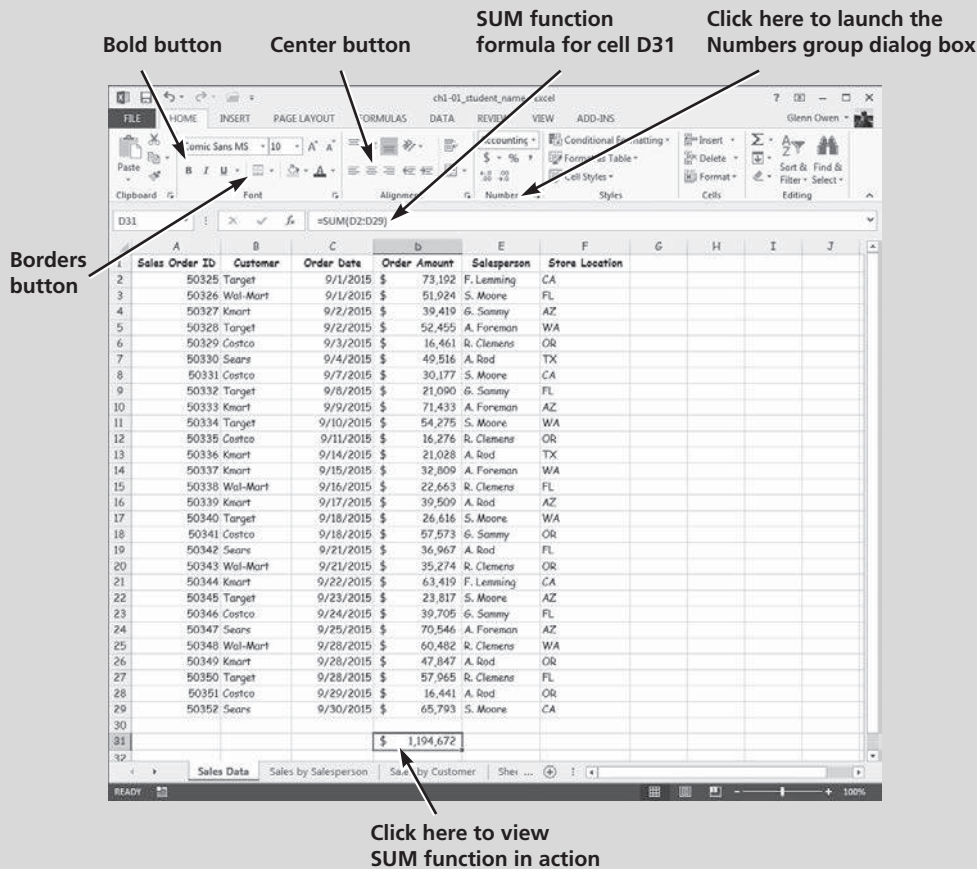


Figure 1.5 Ch1-01 Student File as Modified

- 15** In the Number group, click the arrow next to the Number group name to launch the Dialog Box Launcher.
- 16** Type **0** in the decimal places text box, and then click **OK**.
- 17** Use the vertical scroll bar to move down the worksheet until you can see row 31.
- 18** Click in cell **D31**. Note the formula =SUM(D2:D29) which appears on the formula bar.
- 19** In the Font group, click the **Borders** icon and then select the **Top and Double Bottom Border** icon. Depending on the size of your Excel window, your screen should look like Figure 1.5.
- 20** Keep this file open.

Kyle further discusses and then illustrates the changes in Excel's appearance when a different view is selected and when the screen resolution or size is changed.

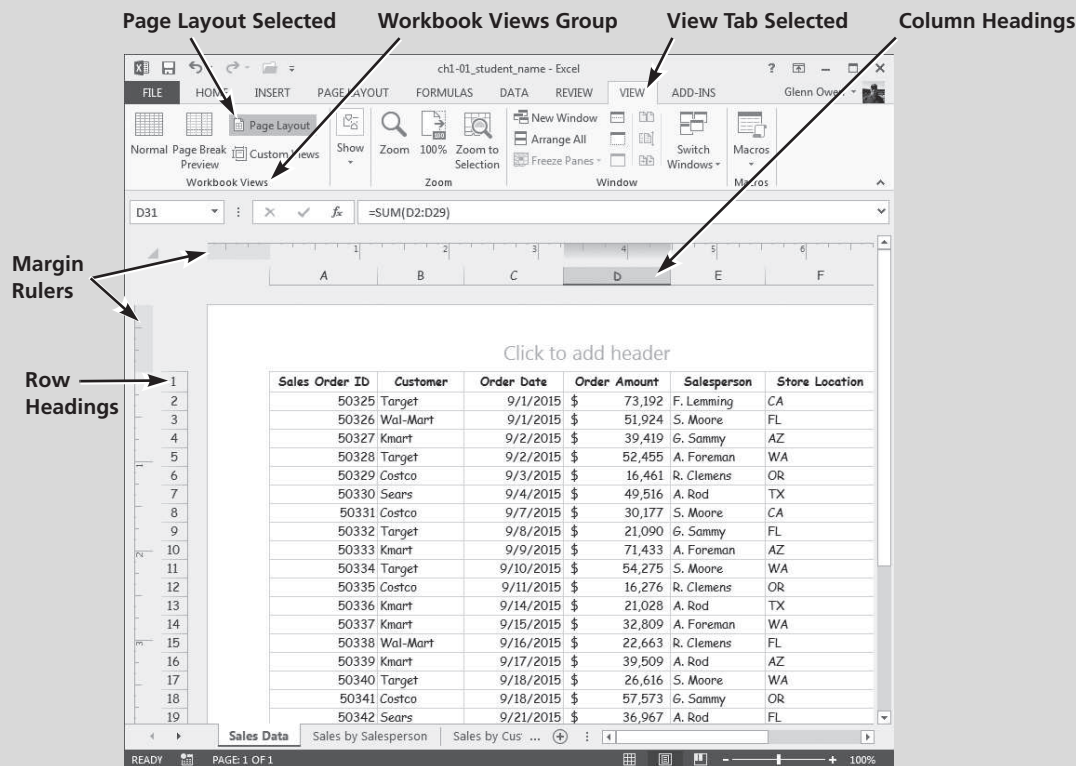
*Page Layout View* – In Page Layout view, there are page margins at the top, sides, and bottom of the worksheet as well as a bit of blue space between worksheets. Rulers at the top and side help you adjust margins. You can turn the rulers on and off as you need them (click Ruler in the Show/Hide group on the View tab). With this new view, you don't need Print Preview to make adjustments to your worksheet before you print. It's easy to add headers and footers in Page Layout view; when you type in the new header and footer area at the top or bottom of a page, the Design tab opens with all the commands you need to create them. You can see each sheet in a workbook in the view that works best for that sheet. Just select, for each worksheet, a view on the View toolbar or in the Workbook Views group on the View tab. Normal view and Page Break preview are both there.

*Screen Resolution and Window Size* – The figures displayed so far should match your version of Excel if your screen is set to high resolution and the Excel window is maximized. If not, things look different. If your screen is set to a low resolution—for example, to 800 by 600 pixels—then a few groups on the Ribbon will display the group name only, not the commands in the group. You will need to click the arrow on the group button to display the commands. The groups that display only the group name in a smaller resolution are those with less frequently used commands. At any resolution, if you make the Excel window smaller, there is a size at which some groups will display only the group names and so you will need to click the arrow on the group button to display the commands.

### To examine the affects of page layout view and screen size:

- 1** Scroll to the top of the worksheet so that row A is visible in your ch1-01 file.

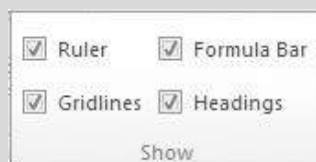
- 2** Click the **View** tab and then select **Page Layout** from the Workbook Views group. Alternatively, you could have selected the Page Layout icon from the View Toolbar. Your screen should look like Figure 1.6.



**Figure 1.6**

Page Layout View of the Excel Window

- 3** Click the **Show** group to see the expanded menu in Figure 1.7.



**Figure 1.7**

Show/Hide Group on the View Tab

- 4** Uncheck the Ruler, Formula Bar, Guidelines, and Headlines checkboxes to modify the look of the worksheet.
- 5** Click the **Show** group and then check the Ruler, Formula Bar, Guidelines, and Headlines checkboxes.

- 6 Click in the text **Click to add header** and then click in the left header box.

**Figure 1.8**  
Modified View of the Sales  
Data Worksheet

Header					
September Sales					
Sales Order ID	Customer	Order Date	Order Amount	Salesperson	Store Location
50325	Target	9/1/2015	\$ 73,192	F. Lemming	CA
50326	Wal-Mart	9/1/2015	\$ 51,924	S. Moore	FL
50327	Kmart	9/2/2015	\$ 39,419	G. Sammy	AZ
50328	Target	9/2/2015	\$ 52,455	A. Foreman	WA
50329	Costco	9/3/2015	\$ 16,461	R. Clemens	OR
50330	Sears	9/4/2015	\$ 49,516	A. Rod	TX
50331	Costco	9/7/2015	\$ 30,177	S. Moore	CA
50332	Target	9/8/2015	\$ 21,090	G. Sammy	FL
50333	Kmart	9/9/2015	\$ 71,433	A. Foreman	AZ
50334	Target	9/10/2015	\$ 54,275	S. Moore	WA
50335	Costco	9/11/2015	\$ 16,276	R. Clemens	OR
50336	Kmart	9/14/2015	\$ 21,028	A. Rod	TX
50337	Kmart	9/15/2015	\$ 32,809	A. Foreman	WA
50338	Wal-Mart	9/16/2015	\$ 22,663	R. Clemens	FL
50339	Kmart	9/17/2015	\$ 39,509	A. Rod	AZ
50340	Target	9/18/2015	\$ 26,616	S. Moore	WA
50341	Costco	9/18/2015	\$ 57,573	G. Sammy	OR
50342	Sears	9/21/2015	\$ 36,967	A. Rod	FL

- 7 Type **September Sales** as the new header.
- 8 Select the **September Sales** text, click the **Home** tab, and click the **B** (Bold) button. Your screen should look like Figure 1.8.
- 9 With the text still selected, select **12** in the font size text box.
- 10 Click **A** (to select column A) and then click the center text button in the Alignment group twice.
- 11 Click **F** (to select column F) and then click the center text button in the Alignment group twice. Your modified screen should look like Figure 1.9.

**Click here to make text bold**

**Click here to center text**

**Click here to select column F**

**Click here to enter header text**

**Click here to open other worksheets in the workbook**

**Figure 1.9**  
Modified September Sales Worksheet

	Order Date	Order Amount	Salesperson	Store Location
2	9/1/2015	\$ 73,192	F. Lemming	CA
3	9/1/2015	\$ 51,924	S. Moore	FL
4	9/2/2015	\$ 39,419	G. Sammy	AZ
5	9/2/2015	\$ 52,485	A. Foreman	WA
6	9/3/2015	\$ 16,461	R. Clemens	OR
7	9/4/2015	\$ 49,516	A. Rod	TX
8	9/7/2015	\$ 30,177	S. Moore	CA
9	9/8/2015	\$ 21,090	G. Sammy	FL
10	9/9/2015	\$ 71,433	A. Foreman	AZ
11	9/10/2015	\$ 54,275	S. Moore	WA
12	9/11/2015	\$ 16,276	R. Clemens	OR
13	9/14/2015	\$ 21,028	A. Rod	TX
14	9/15/2015	\$ 32,809	A. Foreman	WA
15	9/16/2015	\$ 22,663	R. Clemens	FL
16	9/17/2015	\$ 39,509	A. Rod	AZ
17	9/18/2015	\$ 26,616	S. Moore	WA
18	9/18/2015	\$ 57,573	G. Sammy	OR
19	9/21/2015	\$ 36,967	A. Rod	FL

**12** Keep this file open.

“What are the tabs at the bottom of the worksheet?” Meagan asks.

“Those are different worksheets contained in our workbook” Kyle explains. “I create those using Excel’s Pivot Table feature, which I’ll explain later. For now I’ll have you look at them to see what they tell us.”

Kyle then explains that the Pivot Table feature in Excel allows you to view data in multiple ways. In the Sales by Salesperson worksheet, he organized the sales data (located on the sales data worksheet) by salesperson, providing a total of the month’s sales by individual salesperson. In the Sales by Customer worksheet, he reorganized the sales data by customer, providing a total of the month’s sales by individual customer. In both cases, Kyle has used Excel’s new conditional formatting feature to reflect graphically the values for salespersons and customers relative to each other. These tools will be demonstrated in later chapters.

### To view additional worksheets in a workbook:

- 1 Click the **Sales by Salesperson** tab to reveal the worksheet shown in Figure 1.10.

**Figure 1.10**  
Sales by Salesperson  
Worksheet

Row Labels	Sum of Order Amount
A. Foreman	\$ 227,243.00
A. Rod	\$ 211,308.00
F. Lemming	\$ 136,611.00
G. Sammy	\$ 157,787.00
R. Clemens	\$ 209,121.00
S. Moore	\$ 252,602.00
<b>Grand Total</b>	<b>\$ 1,194,672.00</b>

- 2** Click in the down arrow next to the Row Labels text to view alternative ways of sorting or organizing this information.
- 3** Click the **Sales by Customer** tab to reveal the worksheet shown in Figure 1.11.

**Figure 1.11**  
Sales by Customer  
Worksheet

Row Labels	Sum of Order Amount
Costco	\$ 176,633.00
Kmart	\$ 315,464.00
Sears	\$ 222,822.00
Target	\$ 309,410.00
Wal-Mart	\$ 170,343.00
<b>Grand Total</b>	<b>\$ 1,194,672.00</b>

- 4** Again, click in the down arrow next to the Row Labels text to view alternative ways of sorting or organizing this information.
- 5** Click on the **Sales Data** tab to re-open the Sales Data worksheet.
- 6** Keep this file open.

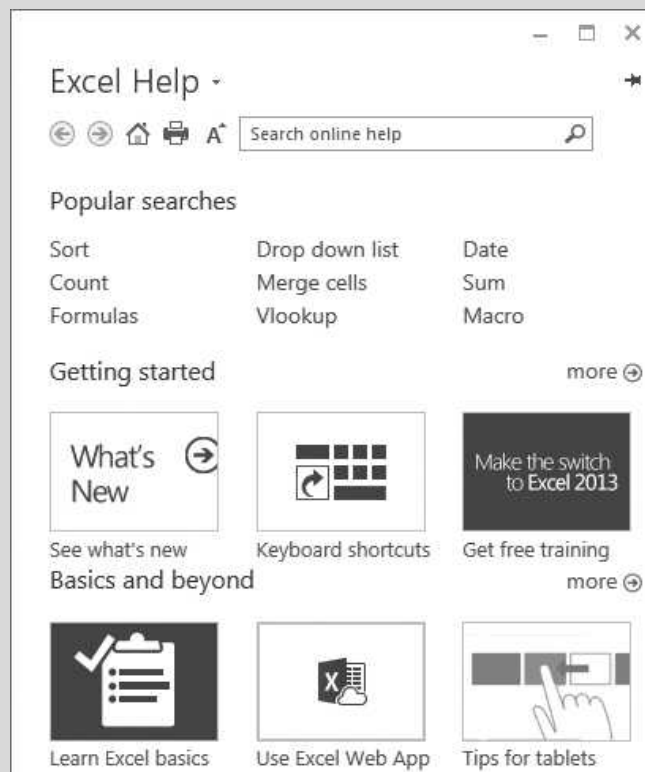
Now that you've had a brief view of how to start, navigate, and work with Excel files, it's time to become familiar with Excel's help features.

## Getting Excel Help

Excel's help features are quite extensive. Anytime you are working with Excel and are not certain how to accomplish a task—for example, format a cell, write a formula, or create a chart—then you should press the [F1] function key or click the blue and white question mark on the Tab bar. To illustrate, Kyle decides to show you Excel's help feature when trying to create a new chart.

### To view Excel's help to create charts:

- 1 Press the [F1] function key or click the question mark located in the upper right-hand corner of your screen to open Excel's help window as shown in Figure 1.12.



**Figure 1.12**

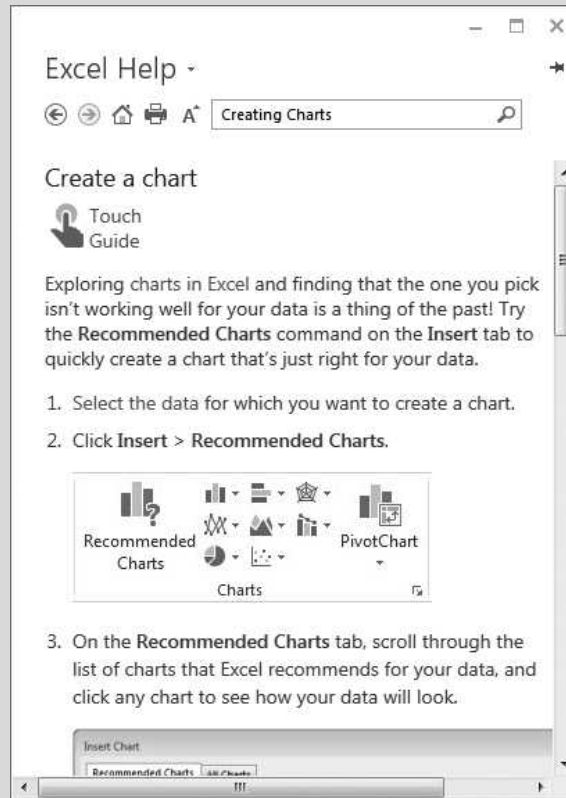
Excel's Help Window

**Trouble?** You do not have to be connected to the Internet to get Excel help. However, the online help is much more extensive. This example assumes you are connected to the Internet. If you are not connected, Excel will give you access to Basic Help. As a result, none of the following steps will work.

- 2 Type **Creating Charts** into the Search help text box and then press [Enter].
- 3 Click **Create a chart**.

- 4 Read the Create a chart article as shown in Figure 1.13. Then close the Excel Help window.

**Figure 1.13**  
Excel Help for Creating a Chart



Now that you're familiar with Excel's help feature, Kyle thinks it is a good idea to explore how Excel is used in the accounting field.

## Examples of How Excel Is Used in Accounting

There are an unlimited number of ways Excel can be used in accounting. This text will focus on building worksheets by using formulas, functions, and features available in Excel to create and analyze inventory and financial statements, calculate depreciation and create depreciation schedules, create loan and bond amortization schedules, and create cash flow budgets.

You may have previously learned how to create financial statements from a trial balance. For example, the trial balance in Figure 1.14 contains data that, through the use of cell references, formulas, and other Excel features, might be used to create an income statement. However, in most cases, accounting programs like QuickBooks and Peachtree are used to gather and summarize information to create financial statements. In this text, we will focus on how to use Excel to support the creation and analysis of those statements. Another example is the creation and maintenance of an inventory list. Figure 1.15 illustrates the use of Excel to manage inventory items, which you'll do in Chapter 2.



	A	B	C
1	<b>Coast Jewelers, Inc.</b>		
2	<b>Trial Balance</b>		
3	<b>December 31, 2012</b>		
4			
5	<b>Account</b>	<b>Dr.</b>	<b>Cr.</b>
6	Cash	\$ 25,412.35	
7	Accounts receivable	84,245.25	
8	Inventory	125,351.45	
9	Prepaid expenses	15,625.26	
10	Supplies	10,245.15	
11	Land	120,000.00	
12	Building	300,000.00	
13	Accumulated depreciation: Building		\$ 60,000.00
14	Equipment	65,000.00	
15	Accumulated depreciation: Equipment		8,000.00
16	Accounts payable		75,182.10
17	Long-term debt		400,000.00
18	Common stock		10,000.00
19	Retained earnings		15,000.00
20	Sales revenue		1,527,515.65
21	Cost of goods sold	993,900.30	
22	Advertising expense	54,215.45	
23	Depreciation expense	16,000.00	
24	Payroll expense	240,451.45	
25	Utilities	45,251.09	
26	<b>Total</b>	<b>\$ 2,095,697.75</b>	<b>\$ 2,095,697.75</b>

Figure 1.14

Trial Balance


	A	B	C	D	E	F	
1	<b>Rosey's Roses</b>						
2	<b>Inventory</b>						
3							
4	<b>Type</b>	<b>Description</b>	<b>Quantity</b>	<b>Cost/Unit</b>	<b>Cost</b>		
5	Shrub	Abraham Darby #5	25	\$39.99	\$999.75		
6	Shrub	Be My Baby #5	30	\$18.99	\$569.70		
7	Shrub	Deja Blu #5	18	\$25.99	\$467.82		
8	Shrub	Koko Loko #7	17	\$17.99	\$305.83		
9	Shrub	Peach Drift #10	33	\$12.99	\$428.67		
10	Shrub	Red Drift #10	15	\$6.99	\$104.85		
11	Shrub	Sedona #5	3	\$14.99	\$44.97		
12	Shrub	Sweet Intoxication #5	17	\$9.99	\$169.83		
13	Shrub	Wing Ding #5	30	\$11.99	\$359.70		
14	Climber	Climbing Orange Crush #7	16	\$32.99	\$527.84		
15	Climber	Don Juan Climber #5	25	\$37.99	\$949.75		
16	Tree	Barbara Streisand 36in Tree	50	\$52.99	\$2,649.50		
17	Tree	Firefighter 36in Tree	14	\$55.99	\$783.86		
18	Tree	Trumpeter 36in Tree	4	\$65.99	\$263.96		
19							
20	<b>Total</b>				<b>\$8,626.03</b>		

Figure 1.15

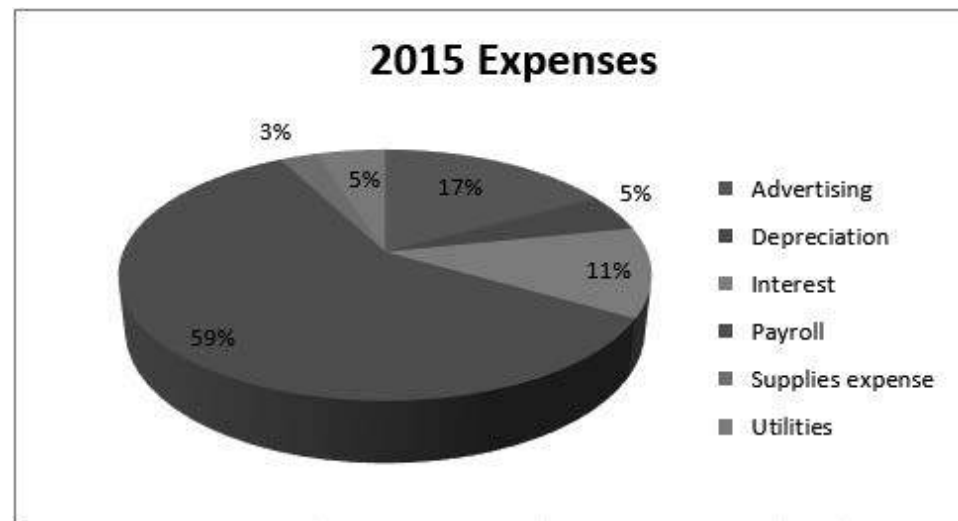
Inventory Listing

In Chapter 3, you'll learn how to perform a financial statements analysis. For example, income statements between 2014 and 2015 are compared via a horizontal analysis in Figure 1.16, which includes a "percent of change" column. An analysis of expenses for a given year is depicted in the pie graph of Figure 1.17.

**Figure 1.16**  
Horizontal Income Statement

	A	B	C	D	E	F	G
1	<i>Kelly's Boutique</i>						
2	<i>Income Statement</i>						
3	<i>For the Year Ended</i>						
4							
5		31-Dec-14	31-Dec-15		% of Sales		% Change
6	Sales Revenue	\$ 345,274.22	\$420,755.88		100%		22%
7	Less: Cost of Goods Sold	164,217.74	225,154.87		54%		37%
8	Gross Margin	181,056.48	195,601.01		46%		8%
9	Expenses:						
10	Advertising	\$ 25,871.45	\$ 28,741.55		7%		11%
11	Depreciation	8,431.22	8,000.00		2%		-5%
12	Interest	15,574.15	19,412.51		5%		25%
13	Payroll	105,487.51	99,413.44		24%		-6%
14	Supplies expense	4,732.84	4,561.11		1%		-4%
15	Utilities	10,847.00	8,424.71		2%		-22%
16	Net income before taxes	10,112.31	27,047.69		6%		167%
17	Income taxes	3,784.44	10,847.55		3%		187%
18	Net income	\$ 6,327.87	\$ 16,200.14		4%		156%

**Figure 1.17**  
Expense Chart



In Chapter 4, you'll learn how to perform depreciation calculations and create a depreciation schedule. For example, you'll use Excel's SLN (Straight-line depreciation function) to calculate the depreciation expense for each year and related accumulated depreciation, as shown in Figure 1.18. You'll also use Excel's DDB (Declining balance depreciation function) to calculate depreciation expense for each year, as shown in Figure 1.19.

	A	B	C
1	<b>Coast Jewelers, Inc. Depreciation Schedule</b>		
2			
3	<b>Asset #</b>	1001	
4	<b>Asset</b>	Display Cases	
5	<b>Date acquired</b>	1/1/2011	
6	<b>Cost</b>	\$ 15,000.00	
7	<b>Depreciation method</b>	S/L	
8	<b>Salvage value</b>	\$ -	
9	<b>Estimated useful life</b>	5	
10			
11	<b>Year</b>	<b>Depreciation Expense</b>	<b>Accumulated Depreciation</b>
12	2011	\$3,000.00	\$3,000.00
13	2012	\$3,000.00	\$6,000.00
14	2013	\$3,000.00	\$9,000.00
15	2014	\$3,000.00	\$12,000.00
16	2015	\$3,000.00	\$15,000.00

Figure 1.18

Straight-line  
Depreciation

	A	B	C	D	E	F	G	H
1	<b>Coast Jewelers, Inc. Depreciation Schedule</b>							
2								
3	<b>Asset #</b>	1001						
4	<b>Asset</b>	Display Cases						
5	<b>Date acquired</b>	1/1/2011						
6	<b>Cost</b>	\$ 15,000.00						
7	<b>Depreciation method</b>	DDB						
8	<b>Salvage value</b>	\$ -						
9	<b>Estimated useful life</b>	5						
10								
11	<b>Year</b>	<b>Depreciation Expense</b>	<b>Accumulated Depreciation</b>	<b>Straight-Line Test</b>	<b>Switch</b>	<b>Depreciation Expense</b>	<b>Accumulated Depreciation</b>	
12	2011	\$6,000.00	\$6,000.00	\$3,000.00	-	\$6,000.00	\$6,000.00	
13	2012	\$3,600.00	\$9,600.00	\$2,250.00	-	\$3,600.00	\$9,600.00	
14	2013	\$2,160.00	\$11,760.00	\$1,800.00	-	\$2,160.00	\$11,760.00	
15	2014	\$1,296.00	\$13,056.00	\$1,620.00	X	\$1,620.00	\$13,380.00	
16	2015	\$777.60	\$13,833.60	\$1,944.00	X	\$1,620.00	\$15,000.00	

Figure 1.19

Double Declining Balance  
Depreciation

In Chapter 5, you'll learn how to perform loan amortization schedules and calculate loan payments given an interest rate, term, and loan amount. For example, you'll use Excel's PMT (Payment function) and formulas to produce the loan amortization schedule shown in Figure 1.20.

In Chapter 6, you will learn how to prepare cash receipts budgets based on a pattern of expected cash collections; see Figure 1.21 for an example.

**Figure 1.20**  
Loan Amortization Schedule

	A	B	C	D	E
1	<b>Coast Jewelers, Inc.</b>				
2	<b>Loan Amortization Schedule</b>				
3					
4	<b>Amount</b>	\$ 75,000.00			
5	<b>Rate</b>	10%			
6	<b>Term</b>	3			
7	<b>Payment</b>	\$30,158.61			
8					
9					
10	<b>Payment #</b>	<b>Payment</b>	<b>Interest</b>	<b>Principal</b>	<b>Balance</b>
11					\$ 75,000.00
12	1	\$30,158.61	\$ 7,500.00	\$22,658.61	\$ 52,341.39
13	2	\$30,158.61	\$ 5,234.14	\$24,924.47	\$ 27,416.92
14	3	\$30,158.61	\$ 2,741.69	\$27,416.92	\$ (0.00)

**Figure 1.21**  
Cash Receipts Budget

	A	B	C	D	E	F
1	<b>Coast Jewelers</b>	<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>	
2	<b>Cash Budget</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Year</b>
3						
28	Cash from (to) operating activities	58,500	34,500	8,750	(5,750)	96,000
32	Cash from (to) investing activities	-	(300,000)	-	-	(300,000)
36	Cash from (to) financing activities	-	250,000	(20,000)	(20,000)	210,000
37	Change in cash	58,500	(15,500)	(11,250)	(25,750)	6,000
38	Beginning cash	25,000	83,500	68,000	56,750	25,000
39	Ending cash	83,500	68,000	56,750	31,000	31,000

Finally, in Chapter 7, you'll learn how to use Excel to prepare a present value analysis (Figure 1.22), predict future costs (Figure 1.23), and calculate an allowance for uncollectible accounts (Figure 1.24).

	A	B	C	D	E	F	G
1	Coast Jewelers						
2							
3	Present Value Analysis						
4							
5				Year	Interest	Annuity	Investment
6	Future need:	\$ 75,000.00		0			\$0.00
7	Term (in years):	3		1	\$0.00	\$24,026.14	\$24,026.14
8	Interest rate:	4%		2	\$961.05	\$24,026.14	\$49,013.33
9	Annuity payment required:	(\$24,026.14)		3	\$1,960.53	\$24,026.14	\$75,000.00
10							
11				Year	Interest	Investment	
12	Current investment:	(\$23,000.00)		0		\$23,000.00	
13	Interest rate:	6%		1	\$1,380.00	\$24,380.00	
14	Term (in years):	3		2	\$1,462.80	\$25,842.80	
15	Investment value in future:	\$27,393.37		3	\$1,550.57	\$27,393.37	
16							
17				Year	Interest	Annuity	Investment
18	Current annuity investment:	(\$13,500.00)		0			\$ -
19	Interest rate:	5%		1	\$0.00	\$13,500.00	\$13,500.00
20	Term (in years):	3		2	\$675.00	\$13,500.00	\$27,675.00
21	Investment value in future:	\$42,558.75		3	\$1,383.75	\$13,500.00	\$42,558.75
22							
23				Year	Interest	Investment	
24	Future need:	\$16,500.00		0		\$13,468.91	
25	Interest rate:	7%		1	\$942.82	\$14,411.74	
26	Term (in years):	3		2	\$1,008.82	\$15,420.56	
27	Invest now:	(\$13,468.91)		3	\$1,079.44	\$16,500.00	
28							

**Figure 1.22**  
Present Value Analysis

	A	B	C	D	E
1	Coast Jewelers		Quarter	Hours Open	Expense
2			1st	480	15,000
3	Predicting Costs		2nd	500	18,000
4			3rd	410	14,500
5			4th	600	20,000
6					
7	High Expense			600	20,000
8	Low Expense			410	14,500
9	Difference			190	5,500
10					
11	<b>Hi-Lo Method</b>				
12	Variable cost/hour open		\$ 28.95		
13	Fixed cost		\$2,631.58		
14					
15	Prediction of expense if open	550 hours =		\$ 18,553	
16					
17	<b>Least Squares / Regression Method</b>				
18	Variable cost/hour open		\$ 30.51		
19	Fixed cost		\$1,694.18		
20					
21	Prediction of expense if open	550 hours =		\$ 18,477	

**Figure 1.23**  
Predicting Future Costs

	A	B	C	D	E	F	G	H
1					0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 Days
2	Allowance for Uncollectible Accounts			Current	Past Due	Past Due	Past Due	Past Due
				58,000	18,000	3,000	2,500	1,000
				1.00%	8.00%	20.00%	25.00%	50.00%
5	Facts:			Past experience ratio		0.60%		
6	Accounts receivable balance (beg)	75,000						
7	Sales on account	850,000						
8	Collections on account	(837,500)						
9	Write-offs of accounts receivable	(5,000)						
10	Accounts receivable balance (end)	82,500						
11								
12	<b>Percentage of Sales Method</b>							
13	Allowance for Uncollectible accounts (beg)	3,000						
14	Write-offs of accounts receivable	(5,000)						
15	Uncollectible accounts expense	5,100						
16	Allowance for Uncollectible accounts (end)	3,100						
17								
18	<b>Aging Method</b>							
19	Allowance for Uncollectible accounts (beg)	4,500						
20	Write-offs of accounts receivable	(5,000)						
21	Uncollectible accounts expense	4,245						
22	Allowance for Uncollectible accounts (end)	3,745						

**Figure 1.24**

Calculating an Allowance for  
Uncollectible Accounts

## End Note

The three of you are somewhat overwhelmed by your first exposure to Excel but are pleased with what you've accomplished. You've learned some of Excel's capabilities and new features; how to start, navigate, and work with Excel files; how to use Excel help; and how Excel is used in accounting.

In the next chapter, you will learn how to enter information, create formulas, use functions, and print in Excel.

## Chapter 1 Questions

- 1 Identify some new features in the 2013 version of Excel.
- 2 Why would you use conditional formatting?
- 3 Explain the difference between a worksheet and a workbook.
- 4 Describe the nature of the commands found on the File and Home tabs.
- 5 What and where is the Quick Access Toolbar?
- 6 Describe the three basic components of the Ribbon.
- 7 How do you modify the Quick Access Toolbar to add the Open command?
- 8 What is the Page Layout view?
- 9 What is the quickest way to get help while in Excel?
- 10 What are the key accounting topics addressed in this text that relate to your learning Excel?