

P 4-7

Note: Appropriate posting references would be made in the General Journal used in Problem 4-4 (J. Edgar Consulting Services). Posting references in ledger accounts will vary directly with journal page numbers used in P 4-4.

General Ledger (J. Edgar Consulting Services)

Cash

Account No. 101

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19--					
Nov. 1	Opening entry	GJ 1	2 500 00		2 500 00
2		GJ 1		150 00	2 350 00
6		GJ 1	950 00		3 300 00
7		GJ 1		67 00	3 233 00
10		GJ 1		700 00	2 533 00
12		GJ 1		200 00	2 333 00
15		GJ 1	500 00		2 833 00
17		GJ 1	5 000 00		7 833 00
23		GJ 2		350 00	7 483 00
25		GJ 2		440 00	7 043 00
30		GJ 2	3 200 00		10 243 00
30		GJ 2		250 00	9 993 00 DR

Note: Optionally, the entire posting reference, GJ and page number, may be placed in the narrow Post. Ref. column, or shown as above.

P 4-7 (continued)

Accts. Rec./Lambton Industries Inc.

Account No. 105

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 20		GJ 2	1 200 00		1 200 00 DR

Accts. Rec./A. Lee

Account No. 108

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 4		GJ 1	450 00		450 00 DR

Office Supplies

Account No. 115

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 1	Opening entry	GJ 1	1 450 00		1 450 00
2		GJ 1	150 00		1 600 00 DR

Office Equipment

Account No. 120

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
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<i>Office Equipment</i>						<i>Account No. 120</i>	
DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE		
19-- Nov. 16		<i>GJ 1</i>	3 000 00		3 000 00	<i>DR</i>	

  

<i>Bank Loan Payable</i>						<i>Account No. 201</i>	
DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE		
19-- Nov. 17	<i>Opening entry</i>	<i>GJ 1</i>		5 000 00	5 000 00	<i>CR</i>	

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P 4-7 (continued)

Accts. Pay/G. Health Suppliers

Account No. 205

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 1	Opening entry	GJ 1		800 00	800 00
12		GJ 1	200 00		600 00 CR

Accts. Pay/D. Moyer Computers Ltd.

Account No. 210

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 16		GJ 1		3 000 00	3 000 00 CR

J. Edgar, Capital

Account No. 301

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 1	Opening entry	GJ 1		3 150 00	3 150 00 CR

J. Edgar, Drawing

Account No. 302

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
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*J. Edgar, Drawing*

Account No. 302

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 30		GJ 2	250 00		250 00 DR

*Consulting Fees Earned*

Account No. 401

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 4		GJ 1		450 00	450 00
6		GJ 1		950 00	1 400 00
15		GJ 1		500 00	1 900 00
20		GJ 2		1 200 00	3 100 00
30		GJ 2		3 200 00	6 300 00 CR



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Telephone Expense

Account No. 505

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 7		GJ 1	67 00		67 00 DR

Rent Expense

Account No. 510

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 10		GJ 1	700 00		700 00 DR

Advertising Expense

Account No. 515

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 23		GJ 2	350 00		350 00 DR

Utilities Expense

Account No. 520

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Nov. 25		GJ 2	440 00		440 00 DR

P 4-8

Note: Appropriate posting references would be made in the General Journal used in Problem 4-5 (Triple M Real Estate Co.).  
Posting references in ledger accounts will vary directly with journal page numbers used in P 4-5.

General Ledger (Triple M Real Estate Co.)

Cash

Account No. 101

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 1	Opening entry	GJ 1	10 000 00		10 000 00
2		GJ 1	8 000 00		18 000 00
2		GJ 1		500 00	17 500 00
4		GJ 1	1 350 00		18 850 00
5		GJ 1		2 800 00	16 050 00
8		GJ 1		60 00	15 990 00
10		GJ 1	2 125 00		18 115 00
11		GJ 2	3 390 00		21 505 00
12		GJ 2		1 000 00	20 505 00
14		GJ 2		1 500 00	19 005 00
15		GJ 2	50 00		19 055 00
17		GJ 2		210 00	18 845 00
23		GJ 2		380 00	18 465 00
24		GJ 2	3 330 00		21 795 00
25		GJ 2		45 00	21 750 00
30		GJ 2		3 600 00	18 150 00
30		GJ 2	1 670 00		19 820 00
30		GJ 3		1 700 00	18 120 00
30		GJ 3	6 900 00		25 020 00
30		GJ 3	1 000 00		26 020 00

DR

Accts. Rec./G. Da Silva

Account No. 105

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 6		GJ 1	435 00		435 00
15		GJ 2		50 00	385 00 DR

Accts. Rec./V. J. Plumbers

Account No. 108

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 19		GJ 2	1 550 00		1 550 00 DR

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Office Supplies

Account No. 115

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 1	Opening entry	GJ 1	800 00		800 00
25		GJ 2	45 00		845 00 DR

Furniture

Account No. 120

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 1	Opening entry	GJ 1	6 000 00		6 000 00 DR

Office Equipment

Account No. 125

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 1	Opening entry	GJ 1	2 500 00		2 500 00
3		GJ 1	2 400 00		4 900 00 DR

Automobile

Account No. 130

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 2		GJ 1	10 000 00		10 000 00 DR

Bank Loan Payable

Account No. 201

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 1	Opening entry	GJ 1		7 000 00	7 000 00
12		GJ 2	1 000 00		6 000 00 CR

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Accts. Pay./C. & C. Computers

Account No. 205

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 3		GJ 1		2 400 00	2 400 00 CR

Accts. Pay./Global Office Supplies

Account No. 210

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 1	Opening entry	GJ 1		1 500 00	1 500 00
14		GJ 2	1 500 00		0

Accts. Pay./Willard Motors Ltd.

Account No. 215

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 2		GJ 1		9 500 00	9 500 00 CR

E. Li, Capital

Account No. 301



*E. Li, Capital*

Account No. 301

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 1	Opening entry	GJ 1		10 800 00	10 800 00
2		GJ 1		8 000 00	18 800 00 CR

*E. Li, Drawing*

Account No. 302

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 30		GJ 3	1 700 00		1 700 00 DR

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Commissions Earned

Account No. 401

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19--					
Sept. 4		GJ 1		1 350 00	1 350 00
6		GJ 1		435 00	1 785 00
10		GJ 1		2 125 00	3 910 00
11		GJ 2		3 390 00	7 300 00
19		GJ 2		1 550 00	8 850 00
24		GJ 2		3 330 00	12 180 00
30		GJ 2		1 670 00	13 850 00
30		GJ 3		6 900 00	20 750 00 CR

Rental Revenue

Account No. 403

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19--					
Sept. 30		GJ 3		1 000 00	1 000 00 CR

Rent Expense

Account No. 505

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19--					

Rent Expense

Account No. 505

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 5		GJ 1	2 800 00		2 800 00 DR

Advertising Expense

Account No. 510

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 8		GJ 1	60 00		60 00 DR



Heat Expense

Account No. 515

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 17		GJ 2	210 00		210 00 DR

Utilities Expense

Account No. 520

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 23		GJ 2	380 00		380 00 DR

Salaries Expense

Account No. 525

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Sept. 30		GJ 2	3 600 00		3 600 00 DR

P 4-9a

**Car Rental System**  
Chart of Accounts

<b>ASSETS</b>			
Cash .....	101	Land .....	130
Accts. Rec./A. Couse .....	105	Building .....	135
Accts. Rec./B. Doan .....	108	Automobiles .....	140
Accts. Rec./C. Fairs .....	110	Office Equipment .....	145
Accts. Rec./D. Good .....	112		
Accts. Rec./E. Hey .....	114		
Accts. Rec./J. Pool .....	116		
 <b>LIABILITIES</b>			
Bank Loan Payable .....	201	Mortgage Payable .....	230
Accts. Pay./Ace Motors .....	205		
Accts. Pay./Esso Oil Co. ....	208		
Accts. Pay./P.U.C. ....	210		
 <b>OWNER'S EQUITY</b>			
Jawed Iqbal, Capital .....	301		
Jawed Iqbal, Drawing .....	302		
 <b>REVENUE</b>			
Rental Revenue .....	401		
 <b>EXPENSES</b>			
Utilities Expense .....	510		
Repairs Expense .....	515		
Telephone Expense .....	520		
Salaries Expense .....	525		
Gasoline Expense .....	530		

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Note: Appropriate posting references would be made in the General Journal used in Problem 4-6 (Car Rental System). Posting references in ledger accounts will vary directly with journal page numbers used in P 4-6.

General Ledger (Car Rental System)

Cash

Account No. 101

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19--					
Oct. 1	Opening entry	GJ 1	400 000 00		400 000 00
2		GJ 1		30 000 00	370 000 00
3		GJ 1		50 000 00	320 000 00
4		GJ 1	1 000 00		321 000 00
9		GJ 1	5 000 00		326 000 00
10		GJ 1		3 200 00	322 800 00
28		GJ 2		2 400 00	320 400 00
30		GJ 2		6 800 00	313 600 00
31		GJ 2	17 000 00		330 600 00
31		GJ 2		1 200 00	329 400 00
31		GJ 2		56 00	329 344 00 DR



Accts. Rec./A. Couse

Account No. 105

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 31		GJ 2	2 400 00		2 400 00 DR

Accts. Rec./B. Doan

Account No. 108

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 31		GJ 2	3 000 00		3 000 00 DR

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Accts. Rec./C. Fairs

Account No. 110

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 31		GJ 2	900 00		900 00 DR

Accts. Rec./D. Good

Account No. 112

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 31		GJ 2	2 700 00		2 700 00 DR

Accts. Rec./E. Hey

Account No. 114

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 31		GJ 2	2 700 00		2 700 00 DR

Accts. Rec.JJ. Pool

Account No. 116

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 4		GJ 1	8 700 00		8 700 00
4		GJ 1		1 000 00	7 700 00 DR

Land

Account No. 130

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 2		GJ 1	35 000 00		35 000 00 DR



DATE		EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
<i>Building</i> <span style="float: right;">Account No. 135</span>						
19--						
Oct.	2		GJ 1	65 000 00		65 000 00 DR
<i>Automobiles</i> <span style="float: right;">Account No. 140</span>						
DATE		EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19--						
Oct.	3		GJ 1	174 000 00		174 000 00
	4		GJ 1		8 700 00	165 300 00
	5		GJ 1		8 700 00	156 600 00 DR
<i>Office Equipment</i> <span style="float: right;">Account No. 145</span>						
DATE		EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19--						
Oct.	10		GJ 1	3 200 00		3 200 00 DR

Bank Loan Payable

Account No. 201

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 9		GJ 1		5 000 00	5 000 00 CR

Accts. Pay./Ace Motors

Account No. 205

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 3		GJ 1		124 000 00	124 000 00
5		GJ 1	8 700 00		115 300 00 CR

<i>Accts. Pay/Essco Oil Co.</i>						<i>Account No. 208</i>	
DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE		
19-- Oct. 29		GJ 2		4 000 00	4 000 00	CR	

  

<i>Accts. Pay/Public Utilities Commission</i>						<i>Account No. 210</i>	
DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE		
19-- Oct. 27		GJ 2		75 00	75 00	CR	

  

<i>Mortgage Payable</i>						<i>Account No. 230</i>	
DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE		
19-- Oct. 2		GJ 1		70 000 00	70 000 00	CR	



<i>Jawed Iqbal, Capital</i>						<i>Account No. 301</i>	
DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE		
19-- Oct. 1	Opening entry	GJ 1		400 000 00	400 000 00	CR	

  

<i>Jawed Iqbal, Drawing</i>						<i>Account No. 302</i>	
DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE		
19-- Oct. 31		GJ 2	1 200 00		1 200 00	DR	

P 4-9b, c (continued)

Account No. 401

*Rental Revenue*

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 31		GJ 2		17 000 00	17 000 00
31		GJ 2		11 700 00	28 700 00

CR

Account No. 510

*Utilities Expense*

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 27		GJ 2	75 00		75 00

DR

Account No. 515

*Repairs Expense*

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 28		GJ 2	2 400 00		2 400 00

DR

Account No. 520

*Telephone Expense*

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
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Telephone Expense

Account No. 520

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 31		GJ 2	56 00		56 00 DR

Salaries Expense

Account No. 525

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 30		GJ 2	6 800 00		6 800 00 DR

Gasoline Expense

Account No. 530

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19-- Oct. 29		GJ 2	4 000 00		4 000 00 DR

Note: Advertising Expense, Account No. 505, is not shown because no entries were made to this account.



**KEY FOR TOPIC 3 MINI-CASES****MC 4-7a**

To create a chart of accounts the rule to remember is quite simple. Each different class of account is assigned a different starting number. They are as follows:

Assets must start with a one (1)

Liabilities must start with a two (2)

Owner's Equity Capital and related accounts must start with a three (3)

Revenue accounts must start with a four (4)

Expense accounts must start with a five (5)

A simple numbering system could assign assets a number in the 100s, liabilities in the 200s, capital (and related accounts such as drawing) in the 300s, revenues in the 400s, and expenses in the 500s. This system would probably suit a very small business like Single X Company. Depending upon the size of Triple X Company, the numbering system might need to extend into four, five or even six-digit numbers. Triple X Company might assign liabilities such as Bank Loan Payable with 2001 or even 20001. If Triple X's expenses were very large, the chart could even expand to form sub-groups. For example, the first half of the expenses could begin with a five (5) number and the second half could be given a sequence beginning with six (6). The important feature of any chart of account numbering system is the first digit.

**MC 4-7b**

Ledger accounts are usually assigned a number because accountants list them in the order of their appearance on financial statements, beginning with the balance sheet and then proceeding to the income statement. It would be difficult to follow this order if accounts were arranged in alphabetic order. Furthermore, a numbering system is essential if a computer system were used to print financial statements. As you will learn from Chapter 6, a numbering system is essential to instruct the computer to print not only account titles, but also sub-totals and totals.

**MC 4-8a**

Shortcuts in posting increase the frequency of errors in the work. When Hans ignores posting references he fails to provide himself with a method for confirming at some later date whether or not he has posted a specific entry. Posting references not only inform the reader to which account the number has been posted, but also indicate that the number has been posted. If there is no posting reference shown, the reader must assume that the number has not yet been posted to the appropriate ledger account. On the other hand, if Hans completes them in advance of the actual posting and then fails to complete the actual posting, then a reader in the future must assume that the entry is posted even though it may not be. These shortcuts will not result in an error, but when they do, they are extremely difficult to find and, therefore, very time consuming to find.

The danger of posting all one account at one time rather than posting entries one after another is that there is a good possibility that you will miss the posting of one or more entries. Since the omission of a single posting can be disastrous, it is essential that the posting procedure be followed exactly to ensure the highest degree of accuracy in the posting process.

**MC 4-9a**

1. Under the Date column, the month should be listed once at the top of each page. If the month changes on a page, it should be recorded the first time that it is used.
2. The numeric date should be listed each time an entry is made in the ledger.
3. Under the explanation column, the ledger is typically not ruled off and totalled. Therefore, there is no need for words "final total."
4. Under the Posting Reference column, one would expect the posting references to follow in increasing order by page number (first two entries).
5. Each posting should have a posting reference (entry of May 15).



6. Dollar signs are not used in ledger accounts because they are not financial statements or formal reports.
7. The credit of \$150 should have been subtracted from the \$200 debit balance (first and second line of the ledger account). Rule: Add likes together, subtract opposites.
8. The subtraction has been completed in error (entry of the 15th).
9. Since there is no totalling completed in the ledger accounts, the single and double underscoring and the total are inappropriate.

MC 4-9b

General Ledger

Cash

Account No. 101

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
19--					
May 10	Rec'd on acct.	GJ 1	200 00		200 00
10	Payment on acct.	GJ 2		150 00	50 00
14	Loan from the bank	GJ 2	5 000 00		5 050 00
15	Payment on acct.	GJ 2		500 00	4 550 00
16	Additional investment	GJ 3	1 000 00		5 550 00 DR

Note: Optionally, the entire posting reference, GJ and page number, may be placed in the narrow Post. Ref. column.



