

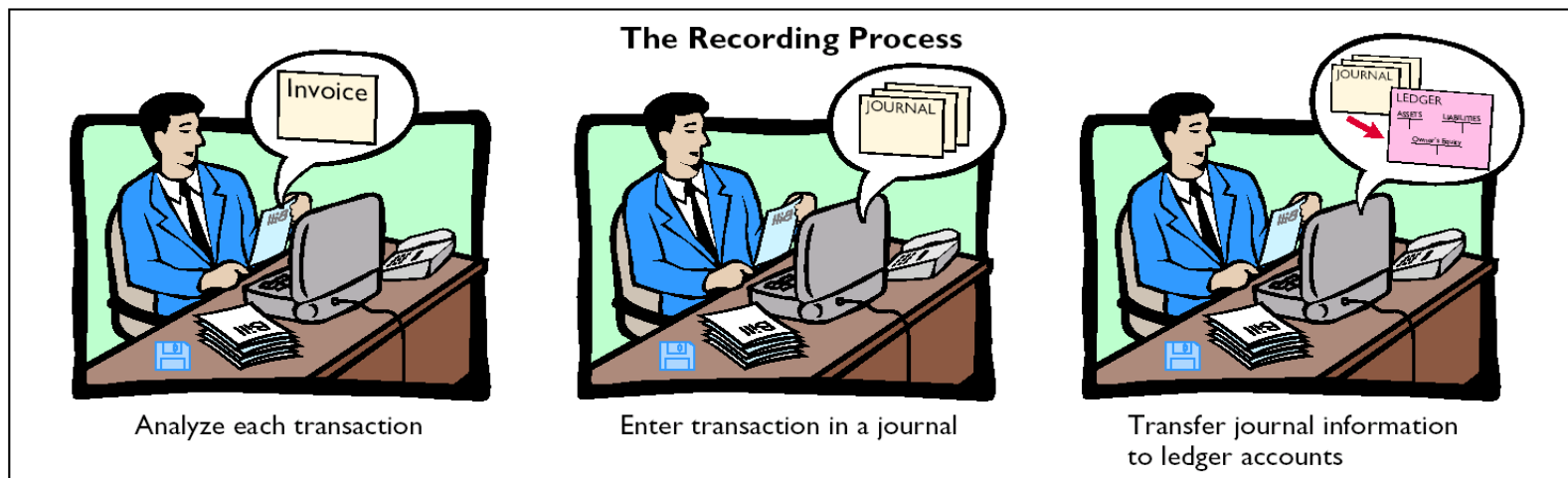
- **ACMP 4.0, IBA-DU**

Day-1; Session-2 (Part-1)

Recording Process

THE RECORDING PROCESS

- 1 analyze each transaction (+, -)
- 2 enter transaction in a journal
- 3 transfer journal information to ledger accounts



THE JOURNAL

- **Transactions**
 - Are initially recorded in chronological order before they are transferred to the ledger accounts.
- A **general journal** has
 - 1 spaces for dates
 - 2 account titles and explanations
 - 3 references
 - 4 two amount columns

THE JOURNAL

A **journal** makes several contributions to recording process:

- 1** discloses in one place the complete effect of a transaction
- 2** provides a chronological record of transactions
- 3** helps to prevent or locate errors as debit and credit amounts for each entry can be compared

JOURNALIZING

- Entering transaction data in the journal is known as **journalizing**.
- Separate journal entries are made for each transaction.
- A complete entry consists of:
 - 1 the date of the transaction,
 - 2 the accounts and amounts to be debited and credited,
 - 3 a brief explanation of transaction.

TECHNIQUE OF JOURNALIZING

The date of the transaction is entered into the date column.

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2024 Sept. 1	Cash R. Neal, Capital (Invested cash in business)		75,000	75,000	
1	Office Equipment Cash (Purchased office equipment for cash)		25,000	25,000	

TECHNIQUE OF JOURNALIZING

The **debit** account title is entered at the extreme left margin of the Account Titles and Explanation column. The **credit** account title is indented on the next line.

GENERAL JOURNAL J1				
Date	Account Titles and Explanation	Ref.	Debit	Credit
2024 Sept. 1	Cash R. Neal, Capital (Invested cash in business)		75,000	75,000
1	Office Equipment Cash (Purchased equipment for cash)		25,000	25,000

TECHNIQUE OF JOURNALIZING

The amounts for the **debits** are recorded in the Debit column and the amounts for the **credits** are recorded in the Credit column.

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2024 Sept. 1	Cash R. Neal, Capital (Invested cash in business)		75,000	75,000	
1	Office Equipment Cash (Purchased equipment for cash)		25,000	25,000	

TECHNIQUE OF JOURNALIZING

A brief explanation of the transaction is given.

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2024 Sept. 1	Cash R. Neal, Capital (Invested cash in business)		15,000	15,000	
1	Computer Equipment Cash (Purchased equipment for cash)		7,000	7,000	

TECHNIQUE OF JOURNALIZING

A space is left between journal entries. The blank space separates individual journal entries and makes the entire journal easier to read.

GENERAL JOURNAL J1				
Date	Account Titles and Explanation	Ref.	Debit	Credit
2024 Sept. 1	Cash R. Neal, Capital (Invested cash in business)		75,000	75,000
1	Office Equipment Cash (Purchased equipment for cash)		25,000	25,000

TECHNIQUE OF JOURNALIZING

The column entitled Ref. is left blank at the time journal entry is made and is used later when the journal entries are transferred to the ledger accounts.

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2024 Sept. 1	Cash R. Neal, Capital (Invested cash in business)		75,000	75,000	
1	Office Equipment Cash (Purchased equipment for cash)		25,000	25,000	

SIMPLE AND COMPOUND JOURNAL ENTRIES

If an entry involves only two accounts, one debit and one credit, it is considered a **simple entry**.

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2024 July 1	Cash K. Browne, Capital (Invested cash in the business)		20,000	20,000	

COMPOUND JOURNAL ENTRY

When three or more accounts are required in one journal entry, the entry is referred to as a **compound entry**.

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2024 July 1	Delivery Equipment		14,000		
	Cash			8,000	
	Accounts Payable			6,000	
	(Purchased truck for cash with balance on account)				

1

2

3

COMPOUND JOURNAL ENTRY

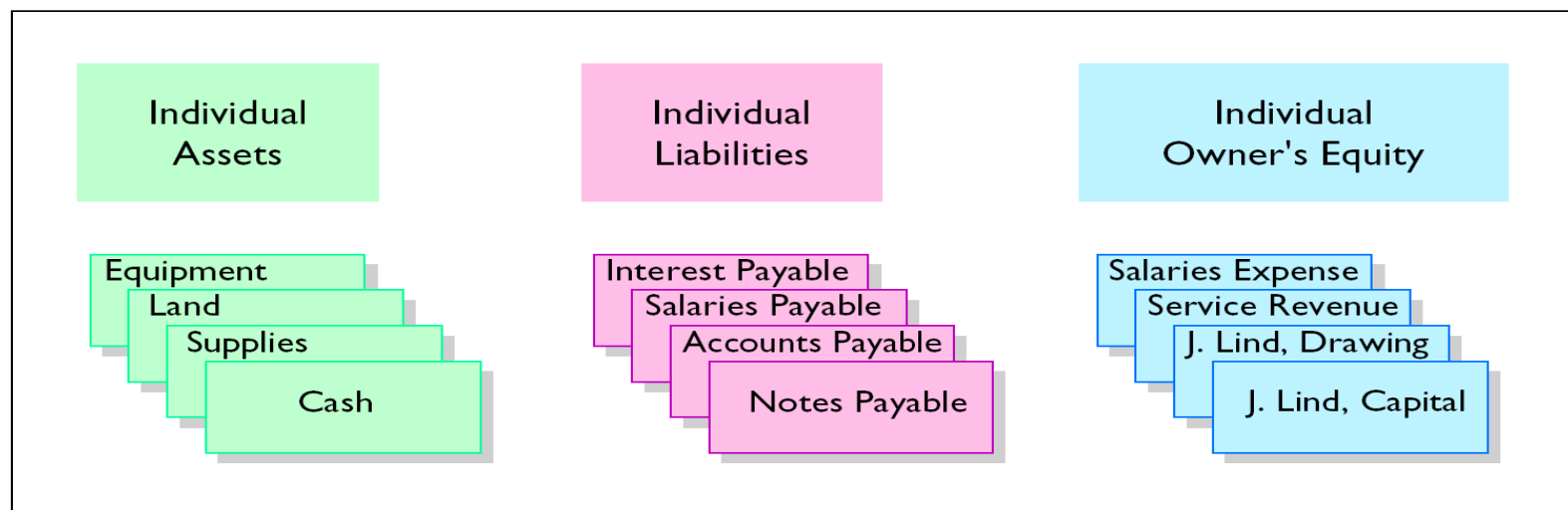
This is the wrong format; all debits must be listed before the credits are listed.

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2024 July 1	Cash			8,000	
	Delivery Equipment		14,000		
	Accounts Payable			6,000	
	(Purchased truck for cash with balance on account)				

THE LEDGER

A Group of accounts maintained by a company is called the **ledger**.

A **ledger** contains all the assets, liabilities, and owner's equity accounts



POSTING A JOURNAL ENTRY

GENERAL JOURNAL						J1
Date	Account Titles and Explanation	Ref.	Debit	Credit		
2024 Sept. 1	Cash R. Neal, Capital (invested cash in business)	10 25	5,000	15,000		

GENERAL LEDGER

CASH						NO. 10
Date	Explanation	Ref.	Debit	Credit	Balance	
2024 Sept. 1		J1	15,000		15,000	

R. NEAL, CAPITAL						NO. 25
Date	Explanation	Ref.	Debit	Credit	Balance	
2024 Sept. 1		J1		15,000	15,000	

In the ledger, enter in the appropriate columns of the account(s) debited the **date**, **journal page**, and **debit amount** shown in the journal.

POSTING A JOURNAL ENTRY

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2024 Sept. 1	Cash R. Neal, Capital (invested cash in business)	10 25	75,000	75,000	

GENERAL LEDGER

CASH					NO. 10
Date	Explanation	Ref.	Debit	Credit	Balance
2024 Sept. 1		J1	75,000		75,000

R. NEAL, CAPITAL					NO. 25
Date	Explanation	Ref.	Debit	Credit	Balance
2024 Sept. 1		J1		75,000	75,000

In the reference column of the journal, write the **account number** to which the debit amount was posted.

CHART OF ACCOUNTS

A **Chart of Accounts** lists the accounts and the account numbers which identify their location in the ledger.

PIONEER ADVERTISING AGENCY

Chart of Accounts

Assets

- 101 Cash**
- 112 Accounts Receivable
- 126 Advertising Supplies**
- 130 Prepaid Insurance**
- 157 Office Equipment**
- 158 Accumulated Depreciation—Office Equipment

Liabilities

- 200 Notes Payable**
- 201 Accounts Payable**
- 209 Unearned Revenue**
- 212 Salaries Payable
- 230 Interest Payable

Owner's Equity

- 301 C. R. Byrd, Capital**
- 306 C. R. Byrd, Drawing**
- 350 Income Summary

Revenues

- 400 Service Revenue**

Expenses

- 631 Advertising Supplies Expense
- 711 Depreciation Expense
- 722 Insurance Expense
- 726 Salaries Expense**
- 729 Rent Expense**
- 905 Interest Expense

INVESTMENT OF CASH BY OWNER

Transaction

October 1, C. R. Byrd purchases \$5,000 of equipment by issuing a 3-month, 12% note payable.

Basic Analysis

- The asset Office Equipment is increased \$5,000.
- The liability, Notes Payable is increased \$5,000.

Debit-Credit Analysis

Debits increase assets: debit Office Equipment **\$5,000.**

Credits increase liabilities: credit Notes Payable **\$5,000.**

PURCHASE OF OFFICE EQUIPMENT

JOURNAL ENTRY

Date	Account Titles and Explanation	Ref.	Debit	Credit
Oct. 1	Office Equipment Notes Payable (Issued 3-month, 12% note for office equipment)	157 200	5,000	5,000

POSTING

Office Equipment		157
Oct. 1	5,000	

Notes Payable		200
	Oct. 1	5,000

PAYMENT OF MONTHLY RENT

Transaction

October 3, office rent for October is paid in cash, \$900.

Basic Analysis

**The expense Rent is increased \$900
Payment pertains only to the current month
Asset Cash is decreased \$900.**

Debit-Credit Analysis

**Debits increase expenses: debit Rent Expense \$900.
Credits decrease assets: credit Cash \$900.**

PAYMENT OF RENT EXPENSE

JOURNAL ENTRY

Date	Account Titles and Explanation	Ref.	Debit	Credit
Oct. 3	Rent Expense	729	900	
	Cash	101		900
	(Paid \$900 for October rent)			

POSTING

Rent Expense		729
Oct. 3	900	

Cash		101
Oct. 1	10,000	
Oct. 2	1,200	
Oct. 3		900

THE TRIAL BALANCE

- The **trial balance** is a list of accounts and their balances at a given time.
- The primary purpose of a trial balance is to prove debits = credits after posting.
- If debits and credits do not agree, the trial balance can be used to uncover errors in journalizing and posting.

A TRIAL BALANCE

PIONEER ADVERTISING AGENCY
Trial Balance
October 31, 2024

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 15,200	
Advertising Supplies	2,500	
Prepaid Insurance	600	
Office Equipment	5,000	
Notes Payable		\$ 5,000
Accounts Payable		2,500
Unearned Fees		1,200
C. R. Byrd, Capital		10,000
C. R. Byrd, Drawing	500	
Sales		10,000
Cost of Sales	4,000	
Rent Expense	900	
	<u>\$ 28,700</u>	<u>\$ 28,700</u>

**The total
debits **must**
equal the total
credits.**