

Learning Objectives

After studying this appendix, you should be able to:

- 1 Describe the nature and purpose of a subsidiary ledger.
- 2 Explain how companies use special journals in journalizing.
- 3 Indicate how companies post a multi-column journal.

Expanding the Ledger—Subsidiary Ledgers

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 nearly 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). It is an addition to, and an expansion of, the general ledger. The subsidiary ledger frees the general ledger from the details of individual balances.

Two common subsidiary ledgers are:

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, companies usually arrange individual accounts in alphabetical order.

A general ledger account summarizes the detailed data from a subsidiary ledger. 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**. Illustration F-1 presents an overview of the relationship of subsidiary ledgers to the general ledger. In Illustration F-1, the general ledger control

LEARNING OBJECTIVE

1

Describe the nature and purpose of a subsidiary ledger.

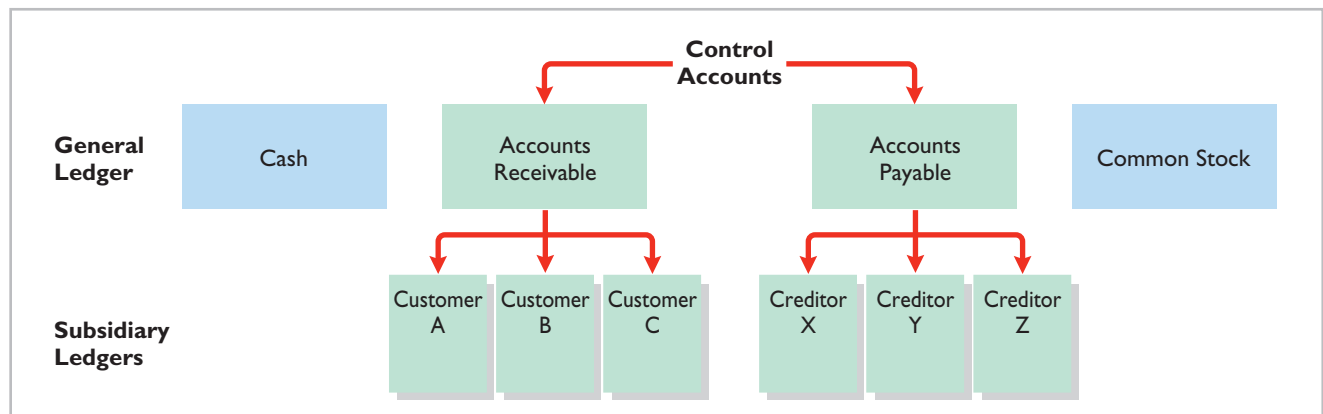


Illustration F-1
Relationship of general ledger and subsidiary ledgers

accounts and subsidiary ledger accounts are in green. Note that Cash and Common Stock in this illustration are not control accounts because there are no subsidiary ledger accounts related to these accounts.

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

Subsidiary Ledger Example

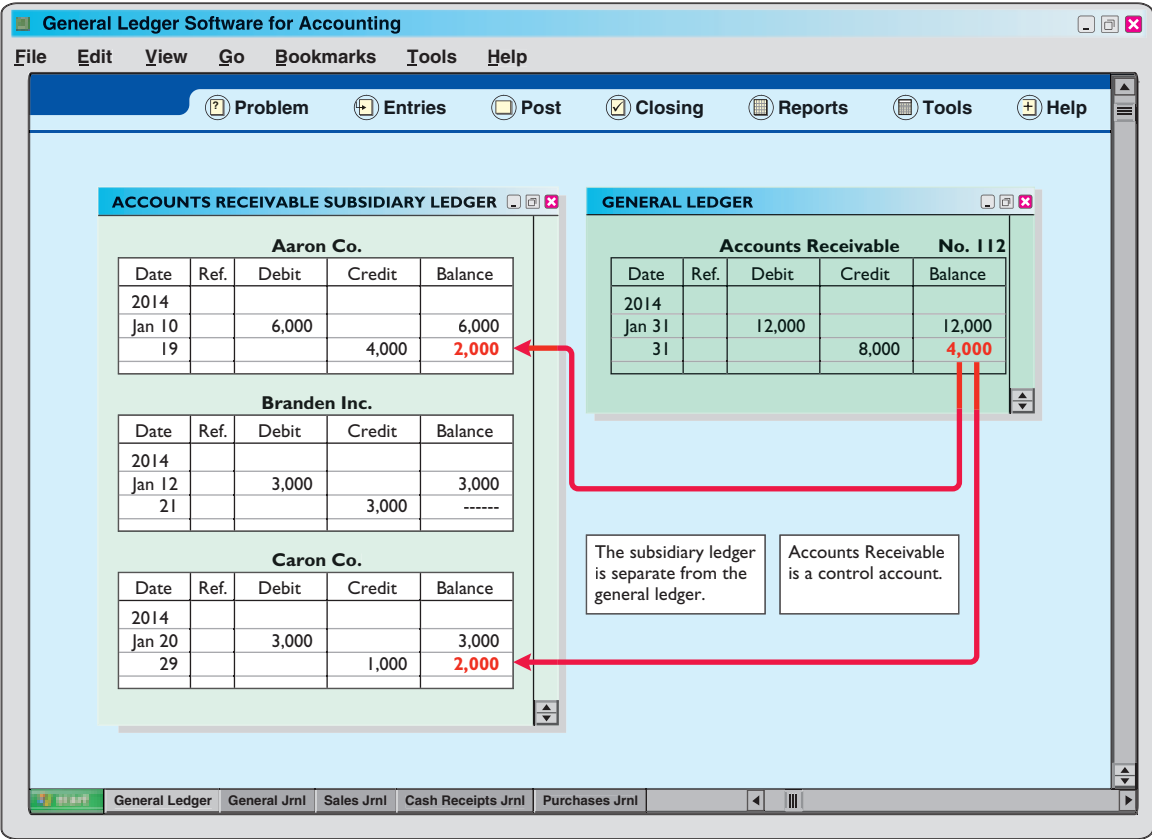
Illustration F-2 lists sales and collection transactions for Pujols Enterprises.

Illustration F-2
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>

Illustration F-3 provides an example of a control account and subsidiary ledger based on these transactions. (Due to space considerations, the explanation column in these accounts is not shown in this and subsequent illustrations.)

Illustration F-3
Relationship between general and subsidiary ledgers



Pujols can reconcile the total debits (\$12,000) and credits (\$8,000) in Accounts Receivable in the general ledger 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 Illustration F-3 shows, companies make monthly postings to the control accounts in the general ledger. This practice allows them to prepare monthly financial statements. Companies post to the individual accounts in the subsidiary ledger daily. Daily posting ensures that account information is current. This enables the company to monitor credit limits, bill customers, and answer inquiries from customers about their account balances.

Advantages of Subsidiary Ledgers

Subsidiary ledgers have several advantages:

- 1. They show in a single account transactions affecting one customer or one creditor**, 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.

> DO IT!

Subsidiary Ledgers

Presented below is information related to Sims Company 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)

Related exercise material: **BEF-1, BEF-2, EF-1, EF-4, EF-5, and DO IT! F-1.**



The Navigator

Expanding the Journal—Special Journals

LEARNING OBJECTIVE 2

Explain how companies use special journals in journalizing.

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

Companies use **special journals** to record similar types of transactions. Examples are all sales of merchandise on account, or all cash receipts. The types of transactions that occur frequently in a company determine what special journals the company uses. Most merchandising companies record daily transactions using the journals shown in Illustration F-4.

Illustration F-4
Use of special journals and the general journal

Sales Journal	Cash Receipts Journal	Purchases Journal	Cash Payments Journal	General Journal
Used for: All sales of merchandise on account	Used for: All cash received (including cash sales)	Used for: All purchases of merchandise on account	Used for: All cash paid (including cash purchases)	Used for: Transactions that cannot be entered in a special journal, including correcting, adjusting, and closing entries

If a transaction cannot be recorded in a special journal, the company records it in the general journal. For example, if a company had special journals for only the four types of transactions listed above, it would record purchase returns and allowances in the general journal. Similarly, **correcting, adjusting, and closing entries are recorded in the general journal**. In some situations, companies might use special journals other than those listed above. For example, when sales returns and allowances are frequent, a company might use a special journal to record these transactions.

Special journals **permit 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, companies may post some accounts monthly, instead of daily, as we will illustrate later in this appendix. On the following pages, we discuss the four special journals shown in Illustration F-4.

Sales Journal

In the **sales journal**, companies record **sales of merchandise on account**. Cash sales of merchandise go in the cash receipts journal. Credit sales of assets other than merchandise go in the general journal.

JOURNALIZING CREDIT SALES

To demonstrate use of a sales journal, we will use data for Karns Wholesale Supply, which uses a **perpetual inventory system**. Under this system, each entry in the

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

sales journal results in one entry **at selling price** and another entry **at cost**. The entry at selling price is a debit to Accounts Receivable (a control account) and a credit of equal amount to Sales Revenue. The entry at cost is a debit to Cost of Goods Sold and a credit of equal amount to Inventory (a control account). Using a sales journal with two amount columns, the company can show on only one line a sales transaction at both selling price and cost. Illustration F-5 shows this two-column sales journal of Karns Wholesale Supply, using assumed credit sales transactions (for sales invoices 101–107).

Illustration F-5

Journalizing the sales journal—
perpetual inventory system

SALES JOURNAL					
Date	Account Debited	Invoice No.	Ref.	Accts. Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
2014					
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>

Note several points: Unlike the general journal, an explanation is not required for each entry in a special journal. Also, use of prenumbered invoices ensures that all invoices are journalized. Finally, the reference (Ref.) column is not used in journalizing. It is used in posting the sales journal, as explained next.

POSTING THE SALES JOURNAL

Companies make daily postings from the sales journal **to the individual accounts receivable** in the subsidiary ledger. Posting **to the general ledger** is done **monthly**. Illustration F-6 (page F-6) shows both the daily and monthly postings.

A check mark (✓) is inserted in the reference posting column to indicate that the daily posting to the customer's account has been made. If the subsidiary ledger accounts were numbered, the account number would be entered in place of the check mark. At the end of the month, Karns posts the column totals of the sales journal to the general ledger. Here, the column totals are as follows. From the selling-price column, a debit of \$90,230 to Accounts Receivable (account No. 112), and a credit of \$90,230 to Sales Revenue (account No. 401). From the cost column, a debit of \$62,190 to Cost of Goods Sold (account No. 505), and a credit of \$62,190 to Inventory (account No. 120). Karns inserts the account numbers below the column totals to indicate that the postings have been made. In both the general ledger and subsidiary ledger accounts, the reference **S1** indicates that the posting came from page 1 of the sales journal.

General Ledger Software for Accounting

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SALES JOURNAL SI

Date	Account Debited	Invoice No.	Ref.	Accts. Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
2014					
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)

At the end of the accounting period, the company posts totals to the general ledger.

The company posts individual amounts to the subsidiary ledger daily.

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER

Abbot Sisters

Date	Ref.	Debit	Credit	Balance
2014				
May 3	SI	10,600		10,600
21	SI	15,400		26,000

Babson Co.

Date	Ref.	Debit	Credit	Balance
2014				
May 7	SI	11,350		11,350
27	SI	14,570		25,920

Carson Bros.

Date	Ref.	Debit	Credit	Balance
2014				
May 14	SI	7,800		7,800

Deli Co.

Date	Ref.	Debit	Credit	Balance
2014				
May 19	SI	9,300		9,300
24	SI	21,210		30,510

GENERAL LEDGER

Accounts Receivable No. 112

Date	Ref.	Debit	Credit	Balance
2014				
May 31	SI	90,230		90,230

Inventory No. 120

Date	Ref.	Debit	Credit	Balance
2014				
May 31	SI		62,190	62,190 ¹

Sales Revenue No. 401

Date	Ref.	Debit	Credit	Balance
2014				
May 31	SI		90,230	90,230

Cost of Goods Sold No. 505

Date	Ref.	Debit	Credit	Balance
2014				
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 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 Inventory are posted before the debits. This posting sequence explains the credit balance in Inventory, which exists only until the other journals are posted.

General Ledger General Jnl Sales Jnl Cash Receipts Jnl Purchases Jnl

Illustration F-6
Posting the sales journal

PROVING THE LEDGERS

The next step is to “prove” the ledgers. To do so, Karns 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. Illustration F-7 shows the proof of the postings from the sales journal to the general and subsidiary ledger.

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

Illustration F-7

Proving the equality of the postings from the sales journal

ADVANTAGES OF THE SALES JOURNAL

Use of a special journal to record sales on account has several 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 posting errors. Finally, a division of labor results because one individual can take responsibility for the sales journal.

Cash Receipts Journal

In the **cash receipts journal**, companies record all receipts of cash. 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, companies use a multi-column cash receipts journal.

Generally, a cash receipts journal includes the following columns: debit columns for Cash and Sales Discounts, and credit columns for Accounts Receivable, Sales Revenue, and “Other Accounts.” Companies use the “Other Accounts” category when the cash receipt does not involve a cash sale or a collection of accounts receivable. Under a perpetual inventory system, each sales entry also is accompanied by an entry that debits Cost of Goods Sold and credits Inventory for the cost of the merchandise sold. Illustration F-8 (page F-8) shows a six-column cash receipts journal.

Illustration F-8

Journalizing and posting the cash receipts journal

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CASH RECEIPTS JOURNAL

CRI

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
2014								
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			
			53,769	781	39,050	4,500	11,000	2,930
			(101)	(414)	(112)	(401)	(x)	(505)/(120)

The company posts individual amounts to the subsidiary ledger daily.

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER

Abbot Sisters

Date	Ref.	Debit	Credit	Balance
2014				
May 3	SI	10,600		10,600
10	CRI		10,600	-----
21	SI	15,400		15,400

Babson Co.

Date	Ref.	Debit	Credit	Balance
2014				
May 7	SI	11,350		11,350
17	CRI		11,350	-----
27	SI	14,570		14,570

Carson Bros.

Date	Ref.	Debit	Credit	Balance
2014				
May 14	SI	7,800		7,800
23	CRI		7,800	-----

Deli Co.

Date	Ref.	Debit	Credit	Balance
2014				
May 19	SI	9,300		9,300
24	SI	21,210		30,510
28	CRI		9,300	21,210

The subsidiary ledger is separate from the general ledger.

Accounts Receivable is a control account.

GENERAL LEDGER

Cash No. 101

Date	Ref.	Debit	Credit	Balance
2014				
May 31	CRI	53,769		53,769

Accounts Receivable No. 112

Date	Ref.	Debit	Credit	Balance
2014				
May 31	SI	90,230		90,230
31	CRI		39,050	51,180

Inventory No. 120

Date	Ref.	Debit	Credit	Balance
2014				
May 31	SI		62,190	62,190
31	CRI		2,930	65,120

Notes Payable No. 200

Date	Ref.	Debit	Credit	Balance
2014				
May 22	CRI		6,000	6,000

Common Stock No. 311

Date	Ref.	Debit	Credit	Balance
2014				
May 1	CRI		5,000	5,000

Sales Revenue No. 401

Date	Ref.	Debit	Credit	Balance
2014				
May 31	SI		90,230	90,230
31	CRI		4,500	94,730

Sales Discounts No. 414

Date	Ref.	Debit	Credit	Balance
2014				
May 31	CRI	781		781

Cost of Goods Sold No. 505

Date	Ref.	Debit	Credit	Balance
2014				
May 31	SI	62,190		62,190
31	CRI	2,930		65,120

General Ledger General Jnl Sales Jnl Cash Receipts Jnl Purchases Jnl

Companies may use additional credit columns if these columns significantly reduce postings to a specific account. For example, a loan company, such as **Household International**, receives thousands of cash collections from customers. Using separate credit columns for Loans Receivable and Interest Revenue, rather than the Other Accounts credit column, would reduce postings.

JOURNALIZING CASH RECEIPTS TRANSACTIONS

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

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

Further information about the columns in the cash receipts journal is listed below.

Debit Columns:

- Cash.** Karns enters in this column the amount of cash actually received in each transaction. The column total indicates the total cash receipts for the month.
- Sales Discounts.** Karns includes a Sales Discounts column in its cash receipts journal. By doing so, it does not need to enter sales discount items in the general journal. As a result, the cash receipts journal shows on one line the collection of an account receivable within the discount period.

Credit Columns:

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

Debit and Credit Column:

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

In a multi-column journal, generally only one line is needed for each entry. Debit and credit amounts for each line must be equal. When Karns journalizes the collection from Abbot Sisters on May 10, for example, three amounts are indicated. Note also that the Account Credited column identifies both general ledger and subsidiary ledger account titles. General ledger accounts are illustrated in the May 1

Helpful Hint

When is an account title entered in the "Account Credited" column of the cash receipts journal?
 Answer: A *subsidiary ledger* account is entered when the entry involves a collection of accounts receivable. A *general ledger* account is entered when the account is not shown in a special column (and an amount must be entered in the Other Accounts column). Otherwise, no account is shown in the "Account Credited" column.

and May 22 entries. A subsidiary account is illustrated in the May 10 entry for the collection from Abbot Sisters.

When Karns has finished journalizing a multi-column journal, it totals the amount columns and compares the totals to prove the equality of debits and credits. Illustration F-9 shows the proof of the equality of Karns's cash receipts journal.

Illustration F-9

Proving the equality of the cash receipts journal

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

Totaling the columns of a journal and proving the equality of the totals is called **footing** and **crossfooting** a journal.

LEARNING OBJECTIVE

3

Indicate how companies post a multi-column journal.

POSTING THE CASH RECEIPTS JOURNAL

Posting a multi-column journal (Illustration F-8, page F-8) involves the following steps.

1. **At the end of the month**, the company posts all column totals, except for the Other Accounts total, to the account title(s) specified in the column heading (such as Cash or Accounts Receivable). The company then enters account numbers below the column totals to show that they have been posted. For example, Karns has posted cash to account No. 101, accounts receivable to account No. 112, inventory to account No. 120, sales revenue to account No. 401, sales discounts to account No. 414, and cost of goods sold to account No. 505.
2. The company **separately posts the individual amounts comprising the Other Accounts total** 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 has not been 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**, used in both the subsidiary and general ledgers, identifies postings from the cash receipts journal.

PROVING THE LEDGERS

After posting of the cash receipts journal is completed, Karns proves the ledgers. As shown in Illustration F-10, the general ledger totals agree. Also, the sum of the subsidiary ledger balances equals the control account balance.

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

Illustration F-10

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

Purchases Journal

In the **purchases journal**, companies record all purchases of merchandise on account. Each entry in this journal results in a debit to Inventory and a credit to Accounts Payable. For example, consider the following credit purchase transactions for Karns Wholesale Supply in Illustration F-11.

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

Illustration F-11

Credit purchases transactions

Illustration F-12 (page F-12) shows the purchases journal for Karns based on these transactions. When using a one-column purchases journal (as in Illustration F-12), a company cannot journalize other types of purchases on account or cash purchases in it. For example, using the purchases journal shown in Illustration F-12, Karns would have to record credit purchases of equipment or supplies in the general journal. Likewise, all cash purchases would be entered in the cash payments journal. As illustrated later, companies that make numerous credit purchases for items other than merchandise often expand the purchases journal to a multi-column format. (See Illustration F-14 on page F-13.)

JOURNALIZING CREDIT PURCHASES OF MERCHANDISE

The journalizing procedure is similar to that for a sales journal. Companies make entries in the purchases journal from purchase invoices. 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 ensure that they record all purchase invoices, some companies consecutively number each invoice upon receipt and then use an internal document number column in the purchases journal.

General Ledger Software for Accounting

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PURCHASES JOURNAL

Date	Account Credited	Terms	Ref.	Inventory Dr.	Accounts Payable Cr.
2014					
May 6	Jasper Manufacturing 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 Manufacturing 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	
				63,900	
				(120)/(201)	

The company posts individual amounts to the subsidiary ledger daily.

At the end of the accounting period, the company posts totals to the general ledger.

ACCOUNTS PAYABLE SUBSIDIARY LEDGER

Eaton and Howe Inc.

Date	Ref.	Debit	Credit	Balance
2014				
May 10	PI		7,200	7,200
29	PI		12,600	19,800

Fabor and Son

Date	Ref.	Debit	Credit	Balance
2014				
May 14	PI		6,900	6,900
26	PI		8,700	15,600

Jasper Manufacturing Inc.

Date	Ref.	Debit	Credit	Balance
2014				
May 6	PI		11,000	11,000
19	PI		17,500	28,500

GENERAL LEDGER

Inventory No. 120

Date	Ref.	Debit	Credit	Balance
2014				
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
2014				
May 31	PI		63,900	63,900

The subsidiary ledger is separate from the general ledger.

Accounts Payable is a control account.

General Ledger General Jnl Sales Jnl Cash Receipts Jnl Purchases Jnl

Illustration F-12

Journalizing and posting the purchases journal

Helpful Hint

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

POSTING THE PURCHASES JOURNAL

The procedures for posting the purchases journal are similar to those for the sales journal. In this case, Karns makes **daily** postings to the **accounts payable ledger**; it makes **monthly** postings to Inventory and Accounts Payable in the general ledger. In both ledgers, Karns uses **P1** 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 F-13.

Postings to General Ledger		Credit Postings to Accounts Payable Ledger	
Inventory (debit)	\$63,900	Eaton and Howe Inc.	\$19,800
		Fabor and Son	15,600
		Jasper Manufacturing Inc.	28,500
Accounts Payable (credit)	\$63,900		\$63,900

Illustration F-13

Proving the equality of the purchases journal

EXPANDING THE PURCHASES JOURNAL

As noted earlier, some companies expand the purchases journal to include all types of purchases on account. Instead of one column for Inventory and Accounts Payable, they use a multi-column format. This format usually includes a credit column for Accounts Payable and debit columns for purchases of Inventory, Office Supplies, Store Supplies, and Other Accounts. Illustration F-14 shows a multi-column purchases journal for Hanover Co. The posting procedures are similar to those shown earlier for posting the cash receipts journal.

Helpful Hint

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

Illustration F-14

Multi-column purchases journal

General Ledger Software for Accounting									
File Edit View Go Bookmarks Tools Help									
Problem Entries Post Closing Reports Tools Help									
PURCHASES JOURNAL									
Date	Account Credited	Ref.	Accounts Payable Cr.	Inventory Dr.	Office Supplies Dr.	Store Supplies Dr.	Other Accounts Dr.		
							Account	Ref.	Amount
2014									
June 1	Signe Audio	✓	2,000		2,000				
3	Wight 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

In a **cash payments (cash disbursements) journal**, companies record all disbursements of cash. Entries are made from prenumbered checks. Because companies make cash payments for various purposes, the cash payments journal has multiple columns. Illustration F-15 (page F-14) shows a four-column journal.

JOURNALIZING CASH PAYMENTS TRANSACTIONS

The procedures for journalizing transactions in this journal are similar to those for the cash receipts journal. Karns records each transaction on one line, and for each line there must be equal debit and credit amounts. The entries in the cash

General Ledger Software for Accounting

File Edit View Go Bookmarks Tools Help

Problem Entries Post Closing Reports Tools Help

CASH PAYMENTS JOURNAL

Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
2014							
May 1	101	Prepaid Insurance	130	1,200			1,200
3	102	Inventory	120	100			100
8	103	Inventory	120	4,400			4,400
10	104	Jasper Manuf. Inc.	✓		11,000	220	10,780
19	105	Eaton & Howe Inc.	✓		7,200	216	6,984
23	106	Fabor and Son	✓		6,900	69	6,831
28	107	Jasper Manuf. Inc.	✓		17,500	350	17,150
30	108	Cash Dividends	332	500			500
				<u>6,200</u>	<u>42,600</u>	<u>855</u>	<u>47,945</u>
				(x)	(201)	(120)	(101)

The company posts individual amounts to the subsidiary ledger daily.

At the end of the accounting period, the company posts totals to the general ledger.

ACCOUNTS PAYABLE SUBSIDIARY LEDGER

Eaton and Howe Inc.

Date	Ref.	Debit	Credit	Balance
2014				
May 10	PI		7,200	7,200
19	CPI	7,200		-----
29	PI		12,600	12,600

Fabor and Son

Date	Ref.	Debit	Credit	Balance
2014				
May 14	PI		6,900	6,900
23	CPI	6,900		-----
26	PI		8,700	8,700

Jasper Manufacturing Inc.

Date	Ref.	Debit	Credit	Balance
2014				
May 6	PI		11,000	11,000
10	CPI	11,000		-----
19	PI		17,500	17,500
28	CPI	17,500		-----

The subsidiary ledger is separate from the general ledger.

Accounts Payable is a control account.

GENERAL LEDGER

Cash No. 101

Date	Ref.	Debit	Credit	Balance
2014				
May 31	CRI	53,769		53,769
31	CPI		47,945	5,824

Inventory No. 120

Date	Ref.	Debit	Credit	Balance
2014				
May 3	CPI	100		100
8	CPI	4,400		4,500
31	SI		62,190	57,690
31	CRI		2,930	60,620
31	PI	63,900		3,280
31	CPI		855	2,425

Prepaid Insurance No. 130

Date	Ref.	Debit	Credit	Balance
2014				
May 1	CPI	1,200		1,200

Accounts Payable No. 201

Date	Ref.	Debit	Credit	Balance
2014				
May 31	PI		63,900	63,900
31	CPI	42,600		21,300

Cash Dividends No. 332

Date	Ref.	Debit	Credit	Balance
2014				
May 30	CPI	500		500

General Ledger General Jnl Sales Jnl Cash Receipts Jnl Purchases Jnl

Illustration F-15
Journalizing and posting the cash payments journal

payments journal in Illustration F-15 are based on the following transactions for Karns Wholesale Supply.

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

Note that whenever Karns enters an amount in the Other Accounts column, it must identify a specific general ledger account in the Account Debited column. The entries for checks No. 101, 102, 103, and 108 illustrate this situation. Similarly, Karns must identify a subsidiary account in the Account Debited column whenever it enters an amount in the Accounts Payable column. See, for example, the entry for check No. 104.

After Karns journalizes the cash payments journal, it totals the columns. 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. Karns posts the amounts recorded in the Accounts Payable column individually to the subsidiary ledger and in total to the control account. It posts Inventory and Cash only in total at the end of the month. Transactions in the Other Accounts column are posted individually to the appropriate account(s) affected. The company does not post totals for the Other Accounts column.

Illustration F-15 shows the posting of the cash payments journal. Note that Karns uses the symbol **CP** as the posting reference. After postings are completed, the company proves the equality of the debit and credit balances in the general ledger. In addition, the control account balances should agree with the subsidiary ledger total balance. Illustration F-16 shows the agreement of these balances.

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

Illustration F-16

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

Effects of Special Journals on the General Journal

Special journals for sales, purchases, and cash substantially reduce the number of entries that companies make in the general journal. **Only transactions that cannot be entered in a special journal are recorded in the general journal.** For example, a company may use the general journal 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, companies make two changes from the earlier procedures:

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

Illustration F-17

Journalizing and posting the general journal

The screenshot displays the 'General Ledger Software for Accounting' interface. It features three main windows illustrating the flow of a transaction from the General Journal to subsidiary ledgers and back to the General Ledger.

GENERAL JOURNAL (GI)

Date	Account Title and Explanation	Ref.	Debit	Credit
2014				
May 31	Accounts Payable—Fabor and Son	201/✓	500	
	Inventory	120		500
	(Received credit for returned goods)			

ACCOUNTS PAYABLE SUBSIDIARY LEDGER (Fabor and Son)

Date	Ref.	Debit	Credit	Balance
2014				
May 14	PI		6,900	6,900
23	CPI	6,900		-----
26	PI		8,700	8,700
31	GI	500		8,200

GENERAL LEDGER

Inventory No. 120

Date	Ref.	Debit	Credit	Balance
2014				
May 31	GI		500	500

Accounts Payable No. 201

Date	Ref.	Debit	Credit	Balance
2014				
May 31	PI		63,900	63,900
31	CPI	42,600		21,300
31	GI	500		20,800

Red arrows indicate the flow of the transaction: from the General Journal to the Accounts Payable Subsidiary Ledger, then to the Accounts Payable control account in the General Ledger, and finally to the Inventory control account in the General Ledger.

To illustrate, assume that on May 31, Karns Wholesale Supply returns \$500 of merchandise for credit to Fabor and Son. Illustration F-17 shows the entry in the general journal and the posting of the entry. Note that if Karns receives cash instead of credit on this return, then it would record the transaction in the cash receipts journal.

Note that the general journal indicates two accounts (Accounts Payable, and Fabor and Son) for the debit, and two postings (“201/✓”) in the reference column. One debit is posted to the control account and another debit to the creditor’s account in the subsidiary ledger.

> DO IT!

Special Journals

Action Plan

- ✓ Determine if the transaction involves the receipt of cash (cash receipts journal) or the payment of cash (cash payments journal).
- ✓ Determine if the transaction is a sale of merchandise on account (sales journal) or a purchase of merchandise on account (purchases journal).
- ✓ Understand that all other transactions are recorded in the general journal.

Swisher Company had the following transactions during March.

1. Collected cash on account from Oakland Company.
2. Purchased equipment by signing a note payable.
3. Sold merchandise on account.
4. Purchased merchandise on account.
5. Paid \$2,400 for a 2-year insurance policy.

Identify the journal in which each of the transactions above is recorded.

Solution

1. Collected cash on account from Oakland Company.	Cash receipts journal
2. Purchased equipment by signing a note payable.	General journal
3. Sold merchandise on account.	Sales journal
4. Purchased merchandise on account.	Purchases journal
5. Paid \$2,400 for a 2-year insurance policy.	Cash payments journal

Related exercise material: **BEF-3, BEF-4, BEF-5, BEF-6, EF-8, EF-9, EF-10, and DO IT! F-2.**

✓ The Navigator

> Comprehensive DO IT!

Action Plan

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

Cassandra Wilson Company uses a six-column cash receipts journal with the following columns:

Cash (Dr.)	Other Accounts (Cr.)
Sales Discounts (Dr.)	Cost of Goods Sold (Dr.) and
Accounts Receivable (Cr.)	Inventory (Cr.)
Sales Revenue (Cr.)	

Cash receipts transactions for the month of July 2014 are as follows.

July	3	Cash sales total \$5,800 (cost, \$3,480).
	5	Received a check for \$6,370 from Jeltz Company in payment of an invoice dated June 26 for \$6,500, terms 2/10, n/30.
	9	Stockholders made an additional investment of \$5,000 in cash in exchange for common stock.
	10	Cash sales total \$12,519 (cost, \$7,511).
	12	Received a check for \$7,275 from R. Eliot & Co. in payment of a \$7,500 invoice dated July 3, terms 3/10, n/30.
	15	Received a customer advance of \$700 cash for future sales.
	20	Cash sales total \$15,472 (cost, \$9,283).

- 22 Received a check for \$5,880 from Beck Company in payment of \$6,000 invoice dated July 13, terms 2/10, n/30.
 29 Cash sales total \$17,660 (cost, \$10,596).
 31 Received cash of \$200 on interest earned for July.

Instructions

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

Solution to Comprehensive DO IT!

(a)

Cassandra Wilson Company								CR1
Cash Receipts Journal								
Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
2014								
7/3			5,800			5,800		3,480
5	Jeltz Company		6,370	130	6,500			
9	Common Stock		5,000				5,000	
10			12,519			12,519		7,511
12	R. Eliot & Co.		7,275	225	7,500			
15	Unearned Sales Revenue		700				700	
20			15,472			15,472		9,283
22	Beck Company		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 total 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 posted individually. They are credited to the account titles identified in the Account Credited column.

**The Navigator****SUMMARY OF LEARNING OBJECTIVES****The Navigator****1 Describe the nature and 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 companies use special journals in journalizing. Companies use special journals to group similar types of transactions. In a special journal, generally only one line is used to record a complete transaction.**3 Indicate how companies post a multi-column journal.** In posting a multi-column journal:

- (a) Companies post all column totals except for the Other Accounts column once at the end of the month to the account title specified in the column heading.
 (b) Companies do not post the total of the Other Accounts column. Instead, the individual amounts comprising the total are posted separately to the general ledger accounts specified in the Account Credited (Debited) 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 (Debited) column.

GLOSSARY

Accounts payable (creditors') subsidiary ledger A subsidiary ledger that collects transaction data of individual creditors. (p. F-1).

Accounts receivable (customers') subsidiary ledger A subsidiary ledger that collects transaction data of individual customers. (p. F-1).

Cash payments (disbursements) journal A special journal that records all cash paid. (p. F-13).

Cash receipts journal A special journal that records all cash received. (p. F-7).

Control account An account in the general ledger that summarizes subsidiary ledger data. (p. F-1).

Purchases journal A special journal that records all purchases of merchandise on account. (p. F-11).

Sales journal A special journal that records all sales of merchandise on account. (p. F-4).

Special journal A journal that records similar types of transactions, such as all credit sales. (p. F-4).

Subsidiary ledger A group of accounts with a common characteristic. (p. F-1).



Self-Test, Brief Exercises, Exercises, Problem Set A, and many more components are available for practice in WileyPLUS.

SELF-TEST QUESTIONS

Answers are on page F-38.

- (LO 1) 1. Which of the following is *incorrect* concerning subsidiary ledgers?
- The purchases ledger is a common subsidiary ledger for creditor accounts.
 - The accounts receivable ledger is a subsidiary ledger.
 - A subsidiary ledger is a group of accounts with a common characteristic.
 - An advantage of the subsidiary ledger is that it permits a division of labor in posting.
- (LO 2) 2. A sales journal will be used for:
- | | <u>Credit Sales</u> | <u>Cash Sales</u> | <u>Sales Discounts</u> |
|-----|---------------------|-------------------|------------------------|
| (a) | no | yes | yes |
| (b) | yes | no | yes |
| (c) | yes | no | no |
| (d) | yes | yes | no |
- (LO 2, 3) 3. Which of the following statements is *correct*?
- The sales discount column is included in the cash receipts journal.
 - The purchases journal records all purchases of merchandise whether for cash or on account.
 - The cash receipts journal records sales on account.
 - Merchandise returned by the buyer is recorded by the seller in the purchases journal.
- (LO 3) 4. Which of the following is *incorrect* concerning the posting of the cash receipts journal?
- The total of the Other Accounts column is not posted.
 - All column totals except the total for the Other Accounts column are posted once at the end of the month to the account title(s) specified in the column heading.
 - The totals of all columns are posted daily to the accounts specified in the column heading.
 - The individual amounts in a column posted in total to a control account are posted daily to the subsidiary ledger account specified in the Account Credited column.
5. Postings from the purchases journal to the subsidiary ledger are generally made:
- yearly.
 - monthly.
 - weekly.
 - daily.
6. Which statement is *incorrect* regarding the general journal?
- Only transactions that cannot be entered in a special journal are recorded in the general journal.
 - Dual postings are always required in the general journal.
 - The general journal may be used to record acceptance of a note receivable in payment of an account receivable.
 - Correcting, adjusting, and closing entries are made in the general journal.
7. When companies use special journals:
- they record all purchase transactions in the purchases journal.
 - they record all cash received, except from cash sales, in the cash receipts journal.
 - they record all cash disbursements in the cash payments journal.
 - a general journal is not necessary.
8. If a customer returns goods for credit, the selling company normally makes an entry in the:
- cash payments journal.
 - sales journal.
 - general journal.
 - cash receipts journal.

Go to the book's companion website, www.wiley.com/college/weygandt, for additional Self-Test Questions.

QUESTIONS

- What are the advantages of using subsidiary ledgers?
- (a) When do companies normally post to (1) the subsidiary accounts and (2) the general ledger control accounts? (b) Describe the relationship between a control account and a subsidiary ledger.
- Identify and explain the four special journals discussed in this appendix. List an advantage of using each of these journals rather than using only a general journal.
- Burguet Company uses special journals. It recorded in a sales journal a sale made on account to P. Starch for \$435. A few days later, P. Starch returns \$70 worth of merchandise for credit. Where should Burguet Company record the sales return? Why?
- A \$500 purchase of merchandise on account from Hsu Company was properly recorded in the purchases journal. When posted, however, the amount recorded in the subsidiary ledger was \$50. How might this error be discovered?
- Why would special journals used in different businesses not be identical in format? What type of business would maintain a cash receipts journal but not include a column for accounts receivable?
- The cash and the accounts receivable columns in the cash receipts journal were mistakenly over-added by \$4,000 at the end of the month. (a) Will the customers' ledger agree with the Accounts Receivable control account? (b) Assuming no other errors, will the trial balance totals be equal?
- One column total of a special journal is posted at month-end to only two general ledger accounts. One of these two accounts is Accounts Receivable. What is the name of this special journal? What is the other general ledger account to which that same month-end total is posted?
- In what journal would the following transactions be recorded? (Assume that a two-column sales journal and a single-column purchases journal are used.)
 - Recording of depreciation expense for the year.
 - Credit given to a customer for merchandise purchased on credit and returned.
 - Sales of merchandise for cash.
 - Sales of merchandise on account.
 - Collection of cash on account from a customer.
 - Purchase of office supplies on account.
- In what journal would the following transactions be recorded? (Assume that a two-column sales journal and a single-column purchases journal are used.)
 - Cash received from signing a note payable.
 - Investment of cash by stockholders.
 - Closing of the expense accounts at the end of the year.
 - Purchase of merchandise on account.
 - Credit received for merchandise purchased and returned to supplier.
 - Payment of cash on account due a supplier.
- What transactions might be included in a multi-column purchases journal that would not be included in a single-column purchases journal?
- Give an example of a transaction in the general journal that causes an entry to be posted twice (i.e., to two accounts), one in the general ledger, the other in the subsidiary ledger. Does this affect the debit/credit equality of the general ledger?
- Give some examples of appropriate general journal transactions for an organization using special journals.

BRIEF EXERCISES

Identify subsidiary ledger balances.

(LO 1)

BEF-1 Presented below is information related to Cortes Company for its first month of operations. Identify the balances that appear in the accounts receivable subsidiary ledger and the accounts receivable balance that appears in the general ledger at the end of January.

Credit Sales				Cash Collections			
Jan. 7	Austin Co.	\$10,000		Jan. 17	Austin Co.	\$7,000	
15	Diaz Co.	7,000		24	Diaz Co.	6,000	
23	Nichols Co.	9,000		29	Nichols Co.	9,000	

Identify subsidiary ledger accounts.

(LO 1)

BEF-2 Identify in what ledger (general or subsidiary) each of the following accounts is shown.

- | | |
|---------------------------------|------------------------------|
| (a) Rent Expense. | (c) Notes Payable. |
| (b) Accounts Receivable—Nguyen. | (d) Accounts Payable—Weeden. |

Identify special journals.

(LO 2)

BEF-3 Identify the journal in which each of the following transactions is recorded.

- | | |
|--------------------------------|---|
| (a) Cash sales. | (d) Credit sales. |
| (b) Payment of cash dividends. | (e) Purchase of merchandise on account. |
| (c) Cash purchase of land. | (f) Receipt of cash for services performed. |

BEF-4 Indicate whether each of the following debits and credits is included in the cash receipts journal. (Use “Yes” or “No” to answer this question.)

- (a) Debit to Sales Revenue. (c) Credit to Accounts Receivable.
(b) Credit to Inventory. (d) Debit to Accounts Payable.

Identify entries to cash receipts journal.

(LO 2)

BEF-5 Lazar Co. uses special journals and a general journal. Identify the journal in which each of the following transactions is recorded.

- (a) Purchased equipment on account. (c) Paid utility expense in cash.
(b) Purchased merchandise on account. (d) Sold merchandise on account.

Identify transactions for special journals.

(LO 2)

BEF-6 Identify the special journal(s) in which the following column headings appear.

- (a) Sales Discounts Dr. (d) Sales Revenue Cr.
(b) Accounts Receivable Cr. (e) Inventory Dr.
(c) Cash Dr.

Identify transactions for special journals.

(LO 2)

BEF-7 Serrato Computer Components Inc. uses a multi-column cash receipts journal. Indicate which column(s) is/are posted only in total, only daily, or both in total and daily.

- (a) Accounts Receivable. (c) Cash.
(b) Sales Discounts. (d) Other Accounts.

Indicate postings to cash receipts journal.

(LO 3)

> DO IT! REVIEW

DO IT! F-1 Presented below is information related to Koniar Company 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?

Determine subsidiary and general ledger balances.

(LO 1)

Credit Purchases			Cash Paid		
Jan. 6	Gorst Company	\$ 9,000	Jan. 11	Gorst Company	\$ 5,700
Jan. 10	Maddox Company	12,000	Jan. 16	Maddox Company	12,000
Jan. 23	Tian Company	10,000	Jan. 29	Tian Company	7,700

DO IT! F-2 Ligare Company had the following transactions during April.

- Sold merchandise on account.
- Purchased merchandise on account.
- Collected cash from a sale to Estes Company.
- Recorded accrued interest on a note payable.
- Paid \$2,000 for supplies.

Identify special journals.

(LO 2)

Identify the journal in which each of the transactions above is recorded.



The Navigator

EXERCISES

EF-1 Kimani Company 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 \$314,000; the Accounts Payable control account had a credit balance of \$77,000.

Determine control account balances, and explain posting of special journals.

(LO 1, 3)

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
Purchases journal	Total purchases \$54,100
Cash receipts journal	Accounts receivable column total \$131,000
Cash payments journal	Accounts payable column total \$47,500

Instructions

- What is the balance of the Accounts Receivable control account after the monthly postings on July 31?
- What is the balance of the Accounts Payable control account after the monthly postings on July 31?
- To what account(s) is the column total of \$161,400 in the sales journal posted?
- To what account(s) is the accounts receivable column total of \$131,000 in the cash receipts journal posted?

Explain postings to subsidiary ledger.

(LO 1)

EF-2 Presented below is the subsidiary accounts receivable account of Mailee Long.

Date	Ref.	Debit	Credit	Balance
2014				
Sept. 2	S31	61,000		61,000
9	G4		14,000	47,000
27	CR8		47,000	—

Instructions

 Write a memo to Erica Henes, chief financial officer, that explains each transaction.

Post various journals to control and subsidiary accounts.

(LO 1, 3)

EF-3 On September 1, the balance of the Accounts Receivable control account in the general ledger of Thone Company was \$10,960. The customers' subsidiary ledger contained account balances as follows: Zeyen \$1,440, Lahr \$2,640, Bohn \$2,060, and Cao \$4,820. At the end of September, the various journals contained the following information.

Sales journal: Sales to Cao \$800; to Zeyen \$1,260; to Han \$1,330; to Bohn \$1,260.

Cash receipts journal: Cash received from Bohn \$1,310; from Cao \$2,300; from Han \$380; from Lahr \$1,800; from Zeyen \$1,240.

General journal: An allowance is granted to Cao \$185.

Instructions

- Set up control and subsidiary accounts and enter the beginning balances. Do not construct the journals.
- Post the various journals. Post the items as individual items or as totals, whichever would be the appropriate procedure. (No sales discounts given.)
- Prepare a list of customers and prove the agreement of the controlling account with the subsidiary ledger at September 30, 2014.

Determine control and subsidiary ledger balances for accounts receivable.

(LO 1)

EF-4 Bill Mellen Company has a balance in its Accounts Receivable control account of \$10,200 on January 1, 2014. The subsidiary ledger contains three accounts: Burris Company, balance \$4,000; Uhlig Company, balance \$2,500; and Lopata Company. During January, the following receivable-related transactions occurred.

	<u>Credit Sales</u>	<u>Collections</u>	<u>Returns</u>
Burris Company	\$9,000	\$8,000	\$—0—
Uhlig Company	7,000	2,500	3,000
Lopata Company	8,300	9,000	—0—

Instructions

- What is the January 1 balance in the Lopata Company subsidiary account?
- What is the January 31 balance in the control account?
- Compute the balances in the subsidiary accounts at the end of the month.
- Which January transaction would not be recorded in a special journal?

Determine control and subsidiary ledger balances for accounts payable.

(LO 1)

EF-5 Chia Vang Company has a balance in its Accounts Payable control account of \$8,250 on January 1, 2014. The subsidiary ledger contains three accounts: Tym Company, balance \$3,000; Keyes Company, balance \$1,875; and Byrne Company. During January, the following receivable-related transactions occurred.

	<u>Purchases</u>	<u>Payments</u>	<u>Returns</u>
Tym Company	\$6,750	\$6,000	\$—0—
Keyes Company	5,250	1,900	2,300
Byrne Company	6,375	6,750	—0—

Instructions

- What is the January 1 balance in the Byrne Company subsidiary account?
- What is the January 31 balance in the control account?
- Compute the balances in the subsidiary accounts at the end of the month.
- Which January transaction would not be recorded in a special journal?

EF-6 Pashak Company uses special journals and a general journal. The following transactions occurred during September 2014.

Record transactions in sales and purchases journal.

- Sept. 2 Sold merchandise on account to J. Witten, invoice no. 101, \$780, terms n/30. The cost of the merchandise sold was \$420.
- 10 Purchased merchandise on account from H. Gilles \$600, terms 2/10, n/30.
- 12 Purchased office equipment on account from Y. Kojima \$6,500.
- 21 Sold merchandise on account to K. Morgan, invoice no. 102 for \$800, terms 2/10, n/30. The cost of the merchandise sold was \$480.
- 25 Purchased merchandise on account from G. Harvey \$835, terms n/30.
- 27 Sold merchandise to D. Schaff for \$700 cash. The cost of the merchandise sold was \$400.

(LO 1, 2)

Instructions

- Prepare a sales journal (see Illustration F-6) and a single-column purchases journal (see Illustration F-12). (Use page 1 for each journal.)
- Record the transaction(s) for September that should be journalized in the sales journal and the purchases journal.

EF-7 Newell Co. uses special journals and a general journal. The following transactions occurred during May 2014.

Record transactions in cash receipts and cash payments journal.

- May 1 M. Newell invested \$48,000 cash in the business in exchange for common stock.
- 2 Sold merchandise to A. Belton for \$6,340 cash. The cost of the merchandise sold was \$4,200.
- 3 Purchased merchandise for \$7,200 from E. Reed using check no. 101.
- 14 Paid salary to M. Hunt \$700 by issuing check no. 102.
- 16 Sold merchandise on account to S. Spies for \$900, terms n/30. The cost of the merchandise sold was \$630.
- 22 A check of \$9,000 is received from N. Eggert in full for invoice 101; no discount given.

(LO 1, 2)

Instructions

- Prepare a multi-column cash receipts journal (see Illustration F-8) and a multi-column cash payments journal (see Illustration F-15). (Use page 1 for each journal.)
- Record the transaction(s) for May that should be journalized in the cash receipts journal and cash payments journal.

EF-8 Cosey Company uses the columnar cash journals illustrated in the textbook. In April, the following selected cash transactions occurred.

Explain journalizing in cash journals.

- Made a refund to a customer for the return of damaged goods.
- Received collection from customer within the 3% discount period.
- Purchased merchandise for cash.
- Paid a creditor within the 3% discount period.
- Received collection from customer after the 3% discount period had expired.
- Paid freight on merchandise purchased.
- Paid cash for office equipment.
- Received cash refund from supplier for merchandise returned.
- Paid cash dividend to stockholders.
- Made cash sales.

(LO 2)

Instructions

Indicate (a) the journal, and (b) the columns in the journal that should be used in recording each transaction.

EF-9 Moncado Company has the following selected transactions during March.

Journalize transactions in general journal and post.


- Mar. 2 Purchased equipment costing \$9,400 from Aleksic Company on account.
- 5 Received credit of \$410 from Dumont Company for merchandise damaged in shipment to Moncado.

(LO 1, 3)

- 7 Issued credit of \$390 to Gavin Company for merchandise the customer returned. The returned merchandise had a cost of \$240.

Moncado Company uses a one-column purchases journal, a sales journal, the columnar cash journals used in the text, and a general journal.

Instructions

- (a) Journalize the transactions in the general journal.
(b)  In a brief memo to the president of Moncado Company, explain the postings to the control and subsidiary accounts from each type of journal.

Indicate journalizing in special journals.

(LO 2)

EF-10 Below are some typical transactions incurred by Khiani Company.

1. Payment of creditors on account.
2. Return of merchandise sold for credit.
3. Collection on account from customers.
4. Sale of land for cash.
5. Sale of merchandise on account.
6. Sale of merchandise for cash.
7. Received credit for merchandise purchased on credit.
8. Sales discount taken on goods sold.
9. Payment of employee wages.
10. Payment of cash dividend to stockholders.
11. Depreciation on building.
12. Purchase of office supplies for cash.
13. Purchase of merchandise on account.

Instructions

For each transaction, indicate whether it would normally be recorded in a cash receipts journal, cash payments journal, sales journal, single-column purchases journal, or general journal.

Explain posting to control account and subsidiary ledger.

(LO 1, 3)

EF-11 The general ledger of Saxena Company contained the following Accounts Payable control account (in T-account form). Also shown is the related subsidiary ledger.

GENERAL LEDGER					
Accounts Payable					
Feb. 15	General journal	1,400	Feb. 1	Balance	26,025
28	?	?	5	General journal	195
			11	General journal	550
			28	Purchases	13,400
			Feb. 28	Balance	9,800

ACCOUNTS PAYABLE LEDGER					
Lawlor			Robillard		
	Feb. 28	Bal. 4,600		Feb. 28	Bal. ?
Tilev					
	Feb. 28	Bal. 2,100			

Instructions

- (a) Indicate the missing posting reference and amount in the control account, and the missing ending balance in the subsidiary ledger.
(b) Indicate the amounts in the control account that were dual-posted (i.e., posted to the control account and the subsidiary accounts).

EF-12 Selected accounts from the ledgers of Masud Company at July 31 showed the following. *Prepare purchases and general journals.*

(LO 1, 2)

GENERAL LEDGER

Equipment						Inventory					
No. 153						No. 120					
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit	Credit	Balance
July 1		G1	3,900		3,900	July 15		G1	600		600
						18		G1		380	220
						25		G1		200	20
						31		P1	8,500		8,520

Accounts Payable						No. 201					
Date	Explanation	Ref.	Debit	Credit	Balance						
July 1		G1		3,900	3,900						
15		G1		600	4,500						
18		G1	380		4,120						
25		G1	200		3,920						
31		P1		8,500	12,420						

ACCOUNTS PAYABLE LEDGER

Alaska Equipment Co.						Kansas Co.					
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit	Credit	Balance
July 1		G1		3,900	3,900	July 14		P1		1,300	1,300
						25		G1	200		1,100

Dakota Co.						Montana Co.					
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit	Credit	Balance
July 3		P1		2,400	2,400	July 12		P1		500	500
20		P1		700	3,100	21		P1		600	1,100

Georgia Corp						Oklahoma Inc.					
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit	Credit	Balance
July 17		P1		1,400	1,400	July 15		G1		600	600
18		G1	380		1,020						
29		P1		1,600	2,620						

Instructions

From the data prepare:

- The single-column purchases journal for July.
- The general journal entries for July.

EF-13 Schara Products uses both special journals and a general journal as described in this appendix. Schara also posts customers' accounts in the accounts receivable subsidiary ledger. The postings for the most recent month are included in the subsidiary T-accounts below.

Determine correct posting amount to control account.

(LO 3)

Christel			Lei		
Bal.	340	250	Bal.	150	150
	280			240	

Epping			Rivera		
Bal.	-0-	145	Bal.	120	120
	145			190	
				130	

Instructions

Determine the correct amount of the end-of-month posting from the sales journal to the Accounts Receivable control account.

Compute balances in various accounts.

(LO 3)

EF-14 Selected account balances for Satina Company at January 1, 2014, are presented below.

Accounts Payable	\$19,000
Accounts Receivable	22,000
Cash	17,000
Inventory	13,500

Satina's sales journal for January shows a total of \$100,000 in the selling price column, and its one-column purchases journal for January shows a total of \$72,000.

The column totals in Satina's cash receipts journal are Cash Dr. \$64,000; Sales Discounts Dr. \$1,100; Accounts Receivable Cr. \$48,000; Sales Revenue Cr. \$6,000; and Other Accounts Cr. \$11,100.

The column totals in Satina's cash payments journal for January are Cash Cr. \$55,000; Inventory Cr. \$1,000; Accounts Payable Dr. \$46,000; and Other Accounts Dr. \$10,000. Satina's total cost of goods sold for January is \$63,600.

Accounts Payable, Accounts Receivable, Cash, Inventory, and Sales Revenue are not involved in the "Other Accounts" column in either the cash receipts or cash payments journal, and are not involved in any general journal entries.

Instructions

Compute the January 31 balance for Satina in the following accounts.

- Accounts Payable.
- Accounts Receivable.
- Cash.
- Inventory.
- Sales Revenue.

EXERCISES: SET B

Visit the book's companion website, at www.wiley.com/college/veygandt, and choose the Student Companion site to access Exercises Set B.

PROBLEMS: SET A

Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.

(LO 1, 2, 3)



PF-1A Nordeen Company's chart of accounts includes the following selected accounts.

101 Cash	401 Sales Revenue
112 Accounts Receivable	414 Sales Discounts
120 Inventory	505 Cost of Goods Sold
311 Common Stock	

On April 1, the accounts receivable ledger of Nordeen Company showed the following balances: Siem \$1,550, Milkie \$1,200, Jury Co. \$2,900, and Afzal \$1,800. The April transactions involving the receipt of cash were as follows.

- Apr. 1 Stockholders invested \$7,200 additional cash in the business, in exchange for common stock.
- 4 Received check for payment of account from Afzal less 2% cash discount.
- 5 Received check for \$990 in payment of invoice no. 307 from Jury Co.
- 8 Made cash sales of merchandise totaling \$7,845. The cost of the merchandise sold was \$4,347.
- 10 Received check for \$600 in payment of invoice no. 309 from Siem.
- 11 Received cash refund from a supplier for damaged merchandise \$680.
- 23 Received check for \$1,500 in payment of invoice no. 310 from Jury Co.
- 29 Received check for payment of account from Milkie.

Instructions

- Journalize the transactions above in a six-column cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr. Foot and crossfoot the journal.
- Insert the beginning balances in the Accounts Receivable control and subsidiary accounts, and post the April transactions to these accounts.
- Prove the agreement of the control account and subsidiary account balances.

(a) Balancing totals \$21,815

(c) Accounts Receivable \$1,360

PF-2A Gatske Company's chart of accounts includes the following selected accounts.

101 Cash	201 Accounts Payable
120 Inventory	332 Cash Dividends
130 Prepaid Insurance	505 Cost of Goods Sold
157 Equipment	

Journalize transactions in cash payments journal; post to control account and subsidiary ledgers.

(LO 1, 2, 3)



On October 1, the accounts payable ledger of Gatske Company showed the following balances: Deavers Company \$2,700, Greer Co. \$2,500, May Co. \$2,100, and Snell Company \$3,700. The October transactions involving the payment of cash were as follows.

- Oct. 1 Purchased merchandise, check no. 63, \$300.
 3 Purchased equipment, check no. 64, \$1,200.
 5 Paid Deavers Company balance due of \$2,700, less 2% discount, check no. 65, \$2,646.
 10 Purchased merchandise, check no. 66, \$2,250.
 15 Paid May Co. balance due of \$2,100, check no. 67.
 16 Paid cash dividend of \$400, check no. 68.
 19 Paid Greer Co. in full for invoice no. 610, \$1,800 less 2% cash discount, check no. 69, \$1,764.
 29 Paid Snell Company in full for invoice no. 264, \$2,500, check no. 70.

Instructions

- Journalize the transactions above in a four-column cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr. Foot and crossfoot the journal.
- Insert the beginning balances in the Accounts Payable control and subsidiary accounts, and post the October transactions to these accounts.
- Prove the agreement of the control account and the subsidiary account balances.

(a) Balancing totals \$13,250

(c) Accounts Payable \$1,900

PF-3A The chart of accounts of Domingo Company includes the following selected accounts.

112 Accounts Receivable	401 Sales Revenue
120 Inventory	412 Sales Returns and Allowances
126 Supplies	505 Cost of Goods Sold
157 Equipment	610 Advertising Expense
201 Accounts Payable	

Journalize transactions in multi-column purchases journal; post to the general and subsidiary ledgers.

(LO 1, 2, 3)



In July, the following selected transactions were completed. All purchases and sales were on account. The cost of all merchandise sold was 70% of the sales price.

- July 1 Purchased merchandise from Chad Company \$7,600.
 2 Received freight bill from Pegasus Shipping on Chad purchase \$400.
 3 Made sales to Effron Company \$1,300 and to Pitas Bros. \$2,000.
 5 Purchased merchandise from Kivlin Company \$3,200.
 8 Received credit on merchandise returned to Kivlin Company \$300.
 13 Purchased store supplies from Bowe Supply \$910.
 15 Purchased merchandise from Chad Company \$3,600 and from Goran Company \$3,300.
 16 Made sales to Felber Company \$3,450 and to Pitas Bros. \$1,570.
 18 Received bill for advertising from Wei Advertisements \$600.
 21 Made sales to Effron Company \$310 and to Musky Company \$2,800.
 22 Granted allowance to Effron Company for merchandise damaged in shipment \$65.
 24 Purchased merchandise from Kivlin Company \$3,000.
 26 Purchased equipment from Bowe Supply \$900.
 28 Received freight bill from Pegasus Shipping on Kivlin purchase of July 24, \$380.
 30 Made sales to Felber Company \$5,600.

- (a) Purchases journal—
 Accounts Payable \$23,890
 Sales journal—
 Sales revenue column total
 \$17,030
 (c) Accounts Receivable \$16,965
 Accounts Payable \$23,590

Journalize transactions in special journals.

(LO 1, 2, 3)



Instructions

- (a) Journalize the transactions above in a purchases journal, a sales journal, and a general journal. The purchases journal should have the following column headings: Date, Account Credited (Debited), Ref., Accounts Payable Cr., Inventory Dr., and Other Accounts Dr.
 (b) Post to both the general and subsidiary ledger accounts. (Assume that all accounts have zero beginning balances.)
 (c) Prove the agreement of the control and subsidiary accounts.

PF-4A Selected accounts from the chart of accounts of Valdez Company are shown below.

101 Cash	401 Sales
112 Accounts Receivable	412 Sales Returns and Allowances
120 Inventory	414 Sales Discounts
126 Supplies	505 Cost of Goods Sold
157 Equipment	726 Salaries and Wages Expense
201 Accounts Payable	

The cost of all merchandise sold was 60% of the sales price. During January, Valdez completed the following transactions.

- Jan. 3 Purchased merchandise on account from Pirkov Co. \$10,000.
 4 Purchased supplies for cash \$80.
 4 Sold merchandise on account to Hull \$5,600, invoice no. 371, terms 1/10, n/30.
 5 Returned \$300 worth of damaged goods purchased on account from Pirkov Co. on January 3.
 6 Made cash sales for the week totaling \$3,750.
 8 Purchased merchandise on account from Dubois Co. \$4,500.
 9 Sold merchandise on account to Phelan Corp. \$6,400, invoice no. 372, terms 1/10, n/30.
 11 Purchased merchandise on account from Akers Co. \$3,700.
 13 Paid in full Pirkov Co. on account less a 2% discount.
 13 Made cash sales for the week totaling \$6,260.
 15 Received payment from Phelan Corp. for invoice no. 372.
 15 Paid semi-monthly salaries of \$14,300 to employees.
 17 Received payment from Hull for invoice no. 371.
 17 Sold merchandise on account to Mayr Co. \$1,200, invoice no. 373, terms 1/10, n/30.
 19 Purchased equipment on account from Barb Corp. \$5,500.
 20 Cash sales for the week totaled \$3,200.
 20 Paid in full Dubois Co. on account less a 2% discount.
 23 Purchased merchandise on account from Pirkov Co. \$7,800.
 24 Purchased merchandise on account from Fifer Corp. \$5,100.
 27 Made cash sales for the week totaling \$4,230.
 30 Received payment from Mayr Co. for invoice no. 373.
 31 Paid semi-monthly salaries of \$14,300 to employees.
 31 Sold merchandise on account to Hull \$9,330, invoice no. 374, terms 1/10, n/30.

Valdez Company uses the following journals.

- Sales journal.
- Single-column purchases journal.
- Cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr.
- Cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr.
- General journal.

Instructions

Using the selected accounts provided:

- (a) Record the January transactions in the appropriate journal noted.
 (b) Foot and crossfoot all special journals.
 (c) Show how postings would be made by placing ledger account numbers and checkmarks as needed in the journals. (Actual posting to ledger accounts is not required.)

- (a) Sales journal \$22,530
 Purchases journal \$31,100
 Cash receipts journal
 balancing total \$30,640
 Cash payments journal
 balancing total \$42,880

PF-5A Presented below are the purchases and cash payments journals for Rosalez Co. for its first month of operations.

Journalize in sales and cash receipts journals; post; prepare a trial balance; prove control to subsidiary; prepare adjusting entries; prepare an adjusted trial balance.

(LO 1, 2, 3)



PURCHASES JOURNAL P1

Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.
July 4	T. Cigale		6,500
5	K. Emmons		8,100
11	M. Huang		5,920
13	D. Talbert		15,300
20	G. Young		7,900
			<u>43,720</u>

CASH PAYMENTS JOURNAL CP1

Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
July 4	Supplies		600			600
10	K. Emmons			8,100	81	8,019
11	Prepaid Rent		6,000			6,000
15	T. Cigale			6,500		6,500
19	Cash Dividends		2,500			2,500
21	D. Talbert			15,300	153	15,147
			<u>9,100</u>	<u>29,900</u>	<u>234</u>	<u>38,766</u>

In addition, the following transactions have not been journalized for July. The cost of all merchandise sold was 65% of the sales price.

- July 1 A. Rosalez invested \$80,000 in cash in exchange for common stock.
 6 Sold merchandise on account to Dorfner Co. \$6,600 terms 1/10, n/30.
 7 Made cash sales totaling \$6,300.
 8 Sold merchandise on account to Bonilha \$3,600, terms 1/10, n/30.
 10 Sold merchandise on account to L. Ortiz \$4,900, terms 1/10, n/30.
 13 Received payment in full from Bonilha.
 16 Received payment in full from L. Ortiz.
 20 Received payment in full from Dorfner Co.
 21 Sold merchandise on account to M. Putzi \$5,000, terms 1/10, n/30.
 29 Returned damaged goods to T. Cigale and received cash refund of \$450.

Instructions

- (a) Open the following accounts in the general ledger.

101 Cash	332 Cash Dividends
112 Accounts Receivable	401 Sales Revenue
120 Inventory	414 Sales Discounts
127 Supplies	505 Cost of Goods Sold
131 Prepaid Rent	631 Supplies Expense
201 Accounts Payable	729 Rent Expense
311 Common Stock	

- (b) Journalize the transactions that have not been journalized in the sales journal, the cash receipts journal (see Illustration F-8), and the general journal.
 (c) Post to the accounts receivable and accounts payable subsidiary ledgers. Follow the sequence of transactions as shown in the problem.
 (d) Post the individual entries and totals to the general ledger.
 (e) Prepare a trial balance at July 31, 2014.
 (f) Determine whether the subsidiary ledgers agree with the control accounts in the general ledger.

(b) Sales journal total
 \$20,100
 Cash receipts journal
 balancing totals
 \$101,850
 (e) Totals \$120,220
 (f) Accounts Receivable
 \$5,000
 Accounts Payable
 \$13,820

(g) The following adjustments at the end of July are necessary.

(1) A count of supplies indicates that \$170 is still on hand.

(2) Recognize rent expense for July, \$500.

Prepare the necessary entries in the general journal. Post the entries to the general ledger.

(h) Totals \$120,220

Journalize in special journals;
post; prepare a trial balance.

(LO 1, 2, 3)



PF-6A The post-closing trial balance for Amland Co. is as follows.

Amland Co.
Post-Closing Trial Balance
December 31, 2013

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 41,500	
Accounts Receivable	15,000	
Notes Receivable	45,000	
Inventory	20,000	
Equipment	7,500	
Accumulated Depreciation—Equipment		\$ 1,500
Accounts Payable		43,000
Common Stock		84,500
	<u>\$129,000</u>	<u>\$129,000</u>

The subsidiary ledgers contain the following information: (1) accounts receivable—M. Barajas \$2,500, J. Clare \$7,500, and E. Divine \$5,000; (2) accounts payable—B. Forrest \$10,000, L. Gold \$18,000, and A. Qazi \$15,000. The cost of all merchandise sold was 60% of the sales price.

The transactions for January 2014 are as follows.

- Jan. 3 Sell merchandise to T. Payton \$4,600, terms 2/10, n/30.
 5 Purchase merchandise from P. Yang \$2,800, terms 2/10, n/30.
 7 Receive a check from E. Divine \$3,500.
 11 Pay freight on merchandise purchased \$300.
 12 Pay rent of \$1,000 for January.
 13 Receive payment in full from T. Payton.
 14 Post all entries to the subsidiary ledgers. Issued credit of \$300 to M. Barajas for returned merchandise.
 15 Send A. Qazi a check for \$14,850 in full payment of account, discount \$150.
 17 Purchase merchandise from E. Monty \$1,600, terms 2/10, n/30.
 18 Pay sales salaries of \$2,500 and office salaries \$2,000.
 20 Give L. Gold a 60-day note for \$18,000 in full payment of account payable.
 23 Total cash sales amount to \$9,100.
 24 Post all entries to the subsidiary ledgers. Sell merchandise on account to J. Clare \$7,400, terms 1/10, n/30.
 27 Send P. Yang a check for \$950.
 29 Receive payment on a note of \$37,000 from W. Lague.
 30 Post all entries to the subsidiary ledgers. Return merchandise of \$300 to E. Monty for credit.

Instructions

(a) Open general and subsidiary ledger accounts for the following.

101 Cash	311 Common Stock
112 Accounts Receivable	401 Sales Revenue
115 Notes Receivable	412 Sales Returns and Allowances
120 Inventory	414 Sales Discounts
157 Equipment	505 Cost of Goods Sold
158 Accumulated Depreciation—Equipment	726 Salaries and Wages Expense
200 Notes Payable	729 Rent Expense
201 Accounts Payable	

(b) Sales journal \$12,000
 Purchases journal \$4,400
 Cash receipts journal
 (balancing) \$54,200
 Cash payments journal
 (balancing) \$21,750

(b) Record the January transactions in a sales journal, a single-column purchases journal, a cash receipts journal (see Illustration F-8), a cash payments journal (see Illustration F-15), and a general journal.

- (c) Post the appropriate amounts to the general ledger.
 (d) Prepare a trial balance at January 31, 2014.
 (e) Determine whether the subsidiary ledgers agree with controlling accounts in the general ledger.

(d) Totals \$138,250
 (e) Accounts Receivable
 \$18,600
 Accounts Payable
 \$13,150

PROBLEMS: SET B

PF-1B Caspari Company's chart of accounts includes the following selected accounts.

101 Cash	401 Sales Revenue
112 Accounts Receivable	414 Sales Discounts
120 Inventory	505 Cost of Goods Sold
311 Common Stock	

Journalize transactions in cash receipts journal; post to control account and subsidiary ledgers.

(LO 1, 2, 3)



On June 1, the accounts receivable ledger of Caspari Company showed the following balances: Detwiler & Son \$2,500, Flores Co. \$1,900, Glaimo Bros. \$1,600, and Loomis Co. \$1,500. The June transactions involving the receipt of cash were as follows.

- June 1 Stockholders invested \$12,000 additional cash in the business, in exchange for common stock.
 3 Received check in full from Loomis Co. less 2% cash discount.
 6 Received check in full from Flores Co. less 2% cash discount.
 7 Made cash sales of merchandise totaling \$7,220. The cost of the merchandise sold was \$4,800.
 9 Received check in full from Detwiler & Son less 2% cash discount.
 11 Received cash refund from a supplier for damaged merchandise \$320.
 15 Made cash sales of merchandise totaling \$4,500. The cost of the merchandise sold was \$3,000.
 20 Received check in full from Glaimo Bros. \$1,600.

Instructions

- (a) Journalize the transactions above in a six-column cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr. Foot and crossfoot the journal.
 (b) Insert the beginning balances in the Accounts Receivable control and subsidiary accounts, and post the June transactions to these accounts.
 (c) Prove the agreement of the control account and subsidiary account balances.

(a) Balancing totals \$31,540

(c) Accounts Receivable \$0

PF-2B Grypp Company's chart of accounts includes the following selected accounts.

101 Cash	157 Equipment
120 Inventory	201 Accounts Payable
130 Prepaid Insurance	332 Cash Dividends

Journalize transactions in cash payments journal; post to the general and subsidiary ledgers.

(LO 1, 2, 3)



On November 1, the accounts payable ledger of Grypp Company showed the following balances: C. Holt & Co. \$4,500, O. Kroll \$2,350, K. Radaj \$1,000, and Weber Bros. \$1,500. The November transactions involving the payment of cash were as follows.

- Nov. 1 Purchased merchandise, check no. 11, \$1,190.
 3 Purchased store equipment, check no. 12, \$1,700.
 5 Paid Weber Bros. balance due of \$1,500, less 2% discount, check no. 13, \$1,470.
 11 Purchased merchandise, check no. 14, \$2,000.
 15 Paid K. Radaj balance due of \$1,000, less 3% discount, check no. 15, \$970.
 16 Paid cash dividend of \$500, check no. 16.
 19 Paid O. Kroll in full for invoice no. 1245, \$1,200 less 1% discount, check no. 17, \$1,188.
 25 Paid premium due on one-year insurance policy, check no. 18, \$3,000.
 30 Paid C. Holt & Co. in full for invoice no. 832, \$3,500, check no. 19.

Instructions

- (a) Journalize the transactions above in a four-column cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr. Foot and crossfoot the journal.

(a) Balancing totals \$15,590

(c) Accounts Payable \$2,150

Journalize transactions in multi-column purchases journal; post to the general and subsidiary ledgers.

(LO 1, 2, 3)



(a) Purchases journal—
Accounts Payable, Cr.
\$38,660
Sales journal—
Sales column total
\$11,900
(c) Accounts Receivable
\$11,660
Accounts Payable
\$37,760

Journalize transactions in special journals.

(LO 1, 2, 3)



- (b) Insert the beginning balances in the Accounts Payable control and subsidiary accounts, and post the November transactions to these accounts.
(c) Prove the agreement of the control account and the subsidiary account balances.

PF-3B The chart of accounts of Ervin Company includes the following selected accounts.

112 Accounts Receivable	401 Sales Revenue
120 Inventory	412 Sales Returns and Allowances
126 Supplies	505 Cost of Goods Sold
157 Equipment	610 Advertising Expense
201 Accounts Payable	

In May, the following selected transactions were completed. All purchases and sales were on account except as indicated. The cost of all merchandise sold was 65% of the sales price.

- May 2 Purchased merchandise from Yan Company \$7,100.
3 Received freight bill from Porter Freight on Yan purchase \$360.
5 Made sales to Eder Company \$2,200, Dixon Bros. \$2,700, and Lamb Company \$1,500.
8 Purchased merchandise from Quirk Company \$8,000 and Zamora Company \$8,700.
10 Received credit on merchandise returned to Zamora Company \$500.
15 Purchased supplies from Rizio Supply \$900.
16 Purchased merchandise from Yan Company \$4,500, and Quirk Company \$7,200.
17 Returned supplies to Rizio Supply, receiving credit \$100. (*Hint: Credit Supplies.*)
18 Received freight bills on May 16 purchases from Porter Freight \$500.
20 Returned merchandise to Yan Company receiving credit \$300.
23 Made sales to Dixon Bros. \$1,900 and to Lamb Company \$3,600.
25 Received bill for advertising from Anshus Advertising \$900.
26 Granted allowance to Lamb Company for merchandise damaged in shipment \$240.
28 Purchased equipment from Rizio Supply \$500.

Instructions

- (a) Journalize the transactions above in a purchases journal, a sales journal, and a general journal. The purchases journal should have the following column headings: Date, Account Credited (Debited), Ref., Accounts Payable Cr., Inventory Dr., and Other Accounts Dr.
(b) Post to both the general and subsidiary ledger accounts. (Assume that all accounts have zero beginning balances.)
(c) Prove the agreement of the control and subsidiary accounts.

PF-4B Selected accounts from the chart of accounts of Linvik Company are shown below.

101 Cash	201 Accounts Payable
112 Accounts Receivable	401 Sales Revenue
120 Inventory	414 Sales Discounts
126 Supplies	505 Cost of Goods Sold
140 Land	610 Advertising Expense
145 Buildings	

The cost of all merchandise sold was 70% of the sales price. During October, Linvik Company completed the following transactions.

- Oct. 2 Purchased merchandise on account from Cutler Company \$13,500.
4 Sold merchandise on account to Ebert Co. \$7,700, invoice no. 204, terms 2/10, n/30.
5 Purchased supplies for cash \$80.
7 Made cash sales for the week totaling \$8,800.
9 Paid in full the amount owed Cutler Company less a 2% discount.
10 Purchased merchandise on account from Frinzi Corp. \$3,500.
12 Received payment from Ebert Co. for invoice no. 204.
13 Returned \$210 worth of damaged goods purchased on account from Frinzi Corp. on October 10.
14 Made cash sales for the week totaling \$8,180.
16 Sold a parcel of land for \$27,000 cash, the land's original cost.
17 Sold merchandise on account to B. Reblin & Co. \$5,350, invoice no. 205, terms 2/10, n/30.

- 18 Purchased merchandise for cash \$2,450.
- 21 Made cash sales for the week totaling \$8,200.
- 23 Paid in full the amount owed Frinzi Corp. for the goods kept (no discount).
- 25 Purchased supplies on account from Lewis Co. \$310.
- 25 Sold merchandise on account to Marco Corp. \$5,220, invoice no. 206, terms 2/10, n/30.
- 25 Received payment from B. Reblin & Co. for invoice no. 205.
- 26 Purchased for cash a small parcel of land and a building on the land to use as a storage facility. The total cost of \$35,000 was allocated \$21,000 to the land and \$14,000 to the building.
- 27 Purchased merchandise on account from Lisa Co. \$8,500.
- 28 Made cash sales for the week totaling \$7,540.
- 30 Purchased merchandise on account from Cutler Company \$14,000.
- 30 Paid advertising bill for the month from the *Gazette*, \$400.
- 30 Sold merchandise on account to B. Reblin & Co. \$4,760, invoice no. 207, terms 2/10, n/30.

Linvik Company uses the following journals.

1. Sales journal.
2. Single-column purchases journal.
3. Cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr.
4. Cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr.
5. General journal.

Instructions

Using the selected accounts provided:

- (a) Record the October transactions in the appropriate journals.
- (b) Foot and crossfoot all special journals.
- (c) Show how postings would be made by placing ledger account numbers and check marks as needed in the journals. (Actual posting to ledger accounts is not required.)

PF-5B Presented below are the sales and cash receipts journals for Wesley Co. for its first month of operations.

(b) Sales journal \$23,030
Purchases journal \$39,500
Cash receipts journal, Cash, Dr. \$72,509
Cash payments journal, Cash, Cr. \$54,450

Journalize in purchases and cash payments journals; post; prepare a trial balance; prove control to subsidiary; prepare adjusting entries; prepare an adjusted trial balance.

(LO 1, 2, 3)



SALES JOURNAL

S1

Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
Feb. 3	S. Armour		5,500	3,630
9	M. Barajas		6,500	4,290
12	V. Ciatti		8,400	5,544
26	A. Dobbs		7,000	4,620
			<u>27,400</u>	<u>18,084</u>

CASH RECEIPTS JOURNAL

CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
Feb. 1	Common Stock		30,000				30,000	
2			5,400			5,400		3,564
13	S. Armour		5,445	55	5,500			
18	Inventory		150				150	
26	M. Barajas		6,500		6,500			
			<u>47,495</u>	<u>55</u>	<u>12,000</u>	<u>5,400</u>	<u>30,150</u>	<u>3,564</u>

In addition, the following transactions have not been journalized for February 2014.

- Feb. 2 Purchased merchandise on account from T. Valentine \$4,600, terms 3/10, n/30.
 7 Purchased merchandise on account from B. Kucera for \$30,000, terms 1/10, n/30.
 9 Paid cash of \$1,120 for purchase of supplies.
 12 Paid \$4,462 to T. Valentine in payment for \$4,600 invoice, less 3% discount.
 15 Purchased equipment for \$7,000 cash.
 16 Purchased merchandise on account from E. Nicks \$2,400, terms 2/10, n/30.
 17 Paid \$29,700 to B. Kucera in payment of \$30,000 invoice, less 1% discount.
 20 Paid cash dividend of \$1,100.
 21 Purchased merchandise on account from D. Hachey for \$7,800, terms 1/10, n/30.
 28 Paid \$2,400 to E. Nicks in payment of \$2,400 invoice.

Instructions

- (a) Open the following accounts in the general ledger.

101 Cash	311 Common Stock
112 Accounts Receivable	332 Cash Dividends
120 Inventory	401 Sales Revenue
126 Supplies	414 Sales Discounts
157 Equipment	505 Cost of Goods Sold
158 Accumulated Depreciation—Equipment	631 Supplies Expense
201 Accounts Payable	711 Depreciation Expense

(b) Purchases journal total
 \$44,800
 Cash payments journal—
 Cash, Cr. \$45,782

(e) Totals \$70,600
 (f) Accounts Receivable
 \$15,400
 Accounts Payable \$7,800

(h) Totals \$70,760

- (b) Journalize the transactions that have not been journalized in a one-column purchases journal and the cash payments journal (see Illustration F-15).
 (c) Post to the accounts receivable and accounts payable subsidiary ledgers. Follow the sequence of transactions as shown in the problem.
 (d) Post the individual entries and totals to the general ledger.
 (e) Prepare a trial balance at February 28, 2014.
 (f) Determine that the subsidiary ledgers agree with the control accounts in the general ledger.
 (g) The following adjustments at the end of February are necessary.
 (1) A count of supplies indicates that \$300 is still on hand.
 (2) Depreciation on equipment for February is \$160.
 Prepare the adjusting entries and then post the adjusting entries to the general ledger.
 (h) Prepare an adjusted trial balance at February 28, 2014.

PROBLEMS: SET C

Visit the book's companion website, at www.wiley.com/college/weygandt, and choose the Student Companion site to access Problem Set C.

COMPREHENSIVE PROBLEM

CPF-1 Zweifel Company has the following opening account balances in its general and subsidiary ledgers on January 1 and uses the periodic inventory system. All accounts have normal debit and credit balances.

General Ledger

Account Number	Account Title	January 1 Opening Balance
101	Cash	\$32,750
112	Accounts Receivable	13,000
115	Notes Receivable	42,000
120	Inventory	20,000
125	Supplies	1,000
130	Prepaid Insurance	2,000
157	Equipment	6,450
158	Accumulated Depreciation—Equip.	1,500
201	Accounts Payable	35,000
311	Common Stock	70,000
320	Retained Earnings	10,700

Accounts Receivable Subsidiary Ledger

Customer	January 1 Opening Balance
G. Dukes	\$1,800
M. Hall	7,200
L. Longhini	4,000

Accounts Payable Subsidiary Ledger

Creditor	January 1 Opening Balance
O. Kitson	\$ 9,000
D. Markoff	15,000
L. Quinn	11,000

In addition, the following transactions have not been journalized for January 2014.

- Jan. 3 Sell merchandise on account to W. Rayms \$3,600, invoice no. 510, and M. Fischer \$1,800, invoice no. 511.
- 5 Purchase merchandise on account from K. Zapfel \$3,000 and J. Liotta \$2,400.
- 7 Receive checks for \$4,000 from L. Longhini and \$2,000 from M. Hall.
- 8 Pay freight on merchandise purchased \$180.
- 9 Send checks to O. Kitson for \$9,000 and L. Quinn for \$11,000.
- 9 Issue credit of \$240 to M. Fischer for merchandise returned.
- 10 Summary cash sales total \$15,500.
- 11 Sell merchandise on account to G. Dukes for \$1,900, invoice no. 512, and to L. Longhini \$900, invoice no. 513.
- Post all entries to the subsidiary ledgers.
- 12 Pay rent of \$1,000 for January.
- 13 Receive payment in full from W. Rayms and M. Fischer.
- 15 Pay cash dividend of \$650.
- 16 Purchase merchandise on account from L. Quinn for \$15,000, from O. Kitson for \$13,900, and from K. Zapfel for \$1,500.
- 17 Pay \$400 cash for office supplies.
- 18 Return \$200 of merchandise to O. Kitson and receive credit.
- 20 Summary cash sales total \$17,750.
- 21 Issue \$15,000 note to D. Markoff in payment of balance due.
- 21 Receive payment in full from L. Longhini.
- Post all entries to the subsidiary ledgers.
- 22 Sell merchandise on account to W. Rayms for \$3,700, invoice no. 514, and to G. Dukes for \$800, invoice no. 515.
- 23 Send checks to L. Quinn and O. Kitson in full payment.
- 25 Sell merchandise on account to M. Hall for \$3,500, invoice no. 516, and to M. Fischer for \$6,100, invoice no. 517.
- 27 Purchase merchandise on account from L. Quinn for \$12,500, from J. Liotta \$1,200, and from K. Zapfel for \$2,800.
- 28 Pay \$200 cash for office supplies.
- 31 Summary cash sales total \$22,920.
- 31 Pay sales salaries of \$4,300 and office salaries of \$3,100.

Instructions

- (a) Record the January transactions in the appropriate journal—sales, purchases, cash receipts, cash payments, and general.
- (b) Post the journals to the general and subsidiary ledgers. Add and number new accounts in an orderly fashion as needed.
- (c) Prepare a trial balance at January 31, 2014, using a worksheet. Complete the worksheet using the following additional information.
- (1) Office supplies at January 31 total \$580.
 - (2) Insurance coverage expires on October 31, 2014.
 - (3) Annual depreciation on the equipment is \$1,500.
 - (4) Interest of \$30 has accrued on the note payable.
 - (5) Inventory at January 31 is \$12,600.
- (d) Prepare a multiple-step income statement and a retained earnings statement for January and a classified balance sheet at the end of January.
- (e) Prepare and post the adjusting and closing entries.
- (f) Prepare a post-closing trial balance, and determine whether the subsidiary ledgers agree with the control accounts in the general ledger.

(c) Trial balance totals
\$199,270
Adj. T/B totals \$199,425

(d) Net income \$8,775
Total assets \$127,255

(f) Post-closing T/B totals
\$128,880

Broadening Your PERSPECTIVE**Financial Reporting and Analysis****Financial Reporting Problem—Mini Practice Set**

BYPF-1 (You can use the working papers that accompany this textbook to complete this mini practice set.)

Bryant Co. uses a perpetual inventory system and both an accounts receivable and an accounts payable subsidiary ledger. Balances related to both the general ledger and the subsidiary ledger for Bryant are indicated in the working papers. Presented below are a series of transactions for Bryant Co. for the month of January. Credit sales terms are 2/10, n/30. The cost of all merchandise sold was 60% of the sales price.

- Jan. 3 Sell merchandise on account to K. Rai \$2,200, invoice no. 510, and to J. Fieber \$1,800, invoice no. 511.
- 5 Purchase merchandise from D. Vang \$5,000 and W. Lachey \$2,700, terms n/30.
- 7 Receive checks from A. Nakar \$4,000 and S. Grady \$2,000 after discount period has lapsed.
- 8 Pay freight on merchandise purchased \$310.
- 9 Send checks to T. Joosten for \$9,000 less 2% cash discount, and to I. Maida for \$11,000 less 1% cash discount.
- 9 Issue credit of \$400 to J. Fieber for merchandise returned.
- 10 Summary daily cash sales total \$15,500.
- 11 Sell merchandise on account to C. Dunlap \$1,600, invoice no. 512, and to A. Nakar \$900, invoice no. 513.
- 12 Pay rent of \$850 for January.
- 13 Receive payment in full from K. Rai and J. Fieber less cash discounts.
- 14 Pay an \$800 cash dividend.
- 15 Post all entries to the subsidiary ledgers.
- 16 Purchase merchandise from I. Maida \$18,000, terms 3/10, n/30; T. Joosten \$14,200, terms 2/10, n/30; and D. Vang \$1,500, terms n/30.
- 17 Pay \$400 cash for office supplies.
- 18 Return \$200 of merchandise to T. Joosten and receive credit.
- 20 Summary daily cash sales total \$20,100.
- 21 Issue \$15,000 note, maturing in 90 days, to A. Mangrich in payment of balance due.
- 21 Receive payment in full from A. Nakar less cash discount.
- 22 Sell merchandise on account to K. Rai \$2,700, invoice no. 514, and to C. Dunlap \$1,300, invoice no. 515.
- 22 Post all entries to the subsidiary ledgers.
- 23 Send checks to I. Maida and T. Joosten in full payment less cash discounts.
- 25 Sell merchandise on account to S. Grady \$3,500, invoice no. 516, and to J. Fieber \$6,100, invoice no. 517.
- 27 Purchase merchandise from I. Maida \$14,500, terms 1/10, n/30; W. Lachey \$1,200, terms n/30; and D. Vang \$5,400, terms n/30.
- 27 Post all entries to the subsidiary ledgers.
- 28 Pay \$200 cash for office supplies.
- 31 Summary daily cash sales total \$19,600.
- 31 Pay sales salaries \$4,300 and office salaries \$3,200.

Instructions

- (a) Record the January transactions in a sales journal, a single-column purchases journal, a cash receipts journal as shown on page F-8, a cash payments journal as shown on page F-14, and a two-column general journal.
- (b) Post the journals to the general ledger.
- (c) Prepare a trial balance at January 31, 2014, in the trial balance columns of the worksheet. Complete the worksheet using the following additional information.

- (1) Office supplies at January 31 total \$900.
- (2) Insurance coverage expires on August 31, 2014.
- (3) Annual depreciation on the equipment is \$1,500.
- (4) Interest of \$50 has accrued on the note payable.
- (d) Prepare a multiple-step income statement and a retained earnings statement for January and a classified balance sheet at the end of January.
- (e) Prepare and post adjusting and closing entries.
- (f) Prepare a post-closing trial balance, and determine whether the subsidiary ledgers agree with the control accounts in the general ledger.

Real-World Focus

BYPF-2 Intuit provides some of the leading accounting software packages. Information related to its products are found at its website.

Address: <http://quickbooks.intuit.com>, or go to www.wiley.com/college/veygandt

Instructions

Look under product and services for the product QuickBooks Premier for Accountants. Be ready to discuss its new features with the class.

Critical Thinking

Decision-Making Across the Organization

BYPF-3 Hojan & Clark is a wholesaler of small appliances and parts. Hojan & Clark is operated by two owners, Mark Hojan and Laura Clark. In addition, the company has one employee, a repair specialist, who is on a fixed salary. Revenues are earned through the sale of appliances to retailers (approximately 75% of total revenues), appliance parts to do-it-yourselfers (10%), and the repair of appliances brought to the store (15%). Appliance sales are made on both a credit and cash basis. Customers are billed on prenumbered sales invoices. Credit terms are always net/30 days. All parts sales and repair work are cash only.

Merchandise is purchased on account from the manufacturers of both the appliances and the parts. Practically all suppliers offer cash discounts for prompt payments, and it is company policy to take all discounts. Most cash payments are made by check. Checks are most frequently issued to suppliers, to trucking companies for freight on merchandise purchases, and to newspapers, radio, and TV stations for advertising. All advertising bills are paid as received. Mark and Laura each make a monthly drawing in cash for personal living expenses. The salaried repairman is paid twice monthly. Hojan & Clark currently has a manual accounting system.

Instructions

With the class divided into groups, answer the following.

- (a) Identify the special journals that Hojan & Clark should have in its manual system. List the column headings appropriate for each of the special journals.
- (b) What control and subsidiary accounts should be included in Hojan & Clark manual system? Why?

Communication Activity

BYPF-4 Joan Dorosz, a classmate, has a part-time bookkeeping job. She is concerned about the inefficiencies in journalizing and posting transactions. Scott Hogle is the owner of the company where Joan works. In response to numerous complaints from Joan and others, Scott hired two additional bookkeepers a month ago. However, the inefficiencies have continued at an even higher rate. The accounting information system for the company has only a general journal and a general ledger. Scott refuses to install an electronic accounting system.

Instructions

Now that Joan is an expert in manual accounting information systems, she decides to send a letter to Scott Hogle explaining (1) why the additional personnel did not help and (2) what changes should be made to improve the efficiency of the accounting department. Write the letter that you think Joan should send.

Ethics Case

BYPF-5 Romberg Products Company operates three divisions, each with its own manufacturing plant and marketing/sales force. The corporate headquarters and central accounting office are in Romberg, and the plants are in Freeport, Rockport, and Bayport, all within 50 miles of Romberg. Corporate management treats each division as an independent profit center and encourages competition among them. They each have similar but different product lines. As a competitive incentive, bonuses are awarded each year to the employees of the fastest growing and most profitable division.

Enrique Cepeda is the manager of Romberg's centralized computer accounting operation that enters the sales transactions and maintains the accounts receivable for all three divisions. Enrique came up in the accounting ranks from the Bayport division where his wife, several relatives, and many friends still work.

As sales documents are entered into the computer, the originating division is identified by code. Most sales documents (95%) are coded, but some (5%) are not coded or are coded incorrectly. As the manager, Enrique has instructed the data-entry personnel to assign the Bayport code to all uncoded and incorrectly coded sales documents. This is done he says, "in order to expedite processing and to keep the computer files current since they are updated daily." All receivables and cash collections for all three divisions are handled by Romberg as one subsidiary accounts receivable ledger.

Instructions

- (a) Who are the stakeholders in this situation?
- (b) What are the ethical issues in this case?
- (c) How might the system be improved to prevent this situation?

Answers to Self-Test Questions

1. a 2. c 3. a 4. c 5. d 6. b 7. c 8. c