

REVIEW OF TERMS TO DATE IN CHAPTER 4

Objectivity Principle: accounting data should be verifiable

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

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

REVIEW OF TERMS TO DATE IN CHAPTER 4

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

General Journal - a two column journal (Debits / Credits)

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

Opening Entry - the first entry to establish an account

Compound Entry - an entry that involves more than two accounts

Topic 3 - Posting Transaction Data

A journal provides a chronological record of business transactions

From the journal can the owner tell with a quick glance

How much cash is available in the bank?

How much is owing from customers on account?

How much is owing to the bank?

How much is owing to creditors on accounts payable?

How much revenue has been earned?

How many expenses have been incurred?

} No!

The journal is a record of all transactions. How much time would it take to search the journal for all entries affecting one account?

Once debits and credits have been recorded in the journal, accounting information must be transferred from the journal to the individual accounts in the ledger. This process is called posting.

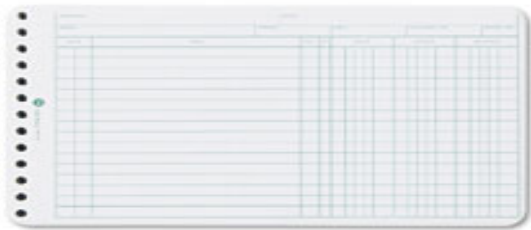
POSTING - transferring debits and credits from the journal to the ledger

Introducing the Modern Ledger (replace T-Accounts)

- we learned that transactions are analyzed and recorded in debit and credit form for the first time in the journal, thus it is called
the book of original entry

- the debits and credits are transferred to the ledger, sometimes referred to as the secondary entry, but there will be no further transfer of debits or credits, thus we will call it
the book of final entry

LEDGER (1) - the book of secondary or final entry



- great deal of flexibility in adding, deleting and rearranging individual accounts or groups of accounts

Transaction Entry

Accounts Ledger

Balance: \$43,362.00

Transactions | Chart of Transactions

ID	Date	Account	Description	W/drawal Amt	Deposit Amt	Taxable
1	1/2/2005	Transportation	Trip to LA	\$5.00		<input type="checkbox"/>
2	6/11/2005	Meals	Fancy Meal	\$7.00		<input type="checkbox"/>
5	1/2/2005	Lodging	Hotel	\$35.00		<input type="checkbox"/>
8	4/10/2005	Meals	Business Luncheon	\$30.00		<input type="checkbox"/>
9	9/2/2004	Transportation	Air Fare to Atlanta	\$70.00		<input type="checkbox"/>
18	11/20/2004	Meals	Dinner	\$20.00		<input type="checkbox"/>
19	11/20/2004	Transportation	Cab	\$8.00		<input type="checkbox"/>
22	6/1/2005	Meals	Client Luncheon	\$55.00		<input type="checkbox"/>
23	6/1/2005	Miscellaneous	Newspapers, Magazines	\$5.00		<input type="checkbox"/>
25	2/1/2005	Miscellaneous	Tip	\$5.00		<input type="checkbox"/>
26	2/1/2005	Lodging	Hotel	\$60.00		<input type="checkbox"/>
30	7/10/2005	Telephone Service	Telephone Bill	\$34.00		<input type="checkbox"/>
41	1/1/2005	Mutual Fund	First Mutual Fund		\$250.00	<input type="checkbox"/>
43	7/1/2004	Second Mutual Fur	Second Mutual Fund		\$1,000.00	<input type="checkbox"/>
46	2/4/2005	Power Bill	Power Bill	\$200.00		<input type="checkbox"/>
50	9/10/2004	Mutual Fund	First Mutual Fund		\$250.00	<input type="checkbox"/>
52	10/18/2004	Lodging	Hotel	\$55.00		<input type="checkbox"/>
53	6/1/2005	Miscellaneous	Newspapers, Magazines	\$5.00		<input type="checkbox"/>
54	2/1/2005	Rental Income	Housing Property		\$1,000.00	<input type="checkbox"/>
57	5/1/2005	Rental Income	Housing Property		\$2,000.00	<input type="checkbox"/>
90	4/18/2004	Second Mutual Fur	Second Mutual Fund		\$20,000.00	<input type="checkbox"/>
91	8/18/2004	Second Mutual Fur	Second Mutual Fund		\$20,000.00	<input type="checkbox"/>
96	6/10/2005	Telephone Service	Telephone Bill	\$34.00		<input type="checkbox"/>

Record: 14 of 24

Totals: \$888.00 \$44,250.00

Tasks

- View Reports

Setup

- Add or Delete Accounts
- Add or Delete Account Types
- Add or Delete Reports
- Provide Feedback

Figure 9-12 General Ledger Report.

Company: 10		GENERAL LEDGER REPORT			Period End: 10/X9	Page 1	
Accounting Period: 10/X9							
Batch	Reference	Seq	Description	Posting Date	Journal Type	Debit Amount	Credit Amount
Account: 1110-200 PETTY CASH/PRODUCTION						209.07	
102-011	OCT PETTY	01	REFRESH PETTY CASH	10/03/X9	R	500.00	
Ending Account Balance:						709.07	
Account: 1120-900 PAYROLL CASH						<u>1,798,050.30</u>	
98-001	10/03 PAYROLL	05	HOURLY PAYROLL	10/01/X9	R		610,982.24
104-001	10/10 PAYROLL	05	HOURLY PAYROLL	10/08/X9	R		657,188.36
107-001	10/17 PAYROLL	05	HOURLY PAYROLL	10/16/X9	R		629,427.90
108-014	WIRE TRANS 0071	01	ADD PAYROLL CASH	10/16/X9	R	2,700,000.00	
112-001	10/24 PAYROLL	05	HOURLY PAYROLL	10/22/X9	R		630,485.74
120-001	10/31 PAYROLL	05	HOURLY PAYROLL	10/30/X9	R		612,922.26
122-002	10/31 PAYROLL	07	MANAGER PAYROLL	10/30/X9	R		913,823.56
Ending Account Balance:						<u>443,220.24</u>	
Account: 1130-900 OPERATING CASH						5,347,008.00	
Beginning Account Balance:							
102-011	OCT PETTY	02	REFRESH PETTY CASH	10/03/X9	R		500.00
107-005	AR000182	01	AR SYSTEM CASH RECEIPTS	10/10/X9	R	1,987,490.74	
110-006	AR000183	01	AR SYSTEM CASH RECEIPTS	10/13/X9	R	1,398,740.87	
108-014	WIRE TRANS 0071	02	ADD PAYROLL CASH	10/16/X9	R		2,700,000.00
116-005	AR000184	01	AR SYSTEM CASH RECEIPTS	10/19/X9	R	980,229.40	
119-006	AR000185	01	AR SYSTEM CASH RECEIPTS	10/26/X9	R	2,098,290.30	
Ending Account Balance:						9,111,259.31	
Account: 1210-310 AR - TRADE/USA MARKETING						18,983,029.20	
Beginning Account Balance:							
104-007	IN0098190	01	DAILY INVOICING	10/03/X9	R	680,981.19	
104-008	IN0099390	01	DAILY INVOICING	10/04/X9	R	485,983.13	
104-009	IN0102340	01	DAILY INVOICING	10/06/X9	R	835,392.62	
105-001	IN0105366	01	DAILY INVOICING	10/10/X9	R	1,326,300.70	
107-005	AR000182	02	AR SYSTEM CASH RECEIPTS	10/10/X9	R		2,005,378.16
108-009	IN0105628	01	DAILY INVOICING	10/11/X9	R	335,393.44	
108-013	IN0107581	01	DAILY INVOICING	10/13/X9	R	627,302.57	
110-006	AR000183	02	AR SYSTEM CASH RECEIPTS	10/13/X9	R		1,410,909.92
111-009	IN0107688	01	DAILY INVOICING	10/15/X9	R	737,313.54	
114-001	IN0109560	01	DAILY INVOICING	10/17/X9	R	828,312.60	
116-005	AR000184	02	AR SYSTEM CASH RECEIPTS	10/19/X9	R		989,149.49
117-008	IN0112451	01	DAILY INVOICING	10/22/X9	R	438,789.63	
117-009	IN0116728	01	DAILY INVOICING	10/23/X9	R	434,302.21	
117-018	IN0120536	01	DAILY INVOICING	10/25/X9	R	626,605.97	
119-006	AR000185	02	AR SYSTEM CASH RECEIPTS	10/26/X9	R		2,116,965.08
Ending Account Balance:						19,817,304.16	

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Account Title



Account #



CASH				ACCOUNT # 100			
Date	Comments	Ref.	Debit Amount	Date	Comments	Ref.	Credit Amount
Jan. 1	Investment	GJ-1	\$50,000	Jan. 1	Inventory	GJ-1	\$3,000
				Jan. 1	Land	GJ-1	\$2,000
				Jan. 1	Insurance	GJ-1	\$2,400
	Total		\$50,000		Total		\$7,400
	Balance		\$42,600				

INVENTORY				ACCOUNT # 140			
Date	Comments	Ref.	Debit Amount	Date	Comments	Ref.	Credit Amount
Jan. 1		GJ-1	\$4,500				
	Total		\$4,500				

PREPAID INSURANCE				ACCOUNT # 150			
Date	Comments	Ref.	Debit Amount	Date	Comments	Ref.	Credit Amount
Jan. 1	Cash	GJ-1	\$2,400				
	Total		\$2,400				

LAND				ACCOUNT # 170			
Date	Comments	Ref.	Debit Amount	Date	Comments	Ref.	Credit Amount
Jan. 1		GJ-1	\$20,000				
	Total		\$20,000				

ACCOUNTS PAYABLE				ACCOUNT # 200			
Date	Comments	Ref.	Debit Amount	Date	Comments	Ref.	Credit Amount
				Jan. 1	Inventory	GJ-1	\$1,500
					Total		\$1,500

MORTGAGE PAYABLE				ACCOUNT # 270			
Date	Comments	Ref.	Debit Amount	Date	Comments	Ref.	Credit Amount
				Jan. 1	Land	GJ-1	\$18,000
					Total		\$18,000

OWNERS EQUITY				ACCOUNT # 300			
Date	Comments	Ref.	Debit Amount	Date	Comments	Ref.	Credit Amount
				Jan. 1	Initial Investment	GJ-1	\$50,000
					Total		\$50,000

The modern ledger, is a group of accounts filed according to the method of data process used by the business.

Ledger (2) - a group or file of accounts; the book of final entry

Exploring the Need for a Formal Ledger Account

- Chapter 3 we used T- accounts
 - not an efficient method for recording numerous entries and the account's final balance.

It is however, still used as a valuable tool to assist with the visual analysis of a troublesome transaction.

- account form posted by hand will be quite different from one posted by computer

A widely used form is the three column form

- each account will have its own form

Debit	Credit	Balance
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Balance Ledger form - a three column account with a "running balance" column

General Ledger - the ledger filing those accounts which supply information for the preparation of financial statements

Organizing the Chart of Accounts

Assigning #'s to each account in the ledger

- the number given to each account identifies the account and the order in which the account is listed in the General Ledger
- the numbering is important, it will be used later to prepare financial statements
- a complete list of accounts with the number assigned to it is called the Chart of Accounts.

Chart of Accounts	
Asset accounts:	101 through 199
Liability accounts:	201 through 299
Owner's Equity accounts:	301 through 399
Revenue accounts:	401 through 499
Expense accounts:	501 through 599

three digit
 1st digit identifies
 the major class
 2nd and 3rd -
 position of account

J. Emery Real Estate Chart of Accounts	
ASSETS	
101 Cash	205 Accts. Pay./Westtown Motors Ltd.
103 Accts. Rec./Pat Rogers	OWNER'S EQUITY
104 Accts. Rec./R. Scobie	301 J. Emery, Capital
105 Accts. Rec./Shannon Development Co.	302 J. Emery, Drawing
110 Automobile	REVENUE
112 Furniture	401 Commissions Earned
114 Office Equipment	EXPENSES
LIABILITIES	501 Rent Expense
201 Bank Loan Payable	502 Telephone Expense
202 Accts. Pay./Bell Furniture Co.	503 Utilities Expense
203 Accts. Pay./The City Record	504 Salaries Expense
204 Accts. Pay./Ryan Equipment Co.	505 Advertising Expense

Chart of Accounts: numbering plan, listing all account titles and the number assigned to them in the order in which they appear in the accounting equation

GENERAL JOURNAL					
DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT	CREDIT	
19-1					4 Page /
2 Sept 30	1 Cash	101	60000.00	5	
	Automobile		15000.00		
	Furniture		8000.00		
	Office Equipment		0000.00		
	Bank Loan Payable			20000.00	
	Accts. Pay. / Bell Furniture Co.			3000.00	
	Accts. Pay. / Ryan Equipment Co.			2000.00	
	Accts. Pay. / Weston Motors Ltd.			5000.00	
	J. Emerly, Capital			60000.00	
	To record the opening balance sheet into accounts.				
	3				7

GENERAL LEDGER					
DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-1					
Sept 30	Opening entry	J. J. 1	60000.00	6	60000.00

POSTING TO THE LEDGER

1. Locate the ledger account
2. Record the date
3. Show an explanation, if needed
4. Fill out the Post Ref. column of the account
5. Record the amount in the correct money column
6. Record the correct balance in the balance column
7. Record the accounting number of the account posted in the Post Ref. column of the General Journal

Have these journal entries been posted to the General Ledger? **Yes**

How can you tell?

They all have a Post Ref.

GENERAL JOURNAL					Page /
DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	DEBIT	CREDIT	
Sept 30	Cash	101	6,000.00		
	Automobile	110	1,500.00		
	Furniture	112	8,000.00		
	Office Equipment	114	7,000.00		
	Bank Loan Payable	201		2,000.00	
	Accts. Pay. / Bell Furniture Co.	202		3,000.00	
	Accts. Pay. / Equip. Equipment Co.	204		2,000.00	
	Accts. Pay. / Westover Motors	205		5,000.00	
	Owner, Capital	301		60,000.00	
	To record the opening balance sheet into accounts				
Oct 1	Furniture		1,000.00		
	Cash			1,000.00	
	Cheque No. 1 to Bunn Furniture Ltd. for additional furniture				
	Advertising Expense	505	2,000.00		
	Accts. Pay. / The City Record	203		2,000.00	
	Advertising bill. Terms given: net 30 days				

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General Ledger

Cash Account No. 101

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
Sept 30	Opening entry	Yg	600.0000		600.0000
Oct 1		Yg		100.0000	500.0000
5		Yg		50.0000	550.0000
11		Yg		7.0000	539.6000
12		Yg		160.0000	523.6000
15		Yg		40.0000	483.6000
16		Yg	300.0000		513.6000
18		Yg		59.5000	507.6500
20		Yg	134.0000		641.6500
30		Yg		20.0000	621.6500
31		Yg	134.0000		755.6500
31		Yg		75.0000	710.6500

Opening Balance
 CK# 1 (for additional furniture)
 CK# 2 (payment of accounts payable)
 Deposit

Accts. Rec./Pat Regs Account No. 103

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
Oct 31	Invoice 00007	Yg	60.0000		60.0000

REVIEWING THE ACCOUNTING CYCLE

- ✓ STEP 1 - Originating (Source Documents)
- ✓ STEP 2 - Journalizing (General Journal)
- * STEP 3 - Posting

