#### Topic 1 Review

Accounting Cycle - the complete sequence of accounting activities repeated in every accounting period.

Objectivity Principle - accounting data should be verifiable

Source Documents - business forms (papers) that give evidence of business transactions on a certain date.

Purchase invoice - a copy of an invoice, received by the buyer, to give evidence of the purchase made

Sales invoice - a source document that gives evidence of a sale

Remittance slip - a source document proving the receipt of a customer's cheque

### Topic 2 Journalizing Transaction Data

Last chapter we learned how to record debits and credits for each business transaction directly into T-account ledger/

All business transactions could be recorded in accounts, but there are several disadvantages to recording debits and credits only in the ledger.

- We learned that each transaction has a debit and credit entry.
- in at least two different accounts, but which ones?
- If you had a large ledger you would have to search the entire ledger in orde to match the debit entry to a credit entry for one complete business transaction.
- The accounts do not display, in any kind of order, a listing of all business transactions that occur on any given day.
- It would be time consuming if you had to search the entire ledger to determine how many business transaction occurred on given day.
- If an error is made in the debit or credit entry, the error would be difficulto locate quickly because the double entry has been recorded in two or more accounts.



November 10, 2016

How do we overcome these disadvantages?

Accounting systems make an accounting record known as the journal before the debits and credits are entered into the ledger accounts.

Journal: daily record of business transactions in debit and credit form: a book of original entry.

- like a diary
- for each day it shows the debits and credits analyzed from source documents
- the debits and credit will later be transferred to individual ledger accounts.

Debit/credits appear for the first time in <u>date order</u>, in the journal - also known as <u>book of original entry</u>.

There are different kinds of journals. We will work with the General Journal - a two column journal

It is a simple way of journalizing.

Journalizing: the process of analyzing transactions into debits and credits, and recording the results in a journal

Manual or Computerized using an Accounting Package

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT
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			++++	
			-HHH	<del>-1-1111</del>
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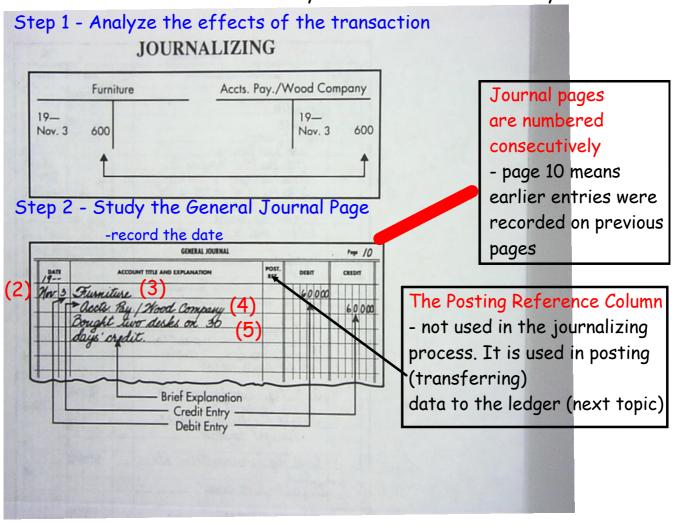
# - we will begin by journalizing manually

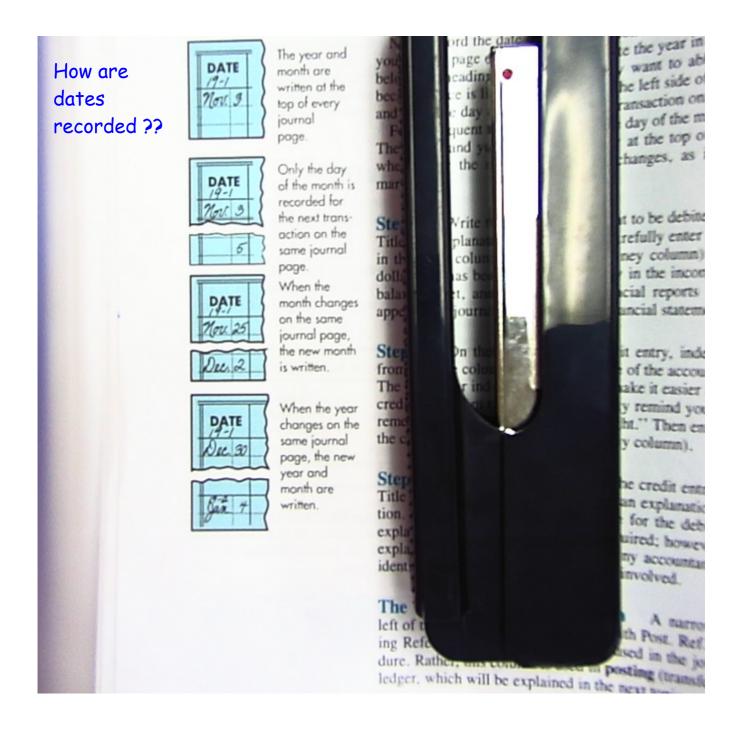
For most business transactions to be recorded in the journal - you need 1 or more source documents to provide the accounting data.

Journalizing follows taking information from source documents and is the second step in the accounting cycle.

## Nov. 3 A business bought two desks costing \$300 each from Wood Company on 30 days credit.

- Remember we should always think of the debit entry first.





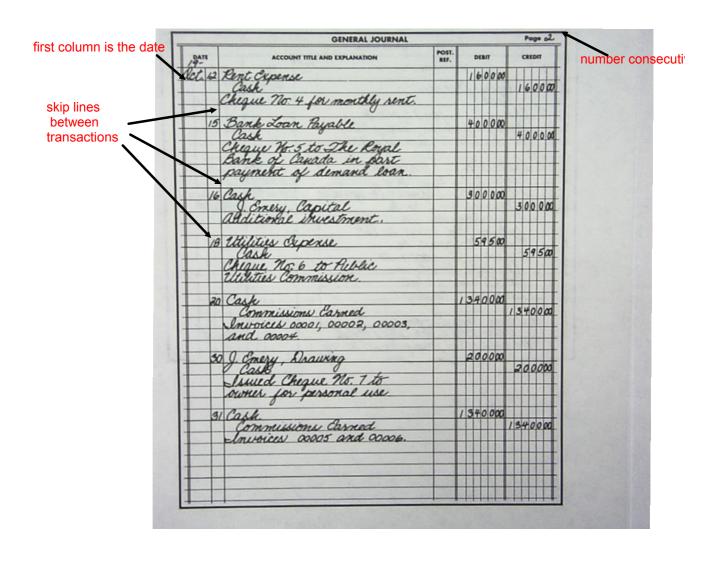
DATE	Account Title and Explanation	Post Ref

### Understanding entries in the General Journal

- journals pages are numbered consecutively
- the first column is the date of the transaction
  - usually taken from a source document,
  - the date in the journal is also the date of the transaction document.
  - if there is no source document, the date in the journal would become the date of the transaction.
- a line is skipped after each entry. In a two-column journal, this spacing causes each entry to stand out clearly.
- in the two column journal debits are recorded before credits
  - Opening Entry is the first entry to establish an account it identifies the accounts that open a set of accounting records for a beginning balance sheet of the new business
  - Compound Entry is an entry that involves more than two accounts opening entry is an example of a compound entry
  - debits are listed first and the total of all debits must equal the total of all credits. The total is not shown in the two-column journal but should be checked mentally.

Date	Transaction	Source Document
19— Sept. 30	Jane Emery began the firm J. Emery Real Estate with the following assets and liabilities: Cash, S60 000; Automobile, \$15 000; Furniture, \$8000; Office Equipment, \$7000; Bank Loan Payable, \$20 000; Accts. Pay./Bell Furniture Co., \$3000; Accts. Pay./Ryan Equipment Co., \$2000; Accts. Pay./Westown Motors Ltd., \$5000. The opening balance sheet was prepared.	Opening balance sheet as at Sept. 30.
Oct. 1	J. Emery Real Estate buys more furniture for \$1000 from Enns Furniture Ltd., and issues Cheque No. 1 in payment.	Cheque record; purchase invoice marked Paid
3	J. Emery Real Estate buys more office equipment— two calculators and one typewriter—costing \$1200 from the Ryan Equipment Co. on 60 days' credit.	Purchase invoice
4	J. Emery Real Estate returns one calculator costing S200 to Ryan Equipment Co. because the equipment arrived in damaged condition. The creditor has accepted the return.	Copy of letter, note, or return slip
5	J. Emery Real Estate makes out Cheque No. 2 for \$5000 to Westown Motors Ltd.	Cheque record
11	Cheque No. 3 is issued in payment of a business telephone bill for \$40.	Cheque record
12	Cheque No. 4 is issued in payment of the monthly rent, \$1600.	Cheque record; landlord's bill marked Paid
15	Cheque No. 5 is issued for \$4000 to the Royal Bank of Canada in part payment of the bank loan payable.	Cheque record
16	Jane Emery decides to increase her investment by taking \$3000 from her personal savings account and depositing the cash into the firm's chequing account.	Memo; copy of bank deposit slip
18	Cheque No. 6 is issued to Public Utilities Commission, in payment of \$595 utilities bill.	Cheque record; utilities bill marked
20	513 400 cash is received for commissions earned buying and selling real estate. (The invoice slips are	Individual sales invoices; copy of bank deposit slip.

DATE /9-/	ACCOUNT TITLE AND EXPLANATION	POST.	DEBIT	CREDIT
	Cash		600000	TITT
342 70	automobile		1500000	
	Furnitare		800000	
	Office Equipment		700000	
	Rook Inn Paints			200000
	acota Paul 18:00 Transtine Ca			30000
	Rank Lan Payable Acots Pay Sell Furniture Co. Acots Pay Ryan Equipment Co. Acots Pay Westown Motors Std.			200000
	Ocata Pru West aug materia (4)			500000
	1 Sanger Conital			6000000
	1. Emery, Capital To record the opening			
	balance sheet into accounts			
	Nacy C Black Hay Seconds			
Oct 1	Funniture		100000	
-	Cash.			100000
	Cheque No. / to Eno Furniture			
	Ita for additional furniture.			
3	Office Equipment		120000	
	accto Pay / Ryan Equipment Co.			120000
	2 calculators and 1 typewriter			
	Office Equipment  action Pay   Ryan Equipment Co.  2 colculations and   typewritin  on 60 day's credit.			
		-	200	
1	ucus Pay I kyon campment co.		20000	200∞
	Office Equipment Co. Returned 1 calculator received			2000
	in damaged condition.			
	ou auragen condition.			
5	accts Pay / Westown Motors Ltd.		500000	
	Caph.			50000
	Cheque No. 2 on account.			
1	Telephone Expense		4000	
	Cash			4000
	Cash Cheque No. 3 to Bell Canada.			



CL 31 Salaries Capense Cash Cheque No. 8 for 82 250 to Nendy Thomas; Cheque No. 9 for 82 250 to Jun. Trafford	
Cash 45000	
Cash 45000	+
Cheque No. 8 for \$2 250 to Windy Thomas; Cheque No. 9 for \$2 250 to Jim Trafford	1119
for \$2 250 to Jim Trafford	
for \$2 250 to gim Trayard	
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31 acets Bec. / Part Rogers 60000	
acets Rec / R. Scolie 400000 .	
VIAMI Day I Starran No O 11 I dagan	UTK
Commissions Carned 240000	man
Sales Invoices issued as	
follows: No. 00007 to Pat	
Rogers; Mr. 00008 to	
R. Scobie: No 00009 to	
Skannon Durlopment	
Co. Terms on all	
invoices: 30 days.	
31 advertising Eyognie 200000	
acets the The City Record 20000	
31 Advertising Expense 200000 Acets Phy / The City Record 200000 Advertising will, terms given: net 30 days	
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### Examining Advantages of the Journal

- a journal lists all the financial events by date
- if you need to find something in the future, all you need is the transaction date
- you can compare the volume of transactions in date order
- equality of debits and credits can be checked at a glance
- errors can be discovered before the transactions are posted to the ledger
- also provides explanation of the transaction
- factual proof or financial events in case such proof should be required in a court of law, or if any source document should be lost

_			T 11				
DATE		ACCOUNT TITLE AND EXPLANATION		DEBIT	CRE	CREDIT	
9	130			2500 0			
lov.	1	Cash		1450 0			
		Office Supplies		1450 0		0 00	
		Accounts Payable/G. Health Suppliers				0 00	
		Opening entry of J. Edgar Consulting Services.	1000		313	000	
		Opening entry of J. Eugur Consuming Services.					
	2	Office Supplies		150 0			
		Cash			15	0 00	
		Bought additional office supplies; issued cheque 001.					
	4	Accounts Receivable/A. Lee		450 0			
		Consulting Fees Earned			45	0 00	
		Performed consulting services. Issued sales invoice 01					
		and extended 30 days' credit.					
	6	Cash		950 0			
		Consulting Fees Earned		950 0		0 00	
		Services for Tankers Ltd. Sales invoice 02 for cash.			93	000	
				-			
	7	Telephone Expense		67 0			
		Cash		0, 0		7 00	
100		Issued cheque 002 to Bell Telephone.				00	

10	Rent Expense  Cash	700	00	700 00	
	Issued Cheque 003 for monthly rent.				
12	Accounts Payable/G. Health Suppliers	200	00	40.0	
	Issued cheque 004 in partial payment of account.			200 00	
	issued cheque over in partial payment of account.				
15	Cash	500	00	500 00	
	Consulting Fees Earned			500 00	
16	Office Equipment	3000	00		
	Accounts Payable/D. Moyer Computers Ltd			3000 00	
	Acquired a Macintosh SE® computer for the office.				
17	Cash	5000	00		
	Bank Loan Payable			5000 00	
	Borrowed from the bank and deposited the amount into the business's bank account.				
-	OBSERVES S OF IT CONTROL OF IT		11	1 11	

DATE		ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT	CREDIT
19 Nov.	20	Accounts Receivable/Lambton Industries Inc		1200 00	1200 00
	23	extended 30 days' credit.  Advertising Expense		350 00	350 00
	25	Utilities Expense		440 00	440 00
	30	Cash Consulting Fees Earned Performed services and issued sales invoice 05 for cash.		3200 00	3200 00
	30			250 00	250 00
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