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 a 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.

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

		General JOURN						PA		
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- we will begin by journalizing manually

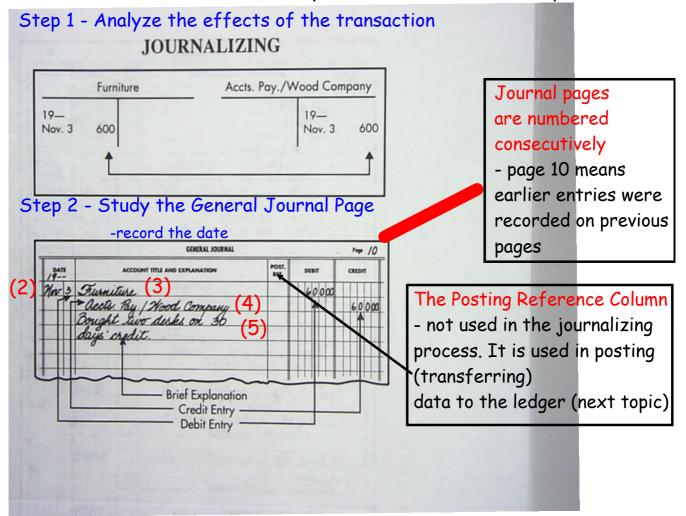
For most business transactions to be recorded in the journal - you need 1 or more source documents to provide the accounting data.

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

1

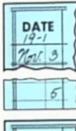
Nov. 3 A business bought two desks costing \$300 each from Wood Company on 30 days credit.

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



How are dates recorded ??







action on the same journal page. When the month changes on the same journal page, the new month is written.

The year and

written at the

top of every

Only the day

recorded for

of the month is

the next trans-

journal

poge.

month are



10

When the year changes on the same journal page, the new year and month are written.



ledger, which will be explained in the next and

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.

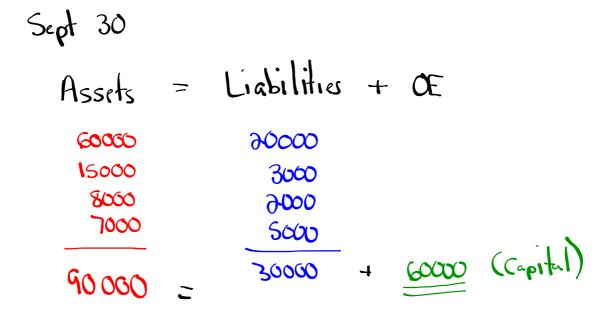
• in the two column journal debits are recorded before credits

• 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

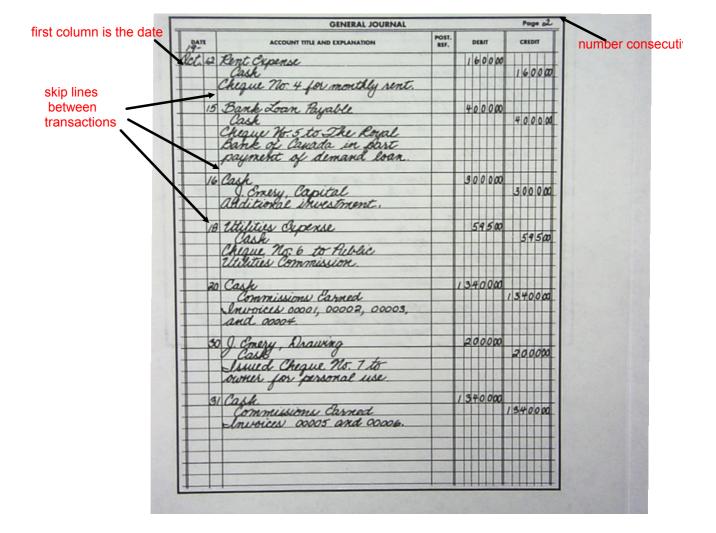
- debits are listed first and the total of all debits must equal the total of all credits. The total is not shown in the two-column journal but should be checked mentally.

Date	Transaction	Source Document
19— Sept. 30	Jane Emery began the firm J. Emery Real Estate with the following assets and liabilities: <u>Cash, S60 000;</u> <u>Automobile, S15 000; Furniture, S8000; Office</u> Equipment, S7000; <u>Bank Loan Payable, S20 000;</u> <u>Accts. Pay./Bell Furniture Co., S3000; Accts. Pay./</u> <u>Ryan Equipment Co., S2000; Accts. Pay./Westown</u> <u>Motors Ltd., S5000. The opening balance sheet was</u> <u>prepared.</u> <u>Contractor</u>	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 \$200 to Ryan Equipment Co. because the equipment arrived in damaged condition. The creditor has	Copy of letter, note, or return slip
5	accepted the return. 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 Paid
20	\$13 400 cash is received for commissions earned buying and selling real estate. (The invoice slips are	Individual sales invoices; copy of bank deposit slip.



DATE	1	ACCOUNT TITLE AND EXPLANATION	POST.	DEBIT	CREDIT
	0	Caph		6000000	
	1	aydomobile	_	150000	
		Furnitare		800000	
		Office Equipment		700000	
		Bank Loan Payalde			200000
		acts Pay Bell Functione Co			30000
		acto Pay Runn Equipment Co	-		200000
		acoto Pay I Ryan Equipment Co. acoto Pay I Westown Motoro Atd			500000
		J. Emery, Capital To record the opening			6000000
		To record the opening			
	_	balance sheet into accounts.			
Oct 1	1	Furniture		100000	
		Cash.	179		100000
		Cheque No. 1 to Enno Furniture			
	_	ata for additional furniture.			
-	3	Allice Equipment.	-	120000	
		acoto, Pru / Runn Envoment Co.	19		120000
		2 calculators and 1 tiouvites			
		Office Equipment. actor Ray / Ryan Equipment Co. 2 caeculation and 1 typewriten on 60 day's credit.	_		
1	4	acoto Pay Runo Equipment Co.		20000	
	1	acoto Pay Ryan Equipment Co. Office Equipment			20000
		Returned 1 calculator received			
	_	in damaged condition.	_		
1	5	acts Pay / Westown Motors Ita		500000	
		Coph.			500000
		Cheque No. 2 on account.	-		
,	T	Jelephone Expense		4000	
	-	Canh			400
		Cheque No. 3 to Bell Canada.			
	-	and the second the first more			

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DATE	ACCOUNT TITLE AND EXPLANATION	POST.	DEBIT	CREDIT
19-1	1 1 1 0-	KIV.		TITT
CC. 3	Salaries Capense Cash		45000	
-	Clash Change the age to			450000
-	Cheque No. 8 for \$2,250 to			
-	Nenay momal; Cheque 16.4	1		+++++
	Nendy Thomas; Cheque No.9 for \$ 2 250 to gim hafford			+++++
3	acets Ale / Pat, Porene	-	(+++++
- 12	Maati Day Pau Kogens		60000	+++++
	MAD Day 1 R Scoule	-	400000	
	acto Rec. / Shannon Development la	-	150000	2500000 HJK
	Sales Invoices issued as	-		270000
	follows: No. 00007 to Pat	-		++++++
	Rogers: No. 00008 to	-		++++++
100	R Scopie; No. 00009 to	-		
	Shannon Durlogment			+++++
	Co. Terms on all	-		+++++
	invoices: 30 days.	-		++++++
	0	-		+++++
3			20000	+++++
	advertising bill, termi gilles: alt 30 days	-	200000	20000
	advertising will terms Diden not 20 dans	-		20000
	and any and fire a way	-	+++++	++++++

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 or destroyed.

Homework

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

	Cash sued Cheque 003 for monthly rent. counts Payable/G. Health Suppliers		700 00	
2 Ac	counts Payable/G. Health Suppliers			
	Cash	200 00	200 00	
Iss	sued cheque 004 in partial payment of account.			
5 Ca	13h	500 00		
Pe	Consulting Fees Earned erformed consulting services. Sales invoice 03 for cash.		500 00	
		3000 00		
	fice Equipment Accounts Payable/D. Moyer Computers Ltd	500000	3000 00	
Ac	equired a Macintosh SE® computer for the office.			
7 Ca	15h	5000 00	5000 00	-
Bo	Bank Loan Payable prrowed from the bank and deposited the amount into the		5000 00 (
	siness's bank account.			

DATE	E	ACCOUNT TITLE AND EXPLANATION		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		440 00	440 00
	30	Cash Consulting Fees Earned Performed services and issued sales invoice 05 for cash.	to second of	3200 00	3200 00
	30	J. Edgar, Drawing Cash J. Edgar withdrew cash for personal use. Issued cheque 007.		250 00	250 00
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