

APPENDIX B SUBSIDIARY LEDGERS AND SPECIAL JOURNALS

THE NAVIGATOR ✓

- Understand *Concepts for Review*

- Read *Feature Story*

- Scan *Study Objectives*

- Read *Preview*

- Read text and answer *Before You Go On*
p. 486–487 p. 499

- Work *Demonstration Problem*

- Review *Summary of Study Objectives*

- Complete *Assignments*

CONCEPTS FOR REVIEW

Before studying this chapter, you should know or, if necessary, review:

- a. What a double-entry system is. (Ch. 3, p. 69)
- b. How to post a transaction. (Ch. 3, p. 79)
- c. The steps in the accounting cycle. (Ch. 1, p. 15)

FEATURE STORY

Different Roads for Different Folks

Most people begin working in the hospitality industry in one functional area and progress up the career ladder to become general managers, after which they reach the district, regional, and finally corporate level if they so choose.

Brian P. Garavuso is one of the rare breeds in the hospitality business. He has worked in the accounting and financial aspects of the industry and then became intrigued with the ever-changing technology. Rather than being a controller, then a general manager, and finally corporate, or going strictly the financial route and becoming a chief financial officer, he is currently the chief information officer of **Hilton Grand Vacations Company**.

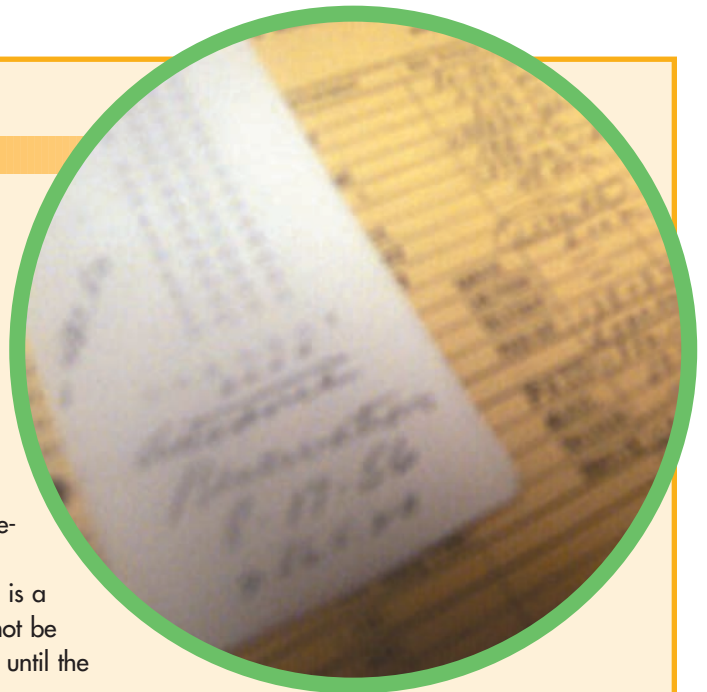
Garavuso states some specific types of journals that are unique to the hospitality industry. "The city ledger is basically an accounts receivable journal, and the guest ledger represents the amount of money owed to the hotel for those guests that are staying in the hotel," says Garavuso. "Another important

and unique journal in our industry is the advance deposit ledger. This gives a detailed listing of amounts received from future guests to secure their reservations. This is a liability and cannot be taken as revenue until the guest arrives."

Of course, there are also the special journals that all businesses use. Garavuso says the cash receipts journal is quite useful when reconciling deposits to the bank statements. This journal helps the business identify deposits in transit and is also useful for reconciling accounts receivable accounts. The cash payments or disbursements journal, by contrast, is very important for managing cash flow. This journal also assists managers and owners in analyzing income statements when researching actual versus budget variances. For expense management, the purchases journal is the key. In some systems, the purchases journal

is also the accounts payable expense journal, which represents invoices entered in the system.

As you can see from the previous chapters, Mr. Garavuso has made a smart career choice—accounting and technology really go hand in hand. Recalling his accounting days, he is one who will always insist on the use of subsidiary ledgers and special journals. With computers, and even in a manual system, all subsidiary ledgers and special journals allow businesses to keep transactions grouped by type, eliminate all of the posting detail from the general ledger, and



STUDY OBJECTIVES

After studying this appendix, you should be able to

1. Describe the nature and the purpose of a subsidiary ledger.
2. Explain how special journals are used in journalizing.
3. Indicate how a multicolumn journal is posted.

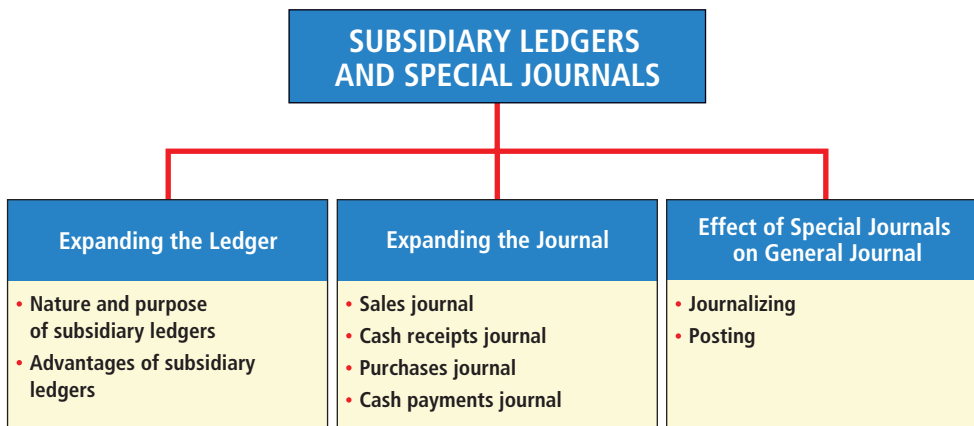


PREVIEW OF APPENDIX B

In the first five chapters of this book, you saw how you can complete an entire accounting cycle so that transactions can be accounted for in any given business. However, that is only the first step. All the examples and practice exercises you have completed thus far are exactly what they are—examples and practices. Think of all the individual transactions that happen at all the **Disney** businesses on any given day, from guests staying at their hotels, to guests eating at their restaurants, to guests paying at the entrance of a theme park, to guests buying souvenirs at a Disney store at a local mall. Then you also have Disney buying food from a purveyor, paying its employees, paying bills to a linen cleaning company, paying its electricity bill, and so on. If Disney has one general ledger and one general journal to account for all its transactions, it will be very difficult for Disney to do any analysis or to look up any specific information.

The ease of obtaining information and analyses—and other reasons, such as facilitating the recording process and better organization of data—is why special ledgers and journals are useful in the accounting process.

The content and organization of Appendix B are as follows:



EXPANDING THE LEDGER—SUBSIDIARY LEDGERS

NATURE AND PURPOSE OF SUBSIDIARY LEDGERS

STUDY OBJECTIVE 1

Describe the nature and the purpose of a subsidiary ledger.

Imagine a business that has several thousand charge (credit) customers and shows the transactions with these customers in only one general ledger account—Accounts Receivable. It would be virtually impossible to determine the balance owed by an individual customer at any specific time. Similarly, the amount payable to one creditor would be difficult to locate quickly from a single Accounts Payable account in the general ledger.

Instead, companies use subsidiary ledgers to keep track of individual balances. A **subsidiary ledger** is a group of accounts with a common characteristic (for example, all accounts receivable). The subsidiary ledger frees the general ledger from the details of individual balances. A subsidiary ledger is an addition to, and an expansion of, the general ledger.

There are two common subsidiary ledgers:

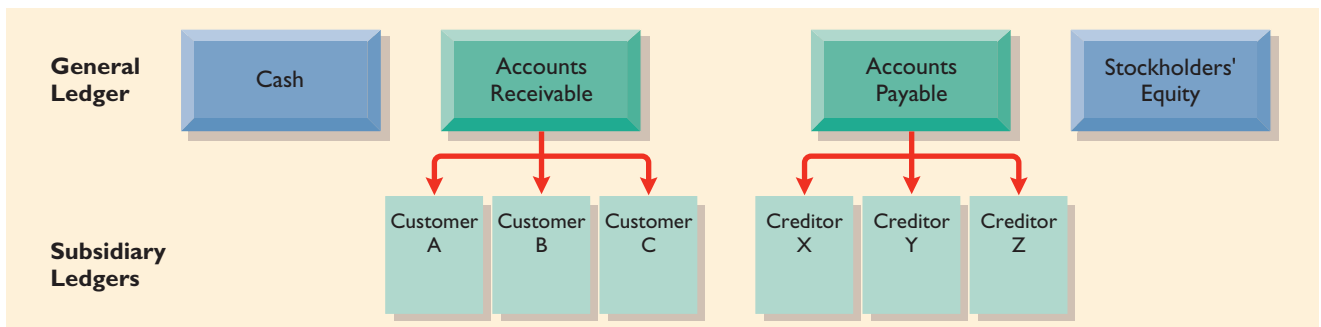
1. The **accounts receivable** (or **customers' subsidiary ledger**), which collects transaction data of individual customers.
2. The **accounts payable** (or **creditors' subsidiary ledger**), which collects transaction data of individual creditors.

In each of these subsidiary ledgers, individual accounts are usually arranged in alphabetical order.

The detailed data from a subsidiary ledger are summarized in a general ledger account. For example, the detailed data from the accounts receivable subsidiary ledger are summarized in Accounts Receivable in the general ledger. The general ledger account that summarizes subsidiary ledger data is called a **control account**. An overview of the relationship of subsidiary ledgers to the general ledger is shown in Illustration B-1. The general ledger control accounts and subsidiary ledger accounts are shown in green. Note that cash and stockholders' equity in this illustration are not control accounts because there are no subsidiary ledger accounts related to these accounts.

Illustration B-1

Relationship of general ledger and subsidiary ledgers



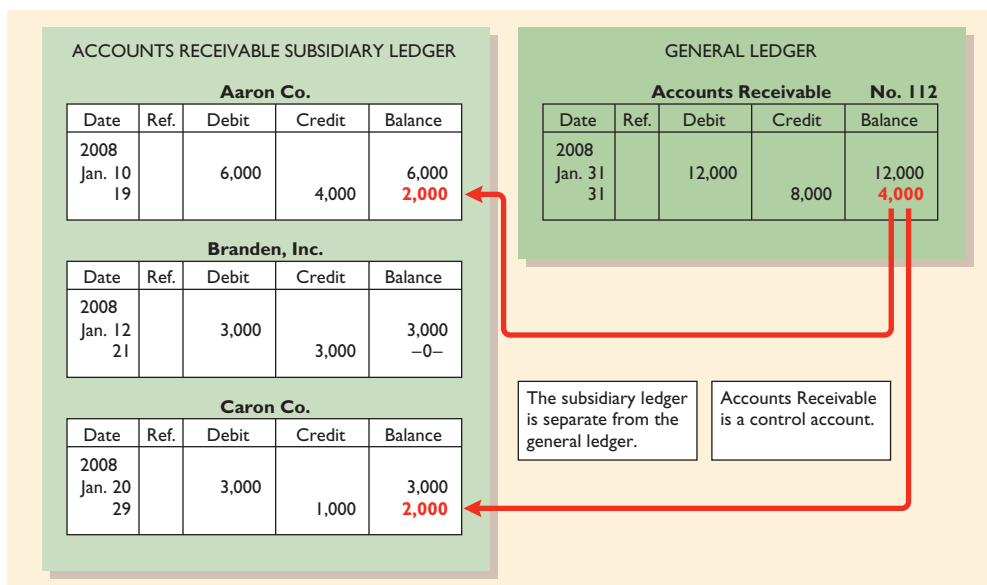
Each general ledger control account balance must equal the composite balance of the individual accounts in the related subsidiary ledger at the end of an accounting period. For example, the balance in Accounts Payable in Illustration B-1 must equal the total of the subsidiary balances of Creditors X + Y + Z.

EXAMPLE

An example of a control account and a subsidiary ledger for Larson Enterprises, a firm that sells souvenirs and children's giveaways for restaurants, is provided in Illustration B-2. (The explanation column in these accounts is not shown in this and subsequent illustrations due to space considerations.)

Illustration B-2

Relationship between general and subsidiary ledgers



The example is based on the transactions listed in Illustration B-3.

Illustration B-3

Sales and collection transactions

Credit Sales			Collections on Account		
Jan. 10	Aaron Co.	\$ 6,000	Jan. 19	Aaron Co.	\$ 4,000
12	Branden, Inc.	3,000	21	Branden, Inc.	3,000
20	Caron Co.	3,000	29	Caron Co.	1,000
		<u>\$12,000</u>			<u>\$ 8,000</u>

The total debits (\$12,000) and credits (\$8,000) in Accounts Receivable in the general ledger are reconcilable to the detailed debits and credits in the subsidiary accounts. Also, the balance of \$4,000 in the control account agrees with the total of the balances in the individual accounts (Aaron Co. \$2,000 + Branden, Inc., \$0 + Caron Co. \$2,000) in the subsidiary ledger.

As shown, postings are made monthly to the control accounts in the general ledger. This practice allows monthly financial statements to be prepared. Postings to the individual accounts in the subsidiary ledger are made daily. Daily posting ensures that account information is current. This enables the company to monitor credit limits, to bill customers, and to answer inquiries from customers about their account balances.

ADVANTAGES OF SUBSIDIARY LEDGERS

Subsidiary ledgers have at least four advantages:

1. **They show transactions affecting one customer or one creditor in a single account**, thus providing up-to-date information on specific account balances.
2. **They free the general ledger of excessive details.** As a result, a trial balance of the general ledger does not contain vast numbers of individual account balances.
3. **They help locate errors in individual accounts** by reducing the number of accounts in one ledger and by using control accounts.
4. **They make possible a division of labor** in posting. One employee can post to the general ledger while someone else posts to the subsidiary ledgers.

TECHNOLOGY IN ACTION

Rather than relying on customer or creditor names in a subsidiary ledger, a computerized system expands the account number of the control account in a prespecified manner. For example, if Accounts Receivable was numbered 10010, the first account in the accounts receivable subsidiary ledger might be numbered 10010-0001. Most systems allow inquiries about specific accounts in the subsidiary ledger (by account number) or about the control account. With the latter, the system would automatically total all the subsidiary accounts whenever an inquiry to the control account was made. The various uniform systems of accounts also provide a suggested chart of accounts for businesses to adopt as a turnkey.

BEFORE YOU GO ON...

▶ REVIEW IT

1. What is a subsidiary ledger, and what purpose does it serve?

2. What are two common subsidiary ledgers? What is the relationship between subsidiary ledgers and a general ledger?
3. What are the advantages of using and maintaining subsidiary ledgers?

► **DO IT**

The following information relates to Sims Frozen Slushies for its first month of operations. Determine the balances that appear in the accounts payable subsidiary ledger. What Accounts Payable balance appears in the general ledger at the end of January?

Credit Purchases			Cash Paid		
Jan. 5	Devon Co.	\$11,000	Jan. 9	Devon Co.	\$7,000
11	Shelby Co.	7,000	14	Shelby Co.	2,000
22	Taylor Co.	14,000	27	Taylor Co.	9,000

ACTION PLAN

- Subtract cash paid from credit purchases to determine the balances in the accounts payable subsidiary ledger.
- Sum the individual balances to determine the Accounts Payable balance.

SOLUTION

Subsidiary ledger balances: Devon Co. \$4,000 (\$11,000 – \$7,000); Shelby Co. \$5,000 (\$7,000 – \$2,000); Taylor Co. \$5,000 (\$14,000 – \$9,000). General ledger Accounts Payable balance: \$14,000 (\$4,000 + \$5,000 + \$5,000).

EXPANDING THE JOURNAL— SPECIAL JOURNALS

So far you have learned to journalize transactions in a two-column general journal and to post each entry to the general ledger. This procedure is satisfactory in only the very smallest companies. To expedite journalizing and posting, most companies use special journals *in addition to the general journal*.

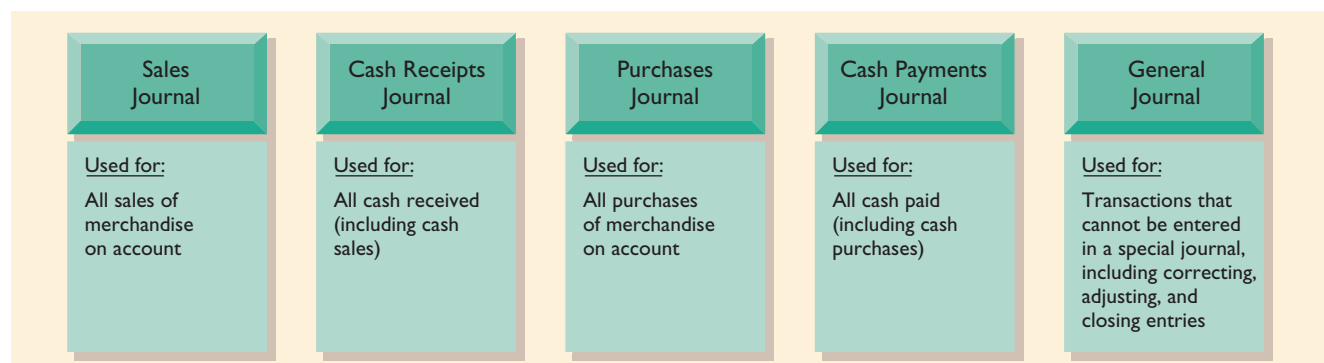
A **special journal** is used to record similar types of transactions. Examples would be all sales of merchandise on account or all cash receipts. What special journals a company uses depends largely on the types of transactions that occur frequently. Most merchandising enterprises use the journals shown in Illustration B-4 to record transactions daily.

STUDY OBJECTIVE 2

Explain how special journals are used in journalizing.

Illustration B-4

Use of special journals and the general journal



If a transaction cannot be recorded in a special journal, it is recorded in the general journal. For example, if you had special journals only for the four types of transactions shown in Illustration 10-4, purchase returns and allowances would be recorded in the general journal. So would sales returns and allowances. Similarly, **correcting, adjusting, and closing entries are recorded in the general journal.** Other types of special journals sometimes may be used in some situations. For example, when sales returns and allowances are frequent, special journals may be used to record these transactions.

The use of special journals *permits greater division of labor* because several people can record entries in different journals at the same time. For example, one employee may journalize all cash receipts, and another may journalize all credit sales. Also, the use of special journals *reduces the time needed to complete the posting process.* With special journals, some accounts may be posted monthly, instead of daily, as will be illustrated later in this Appendix.

SALES JOURNAL

The **sales journal** is used to record sales of merchandise on account. Cash sales of merchandise are entered in the cash receipts journal. Credit sales of assets other than merchandise are entered in the general journal.

Journalizing Credit Sales

Karns Food Wholesale uses a **perpetual inventory** system. Under this system, each entry in the sales journal results in one entry *at selling price*—a debit to Accounts Receivable (a control account) and a credit of equal amount to Sales—and another entry *at cost*—a debit to Cost of Goods Sold and a credit of equal amount to Merchandise Inventory (a control account). A sales journal with two amount columns can show on only one line a sales transaction at both selling price and cost. The two-column sales journal of Karns Food Wholesale is shown in Illustration B-5, using assumed credit sales transactions (for sales invoices 101–107). The reference (Ref.) column is not used in journalizing. It is used in posting the sales journal, as explained in the next section. Also note that, unlike the general journal, an explanation is not required for each entry in a special journal. Finally, note that each invoice is prenumbered to ensure that all invoices are journalized.

HELPFUL HINT

Postings are also made daily to individual ledger accounts in the inventory subsidiary ledger to maintain a perpetual inventory.

Illustration B-5

Journalizing the sales journal—perpetual inventory system

KARNS FOOD WHOLESALE					
Sales Journal					S1
Date	Account Debited	Invoice No.	Ref.	Accts. Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
2008					
May 3	Abbot Sisters	101		10,600	6,360
7	Babson Co.	102		11,350	7,370
14	Carson Bros.	103		7,800	5,070
19	Deli Co.	104		9,300	6,510
21	Abbot Sisters	105		15,400	10,780
24	Deli Co.	106		21,210	15,900
27	Babson Co.	107		14,570	10,200
				<u>90,230</u>	<u>62,190</u>

Posting the Sales Journal

Postings from the sales journal are made *daily* to the individual accounts receivable in the subsidiary ledger. Posting to the general ledger is made *monthly*. Illustration B-6 shows both the daily and the monthly postings.

Illustration B-6

Posting the sales journal

KARNIS FOOD WHOLESAL					
Sales Journal					
					SI
Date	Account Debited	Invoice No.	Ref.	Accts. Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
2008					
May 3	Abbot Sisters	101	✓	10,600	6,360
7	Babson Co.	102	✓	11,350	7,370
14	Carson Bros.	103	✓	7,800	5,070
19	Deli Co.	104	✓	9,300	6,510
21	Abbot Sisters	105	✓	15,400	10,780
24	Deli Co.	106	✓	21,210	15,900
27	Babson Co.	107	✓	14,570	10,200
				<u>90,230</u>	<u>62,190</u>
				(112) / (401)	(505) / (120)

Totals are posted at the end of the accounting period to the general ledger.

Individual amounts are posted daily to the subsidiary ledger.

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER					
Abbot Sisters					
Date	Ref.	Debit	Credit	Balance	
2008					
May 3	SI	10,600			10,600
21	SI	15,400			26,000
Babson Co.					
Date	Ref.	Debit	Credit	Balance	
2008					
May 7	SI	11,350			11,350
27	SI	14,570			25,920
Carson Bros.					
Date	Ref.	Debit	Credit	Balance	
2008					
May 14	SI	7,800			7,800
Deli Co.					
Date	Ref.	Debit	Credit	Balance	
2008					
May 19	SI	9,300			9,300
24	SI	21,210			30,510

GENERAL LEDGER					
Accounts Receivable No. 112					
Date	Ref.	Debit	Credit	Balance	
2008					
May 31	SI	90,230			90,230
Merchandise Inventory No. 120					
Date	Ref.	Debit	Credit	Balance	
2008					
May 31	SI		62,190		62,190 ¹
Sales No. 401					
Date	Ref.	Debit	Credit	Balance	
2008					
May 31	SI		90,230		90,230
Cost of Goods Sold No. 505					
Date	Ref.	Debit	Credit	Balance	
2008					
May 31	SI	62,190			62,190

The subsidiary ledger is separate from the general ledger.

Accounts Receivable is a control account.

¹The normal balance for Merchandise Inventory is a debit. But, because of the sequence in which we have posted the special journals, with the sales journals first, the credits to Merchandise Inventory are posted before the debits. This posting sequence explains the credit balance, in Merchandise Inventory, which exists only until the other journals are posted.

A check mark (✓) is inserted in the reference posting column to indicate that the daily posting to the customer’s account has been made. A check mark (✓) is used in this illustration because the subsidiary ledger accounts are not numbered. At the end of the month, the column totals of the sales journal are posted to the general ledger. Here, the column totals are a debit of \$90,230 to Accounts Receivable (account No. 112), a credit of \$90,230 to Sales (account No. 401), a debit of \$62,190 to Cost of Goods Sold (account No. 505), and a credit of \$62,190

to Merchandise Inventory (account No. 120). Insertion of the account numbers below the column total indicates that the postings have been made. In both the general ledger and the subsidiary ledger accounts, the reference **S1** indicates that the posting came from page 1 of the sales journal.

Proving the Ledgers

The next step is to “prove” the ledgers. To do so, we must determine two things: (1) The total of the general ledger debit balances must equal the total of the general ledger credit balances. (2) The sum of the subsidiary ledger balances must equal the balance in the control account. The proof of the postings from the sales journal to the general and the subsidiary ledgers is shown in Illustration B-7.

Illustration B-7

Proving the equality of the postings from the sales journal

Postings to General Ledger		Debit Postings to the Accounts Receivable Subsidiary Ledger	
General Ledger		Subsidiary Ledger	
<u>Credits</u>			
Merchandise Inventory	\$62,190	Abbot Sisters	\$26,000
Sales	90,230	Babson Co.	25,920
	<u>\$152,420</u>	Carson Bros.	7,800
		Deli Co.	<u>30,510</u>
			<u>\$90,230</u>
<u>Debits</u>			
Accounts Receivable	\$90,230		
Cost of Goods Sold	62,190		
	<u>\$152,420</u>		

Advantages of the Sales Journal

The use of a special journal to record sales on account has a number of advantages. First, the one-line entry for each sales transaction saves time. In the sales journal, it is not necessary to write out the four account titles for each transaction. Second, only totals, rather than individual entries, are posted to the general ledger. This saves posting time and reduces the possibilities of errors in posting. Finally, **a division of labor results**, because one individual can take responsibility for the sales journal.

CASH RECEIPTS JOURNAL

All receipts of cash are recorded in the **cash receipts journal**. The most common types of cash receipts are cash sales of merchandise and collections of accounts receivable. Many other possibilities exist, such as receipt of money from bank loans and cash proceeds from disposal of equipment. A one- or two-column cash receipts journal would not have space enough for all possible cash receipt transactions. Therefore, a multicolumn cash receipts journal is used.

Generally, a cash receipts journal includes the following columns: debit columns for cash and sales discounts; and credit columns for accounts receivable, sales, and “other” accounts. The Other Accounts category is used when the cash receipt does not involve a cash sale or a collection of accounts receivable. Under a perpetual inventory system, each sales entry is accompanied by another entry that debits Cost of Goods Sold and credits Merchandise Inventory for the cost of the merchandise sold. This entry may be recorded separately. A six-column cash receipts journal is shown in Illustration B-8.

Illustration B-8

Journalizing and posting the cash receipts journal

KARNS FOOD WHOLESALE Cash Receipts Journal								
								CRI
Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Mdse. Inv. Cr.
2008								
May 1	Common Stock	311	5,000				5,000	
7			1,900			1,900		1,240
10	Abbot Sisters	✓	10,388	212	10,600			
12			2,600			2,600		1,690
17	Babson Co.	✓	11,123	227	11,350			
22	Notes Payable	200	6,000				6,000	
23	Carson Bros.	✓	7,644	156	7,800			
28	Deli Co.	✓	9,114	186	9,300			
			<u>53,769</u>	<u>781</u>	<u>39,050</u>	<u>4,500</u>	<u>11,000</u>	<u>2,930</u>
			(101)	(414)	(112)	(401)	(X)	(505)/(120)

Individual amounts are posted daily to the subsidiary ledger.

Totals are posted at the end of the accounting period to the general ledger.

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER				
Abbot Sisters				
Date	Ref.	Debit	Credit	Balance
2008				
May 3	SI	10,600		10,600
10	CRI		10,600	0-
21	SI	15,400		15,400
Babson Co.				
Date	Ref.	Debit	Credit	Balance
2008				
May 7	SI	11,350		11,350
17	CRI		11,350	0-
27	SI	14,570		14,570
Carson Bros.				
Date	Ref.	Debit	Credit	Balance
2008				
May 14	SI	7,800		7,800
23	CRI		7,800	0-
Deli Co.				
Date	Ref.	Debit	Credit	Balance
2008				
May 19	SI	9,300		9,300
24	SI	21,210		30,510
28	CRI		9,300	21,210

GENERAL LEDGER				
Cash No. 101				
Date	Ref.	Debit	Credit	Balance
2008				
May 31	CRI	53,769		53,769
Accounts Receivable No. 112				
Date	Ref.	Debit	Credit	Balance
2008				
May 31	SI	90,230		90,230
31	CRI		39,050	51,180
Merchandise Inventory No. 120				
Date	Ref.	Debit	Credit	Balance
2008				
May 31	SI		62,190	62,190
31	CRI		2,930	65,120
Notes Payable No. 200				
Date	Ref.	Debit	Credit	Balance
2008				
May 22	CRI		6,000	6,000
Common Stock No. 311				
Date	Ref.	Debit	Credit	Balance
2008				
May 1	CRI		5,000	5,000
Sales No. 401				
Date	Ref.	Debit	Credit	Balance
2008				
May 31	SI		90,230	90,230
31	CRI		4,500	94,730
Sales Discounts No. 414				
Date	Ref.	Debit	Credit	Balance
2008				
May 31	CRI	781		781
Cost of Goods Sold No. 505				
Date	Ref.	Debit	Credit	Balance
2008				
May 31	SI	62,190		62,190
31	CRI	2,930		65,120

Accounts Receivable is a control account.

The subsidiary ledger is separate from the general ledger.

Additional credit columns may be used if they significantly reduce postings to a specific account. For example, a loan company, such as **Household International**, receives thousands of cash collections from customers. A significant saving in posting would result from using separate credit columns for Loans Receivable and Interest Revenue, rather than using the Other Accounts credit column. In contrast, a retailer that has only one interest collection a month would not find it useful to have a separate column for Interest Revenue.

Journalizing Cash Receipts Transactions

To illustrate the journalizing of cash receipts transactions, we will continue with the May transactions of Karns Food Wholesale. Collections from customers relate to the entries recorded in the sales journal in Illustration B-5. The entries in the cash receipts journal are based on the following cash receipts:

- May 1 Stockholders invest \$5,000 in the business.
- 7 Cash sales of merchandise total \$1,900 (cost, \$1,240).
- 10 A check for \$10,388 is received from Abbot Sisters in payment of invoice No. 101 for \$10,600 less a 2 percent discount.
- 12 Cash sales of merchandise total \$2,600 (cost, \$1,690).
- 17 A check for \$11,123 is received from Babson Co. in payment of invoice No. 102 for \$11,350 less a 2 percent discount.
- 22 Cash is received by signing a note for \$6,000.
- 23 A check for \$7,644 is received from Carson Bros. in full for invoice No. 103 for \$7,800 less a 2 percent discount.
- 28 A check for \$9,114 is received from Deli Co. in full for invoice No. 104 for \$9,300 less a 2 percent discount.

Further information about the six columns in the cash receipts journal (see Illustration B-8) follows.

DEBIT COLUMNS

1. **Cash.** The amount of cash actually received in each transaction is entered in this column. The column total indicates the total cash receipts for the month.
2. **Sales Discounts.** Karns includes a Sales Discounts column in its cash receipts journal. By doing so, it is not necessary to enter sales discount items in the general journal. As a result, the collection of an account receivable within the discount period is expressed on one line in the appropriate columns of the cash receipts journal.

CREDIT COLUMNS

3. **Accounts Receivable.** The Accounts Receivable column is used to record cash collections on account. The amount entered here is the amount to be credited to the individual customer's account.
4. **Sales.** The Sales column records all cash sales of merchandise. Cash sales of other assets (plant assets, for example) are not reported in this column.
5. **Other Accounts.** The Other Accounts column is used whenever the credit is other than to Accounts Receivable or Sales. For example, in the first entry, \$5,000 is entered as a credit to Common Stock. This column is often referred to as the **sundry accounts column**.

DEBIT AND CREDIT COLUMN

6. **Cost of Goods Sold and Merchandise Inventory.** This column records debits to Cost of Goods Sold and credits to Merchandise Inventory.

HELPFUL HINT

When is an account title entered in the "Account Credited" column of the cash receipts journal?
 Answer: A *subsidiary ledger* title is entered there whenever the entry involves a collection of accounts receivable. A *general ledger* account title is entered there whenever the entry involves an account that is not the subject of a special column (and an amount must be entered in the Other Accounts column). No account title is entered there if neither of the foregoing applies.

In a multicolumn journal, generally only one line is needed for each entry. Debit and credit amounts for each line must be equal. When the collection from Abbot Sisters on May 10 is journalized, for example, three amounts are indicated. Note also that the Account Credited column is used to identify both general ledger and subsidiary ledger account titles. General ledger accounts are illustrated in the May 1 and May 22 entries. A subsidiary account is illustrated in the May 10 entry for the collection from Abbot Sisters.

When the journalizing of a multicolumn journal has been completed, the amount columns are totaled, and the totals are compared to prove the equality of debits and credits. The proof of the equality of Karns's cash receipts journal is shown in Illustration B-9. Totaling the columns of a journal and proving the equality of the totals is called **footing** and **cross-footing** a journal.

<u>Debits</u>		<u>Credits</u>	
Cash	\$53,769	Accounts Receivable	\$39,050
Sales Discounts	781	Sales	4,500
Cost of Goods Sold	2,930	Other Accounts	11,000
	<u>\$57,480</u>	Merchandise Inventory	2,930
			<u>\$57,480</u>

Illustration B-9

Proving the equality of the cash receipts journal

Posting the Cash Receipts Journal

Posting a multicolumn journal involves the following steps.

1. *All column totals except for the Other Accounts total are posted once at the end of the month to the account title(s) specified in the column heading (such as Cash or Accounts Receivable). Account numbers are entered below the column totals to show that they have been posted. Cash is posted to account No. 101, accounts receivable to account No. 112, merchandise inventory to account No. 120, sales to account No. 401, sales discounts to account No. 414, and cost of goods sold to account No. 505.*
2. *The individual amounts making up the Other Accounts total are posted separately to the general ledger accounts specified in the Account Credited column. See, for example, the credit posting to Common Stock. The total amount of this column is not posted. The symbol (X) is inserted below the total to this column to indicate that the amount has not been posted.*
3. *The individual amounts in a column, posted in total to a control account (Accounts Receivable, in this case), are posted daily to the subsidiary ledger account specified in the Account Credited column. See, for example, the credit posting of \$10,600 to Abbot Sisters.*

The symbol **CR** is used in both the subsidiary and the general ledgers to identify postings from the cash receipts journal.

Proving the Ledgers

After posting of the cash receipts journal is completed, it is necessary to prove the ledgers. As shown in Illustration B-10 (page 494), the general ledger totals are in agreement. Also, the sum of the subsidiary ledger balances equals the control account balance.

STUDY OBJECTIVE 3

Indicate how a multicolumn journal is posted.

Illustration B-10

Proving the ledgers after posting the sales and the cash receipts journals

Accounts Receivable Subsidiary Ledger		General Ledger	
Abbot Sisters	\$15,400	Debits	
Babson Co.	14,570	Cash	\$53,769
Deli Co.	21,210	Accounts Receivable	51,180
	<u>\$51,180</u>	Sales Discounts	781
		Cost of Goods Sold	65,120
			<u>\$170,850</u>
		Credits	
		Notes Payable	\$ 6,000
		Common Stock	5,000
		Sales	94,730
		Merchandise Inventory	65,120
			<u>\$170,850</u>

Illustration B-11

Journalizing and posting the purchases journal

HELPFUL HINT
A single-column purchases journal needs only to be footed to prove the equality of debits and credits.

KARNS FOOD WHOLESALE Purchases Journal					PI
Date	Account Credited	Terms	Ref.	Merchandise Inventory Dr.	Accounts Payable Cr.
2008					
May 6	Jasper Beef Inc.	2/10, n/30	✓	11,000	
10	Eaton and Howe Inc.	3/10, n/30	✓	7,200	
14	Fabor and Son	1/10, n/30	✓	6,900	
19	Jasper Beef Inc.	2/10, n/30	✓	17,500	
26	Fabor and Son	1/10, n/30	✓	8,700	
29	Eaton and Howe Inc.	3/10, n/30	✓	12,600	
				<u>63,900</u>	
				(120)/(201)	

ACCOUNTS PAYABLE SUBSIDIARY LEDGER				
Eaton and Howe Inc.				
Date	Ref.	Debit	Credit	Balance
2008				
May 10	PI		7,200	7,200
29	PI		12,600	19,800

Fabor and Son				
Date	Ref.	Debit	Credit	Balance
2008				
May 14	PI		6,900	6,900
26	PI		8,700	15,600

Jasper Beef Inc.				
Date	Ref.	Debit	Credit	Balance
2008				
May 6	PI		11,000	11,000
19	PI		17,500	28,500

GENERAL LEDGER				
Merchandise Inventory No. 120				
Date	Ref.	Debit	Credit	Balance
2008				
May 31	SI		62,190	62,190
31	CR I		2,930	65,120
31	PI	63,900		1,220

Accounts Payable No. 201				
Date	Ref.	Debit	Credit	Balance
2008				
May 31	PI		63,900	63,900

Individual amounts are posted daily to the subsidiary ledger.

Totals are posted at the end of the accounting period to the general ledger.

The subsidiary ledger is separate from the general ledger.

Accounts Payable is a control account.

PURCHASES JOURNAL

All purchases of merchandise on account are recorded in the **purchases journal**. Each entry in this journal results in a debit to Merchandise Inventory and a credit to Accounts Payable. When a one-column purchases journal is used (as in Illustration B-11), other types of purchases on account and cash purchases cannot be journalized in it. For example, credit purchases of equipment or supplies must be recorded in the general journal. Likewise, all cash purchases are entered in the cash payments journal. As illustrated later, where credit purchases for items other than merchandise are numerous, the purchases journal is often expanded to a multicolumn format. The purchases journal for Karns Food Wholesale is shown in Illustration B-11.

Journalizing Credit Purchases of Merchandise

Entries in the purchases journal are made from purchase invoices. The journalizing procedure is similar to that for a sales journal. In contrast to the sales journal, the purchases journal may not have an invoice number column, because invoices received from different suppliers will not be in numerical sequence. To assure that all purchase invoices are recorded, some companies consecutively number each invoice upon receipt and then use an internal document number column in the purchases journal.

The entries for Karns Food Wholesale are based on the assumed credit purchases shown in Illustration B-12.

<u>Date</u>	<u>Supplier</u>	<u>Amount</u>
5/6	Jasper Beef, Inc.	\$11,000
5/10	Eaton and Howe Poultry Inc.	7,200
5/14	Fabor and Son Seafood	6,900
5/19	Jasper Beef Inc.	17,500
5/26	Fabor and Son Seafood	8,700
5/29	Eaton and Howe Poultry Inc.	12,600

Illustration B-12

Credit purchases transactions

Posting the Purchases Journal

The procedures for posting the purchases journal are similar to those for the sales journal. In this case, postings are made daily to the **accounts payable ledger** and monthly to Merchandise Inventory and Accounts Payable in the **general ledger**. In both ledgers, P1 is used in the reference column to show that the postings are from page 1 of the purchases journal.

Proof of the equality of the postings from the purchases journal to both ledgers is shown in Illustration B-13.

HELPFUL HINT

Postings to subsidiary ledger accounts are done daily because it is often necessary to know a current balance for the subsidiary accounts.

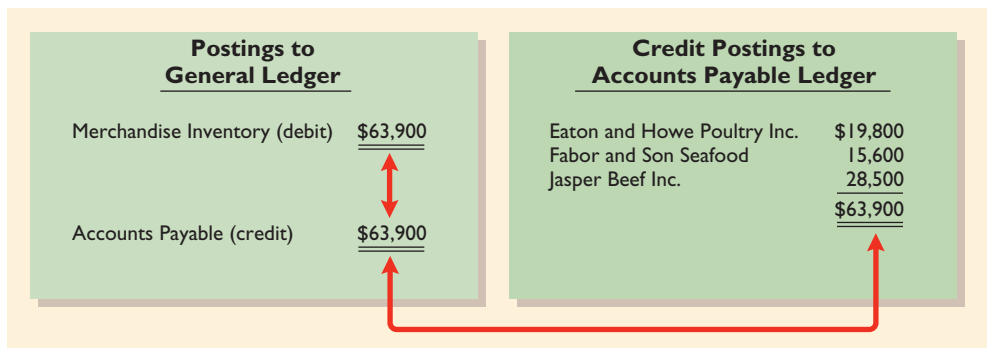


Illustration B-13

Proving the equality of the purchases journal

Expanding the Purchases Journal

HELPFUL HINT

A multicolumn purchases journal must be footed and cross-footed to prove the equality of debits and credits.

Illustration B-14

Multicolumn purchases journal

Some companies expand the purchases journal to include all types of purchases on account. Instead of one column for merchandise inventory and accounts payable, they use a multicolumn format. The multicolumn format usually includes a credit column for accounts payable and debit columns for purchases of merchandise, of office supplies, of store supplies, and other accounts. Illustration B-14 is an example of a multicolumn purchases journal for Hanover Table Linen Co. The posting procedures are similar to those illustrated earlier for posting the cash receipts journal.

HANOVER TABLE LINEN CO.									
Purchases Journal									
P1									
Date	Account Credited	Ref.	Accounts Payable Cr.	Merchandise Inventory Dr.	Office Supplies Dr.	Store Supplies Dr.	Other Accounts Dr.		
							Account	Ref.	Amount
2008									
June 1	Signe Audio	✓	2,000		2,000				
3	Wright Co.	✓	1,500	1,500					
5	Orange Tree Co.	✓	2,600				Equipment	157	2,600
30	Sue's Business Forms	✓	800			800			
			56,600	43,000	7,500	1,200			4,900

CASH PAYMENTS JOURNAL

ALTERNATIVE TERMINOLOGY
The cash payments journal is sometimes called the *cash disbursements journal*.

All disbursements of cash are entered in a **cash payments journal**. Entries are made from prenumbered checks. Because cash payments are made for various purposes, the cash payments journal has multiple columns. A four-column journal is shown in Illustration B-15.

Journalizing Cash Payments Transactions

The procedures for journalizing transactions in this journal are similar to those described earlier for the cash receipts journal. Each transaction is entered on one line, and for each line there must be equal debit and credit amounts. The entries in the cash payments journal in Illustration B-15 are based on the following transactions for Karns Food Wholesale:

- May 1 Check No. 101 for \$1,200 issued for the annual premium on a fire insurance policy.
- 3 Check No. 102 for \$100 issued in payment of freight when terms were FOB shipping point.
- 8 Check No. 103 for \$4,400 issued for the purchase of merchandise.
- 10 Check No. 104 for \$10,780 sent to Jasper Beef Inc. in payment of May 6 invoice for \$11,000 less a 2 percent discount.
- 19 Check No. 105 for \$6,984 mailed to Eaton and Howe Poultry in payment of May 10 invoice for \$7,200 less a 3 percent discount.
- 23 Check No. 106 for \$6,831 sent to Fabor and Son Seafood in payment of May 14 invoice for \$6,900 less a 1 percent discount.
- 28 Check No. 107 for \$17,150 sent to Jasper Beef Inc. in payment of May 19 invoice for \$17,500 less a 2 percent discount.
- 30 Check No. 108 for \$500 issued to stockholders as a cash dividend.

Note that whenever an amount is entered in the Other Accounts column, a specific general ledger account must be identified in the Account Debited column.

Illustration B-15

Journalizing and posting the cash payments journal

KARNS FOOD WHOLESALE
Cash Payments Journal

Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Merchandise Inventory Cr.	Cash Cr.
2008							CPI
May 1	101	Prepaid Insurance	130	1,200			1,200
3	102	Mdse. Inventory	120	100			100
8	103	Mdse. Inventory	120	4,400			4,400
10	104	Jasper Beef Inc.	✓		11,000	220	10,780
19	105	Eaton & Howe Poultry	✓		7,200	216	6,984
23	106	Fabor and Son Seafood	✓		6,900	69	6,831
28	107	Jasper Beef Inc.	✓		17,500	350	17,150
30	108	Dividends	332	500			500
				6,200	42,600	855	47,945
				(x)	(201)	(120)	(101)

Individual amounts are posted daily to the subsidiary ledger.

Totals are posted at the end of the accounting period to the general ledger.

ACCOUNTS PAYABLE SUBSIDIARY LEDGER

Eaton and Howe Poultry

Date	Ref.	Debit	Credit	Balance
2008				
May 10	PI		7,200	7,200
19	CPI	7,200		—
29	PI		12,600	12,600

Fabor and Son Seafood

Date	Ref.	Debit	Credit	Balance
2008				
May 14	PI		6,900	6,900
23	CPI	6,900		—
26	PI		8,700	8,700

Jasper Beef Inc.

Date	Ref.	Debit	Credit	Balance
2008				
May 6	PI		11,000	11,000
10	CPI	11,000		—
19	PI		17,500	17,500
28	CPI	17,500		—

GENERAL LEDGER

Cash No. 101

Date	Ref.	Debit	Credit	Balance
2008				
May 31	CR1	53,769		53,769
31	CPI		47,945	5,824

Merchandise Inventory No. 120

Date	Ref.	Debit	Credit	Balance
2008				
May 3	CPI	100		100
8	CPI	4,400		4,500
31	SI		62,190	57,690
31	CR1		2,930	60,620
31	PI	63,900		3,280
31	CPI		855	2,425

Prepaid Insurance No. 130

Date	Ref.	Debit	Credit	Balance
2008				
May 1	CPI	1,200		1,200

Accounts Payable No. 201

Date	Ref.	Debit	Credit	Balance
2008				
May 31	PI		63,900	63,900
31	CPI	42,600		21,300

Dividends No. 332

Date	Ref.	Debit	Credit	Balance
2008				
May 30	CPI	500		500

Accounts Payable is a control account.

The subsidiary ledger is separate from the general ledger.

The entries for checks No. 101, 102, and 103 illustrate this situation. Similarly, a subsidiary account must be identified in the Account Debited column whenever an amount is entered in the Accounts Payable column. See, for example, the entry for check No. 104.

After the cash payments journal has been journalized, the columns are totaled. The totals are then balanced to prove the equality of debits and credits.

Posting the Cash Payments Journal

The procedures for posting the cash payments journal are similar to those for the cash receipts journal. The amounts recorded in the Accounts Payable column are posted individually to the subsidiary ledger and in total to the control account. Merchandise Inventory and Cash are posted only in total at the end of the month. Transactions in the Other Accounts column are posted individually to the appropriate account(s) affected. No totals are posted for this column.

The posting of the cash payments journal is shown in Illustration B-15 (page 497). Note that the symbol *CP* is used as the posting reference. After postings are completed, the equality of the debit and credit balances in the general ledger should be determined. In addition, the control account balances should agree with the subsidiary ledger total balance. The agreement of these balances is shown in Illustration B-16.

Illustration B-16

Proving the ledgers after postings from the sales, cash receipts, purchases, and cash payments journals

<u>Accounts Payable Subsidiary Ledger</u>		<u>General Ledger</u>	
Eaton and Howe Poultry	\$12,600	<u>Debits</u>	
Fabor and Son Seafood	8,700	Cash	\$ 5,824
	<u>\$21,300</u>	Accounts Receivable	51,180
		Merchandise Inventory	2,425
		Prepaid Insurance	1,200
		Dividends	500
		Sales Discounts	781
		Cost of Goods Sold	65,120
			<u>\$127,030</u>
		<u>Credits</u>	
		Notes Payable	\$ 6,000
		Accounts Payable	21,300
		Common Stock	5,000
		Sales	94,730
			<u>\$127,030</u>

*E*FFECTS OF SPECIAL JOURNALS ON THE GENERAL JOURNAL

Special journals for sales, purchases, and cash substantially reduce the number of entries that are made in the general journal. **Only transactions that cannot be entered in a special journal are recorded in the general journal.** For example, the general journal may be used to record such transactions as granting of credit to a customer for a sales return or allowance, granting of credit from a supplier for purchases returned, acceptance of a note receivable from a customer, and purchase of equipment by issuing a note payable. Also, correcting, adjusting, and closing entries are made in the general journal.

The general journal has columns for date, account title and explanation, reference, and debit and credit amounts. When control and subsidiary accounts are not involved, the procedures for journalizing and posting of transactions are the same as those described in earlier chapters. When control and subsidiary accounts are involved, two changes from the earlier procedures are required:

1. In *journalizing*, both the control and the subsidiary accounts must be identified.
2. In *posting*, there must be a dual posting: once to the control account and once to the subsidiary account.

To illustrate, assume that on May 31, Karns Food Wholesale returns \$500 of merchandise for credit to Fabor and Son. The entry in the general journal and the posting of the entry are shown in Illustration B-17. Note that if cash is received instead of credit granted on this return, then the transaction is recorded in the cash receipts journal.

KARNS FOOD WHOLESALE
General Journal

GI				
Date	Account Title and Explanation	Ref.	Debit	Credit
2008 May 31	Accounts Payable—Fabor and Son Merchandise Inventory (Received credit for returned goods)	201/✓ 120	500	500

ACCOUNTS PAYABLE SUBSIDIARY LEDGER

Fabor and Son Seafood

Date	Ref.	Debit	Credit	Balance
2008 May 14	PI		6,900	6,900
23	CPI	6,900		—0—
26	PI		8,700	8,700
31	GI	500		8,200

GENERAL LEDGER

Merchandise Inventory No. 120

Date	Ref.	Debit	Credit	Balance
2008 May 31	GI		500	500

Accounts Payable No. 201

Date	Ref.	Debit	Credit	Balance
2008 May 31	PI		63,900	63,900
31	CPI	42,600		21,300
31	GI	500		20,800

Illustration B-17

Journalizing and posting the general journal

Observe in the journal that two accounts are indicated for the debit, and two postings (“201/✓”) are indicated in the reference column. One amount is posted to the control account and the other to the creditor’s account in the subsidiary ledger.

BEFORE YOU GO ON...

▶ REVIEW IT

1. What types of special journals are frequently used to record transactions? Why are special journals used?
2. Explain how transactions recorded in the sales journal and the cash receipts journal are posted.
3. Indicate the types of transactions that are recorded in the general journal when special journals are used.

▶ DO IT

Vilas Company has the following selected transactions: (1) purchase of equipment for cash, (2) cash sales, (3) sales returns and allowances, (4) payment of cash dividends, and (5) sales of merchandise on account. Identify the journals in which each transaction should be entered.

ACTION PLAN

- Know the content of each special journal.
- Understand the effect of special journals on the general journal.

SOLUTION

(1) Purchase of equipment for cash—cash payments journal. (2) Cash sale—cash receipts journal. (3) Sales return and allowance—general journal. (4) Payment of cash dividends—cash payments journal. (5) Sale of merchandise on account—sales journal.

DEMONSTRATION PROBLEM

Dion Restaurant Equipment Company uses a six-column cash receipts journal with the following columns: Cash (Dr.), Sales Discounts (Dr.), Accounts Receivable (Cr.), Sales (Cr.), Other Accounts (Cr.), and Cost of Goods Sold (Dr.) and Merchandise Inventory (Cr.). Cash receipts transactions for the month of July 2008 are as follows.

- July 3 Cash sales total \$5,800 (cost, \$3,480).
 5 A check for \$6,370 is received from Jeltz Deli in payment of an invoice dated June 26 for \$6,500, terms 2/10, n/30.
 9 An additional investment of \$5,000 in cash is made in the business by stockholders.
 10 Cash sales total \$12,519 (cost, \$7,511).
 12 A check for \$7,275 is received from R. Eliot Seafood House in payment of a \$7,500 invoice dated July 3, terms 3/10, n/30.
 15 A customer advance of \$700 cash is received for future sales.
 20 Cash sales total \$15,472 (cost, \$9,283).
 22 A check for \$5,880 is received from Beck Hamburger in payment of a \$6,000 invoice dated July 13, terms 2/10, n/30.
 29 Cash sales total \$17,660 (cost, \$10,596).
 31 Cash of \$200 is received on interest earned for July.

ACTION PLAN

- Record all cash receipts in the cash receipts journal.
- The “account credited” indicates items posted individually to the subsidiary ledger or general ledger.
- Record cash sales in the cash receipts journal—not in the sales journal.
- The total debits must equal the total credits.

Instructions

- (a) Journalize the transactions in the cash receipts journal.
 (b) Contrast the posting of the Accounts Receivable and Other Accounts columns.

SOLUTION TO DEMONSTRATION PROBLEM

(a) **DION RESTAURANT EQUIPMENT COMPANY**
Cash Receipts Journal CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Mdse. Inv. Cr.
2008								
July 3			5,800			5,800		3,480
5	Jeltz Deli		6,370	130	6,500			
9	Common Stock		5,000				5,000	
10			12,519			12,519		7,511
12	R. Eliot Seafood House		7,275	225	7,500			
15	Unearned Revenues		700				700	
20			15,472			15,472		9,283
22	Beck Hamburger		5,880	120	6,000			
29			17,660			17,660		10,596
31	Interest Revenue		200				200	
			<u>76,876</u>	<u>475</u>	<u>20,000</u>	<u>51,451</u>	<u>5,900</u>	<u>30,870</u>

(b) The Accounts Receivable column is posted as a credit to Accounts Receivable. The individual amounts are credited to the customers' accounts identified in the Account Credited column, which are maintained in the accounts receivable subsidiary ledger.

The amounts in the Other Accounts column are only posted individually. They are credited to the account titles identified in the Account Credited column.

SUMMARY OF STUDY OBJECTIVES

- 1. Describe the nature and the purpose of a subsidiary ledger.** A subsidiary ledger is a group of accounts with a common characteristic. It facilitates the recording process by freeing the general ledger from details of individual balances.
- 2. Explain how special journals are used in journalizing.** A special journal is used to group similar types of transactions. In a special journal, generally only one line is used to record a complete transaction.
- 3. Indicate how a multicolumn journal is posted.** In posting a multicolumn journal:
 - (a) All column totals except for the Other Accounts column are posted once at the end of the month to the account title specified in the column heading.
 - (b) The total of the Other Accounts column is not posted. Instead, the individual amounts comprising the total are posted separately to the general ledger accounts specified in the Account Credited column.
 - (c) The individual amounts in a column posted in total to a control account are posted daily to the subsidiary ledger accounts specified in the Account Credited column.

GLOSSARY

- Accounts payable (creditors') subsidiary ledger** A subsidiary ledger that contains accounts of individual creditors (p. 484).
- Accounts receivable (customers') subsidiary ledger** A subsidiary ledger that contains individual customer accounts (p. 484).
- Cash payments journal** A special journal used to record all cash paid (p. 496).
- Cash receipts journal** A special journal used to record all cash received (p. 490).
- Control account** An account in the general ledger that summarizes a subsidiary ledger (p. 485).
- Cross-footing** The proving of the equality of the totals in a journal (p. 493).
- Footing** The totaling of a column of a journal (p. 493).
- Purchases journal** A special journal used to record all purchases of merchandise on account (p. 495).
- Sales journal** A special journal used to record all sales of merchandise on account (p. 488).
- Special journal** A journal that is used to record similar types of transactions, such as all credit sales (p. 487).
- Subsidiary ledger** A group of accounts with a common characteristic (p. 484).

EXERCISES

- B-1** Identify in the ledger (general or subsidiary) in which each of the following accounts is shown. *Identify subsidiary ledger accounts.* (SO 1)
1. Rent Expense
 2. Accounts Receivable—Char
 3. Notes Payable
 4. Accounts Payable—Thebeau
- B-2** Identify the journal in which each of the following transactions is recorded. *Identify special journals.* (SO 2)
1. Cash sales
 2. Payment of dividends
 3. Cash purchase of land
 4. Credit sales
 5. Purchase of merchandise on account
 6. Receipt of cash for services performed
- B-3** Indicate whether each of the following debits and credits is included in the cash receipts journal. (Use “Yes” or “No” to answer this question.) *Identify entries to cash receipts journal.* (SO 2)
1. Debit to Sales
 2. Credit to Merchandise Inventory
 3. Credit to Accounts Receivable
 4. Debit to Accounts Payable
- B-4** Paris Vacation Resorts, Inc., uses a multicolumn cash receipts journal. Indicate which column(s) is (are) posted only in total, only daily, or both in total and daily. *Indicate postings to cash receipts journal.* (SO 3)
1. Accounts Receivable
 2. Sales Discounts
 3. Cash
 4. Other Accounts
- B-5** Bayou Oaks Country Club uses special journals and a general journal. Identify the journal in which each of the following transactions is recorded. *Identify transactions for special journals.* (SO 2)
1. Purchased equipment on account.
 2. Purchased merchandise on account.
 3. Paid utility expense in cash.
 4. Sold merchandise on account.
- B-6** Miguel Taoueria uses both special journals and a general journal as described in this appendix. On June 30, after all monthly postings had been completed, the Accounts Receivable control account in the general ledger had a debit balance of \$320,000; the Accounts Payable control account had a credit balance of \$87,000. *Determine control account balances, and explain posting of special journals.*

502 APPENDIX B Subsidiary Ledgers and Special Journals

The July transactions recorded in the special journals are summarized below. No entries affecting accounts receivable and accounts payable were recorded in the general journal for July.

Sales journal	Total sales \$161,400
Purchase journal	Total purchases \$56,400
Cash receipts journal	Accounts Receivable column total \$141,000
Cash payments journal	Accounts Payable column total \$47,500

Instructions

- (a) What is the balance of the Accounts Receivable control account after the monthly postings on July 31?
- (b) What is the balance of the Accounts Payable control account after the monthly postings on July 31?
- (c) To what account(s) is (are) the column total of \$161,400 in the sales journal posted?
- (d) To what account(s) is (are) the accounts receivable column total of \$141,000 in the cash receipts journal posted?

Explain postings to subsidiary ledger.
(SO 1, 3)

B-7 Presented below is the subsidiary accounts receivable account of Nathan Ross:

Date	Ref.	Debit	Credit	Balance
2008				
Sept. 2	S31	61,000		61,000
9	G4		14,000	47,000
27	CR8		47,000	-0-

Instructions

Write a memo to Mr. Murphy, the general manager, that explains each transaction.

Post various journals to control and subsidiary accounts.
(SO 1, 2)

B-8 On September 1, the balance of the Accounts Receivable control account in the general ledger of John’s Produce, Inc., was \$11,960. The customers’ subsidiary ledger contained account balances as follows: Jana Seafood \$2,440; Bingson Bakery \$2,640; Cavanaugh Pancakes \$2,060; Bickford Grille \$4,820. At the end of September, the various journals contained the following information:

Sales journal: Sales to Bickford Grille \$800; to Jana Seafood \$1,260; to Iman Groceries \$1,030; to Cavanaugh Pancakes \$1,100.

Cash receipts journal: Cash received from Cavanaugh Pancakes \$1,310; from Bickford Grille \$2,300; from Iman Groceries \$380; from Kingston Bakery \$1,800; from Jana Seafood \$1,240.

General journal: An allowance is granted to Bickford Grille \$220.

Instructions

- (a) Set up control and subsidiary accounts, and enter the beginning balances. Do not construct the journals.
- (b) Post the various journals. Post the items as individual items or as totals, whichever would be the appropriate procedure. (No sales discounts given.)
- (c) Prepare a list of customers, and prove the agreement of the controlling account with the subsidiary ledger at September 30, 2008.

Record transactions in sales and purchases journals.
(SO 1, 2)

B-9 Sing Tao Beverages uses special journals and a general journal. The following transactions occurred during September 2008.

- Sept. 2 Sold merchandise on account to Mephisto, invoice no. 101, \$520, terms n/30. The cost of the merchandise sold was \$300.
- 10 Purchased merchandise on account from Fantasia Bar & Grill \$600, terms 2/10, n/30.
- 12 Purchased office equipment on account from Office Express \$6,500.
- 21 Sold merchandise on account to Shinhan, invoice no. 102 for \$800, terms 2/10, n/30. The cost of the merchandise sold was \$480.
- 25 Purchased merchandise on account from Manion Wholesale \$810, terms n/30.
- 27 Sold merchandise to Miller Brewery for \$700 cash. The cost of the merchandise sold was \$400.

Instructions

- (a) Draw a sales journal (see Illustration E-6) and a single-column purchases journal (see Illustration E-11). (Use page 1 for each journal.)
- (b) Record the transaction(s) for September that should be journalized in the sales journal and the purchases journal.

B-10 Svenska Shirts uses special journals and a general journal. The following transactions occurred during May 2008.

Record transactions in cash receipts and cash payments journals.

- May 1 I. Svenska invested \$60,000 cash in the business in exchange for common stock.
- 2 Sold merchandise to Sherrick Country Club for \$6,300 cash. The cost of the merchandise sold was \$4,200.
- 3 Purchased merchandise for \$8,200 from J. Rome using check no. 101.
- 14 Paid salary to H. Potter \$700 by issuing check no. 102.
- 16 Sold merchandise on account to Denmark Diner for \$900, terms n/30. The cost of the merchandise sold was \$630.
- 22 A check of \$9,000 is received from Irish Pub in full for invoice 101; no discount given.

Instructions

- (a) Draw a multicolumn cash receipts journal (see Illustration B-8) and a multicolumn cash payments journal (see Illustration B-15). (Use page 1 for each journal.)
- (b) Record the transaction(s) for May that should be journalized in the cash receipts journal and cash payments journal.

EXPLORING THE WEB

B-11 Peachtree is one of the leading accounting software packages. Information related to this package is found at its Web site.

Address: www.Peachtree.com/Peachtreeaccountingline/first/features_main.cfm

Steps

1. Go to the Peachtree site.
2. Choose **General Ledger**. Answer question (a) below.
3. Choose **Accounts Payable**. Answer question (b) below.

Instructions

- (a) What are three key features of the general ledger module highlighted by the company?
- (b) What are three key features of the payables management module highlighted by the company?



Remember to go back to the Navigator box on the chapter-opening page and check off your completed work.