

Chapter 4: Posting to a General Ledger: Chapter Overview

Chapter Overview

Posting to a General Ledger: Chapter Objectives

Posting to a General Ledger: Accounting in the Real World

Posting to a General Ledger: Key Terms

Posting to a General Ledger: Chapter Objectives

Learning Objectives

After studying Chapter 4, in addition to defining key terms, you will be able to:

L01 Construct a chart of accounts for a service business organized as a proprietorship.

L02 Demonstrate correct principles for numbering accounts.

L03 Apply file maintenance principles to update a chart of accounts.

L04 Complete the steps necessary to open general ledger accounts.

L05 Post amounts from a general journal.

L06 Demonstrate how to prove cash.

L07 Analyze incorrect journal entries and prepare correcting entries.

L08 Demonstrate how to correct errors made during the posting process.

Posting to a General Ledger: Accounting in the Real World

Netflix

In 1998, Netflix announced that it was the “world's first Internet store to offer DVD rentals.” A customer could order a DVD online and receive it in the mail. The customer would return the DVD in a postage-paid envelope provided by Netflix. In 2007, Netflix expanded to include streaming content over the Internet.

Virtually all of Netflix's revenue is derived from monthly subscription fees. GAAP requires that Netflix track all of these fees and report them as revenue on its financial statements. Besides tracking accounting transactions as required by GAAP, Netflix (and other companies) may choose to gather and analyze other financial information.

As part of its annual report, Netflix reports revenue per paying subscriber and the average number of subscribers per year. These data for the years 2007 through 2009 are as follows:



	2007	2008	2009
Average number of subscribers	6,718,000	8,268,000	10,464,000
Average revenue per subscriber	\$14.95	\$13.75	\$13.30

As you can see, the average number of subscribers has increased each year since 2007. Also, the average revenue per subscriber has declined as lower-priced plans grow as a percentage of sales.

Critical Thinking



1. How would Netflix calculate the revenue per paying subscriber for each year?
2. Who are some of Netflix's competitors?

Posting to a General Ledger: Key Terms

- ledger
- general ledger
- account number
- file maintenance
- opening an account
- posting
- proving cash
- correcting entry

Chapter 4: Posting to a General Ledger: Lesson 4-1: Using Accounts and Preparing and Maintaining a Chart of Accounts

Lesson 4-1: Using Accounts and Preparing and Maintaining a Chart of Accounts

Account Form

Relationship of a T Account to an Account Form

Chart of Accounts LO1

Account Numbers LO2

Assigning Account Numbers LO3

Opening an Account in a General Ledger LO4

End of Lesson Review

L01 Construct a chart of accounts for a service business organized as a proprietorship.

L02 Demonstrate correct principles for numbering accounts.

L03 Apply file maintenance principles to update a chart of accounts.

L04 Complete the steps necessary to open general ledger accounts.

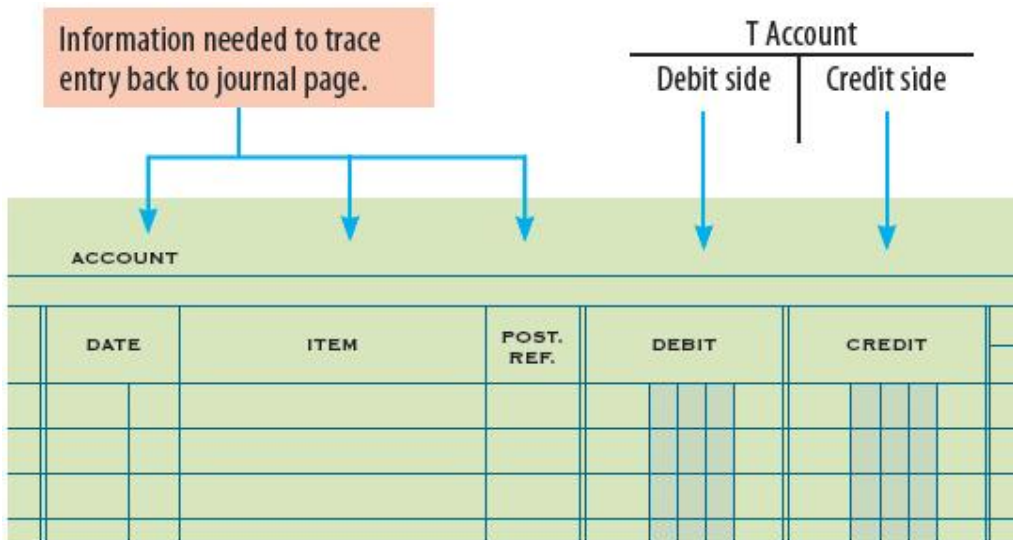
Account Form

Delgado Web Services records transactions in a general journal, as described in Chapter 3. A journal is a permanent record of the debit and credit parts of each transaction with transactions recorded in chronological order. However, a journal does not show, in one place, all the changes in a single account.

If only a journal is used, a business must search through all journal pages to find items affecting a single

account balance. For this reason, a form is used to summarize in one place all the changes to a single account. A separate form is used for each account.

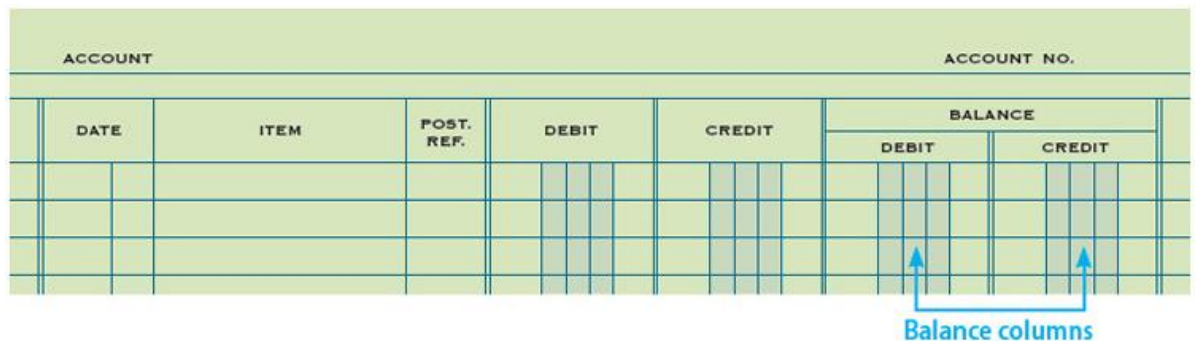
Relationship of a T Account to an Account Form



An account form is based on and includes the debit and credit sides of a T account. In addition to debit and credit columns, space is provided in the account form for recording the transaction date and journal page number. This information can be used to trace a specific entry back to where a transaction is recorded in a journal. The major disadvantage of the account form illustrated

above is that no current, up-to-date account balance is shown. If this form is used, an up-to-date balance must be calculated each time the account is examined. When an account has a large number of entries, it can be difficult and time-consuming to calculate the balance each time an entry is made. Therefore, a more commonly used account form has two additional columns, for the Debit and Credit Balances, as shown below.

Because the form has columns for the debit and credit balance, it is often referred to as the balance-ruled account form.



The account balance is calculated and recorded as each entry is recorded in the account. Recording information in an account is described later in this chapter. The T account is a useful device for analyzing transactions into debit and credit parts. However, the balance-ruled account form is more useful than the T account as a permanent record of changes to account balances. Delgado Web Services uses the balance-ruled account form.

Chart of Accounts L01

Delgado Web Services

25402 Rimrock Road
Billings, MT 59102-1820

CHART OF ACCOUNTS

Balance Sheet Accounts	Income Statement Accounts
(100) ASSETS	(400) REVENUE
110 Cash	410 Sales
120 Petty Cash	
130 Accounts Receivable—Main Street Services	(500) EXPENSES
140 Accounts Receivable—Valley Landscaping	510 Advertising Expense
150 Supplies	520 Cash Short and Over
160 Prepaid Insurance	530 Communications Expense
	540 Equipment Rental Expense
(200) LIABILITIES	550 Insurance Expense
210 Accounts Payable—Canyon Office Supplies	560 Miscellaneous Expense
220 Accounts Payable—Mountain Graphic Arts	570 Supplies Expense
(300) OWNER'S EQUITY	
310 Michael Delgado, Capital	
320 Michael Delgado, Drawing	
330 Income Summary	

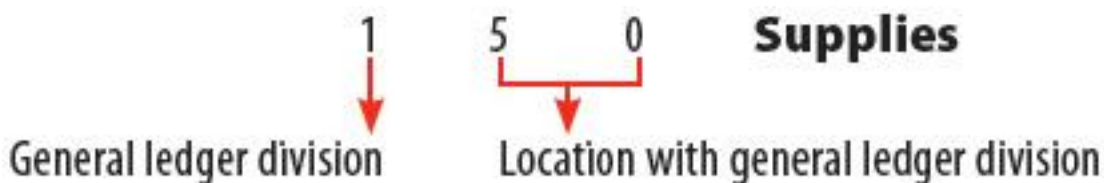
A group of accounts is called a **ledger**. A ledger that contains all accounts needed to prepare financial statements is called a **general ledger**. The name given to an account is known as an account title. The number assigned to an account is called an **account number**.

Preparing a Chart of Accounts

A list of account titles and numbers showing the location of each account in a ledger is known as a chart of accounts. Delgado Web Services' chart of accounts is shown above. For ease of use while studying the chapters in Part 1, Delgado Web Services' chart of accounts is also shown on page 3.

Accounts in a general ledger are arranged in the same order as they appear on financial statements. Delgado Web Services' chart of accounts shows five general ledger divisions: (1) Assets, (2) Liabilities, (3) Owner's Equity, (4) Revenue, and (5) Expenses.

Account Numbers LO2



Delgado Web Services assigns a 3-digit account number to each account. For example, Supplies is assigned the number 150, as shown.

The first digit of each account number shows the general ledger division in which the account is located. For example, the asset division accounts are numbered in the 100s. Therefore, the number for the asset account, Supplies, begins with a 1.

The second two digits indicate the location of each account within a general ledger division. The 50 in the account number for Supplies indicates that the account is located between account number 140 and account number 160.

Assigning Account Numbers L03

Delgado Web Services initially assigns account numbers by 10s so that new accounts can be added easily. Nine numbers are unused between each account on Delgado Web Services' chart of accounts. For example, numbers 111 to 119 are unused between accounts numbered 110 and 120. New numbers can be assigned between existing account numbers without renumbering all existing accounts. The procedure for arranging accounts in a general ledger, assigning account numbers, and keeping records current is called [file maintenance](#).

Unused account numbers are assigned to new accounts. Delgado Web Services records payments for postage in Miscellaneous Expense. If Mr. Delgado found that the amount paid each month for postage had become a major expense, he might decide to use a separate account. The account might be titled Postage Expense. Delgado Web Services arranges expense accounts in alphabetic order in its general ledger. Therefore, the new account would be inserted between Miscellaneous Expense and Supplies Expense.

560	Miscellaneous Expense	(Existing account)
	Postage Expense	(New Account)
570	Supplies Expense	(Existing account)

The number selected for the new account should leave some unused numbers on each side for other accounts that might need to be added. The middle, unused account number between existing numbers 560 and 570 is 565. Therefore, 565 is assigned as the account number for the new account.

560	Miscellaneous Expense	(Existing account)
565	Postage Expense	(New Account)
570	Supplies Expense	(Existing account)

Sometimes an account is no longer needed. For example, Delgado Web Services might buy its own equipment. Then it would no longer need the Equipment Rental Expense account. However, even though the account might never be used again, it is generally not removed from the chart of accounts. Companies often need to review past performance and if an account has been removed, there may be no way to recover the information that account contained.

When a new account is added at the end of a ledger division, the next number in a sequence of 10s is used. For example, suppose Delgado Web Services needs to add another expense account, Water Expense.

The expense accounts are arranged in alphabetic order. Therefore, the new account would be added at the end of the expense section of the chart of accounts. The last used expense account number is 570, as shown on the chart of accounts. The next number in the sequence of 10s is 580, which is assigned as the number of the new account.

560	Miscellaneous Expense	(Existing account)
570	Supplies Expense	(Existing account)
580	Water Expense	(New Account)

Delgado Web Services has relatively few accounts in its general ledger and does not anticipate adding many new accounts in the future. Therefore, a 3-digit account number adequately provides for the few account numbers that might be added. However, as the number of general ledger accounts increases, a business may change to four or more digits.

Charts of accounts with more than three digits are described in later chapters.

Opening an Account in a General Ledger L04

The diagram illustrates the opening of a Cash account. At the top left, 'Account Title' is labeled with a red circle containing the number 1, with an arrow pointing to 'Cash' in the header. At the top right, 'Account Number' is labeled with a red circle containing the number 2, with an arrow pointing to '110' in the header. The ledger table below has the following structure:

ACCOUNT						ACCOUNT NO.	
Cash						110	
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	

Writing an account title and number on the heading of an account is called **opening an account**. A general ledger account is opened for each account listed on a chart of accounts. Accounts are opened and arranged in a general ledger in the same order as on the chart of accounts.

Cash, account number 110, is the first account on Delgado Web Services' chart of accounts. The Cash account is opened using the steps shown below. The same procedure is used to open all accounts listed on Delgado Web Services' chart of accounts.

Opening an Account in a General Ledger

1 Write the account title, Cash, after the word Account in the heading.

2 Write the account number, 110, after the words Account No. in the heading.

End of Lesson Review

L01 Construct a chart of accounts for a service business organized as a proprietorship.

L02 Demonstrate correct principles for numbering accounts.

L03 Apply file maintenance principles to update a chart of accounts.

L04 Complete the steps necessary to open general ledger accounts.

Terms Review

ledger

file maintenance

general ledger

opening an account

account number

Audit Your Understanding

1. Describe the two parts of an account number.
2. List the two steps for opening an account.

Work Together 4-1

Preparing a chart of accounts and opening an account

Forms are given in the Working Papers. Your instructor will guide you through the following examples.

Isabelle Seville owns a service business called Seville Company, which uses these accounts.

Accts. Pay.—Supply Mart

Insurance Expense

Supplies

Accts. Rec.—L. North

Prepaid Insurance

Supplies Expense

Accts. Pay.—Anoka Supplies

Isabelle Seville, Drawing

Automobile Expense

Accts. Rec.—Greg Varez

Cash

Isabelle Seville, Capital

Miscellaneous Expense

Sales

Rent Expense

1. Prepare a chart of accounts. Arrange any accounts receivable, accounts payable, or expense accounts in alphabetical order. Use 3-digit account numbers and number the accounts within a division by 10s.

- Two new accounts, Postage Expense and Utilities Expense, are to be added to the chart of accounts prepared in Instruction 1. Assign account numbers to the two new accounts.
- Using the account form in the Working Papers, open Cash.

On Your Own 4-1

Preparing a chart of accounts and opening an account

Forms are given in the Working Papers. Work this problem independently.

Parker Ross owns a service business called Ross Hair Care, which uses these accounts.

Accts. Pay.—Pine Supplies	Insurance Expense	Supplies
Accts. Rec.—G. Sieler	Telephone Expense	Delivery Expense
Prepaid Insurance	Parker Ross, Capital	Accts. Pay.—Ely Company
Parker Ross, Drawing	Cash	Accts. Rec.—T. Ryan
Supplies Expense	Sales	

- Prepare a chart of accounts. Arrange any accounts receivable, accounts payable, or expense accounts in alphabetical order. Use 3-digit account numbers and number the accounts within a division by 10s.
- Two new accounts, Gasoline Expense and Water Expense, are to be added to the chart of accounts prepared in Instruction 1. Assign account numbers to the two new accounts.
- Using the account form in the Working Papers, open Delivery Expense.

Chapter 4: Posting to a General Ledger: Ethics in Action: Are Your Actions Legal?

Ethics in Action: Are Your Actions Legal?

“A man should be upright, not be kept upright.” This famous statement by Marcus Aurelius suggests that, in a perfect world, everyone would always do the right thing. In the real world, however, governments have been forced to create complex systems of laws to force individuals to adhere to the social norm of right and wrong. We rely on these laws for our protection as well as the orderly operation of our society. For example, think about the chaos that might result if individuals could choose which side of the road to drive on!

Many laws are common knowledge for individuals working in business.

- Employers may not discriminate on the basis of national origin.
- Customers may not be charged different prices for the same item.

3. Taxes must be paid to the government.

Whether an action is legal is not always so obvious. Did you know:

1. It may be illegal to sell certain items, such as computers and oil, to countries that violate global norms of conduct.
2. An interviewer may not ask a prospective employee if he or she has children.
3. A bank must file a report to the government when an individual deposits more than \$10,000 cash.

No one can be expected to know every law that might affect the operation of a business. To assist its managers, businesses hire lawyers to provide managers with legal advice. Most large businesses have their own legal departments staffed with lawyers. Smaller businesses typically pay a retainer fee to an independent lawyer to provide legal advice when needed. All businesses should provide their managers with regular training on legal issues. Managers should be encouraged to consult the lawyers if there is any question whether an action might be illegal.

Instructions

Use an Internet or library source to prepare a list of questions that are illegal for an employer to ask during a job interview.

Global Awareness: International Weights and Measures

The primary system of measurement in the United States is the customary system. Among the units of measurement in the customary system are inches, feet, quarts, degrees Fahrenheit, and tablespoons. The United States is the only industrialized country that uses the customary system. Most of the rest of the world uses the International System of Units, which is also known as the metric system. Among the units of measurement in the metric system are centimeters, meters, liters, degrees Celsius, and grams. The metric system is based on a decimal system—like U.S. currency.

Many U.S. industries have converted to the metric system exclusively. Medicine and most pharmaceuticals use the metric system, as does the beverage industry. Other industries

specify measurements in both customary and metric systems, such as food products. In the United States, most measurements related to temperature are still given in degrees Fahrenheit. Companies that trade internationally may be forced to list weights and measures in both the customary and the metric system. These companies claim that this dual listing costs them millions of dollars each year. Even so, the United States continues to use the customary system.

Critical Thinking



1. Look at five food packages. List the weights and measures indicated.
2. List arguments both for and against a proposal to convert all U.S. weights and measures to the metric system.

Chapter 4: Posting to a General Ledger: Lesson 4-2: Posting from a General Journal to a General Ledger and Proving Cash

Lesson 4-2: Posting from a General Journal to a General Ledger and Proving Cash

Posting an Amount from the Debit Column of a General Journal LO5

Posting an Amount from the Credit Column of a General Journal

Posting a Debit Amount to an Account with a Balance

Journal Page with Posting Completed

General Ledger with Posting Completed

Proving Cash LO6

End of Lesson Review

LO5 Post amounts from a general journal.

LO6 Demonstrate how to prove cash.

Posting an Amount from the Debit Column of a General Journal LO5

Journal Page Number **2**

GENERAL JOURNAL												PAGE 1									
DATE	ACCOUNT TITLE					DOC. NO.	POST. REF.	DEBIT			CREDIT										
1	20--	2	Cash					R1	110	2	0	0	0	00				1			
2			Michael Delgado, Capital													2	0	0	0	00	2
3																					3
4																					4

ACCOUNT Cash												ACCOUNT NO. 110
DATE	ITEM	POST. REF.	DEBIT			CREDIT			BALANCE			
									DEBIT	CREDIT		
20--	2	G1	2	0	0	0	00		2	0	0	00

Account Balance

Transferring information from a journal entry to a ledger account is called **posting**. Posting sorts journal entries so that all debits and credits affecting each account are brought together. For example, all changes to Cash are brought together in the Cash account. Each amount in the Debit and Credit columns of a general journal is posted to the account written in the Account Title column.

The numbers in the Post. Ref. columns of the general ledger account and the general journal serve three purposes: (1) An entry in an account can be traced to its source in a journal. (2) An entry in a journal can be traced to where it was posted in an account. (3) If posting is interrupted, the accounting personnel can easily see which entries in the general journal still need to be posted. A blank in the Post. Ref. column of the journal indicates that posting for that line still needs to be completed. Therefore, the posting reference is always recorded in the journal as the last step in the posting procedure.

Posting an Amount from the Debit Column of a General Journal

- 1 Write the date, 20--, Jan. 2, in the Date column of the account, Cash.

2 Write the journal page number, G1, in the Post. Ref. column of the account. The letter G is an abbreviation for the general journal. Post. Ref. is an abbreviation for Posting Reference.

3 Write the debit amount, \$2,000.00, in the Debit amount column of the account.

4 Write the new account balance, \$2,000.00, in the Balance Debit column. Because this entry is the first in the Cash account, the previous balance is zero.



$$\begin{array}{rcl}
 \text{Previous} & & \text{Debit Column} & & \text{New Debit} \\
 \text{Balance} & + & \text{Amount} & = & \text{Balance} \\
 \$0.00 & & \$2,000.00 & & \$2,000.00
 \end{array}$$

5 Return to the journal and write the account number, 110, in the Post. Ref. column of the journal.

Posting an Amount from the Credit Column of a General Journal

As stated previously, each amount in the Debit and Credit columns of a general journal is posted to the account written

GENERAL JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT			CREDIT			
1 Jan. 2	Cash	R1	110	2	0	0	0	00		1
2	Michael Delgado, Capital		310						2	2
3										3
4										4

ACCOUNT Michael Delgado, Capital										ACCOUNT NO. 310
DATE	ITEM	POST. REF.	DEBIT	CREDIT			BALANCE			
							DEBIT	CREDIT		
Jan. 2		G1					2	0	0	00
										2
										0
										00

Credit Amount

in the Account Title column. The five steps used to post an amount from the Credit column are described below.



Each amount in the Debit and Credit columns of a general journal is posted to the account written in the Account Title column.

Posting an Amount from the Credit Column of a General Journal

1 Write the date, 20--, Jan. 2, in the Date column of the account, Michael Delgado, Capital.

2 Write the journal page number, G1, in the Post. Ref. column of the account.

3 Write the credit amount, \$2,000.00, in the Credit amount column of the account.

4 Write the new account balance, \$2,000.00, in the Balance Credit column. Because this entry is the first in the capital account, the previous balance is zero. The new account balance is calculated as shown.



$$\begin{array}{rcl} \text{Previous} & & \text{Credit Column} & & \text{New Credit} \\ \text{Balance} & + & \text{Amount} & = & \text{Balance} \\ \$0.00 & & \$2,000.00 & & \$2,000.00 \end{array}$$

5 Return to the journal and write the account number, 310, in the Post. Ref. column of the journal.

Posting a Debit Amount to an Account with a Balance

Only the first set of five steps is shown in the illustration. The second set of five steps is similar to the first set of steps and is described on the next page.



Two zeros

are written in the cents column when an amount is in even dollars, such as \$500.00. If the cents column is left blank, doubts may arise later about the correct amount.

Posting a Debit Amount to an Account with a Balance

1 Write the date, 5, in the Date column of the account, Supplies. The month and the year are written only once on a page of a ledger account unless the month or year changes.

2 Write the journal page number, G1, in the Post. Ref. column of the account.

3 Write the debit amount, \$220.00, in the Debit amount column.

4 Write the new account balance, \$385.00, in the Balance Debit column. When both the previous balance and a newly posted amount are debits, the new balance is a debit.

Journal Page Number **2**

GENERAL JOURNAL							PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
7	5 Supplies	M1	150	220 00			7
8	Accounts Payable—Canyon Office Supplies		210		220 00		8
9	9 Accounts Payable—Canyon Office Supplies	C3	210	100 00			9
10	Cash				100 00		10

ACCOUNT Supplies				ACCOUNT NO. 150		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Jan. 2		G1	165 00		165 00	
5		G1	220 00		385 00	

Account Balance

ACCOUNT Accounts Payable—Canyon Office Supplies				ACCOUNT NO. 210		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Jan. 5		G1		220 00		220 00
9		G1	100 00		120 00	

Previous Balance	+	Debit Column Amount	=	New Debit Balance
\$165.00		\$220.00		\$385.00



5 Return to the journal and write the account number, 150, in the Post. Ref. column of the

Posting a Debit Amount to an Account with a Credit Balance

1 Write the date, 9, in the Date column of the account, Accounts Payable—Canyon Office Supplies.

2 Write the journal page number, G1, in the Post. Ref. column of the account.

3 Write the debit amount, \$100.00, in the Debit amount column of the account.

4 Write the new account balance, \$120.00, in the Balance Credit column. Whenever the credits in an account exceed the debits, the balance is a credit. Whenever the debits in an account exceed the credits, the balance is a debit.



Previous Balance	−	Debit Column Amount	=	New Credit Balance
\$220.00		\$100.00		\$120.00

5 Return to the journal and write the account number, 210, in the Post. Ref. column of the

Journal Page with Posting Completed

GENERAL JOURNAL

DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT
1	Jan. 2	Cash	R1	110	2 0 0 0 00	
2		Michael Delgado, Capital		310		2 0 0 0 00
3	2	Supplies	C1	150	1 6 5 0 00	
4		Cash		110		1 6 5 0 00
5	3	Prepaid Insurance	C2	160	9 0 0 0 00	
6		Cash		110		9 0 0 0 00
7	5	Supplies	M1	150	2 2 0 0 00	
8		Accounts Payable—Canyon Office Supplies		210		2 2 0 0 00
9	9	Accounts Payable—Canyon Office Supplies	C3	210	1 0 0 0 00	
10		Cash		110		1 0 0 0 00
11	10	Cash	T10	110	1 1 0 0 00	
12		Sales		410		1 1 0 0 00
13	12	Accounts Receivable—Main Street Services	S1	130	5 0 0 0 00	
14		Sales		410		5 0 0 0 00
15	12	Communications Expense	C4	530	8 0 0 0 00	
16		Cash		110		8 0 0 0 00
17	15	Equipment Rental Expense	C5	540	4 0 0 0 00	
18		Cash		110		4 0 0 0 00
19	16	Cash	R2	110	2 0 0 0 00	
20		Accounts Receivable—Main Street Services		130		2 0 0 0 00
21	16	Michael Delgado, Drawing	C6	320	3 5 0 0 00	
22		Cash		110		3 5 0 0 00
23	16	Accounts Receivable—Valley Landscaping	S2	140	4 0 0 0 00	
24		Sales		410		4 0 0 0 00
25	17	Advertising Expense	C7	510	3 8 3 0 00	
26		Cash		110		3 8 3 0 00
27	18	Cash	T18	110	5 3 5 0 00	
28		Sales		410		5 3 5 0 00
29	19	Petty Cash	C8	120	1 0 0 0 00	
30		Cash		110		1 0 0 0 00
31	19	Supplies	M2	150	1 0 5 0 00	
32		Accounts Payable—Mountain Graphic Arts		220		1 0 5 0 00
33	22	Equipment Rental Expense	C9	540	5 1 0 0 00	
34		Cash		110		5 1 0 0 00
35						
36						

Page 1 of Delgado Web Services' January general journal, after all posting has been completed, is shown above. Notice that the Post. Ref. column is completely filled in with account numbers.



Posting will go smoothly if you consistently follow the five steps of posting. The last step in posting is to put the account number in the Post. Ref. column of the general journal.

General Ledger with Posting Completed

Delgado Web Services' general ledger, after all posting from the January journal is completed, is shown here and on the next several pages.

The use of the accounts Income Summary, Insurance Expense, and Supplies Expense is described in Chapter 6.

ACCOUNT *Cash*

ACCOUNT NO. 110

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Jan. 2		G1	2 0 0 0 00			2 0 0 0 00
2		G1		1 6 5 00		1 8 3 5 00
3		G1		9 0 0 00		9 3 5 00
9		G1		1 0 0 00		8 3 5 00
10		G1	1 1 0 0 00			1 9 3 5 00
12		G1		8 0 0 00		1 8 5 5 00
15		G1		4 0 0 00		1 4 5 5 00
16		G1	2 0 0 00			1 6 5 5 00
16		G1		3 5 0 00		1 3 0 5 00
17		G1		3 8 3 00		9 2 2 00
18		G1	5 3 5 00			1 4 5 7 00
19		G1		1 0 0 00		1 3 5 7 00
22		G1		5 1 0 00		8 4 7 00
24		G2	1 3 2 0 00			2 1 6 7 00
28		G2		1 3 0 00		2 0 3 7 00
29		G2	1 2 8 0 00			3 3 1 7 00
31		G2		2 5 00		3 2 9 2 00
31		G2		3 5 00		3 2 5 7 00
31		G2		8 0 0 00		2 4 5 7 00
31		G2	6 8 5 00			3 1 4 2 00
31		G2		5 4 5 00		2 5 9 7 00

ACCOUNT *Petty Cash*

ACCOUNT NO. 120

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Jan. 19		G1	1 0 0 0 00			1 0 0 0 00

ACCOUNT <i>Accounts Receivable—Main Street Services</i>					ACCOUNT NO. 130		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 12		G1	5 0 0 00		5 0 0 00		
16		G1		2 0 0 00	3 0 0 00		

ACCOUNT <i>Accounts Receivable—Valley Landscaping</i>					ACCOUNT NO. 140		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 16		G1	4 0 0 00		4 0 0 00		

ACCOUNT <i>Supplies</i>					ACCOUNT NO. 150		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 2		G1	1 6 5 00		1 6 5 00		
5		G1	2 2 0 00		3 8 5 00		
19		G1	1 0 5 00		4 9 0 00		
28		G2	1 3 0 00		6 2 0 00		

ACCOUNT <i>Prepaid Insurance</i>					ACCOUNT NO. 160		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 3		G1	9 0 0 00		9 0 0 00		

ACCOUNT <i>Accounts Payable—Canyon Office Supplies</i>					ACCOUNT NO. 210		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 5		G1		2 2 0 00		2 2 0 00	
9		G1	1 0 0 00			1 2 0 00	

ACCOUNT <i>Accounts Payable—Mountain Graphic Arts</i>					ACCOUNT NO. 220		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 19		G1		1 0 5 00		1 0 5 00	

A General Ledger after Posting Has Been Completed (continued)

ACCOUNT <i>Michael Delgado, Capital</i>					ACCOUNT NO. 310				
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE				
					DEBIT	CREDIT			
Jan. 2		G1		2 0 0 0 00		2 0 0 0 00			

ACCOUNT <i>Michael Delgado, Drawing</i>					ACCOUNT NO. 320				
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE				
					DEBIT	CREDIT			
Jan. 16		G1	3 5 0 0 00		3 5 0 0 00				
31		G2	8 0 0 0 00		1 1 5 0 00				

ACCOUNT <i>Income Summary</i>					ACCOUNT NO. 330				
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE				
					DEBIT	CREDIT			

ACCOUNT <i>Sales</i>					ACCOUNT NO. 410				
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE				
					DEBIT	CREDIT			
Jan. 10		G1		1 1 0 0 00		1 1 0 0 00			
12		G1		5 0 0 0 00		1 6 0 0 00			
16		G1		4 0 0 0 00		2 0 0 0 00			
18		G1		5 3 5 0 00		2 5 3 5 00			
24		G2		1 3 2 0 00		3 8 5 5 00			
29		G2		1 2 8 0 00		5 1 3 5 00			
31		G2		6 8 5 0 00		5 8 2 0 00			

ACCOUNT <i>Advertising Expense</i>					ACCOUNT NO. 510				
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE				
					DEBIT	CREDIT			
Jan. 17		G1	3 8 3 0 00		3 8 3 0 00				
31		G2	1 4 0 0 00		3 9 7 0 00				

A General Ledger after Posting Has Been Completed (continued)

ACCOUNT <i>Cash Short and Over</i>					ACCOUNT NO. 520		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 31		G2	1 00		1 00		

ACCOUNT <i>Communications Expense</i>					ACCOUNT NO. 530		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 12		G1	8 00		8 00		

ACCOUNT <i>Equipment Rental Expense</i>					ACCOUNT NO. 540		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 15		G1	4 00		4 00		
22		G1	5 10		9 10		
31		G2	5 45		1 45		

ACCOUNT <i>Insurance Expense</i>					ACCOUNT NO. 550		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	

ACCOUNT <i>Miscellaneous Expense</i>					ACCOUNT NO. 560		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Jan. 31		G2	2 50		2 50		
31		G2	2 00		4 50		

ACCOUNT <i>Supplies Expense</i>					ACCOUNT NO. 570		
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	

A General Ledger after Posting Has Been Completed (concluded)

Proving Cash LO6

Determining that the amount of cash agrees with the balance of the Cash account in the accounting records is called **proving cash**. Cash can be proved at any time Delgado Web Services wishes to verify the accuracy of the cash records. However, Delgado Web Services always proves cash at the end of a month. Delgado Web Services compares the cash balance as shown in the checkbook with the cash balance in the Cash account. If the two balances equal, cash is proved.

NO. 14	\$ _____
Date _____	20 _____
To _____	
For _____	
BALANCE BROUGHT FORWARD	2,597 00
AMOUNT DEPOSITED	
Date	
SUBTOTAL	
AMOUNT THIS CHECK	
BALANCE CARRIED FORWARD	



ACCOUNT <i>Cash</i>					ACCOUNT NO. 110			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE			
					DEBIT	CREDIT		
31		G2		5 4 5 00	2 5 9 7 00			

Whenever the debits in an account exceed the credits, the account balance is a debit.
Whenever the credits in an account exceed the debits, the account balance is a credit.

End of Lesson Review

LO5 Post amounts from a general journal.

LO6 Demonstrate how to prove cash.

Terms Review

posting

proving cash

Audit Your Understanding

1. List the five steps of posting from the general journal to the general ledger.
2. When both debit and credit amounts have been posted to an account, what determines whether the balance is a debit or a credit?
3. Which two amounts are compared when proving cash?

Work Together 4-2

Posting to a general ledger

A completed journal and general ledger accounts are given in the Working Papers. Your instructor will guide you through the following example.

Omar Boje owns a service business that uses the following accounts.

Assets	
110	Cash
120	Accounts Receivable—Dan Carroll
130	Supplies
140	Prepaid Insurance
Liabilities	
210	Accounts Payable—Ready Supply
Owner's Equity	
310	Omar Boje, Capital
320	Omar Boje, Drawing
Revenue	
410	Sales
Expenses	
510	Rent Expense

1. Post all the entries in the general journal.
2. Prove cash. The balance on the next available check stub is \$1,720.00.

On Your Own 4-2

Posting to a general ledger

A completed journal and general ledger accounts are given in the Working Papers. Work this problem independently.

Helen Orr owns a service business which uses the following accounts.

Assets	
110	Cash
120	Accounts Receivable—K. Green
130	Supplies
140	Prepaid Insurance
Liabilities	
210	Accounts Payable—Stein Company
Owner's Equity	
310	Helen Orr, Capital
320	Helen Orr, Drawing
Revenue	
410	Sales
Expenses	
510	Advertising Expense

1. Post all the entries in the general journal.
2. Prove cash. The balance on the next available check stub is \$2,392.00.

Think Like an Accountant: Controlling Operating Expenses

Velcor Industries has over 70 expense accounts in its chart of accounts. Each month, the computerized accounting system generates a list of the accounts which includes the year-to-date account balance and the annual amount budgeted for the year.

The managers of the business want to receive a monthly report showing how effectively the business is controlling its expenses. For example, if the company expected to spend \$12,000 on insurance for the entire year, it should only have spent \$5,000 through May.

Open the Spreadsheet TLA_CH04



1. Follow the directions on the Instructions tab.
2. Prepare an analysis that highlights the five expense accounts that, as of May 31, are most over budget, as measured by the percent of the budgeted amount.

Chapter 4: Posting to a General Ledger: Why Accounting?: How Much Will You Pay for That Free Breakfast?

Why Accounting?: How Much Will You Pay for That Free Breakfast?

When you are looking for a hotel, what factors do you consider? Is location most important to you? Do you choose the lowest cost hotel? Are you willing to pay extra for an indoor pool? How do you feel about a hotel that accepts pets?

Hotels offer a wide variety of “extras” such as free breakfasts, on-site restaurants, workout facilities, etc. These extras are called amenities. Just as you consider which amenities are important to you and for which you are willing to pay more, so too, the hotel management must decide which amenities it wants to offer. This decision is usually based on how much each amenity costs and which amenities the hotel's customers want.



A hotel that focuses on low cost may decide that the cost of a free breakfast would increase room rates so much that it would ultimately decrease business for the hotel. On the other hand, a hotel that focuses on service may be able to offer a wonderful free breakfast and raise room rates even more than the actual cost of the breakfast.

Critical Thinking



1. What costs should hotel management consider when calculating the per-person cost of breakfast?
2. If the average cost of a breakfast is \$8.00, why might a hotel only increase its room rates \$6.00 once it offers a free breakfast?

Chapter 4: Posting to a General Ledger: Lesson 4-3: Journalizing Correcting Entries and Correcting Posting Errors

Lesson 4-3: Journalizing Correcting Entries and Correcting Posting Errors

Memorandum for a Correcting Entry LO7

Journal Entry to Record a Correcting Entry

Correcting an Error in Posting to the Wrong Account LO8

Correcting an Incorrect Amount and an Amount Posted to the Wrong Column

End of Lesson Review

LO7 Analyze incorrect journal entries and prepare correcting entries.

LO8 Demonstrate how to correct errors made during the posting process.

Memorandum for a Correcting Entry LO7

Errors discovered before entries are posted may be corrected by ruling through the item, as described in Chapter 3. However, a transaction may have been improperly journalized and posted to the ledger. In such a case, the incorrect journal entry should be corrected with an additional journal entry, called a **correcting entry**.

DELGADO WEB SERVICES <small>25402 Rimrock Road Billings, MT 59102-1820</small>	No. 15
<h2 style="margin: 0;">MEMORANDUM</h2>	
<p><i>A cash payment of \$120.00 for Advertising, March 31, 20--, was debited in error to Miscellaneous Expense</i></p>	
Signed: <u>Michael Delgado</u> Date: <u>April 17, 20--</u>	

If an accounting error is discovered, a memorandum is prepared as the source document describing the correction to be made.

Journal Entry to Record a Correcting Entry

GENERAL JOURNAL							PAGE 7
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
28	17 Advertising Expense	M15		120 00			28
29	Miscellaneous Expense					120 00	29
30							30

Note: Blue arrows in the original image point from labels 'Date', 'Debit', 'Source Document', and 'Credit' to their respective fields in the journal entry.

April 17.
 Discovered that a payment of cash for advertising in March was journalized and posted in error as a debit to

Miscellaneous Expense instead of Advertising Expense, \$120.00. Memorandum No. 15.

Advertising Expense	
↑ 120.00	
Miscellaneous Expense	
	↓ 120.00

To correct the error, an entry is made to add \$120.00 to the Advertising

Expense account. The entry must also deduct \$120.00 from the Miscellaneous Expense account.

Because the Advertising Expense account has a normal debit balance, Advertising Expense is debited for \$120.00 to show the increase in this expense account. The Miscellaneous Expense account also has a normal debit balance. Therefore, Miscellaneous Expense is credited for \$120.00 to show the decrease in this expense account.

Correcting an Error in Posting to the Wrong Account LO8

ACCOUNT <i>Supplies</i>				ACCOUNT NO. 150			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Feb. 2		G3	2 5 0 00		2 5 0 00		
15		G3	1 5 0 00		4 0 0 00		
12		G4	1 0 0 00		5 0 0 00		

Correct Entry 2 →

ACCOUNT <i>Prepaid Insurance</i>				ACCOUNT NO. 160			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Feb. 3		G3	3 2 5 00		3 2 5 00		
12		G4	1 0 0 00		4 2 5 00		

Incorrect Entry 1 →

Sometimes, an error in posting is made but not discovered until additional postings have been made to the account. For example, assume that a debit to Supplies was incorrectly posted as a debit to Prepaid Insurance. A line should be drawn through the incorrect posting in the Prepaid Insurance account. The correct posting should be made on the next available line in the correct account, Supplies.

Correcting an Error in Posting to the Wrong Account

- 1 Draw a line through the entire incorrect entry.
- 2 Record the posting in the correct account. Recalculate the account balance.



Errors are corrected in a way that does not cause doubts about what the correct information is. If an error is recorded, cancel the error by neatly drawing a line through the incorrect item. Write the correct items immediately above the canceled item. Write the correct items immediately above the canceled item.

Correcting an Incorrect Amount and an Amount Posted to the Wrong Column

ACCOUNT <i>Miscellaneous Expense</i>				ACCOUNT NO. 540			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
May 6		G9	45.00			45.00	
			30.00			42.00	
May 31		G10		30.00			
						75.00	

Other errors can be made when posting. An incorrect amount may be entered in

the account. An amount may be entered in the wrong column. All corrections should be made in a way that leaves no question as to the correct amount.

Correcting an Incorrect Amount Posted in an Account

- 1 Draw a line through the incorrect amount.
- 2 Write the correct amount just above the correction in the same space.
- 3 Recalculate the account balance.

Correcting an Amount Posted to the Wrong Column

- 4 Draw a line through the incorrect item in the account.
- 5 Record the posting in the correct amount column.
- 6 Recalculate the account balance.

General ledger accounts are part of the permanent records of a business



and entries in the accounts are recorded in ink. Any corrections that need to be made should also be recorded in ink.

End of Lesson Review

LO7 Analyze incorrect journal entries and prepare correcting entries.

LO8 Demonstrate how to correct errors made during the posting process.

Term Review

correcting entry

Audit Your Understanding

1. What is a correcting entry?
2. When is a correcting entry necessary?
3. What are the three steps for correcting an incorrect amount posted to an account?
4. What are the three steps for correcting an amount posted to an incorrect column?

Work Together 4-3

Journalizing correcting entries and correcting posting errors

A journal and general ledger accounts are given in the Working Papers. Your instructor will guide you through the following example.

Transactions:

Dec. 1. Discovered that a transaction for supplies bought last month was journalized and posted in error as a debit to Prepaid Insurance instead of Supplies, \$75.00. M15.

1. Discovered that a transaction for rent expense for last month was journalized and posted in error as a debit to Repair Expense instead of Rent Expense, \$900.00. M16.

4. Journalize each correcting entry discovered during December of the current year. Use page 21 of the journal.
5. It was also discovered that two posting errors were made in the owner's drawing account. The Nov. 15 entry amount should have been \$540.00. The Nov. 30 entry included a debit to the drawing account for \$400.00 that was posted in error as a credit. Using the account provided in the Working Papers and the information given, correct the two posting errors.

On Your Own 4-3

Journalizing correcting entries and correcting posting errors

A journal and general ledger accounts are given in the Working Papers. Work this problem independently.

Transactions:

July 1. Discovered that a transaction for supplies bought last month was journalized and posted in error as a debit to Prepaid Insurance instead of Supplies, \$110.00. M23.

1. Discovered that a transaction for advertising expense for last month was journalized and posted in error as a debit to Miscellaneous Expense instead of Advertising Expense, \$440.00. M24.

1. Journalize each correcting entry discovered during July of the current year. Use page 11 of the journal.

It was also discovered that two posting errors were made in the owner's capital account. The June 1 entry amount should have been \$25,000.00. The June 15 entry included a credit to the capital account for \$1,000.00 that was posted in error as a debit. Using the account provided in the Working Papers and the information given, correct the two posting errors.

Chapter 4: Posting to a General Ledger: Forensic Accounting: Skimming at a Yogurt Shop

Forensic Accounting: Skimming at a Yogurt Shop

Instructions

Anna's Yogurt Shop is a classic example of a small business. The shop has one location, one cash register, and one owner. The shop's floor plan is typical of businesses in this market. The yogurt machines are located just behind a glass enclosed counter containing an assortment of toppings. Customers place their orders at the right side of the counter, drift to the left to make topping selections, and check out at the left end of the counter. In most cases, a single employee serves a customer from order to check out.

A basic principle for preventing fraud is to segregate the duties of custody, authority, and reporting. No one employee should be responsible for two or more of these duties. At Anna's Yogurt Shop, employees have access to the yogurt and toppings (custody) and sell these items to customers (authority).

Owner Anna Sue Preston is fully aware that this lack of segregation of duties places her business at risk. Employees are very familiar with the pricing of the shop's limited menu. Rather than using the cash register, employees could mentally calculate the total sales amount. The money taken from the customer could go in the employee's pocket rather than the cash register. This type of fraud is known as skimming. Despite this risk, Anna Sue believes that the one-on-one service provided by her employees enhances the friendly atmosphere that has made her shop a local landmark.

Anna Sue contracts with a local janitorial service to clean the store each morning. Unknown to shop employees, the janitorial service has also been instructed to measure the volume of product (yogurt and toppings). The daily difference in product volumes indicates how much product was actually sold. For example, selling ten small cones should use 60 ounces of yogurt and ten cones.

Anna Sue has asked you to perform an analysis to determine if any of her employees are skimming sales. She has provided you with data for the past four months. The data include the quantity sales of each menu item, the names of the two employees working that day, and the actual product usage as determined by the janitorial service. As a result of product spills and breakage, a 3.0% difference between the actual and expected volume of product used is considered acceptable.

Instructions



Open the spreadsheet FA_CH04. Click the Instructions tab. Follow the instructions and then provide Anna Sue with answers to the following questions:

1. Does an analysis of yogurt usage provide any evidence to suggest that an employee is involved in a skimming fraud?
2. Does an analysis of toppings, sugar cones, and waffle cones support the evidence identified in your analysis of yogurt usage?
3. Does this evidence prove that an employee is involved in a skimming fraud?
4. Suggest what action Anna Sue should take as a result of your analysis.

End of Chapter Review

[Posting to a General Ledger: A Look at Accounting Software](#)

[Posting to a General Ledger: Chapter Summary](#)

[Posting to a General Ledger: Explore Accounting](#)

[Posting to a General Ledger: Apply Your Understanding: Application Problem](#)

[Posting to a General Ledger: Apply Your Understanding: Mastery Problem](#)

[Posting to a General Ledger: Apply Your Understanding: Source Documents Problem](#)

[Posting to a General Ledger: Apply Your Understanding: Challenge Problem](#)

[Posting to a General Ledger: 21st Century Skills](#)

[Posting to a General Ledger: Analyzing Nike's Financial Statements](#)

[Posting to a General Ledger: A Look at Accounting Software](#)

Managing Accounts

In a manual system, the chart of accounts serves primarily as a reference document. All the accounts are written on paper forms, so it is easy to see what accounts are in use.

Transactions are written in the lines of the account forms.

In a computerized accounting system, accounts are key-entered. Information about each account is stored in the computer's memory. When a transaction is keyed into the system, the user need only enter the number of each account. Related information, such as the account title and type, are retrieved from the computer's memory.

Note that the Income Summary account is missing. Computerized accounting systems do not need an Income Summary account. You will learn how that account is used in manual accounting systems in Chapter 8.

DELGADO WEB SERVICES			
Chart of Accounts			
Acct. No.	Account Title	① Type	③ Active?
110	Cash	Asset	Yes
120	Petty Cash	Asset	Yes
130	Accounts Receivable—Main Street Services	Asset	Yes
140	Accounts Receivable—Valley Landscaping	Asset	Yes
150	Supplies	Asset	Yes
160	Prepaid Insurance	Asset	Yes
210	Accounts Payable—Canyon Office Supplies	Liability	Yes
220	Accounts Payable—Mountain Graphic Arts	Liability	Yes
310	Michael Delgado, Capital	Equity	Yes
320	Michael Delgado, Drawing	Equity	Yes
410	Sales	Revenue	Yes
510	Advertising Expense	Expense	Yes
510	Cash Short and Over	Expense	Yes
530	Communications Expense	Expense	Yes
540	Equipment Rental Expense	Expense	Yes
550	Insurance Expense	Expense	Yes
560	Miscellaneous Expense	Expense	Yes
570	Supplies Expense	Expense	Yes

1 In a manual system, the chart of accounts would be a paper document like the one for Delgado Web Services on page 94. Each division has a heading, such as Assets. In a computerized system, the account type tells the system whether to add or subtract amounts debited or credited to each account.

2 Computerized accounting systems allow users to set up different types of accounts and assign a range of numbers to each type. In this example, the range for Assets would probably be 100–199. The range for Liabilities would be 200–299, and so on.

3 In a manual system, when an account is no longer needed it simply is not used anymore. In a computerized system, inactive accounts can clutter up reports with a lot of unnecessary lines showing zero amounts. If an account is marked “Inactive,” it can no longer be used.

Posting to a General Ledger: Chapter Summary

General ledger accounts are numbered using a numbering system specific to each company. The accounts used by a company and the numbers assigned to each account are recorded in a document called a chart of accounts. The journal is used to record all transactions in order by date. In addition to recording entries in the journal, amounts must be posted to general ledger accounts. Posting transfers all information about an account into that account. Each amount in the Debit and Credit columns of a general journal is posted to the account written in the Account Title column. If errors are made in journal entries or in posting, corrections should be made following standard accounting principles. All corrections should clearly indicate the correct information.

Posting to a General Ledger: Explore Accounting

Chart of Accounts

Each company designs its chart of accounts to meet its unique needs. Delgado Web Services, the company described in this section of the textbook, has a relatively simple chart of accounts, with a small number of accounts. Therefore, Delgado Web Services can use a 3-digit account number for each account. A company with more accounts may need to use a 4- or 5-digit account number for each account. The numbering system used by the company should ensure that each account can be assigned a unique number.

When setting up a chart of accounts, a company does not have to use a straight series of numbers. If a company has several departments, it may choose to use account numbers such as 12-150. The first two digits (12) can be used to designate a specific department. The last three digits (150) identify a unique account within that department. If this company has many departments or many accounts within each department, it may have to increase the number

of digits in the account, such as 123-4567.

A large corporation made up of smaller companies may have one chart of accounts for the entire corporation. If the managers of the corporation also want to be able to separate out the accounts for each company, they may choose to set up the account numbers in an xx-yyyzzzz format. The first two digits (xx) would be a unique number for each company, the second set of numbers (yyy) refers to a department number, and the third set of numbers (zzzz) is a unique account.

Another example would be a company that manufactures goods for its customers. Such a company may want to include the job order number in each account number, so that it can easily trace the cost of each job.

Many possible systems can be followed when assigning account numbers. A company should consider future growth when first setting up a system so that it can avoid having to renumber accounts at a later date.

Instructions

Develop a chart of accounts for an imaginary business. Write a detailed description of the company and a rationale for the account numbering system you have developed.

Posting to a General Ledger: Apply Your Understanding: Application Problem

INSTRUCTIONS: Download problem instructions for Excel, QuickBooks, and Peachtree from the textbook companion website at www.C21accounting.com .

4-1 Application Problem: Preparing a Chart of Accounts and Opening an Account LO1, 2, 3, 4

Kajal Chauhan owns a service business called Deters Duplicating, which uses the following accounts.

Accounts

Receivable—J. Chin	Kajal Chauhan, Capital	Rent Expense
Accounts Receivable—A. Karn	Kajal Chauhan, Drawing	Insurance Expense
	Prepaid Insurance	Supplies
Accounts Payable—River Company	Advertising Expense	Sales
Accounts Payable—Sharma Supply	Postage Expense	Cash
	Charitable Expense	

Instructions:

1. Prepare a chart of accounts similar to the one described in this chapter. Arrange any accounts receivable, accounts payable, or expense accounts in alphabetical order. Use 3-digit account numbers and number the accounts within a division by 10s.
2. Two new accounts, Delivery Expense and Telephone Expense, are to be added to the chart of accounts prepared in part 1. Assign account numbers to the two new accounts.
3. Using the forms in the Working Papers, open the Prepaid Insurance and the Postage Expense accounts.

4-2 Application Problem: Posting from a General Journal to a General Ledger and Proving Cash LO5, 6

A completed journal and general ledger accounts are given in the Working Papers.

Jing Suen owns a service business that uses the accounts given in the Working Papers.

Instructions:

1. Post all the entries in the general journal.
2. Prove cash. The balance on the next available check stub is \$3,319.00.
3. 4-3 Application Problem: Journalizing Correcting Entries and Correcting Posting Errors LO7, 8

The following errors were discovered after the incorrect entries were already journalized and posted.

Transactions:

Aug. 1. Discovered that a transaction for utilities expense was journalized and posted in error as a debit to Repairs Expense instead of Utilities Expense, \$530.00. M66.

5. Discovered that a cash investment by Vivian Lynum, owner, was journalized and posted in error as a credit to Sales instead of Vivian Lynum, Capital, \$1,200.00. M67.

Instructions:

1. Journalize each correcting entry discovered during August of the current year. Use page 15 of the journal given in the Working Papers.
2. It was also discovered that two posting errors were made in the Supplies account. The July 6 entry amount should have been \$360.00. The July 30 entry included a credit to the Supplies account for \$140.00 that should have been a debit. Using the account provided in the Working Papers and the information given, correct the two posting errors.

Posting to a General Ledger: Apply Your Understanding: Mastery Problem

4-M Mastery Problem: Journalizing Transactions and Posting to a General Ledger LO3, 4, 5

Brian Ford owns a service business called Ford Lawn and Garden. Ford Lawn and Garden's general ledger accounts are given in the Working Papers.

Transactions:

Feb. 1. Received cash from owner as an investment, \$11,000.00. R1.

3. Paid cash for supplies, \$800.00. C1.

5. Received cash from sales, \$1,800.00. T5.
6. Sold services on account to Clara Walthers, \$560.00. S1.
9. Paid cash for rent, \$1,200.00. C2.
11. Paid cash for miscellaneous expense, \$100.00. C3.
13. Bought supplies on account from Corner Supplies, \$480.00. M1.
13. Received cash from sales, \$860.00. T13.
16. Paid cash for advertising, \$286.00. C4.
18. Paid cash on account to Corner Supplies, \$280.00. C5.
20. Paid cash for electric bill, \$460.00. C6.
20. Received cash on account from Clara Walthers, \$300.00. R2.
25. Paid cash for supplies, \$300.00. C7.
27. Paid cash for supplies, \$160.00. C8.
27. Received cash from sales, \$4,200.00. T27.
28. Paid cash to owner for personal use, \$1,000.00. C9.
28. Received cash from sales, \$220.00. T28.

Instructions:

1. Open an account for Utilities Expense. Use the 3-digit numbering system described in the chapter.
2. Journalize the transactions completed during February of the current year. Use page 1 of a journal. Source documents are abbreviated as follows: check, C; memorandum, M; receipt, R; sales invoice, S; calculator tape, T.

3. Post from the general journal to the general ledger.
4. Prove cash. The balance on the next unused check stub is \$13,794.00.



1. Journalize and post transactions to the general journal.
2. From the menu bar, select Reports & Forms; General Ledger.
3. Make the selections to print the general journal and general ledger.



Journalize and post transactions to the journal.

From the menu bar, select Reports; Accountant & Taxes.

Make the selections to print the journal and general ledger.



Journalize transactions in the general journal.