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GENERAL JOURNAL

Page 1

DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT	CREDIT
19-- Nov. 1	Cash		2500 00	
	Office Supplies		1450 00	
	Accounts Payable/G. Health Suppliers			800 00
	J. Edgar, Capital			3150 00
	<i>Opening entry of J. Edgar Consulting Services.</i>			
2	Office Supplies		150 00	
	Cash			150 00
	<i>Bought additional office supplies; issued cheque 001.</i>			
4	Accounts Receivable/A. Lee		450 00	
	Consulting Fees Earned			450 00
	<i>Performed consulting services. Issued sales invoice 01 and extended 30 days' credit.</i>			
6	Cash		950 00	
	Consulting Fees Earned			950 00
	<i>Services for Tankers Ltd. Sales invoice 02 for cash.</i>			
7	Telephone Expense		67 00	
	Cash			67 00
	<i>Issued cheque 002 to Bell Telephone.</i>			

10	Rent Expense	700 00	
	Cash		700 00
	<i>Issued Cheque 003 for monthly rent.</i>		
12	Accounts Payable G. Health Suppliers	200 00	
	Cash		200 00
	<i>Issued cheque 004 in partial payment of account.</i>		
15	Cash	500 00	
	Consulting Fees Earned		500 00
	<i>Performed consulting services. Sales invoice 03 for cash.</i>		
16	Office Equipment	3000 00	
	Accounts Payable D. Moyer Computers Ltd.		3000 00
	<i>Acquired a Macintosh SE® computer for the office.</i>		
17	Cash	5000 00	
	Bank Loan Payable		5000 00
	<i>Borrowed from the bank and deposited the amount into the business's bank account.</i>		

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Page 2

DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT	CREDIT
19-- Nov. 20	Accounts Receivable/Lambton Industries Inc. Consulting Fees Earned..... Performed consulting services. Issued sales invoice 04 and extended 30 days' credit.		1200 00	1200 00
23	Advertising Expense Cash Purchased advertising in local paper. Issued cheque 005.		350 00	350 00
25	Utilities Expense Cash Paid monthly utilities bill to PUC. Issued cheque 006.		440 00	440 00
30	Cash Consulting Fees Earned..... Performed services and issued sales invoice 05 for cash.		3200 00	3200 00
30	J. Edgar, Drawing..... Cash J. Edgar withdrew cash for personal use. Issued cheque 007.		250 00	250 00

Note: Student entries on Page 1 and Page 2 may differ from the above solution. It is most important that complete double entries appear on the same page.

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Page 1

DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT	CREDIT
19-- Sept. 1	Cash		10 000 00	
	Office Supplies		800 00	
	Furniture		6 000 00	
	Office Equipment		2 500 00	
	Bank Loan Payable			7 000 00
	Accts. Pay./Global Office Supplies			1 500 00
	Elina Li, Capital			10 800 00
	<i>To record the opening entry.</i>			
2	Cash		8 000 00	
	Elina Li, Capital			8 000 00
	<i>Additional investment in the business.</i>			
2	Automobile		10 000 00	
	Cash			500 00
	Accts. Pay./Willard Motors Ltd.			9 500 00
	<i>Purchased a car for \$500 down and the balance to be paid in 90 days. Issued cheque 605.</i>			
3	Office Equipment		2 400 00	
	Accts. Pay./C. & C. Computers			2 400 00
	<i>Bought a new computer on 60 days' credit.</i>			
4	Cash		1 250 00	

4	Cash	1 350 00	
	Commissions Earned		1 350 00
	<i>Sold a home for S. MacIntosh. Sales invoice 310 for cash.</i>		
5	Rent Expense	2 800 00	
	Cash		2 800 00
	<i>Issued cheque 606 for monthly rent.</i>		
6	Accts. Rec./G. Da Silva	435 00	
	Commissions Earned		435 00
	<i>Sold a piece of land. Issued sales invoice 311 on 30 days' credit.</i>		
8	Advertising Expense	60 00	
	Cash		60 00
	<i>Issued cheque 607 for newspaper advertising.</i>		
10	Cash	2 125 00	
	Commissions Earned		2 125 00
	<i>Bought a new home for R. Carlisle. Sales invoice 312 for cash.</i>		

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DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT	CREDIT
19-- Sept. 11	Cash Commissions Earned <i>Sold a home for E. Liberi. Sales invoice 313 for cash.</i>		3 390 00	3 390 00
12	Bank Loan Payable Cash <i>Issued cheque 608 in partial payment of bank loan.</i>		1 000 00	1 000 00
14	Accts. Pay./Global Office Supplies Cash <i>Issued cheque 609 in full payment of Global Office Supplies.</i>		1 500 00	1 500 00
15	Cash Accts. Rec./G. Da Silva <i>Received cash on account.</i>		50 00	50 00
17	Heat Expense Cash <i>Issued cheque 610 in payment of heat bill.</i>		210 00	210 00
19	Accts. Rec./V. J. Plumbers Ltd. Commissions Earned <i>Bought office space for V. J. Plumbers Ltd. Issued sales invoice 314 with terms of 30 days.</i>		1 550 00	1 550 00
23	Utilities Expense Cash		380 00	

	Commissions Earned		
	Bought office space for V. J. Plumbers Ltd. Issued sales invoice 314 with terms of 30 days.		
23	Utilities Expense	380 00	
	Cash		380 00
	Issued cheque 611 in payment of monthly utility bill.		
24	Cash	3 330 00	
	Commissions Earned		3 330 00
	Bought a home for G. Wilson. Sales invoice 315 for cash.		
25	Office Supplies	45 00	
	Cash		45 00
	Issued cheque 612 for additional office supplies.		
30	Salaries Expense	3 600 00	
	Cash		3 600 00
	Issued cheques 613, 614, 615 in payment of monthly salaries to three employees for \$1200 each.		
30	Cash	1 670 00	
	Commissions Earned		1 670 00
	Bought warehouse space for Samson Hardware Ltd.		

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DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT	CREDIT
19-- Sept. 30	Elina Li, Drawing		1 700 00	
	Cash			1 700 00
	<i>Issued cheque 616 to the owner for a personal "salary."</i>			
30	Cash		6 900 00	
	Commissions Earned			6 900 00
	<i>Bought a condominium for Mrs. Richards. Issued sales invoice 317 for cash.</i>			
30	Cash		1 000 00	
	Rental Revenue			1 000 00
	<i>To record rent earned from renting the top floor for one month to Fernando Leone.</i>			

Note: Student entries on Page 1, Page 2, and Page 3 may differ from the above solution. It is most important that complete double entries appear on the same page.

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Page 1

DATE		ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT		CREDIT	
19-- Oct.	1	Cash		400 000	00		
		Jawed Iqbal, Capital				400 000	00
		<i>To record the opening investment of Jawed Iqbal in the Car Rental System.</i>					
	2	Land		35 000	00		
		Building		65 000	00		
		Cash				30 000	00
		Mortgage Payable				70 000	00
		<i>Purchased land costing \$35 000; building costing \$65 000; issued cheque 001 for \$30 000 with the balance on a 20-year mortgage note.</i>					
	3	Automobiles		174 000	00		
		Cash				50 000	00
		Accts. Pay./Ace Motors				124 000	00
		<i>Bought 20 autos at a cost of \$8700 each; issued cheque 002 for \$50 000 with the balance on account for 60 days.</i>					
	4	Accts. Rec./J. Pool		8 700	00		

4	Accts. Rec./J. Pool	8 700 00	
	Automobiles		8 700 00
	<i>Sold one auto to J. Pool at cost on 30 days' credit.</i>		
4	Cash	1 000 00	
	Accts. Rec./J. Pool		1 000 00
	<i>Received cash on account.</i>		
<i>Note: The last two entries on Oct. 4 may be combined by debiting Cash for \$1000, debiting Accts. Rec./J. Pool for \$7700, and crediting Automobiles for \$8700.</i>			
5	Accts. Pay./Ace Motors	8 700 00	
	Automobiles		8 700 00
	<i>Return of one defective auto.</i>		
9	Cash	5 000 00	
	Bank Loan Payable		5 000 00
	<i>Borrowed from the bank on a demand note.</i>		
10	Office Equipment	3 200 00	
	Cash		3 200 00
	<i>Issued cheque 003 for cash register and office desks.</i>		

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DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT		CREDIT	
19-- Oct. 27	Utilities Expense Accts. Pay./Public Utilities Commission Hydro bill, payable on Nov. 10.		75	00		75 00
28	Repairs Expense Cash Issued cheque 004 for repairs to autos.		2 400	00		2 400 00
29	Gasoline Expense Accts. Pay./Esso Oil Co. Gasoline bill payable in 30 days.		4 000	00		4 000 00
30	Salaries Expense Cash Issued cheques 005, 006, and 007 in payment of monthly salaries.		6 800	00		6 800 00
31	Cash Rental Revenue Issued invoices 01, 02, 03, 04, and 05 for cash received from renting cars for the month.		17 000	00		17 000 00

31	Accts. Rec. I.A. Couse	2 400 00	
	Accts. Rec. I.B. Doan	3 000 00	
	Accts. Rec. I.C. Fairs	900 00	
	Accts. Rec. I.D. Good	2 700 00	
	Accts. Rec. I.E. Hey	2 700 00	
	Rental Revenue		11 700 00
	Issued car rental invoices 06, 07, 08, 09, and 10 on 30 days' credit.		
31	Jawed Iqbal, Drawing	1 200 00	
	Cash		1 200 00
	Issued cheque 008 for the owner's personal use.		
31	Telephone Expense	56 00	
	Cash		56 00
	Issued cheque 009 to Bell Canada for monthly telephone bill.		

KEY FOR TOPIC 2 MINI-CASES

MC 4-4a

There are five areas of concern which Alana Grigas would have identified as follows:

1. The date is incorrect. July 7 should read July 6.
2. The debit and credit entries are listed incorrectly. The debit entry should precede the credit entry.
3. The amount \$878 is the cheque number, not the amount. It should read \$110.
4. The explanation line contains three errors:
 - (i) This was a partial payment, not payment in full.
 - (ii) The cheque number is 878, not 110.
 - (iii) The invoice number is 2858, not 2885.

MC 4-4b

1. The date of the journal entry should correspond with the date that the cheque was written. The cheque is the source document and, in order to check the accuracy of the journal entry, the reader might need to find the source document. The listing by date will facilitate this job.
2. Good format in the General Journal requires that the debit entry or entries precede the credit entry or entries. This format enables the recorder to organize the entry in the same way every time to avoid confusion. In addition, it promotes consistency for the reader of the journal.
3. Accuracy of the amounts is essential if the accounting records are to have any kind of value to the business and "outsiders" interested in the company. The recorder has substituted the cheque number for the amount and vice versa. Although this is a simple error, it is unacceptable and should not have been made.
4. The three errors in the explanation line are not as serious as the others mentioned, but they do reflect the carelessness of the clerk who prepared this journal entry.
 - (i) The transaction was for a partial payment, not a payment in full.
 - (ii) The cheque number and the cheque amount have been interchanged. As previously mentioned, this is a very serious error.
 - (iii) There is a transposition error (the reversing of numbers when recording them) in the recording of the invoice number. This is a common error in accounting and it can be very serious in the recording of accounting information.
5. The error may be classified as a format error. Under manual accounting procedures it is accepted practice to indent all credit entries. Remember, the credit entries always follow the debit entries. The indentation helps to distinguish the debit entries from the credit entries. In turn, this format makes it easier for the reader whenever the General Journal is being examined by someone or being used within the business.

MC 4-4c

19-1

July 6	Accts. Rec./Stark's Stationery	110
	Cash	110
	Partial payment of Invoice 2858	

debit entries from the credit entries. In turn, this format makes it easier for the entries to be examined by someone or being used within the business.

MC 4-4c

19-1

July 6	Accts. Rec./Stark's Stationery	110	
	Cash		110
	Partial payment of Invoice 2858 with cheque 878.		

MC 4-5a

Natale should point out to Reid that the journal is the only accounting record where every business transaction is listed in chronological order. Thus, the journal acts like a storybook telling the reader what happened on a daily basis. Furthermore, the General Journal provides an organized way for the transferring of information to individual ledger accounts.

MC 4-6a

It should be pointed out to Ivan that the explanation serves the following functions:

1. The explanation provides a location to identify what activity has occurred within the transaction; for example, a partial payment or a payment in full.
2. The explanation allows the recorder to identify source document information for the purpose of cross-referencing information at some future date; i.e., an invoice number or a cheque number.
3. The explanation provides a location to identify detailed information concerning one or more of the accounts used in the transaction; for example, the interest rate on a mortgage payable and the mortgage payable's due date.