LESSON

3-1 Recording Transactions and the Multicolumn Journal



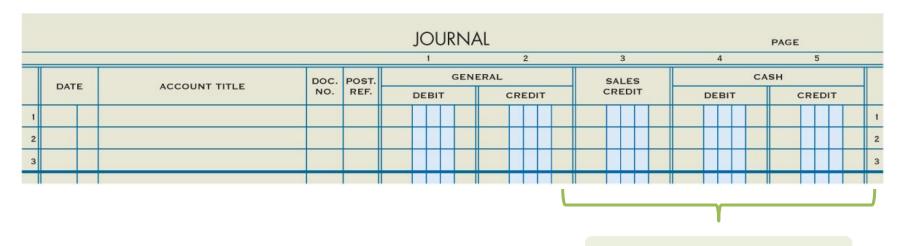
- LO1 Define what a journal is and explain why it is used to record transactions.
- LO2 Compare and contrast different types of source documents.
- **LO3** Identify the four parts of a journal entry.

LO1

- A form for recording transactions in chronological order is called a journal.
- Recording transactions in a journal is called journalizing.

A Multicolumn Journal—Using a Journal

LO1



Special Amount Columns

A Multicolumn Journal

LO1

- Accuracy
- Chronological record
- Double-entry accounting
 - Information for each transaction recorded in a journal is called an entry.
 - The recording of debit and credit parts of a transaction is called double-entry accounting.

Source Documents

LO2

 A business paper from which information is obtained for a journal entry is called a source document.

Checks

LO2

 A business form ordering a bank to pay cash from a bank account is called a check.

NO. 1 \$ <u>165.00</u>		
Date Vanuary 2 20	DELGADO WEB SERVICES	NO. 1 93-2150 929
To <u>Eastside Supplies</u>	25402 Rimrock Road	
- P 0:	Billings, MT 59102-1820	<u>Vanuary 2</u> 20
For <u>Supplies</u>		
	PAY TO THE Eastside Supplies	s 165,00
BALANCE BROUGHT FORWARD 0 00	1//	Ψ
AMOUNT DEPOSITED 1 2 2,000 00	One hundred sixty-five and 200	DOLLARS
SUBTOTAL Date 2,000 00	// //	
OTHER:	MBillings National Bank	
	FOR Supplies	Mchael Delgado
SUBTOTAL 2,000 00	FOR Ougcus	
165 00	1:0929215081: 706466631# 1	
AMOUNT THIS CHECK BALANCE CARRIED FORWARD 1835 00	1.01(1(10)001.1064666341.1	
DALANGE GAINIED I GIWAND		

Invoice

LO₂

 A form describing the goods or services sold, the quantity, the price, and the terms of sale is called an invoice.

DELGADO WEB SERVICES

25402 Rimrock Road Billings, MT 59102-1820 Sold to:

Main Street Services

3900 Grand Avenue

Billings, MT 59102

No. 1

Date 1/12/--

Terms 30 days

Description	Amount
Web Site Design	\$500.00
Total	\$500.00

Sales Invoice

LO2

- An invoice used as a source document for recording a sale on account is called a sales invoice.
 - A sales invoice is also referred to as a sales ticket or a sales slip.

Receipt

LO₂

 A business form giving written acknowledgement for cash received is called a receipt.

No. 1 Date January 2 20 From Michael Delgado For Investment	Receipt No. 1 Tanuary 2 Rec'd Michael Delgado For Investment
\$ 2,000 00	Two thousand and no/100———————————————————————————————————
	DELGADO WEB SERVICES 25402 Rimrock Road Billings, MT 59102-1820 Michael Delgado Received By

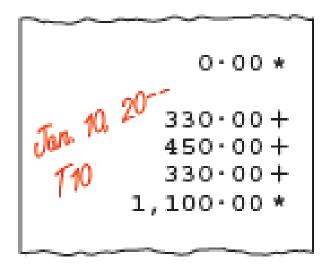
Memorandums

LO2

 A form on which a brief message is written to describe a transaction is called a memorandum.

MEMORANDUM	DELGADO WEB SERVICES 25402 Rimrock Road Billings, MT 59102-1820	No. 1
Bought supplies on Canyon Office Sup		
Signed: Michael Delgado	Date: <i>January</i> _	5, 20

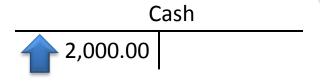
LO₂

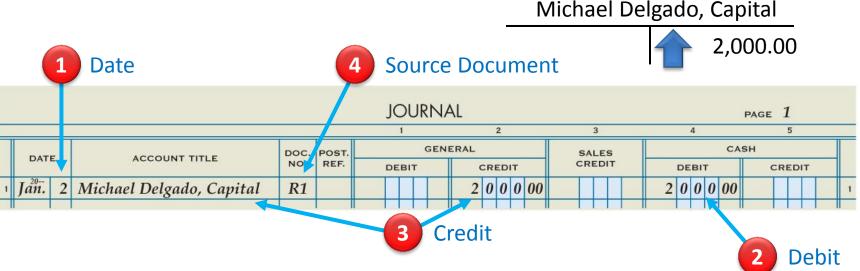


Received Cash from Owner as an Investment

LO3

January 2. Received cash from owner as an investment, \$2,000.00. Receipt No. 1.



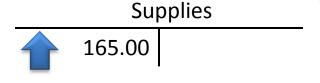


- 1. Write the date in the Date column.
- Write the debit amount in the Cash Debit column.
- Record the credit amount in the General Credit column and write the account title.
- 4. Write the source document number in the Doc. No. column.

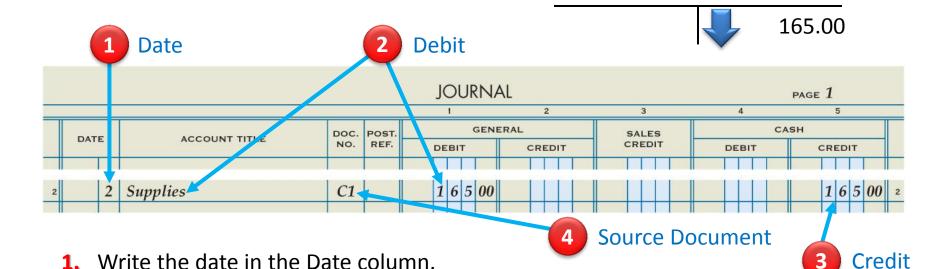
Paid Cash for Supplies

LO3

January 2. Paid cash for supplies, \$165.00. Check No. 1.



Cash



- 2. Record the debit amount in the General Debit column and write the account title.
- 3. Write the credit amount in the Cash Credit column.
- 4. Write the source document number in the Doc. No. column.

1. In what order are transactions recorded in a journal?

ANSWER

By date

2. Why are source documents important?

ANSWER

Source documents are one way to verify the accuracy of a specific journal entry.

3. List the four parts of a journal entry.

ANSWER

Date

Debit

Credit

Source document

LESSON

3-2 Transactions Affecting Prepaid Insurance and Supplies



- LO4 Analyze and record cash transactions using source documents.
- LO5 Analyze and record transactions for buying and paying on account.

Paid Cash for Insurance

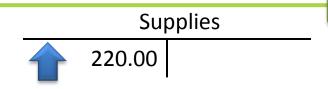
LO4 Prepaid Insurance January 3. Paid cash for insurance, 900.00 \$900.00. Check No. 2. Cash 900.00 **Date** Debit JOURNAL PAGE 1 GENERAL CASH DOC. POST. SALES ACCOUNT TITLE DATE REF. DEBIT CREDIT DEBIT CREDIT 9 0 0 00 Prepaid Insurance C2 **Source Document** Write the date in the Date column. Credit

- 2. Record the debit amount in the General Debit column and write the account title.
- 3. Write the credit amount in the Cash Credit column.
- 4. Write the source document number in the Doc. No. column.

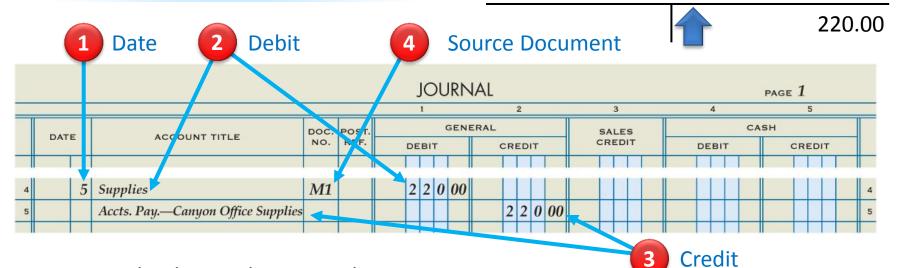
LO₅

Bought Supplies on Account

January 5. Bought supplies on account from Canyon Office Supplies, \$220.00. Memorandum No. 1.



Accounts Payable—Canyon Office Supplies



- Write the date in the Date column.
- Record the debit amount in the General Debit column and write the account title.
- Record the credit amount in the General Credit column and write the account title.
- 4. Write the source document number in the Doc. No. column.

Paid Cash on Account

LO5

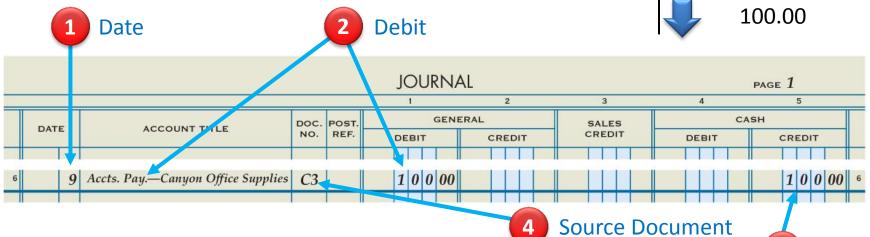
January 9. Paid cash on account to Canyon Office Supplies, \$100.00. Check No. 3.

Accounts Payable—Canyon Office Supplies

100.00

Cash

100.00



- Write the date in the Date column.
- Record the debit amount in the General Debit column and write the account title.
- 3. Write the credit amount in the Cash Credit column.
- 4. Write the source document number in the Doc. No. column.

Credit

1. Which journal columns are used to record paying cash for insurance?

ANSWER

General Debit

Cash Credit

2. Which journal columns are used to record buying supplies on account?

ANSWER

General Debit

General Credit

3. Which journal columns are used to record paying cash on account?

ANSWER

General Debit

Cash Credit

LESSON

3-3 Transactions Affecting Owner's Equity and Asset Accounts



- LO6 Analyze and record transactions that affect owner's equity.
- LO7 Analyze and record sales and receipt of cash on account.

Received Cash from Sales

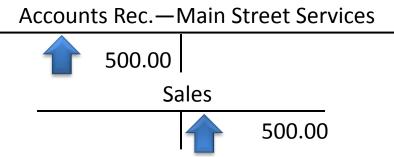
LO6 Cash January 10. Received cash from sales, 1,100.00 \$1,100.00. Calculator Tape No. 10. Sales 1,100.00 3 Credit **Date** OURNAL PAGE 1 GENERAL CASH POST. SALES ACCOUNT TITLE DATE REF. CREDIT DEBIT CIEDIT DEBIT CREDIT 10 T10 V Write the date in the Date column. **Source Document Debit**

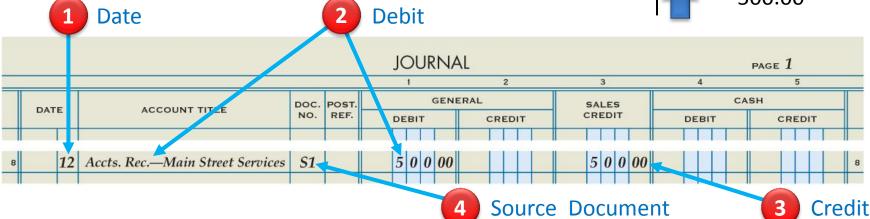
- Write the debit amount in the Cash Debit column.
- 3. Record the credit amount in the Sales Credit column and place a check mark in the Account Title column. Also place a check mark in the Post. Ref. column.
- 4. Write the source document number in the Doc. No. column.

Sold Services on Account

LO7

January 12. Sold services on account to Main Street Services, \$500.00. Sales Invoice No. 1.



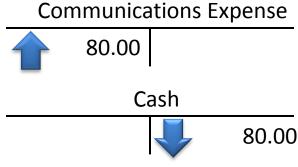


- Write the date in the Date column.
- Record the debit amount in the General Debit column and write the account title.
- 3. Write the credit amount in the Sales Credit column.
- 4. Write the source document number in the Doc. No. column.

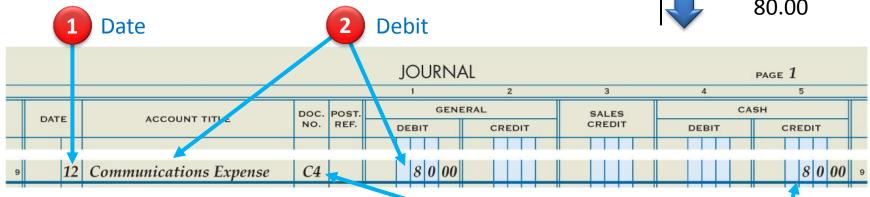
Paid Cash for an Expense

LO7

January 12. Paid cash for communications bill including cell phone and Internet services, \$80.00. Check No. 4.



Source Document



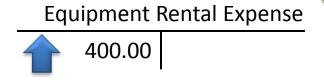
- 1. Write the date in the Date column.
- Record the debit amount in the General Debit column and write the account title.
- 3. Write the credit amount in the Cash Credit column.
- 4. Write the source document number in the Doc. No. column.

Credit

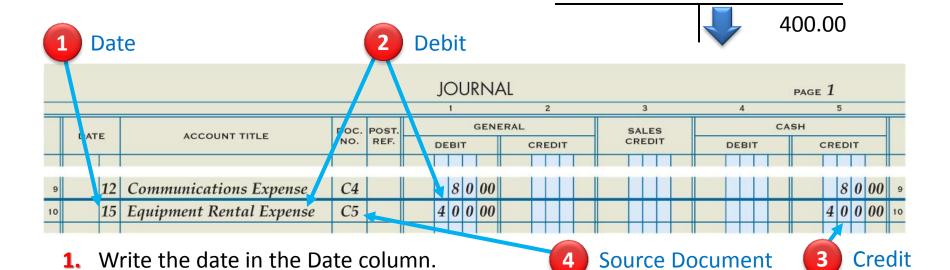
Paid Cash for an Expense

LO7

January 15. Paid cash for equipment rental, \$400.00. Check No. 5.



Cash

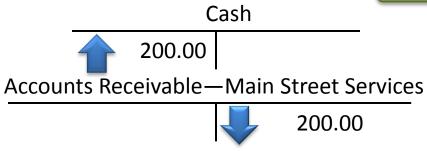


- 2. Record the debit amount in the General Debit column and write the account title.
- 3. Write the credit amount in the Cash Credit column.
- 4. Write the source document number in the Doc. No. column.

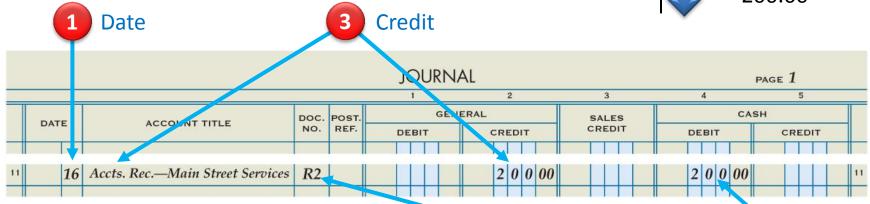
Received Cash on Account

LO7

January 16. Received cash on account from Main Street Services, \$200.00. Receipt No. 2.



Source Document



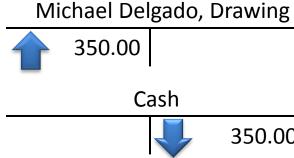
- 1. Write the date in the Date column.
- Write the debit amount in the Cash Debit column.
- Record the credit amount in the General Credit column and write the account title.
- Write the source document number in the Doc. No. column.

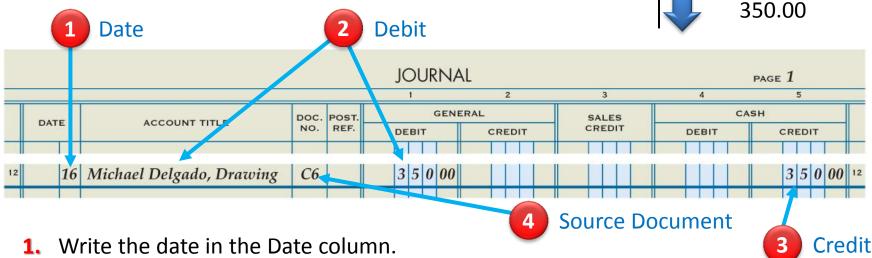
Debit

Paid Cash to Owner as Withdrawal of Equity

LO7

January 16. Paid cash to owner for a withdrawal of equity, \$350.00. Check No. 6.





- 2. Record the debit amount in the General Debit column and write the account title.
- 3. Write the credit amount in the Cash Credit column.
- 4. Write the source document number in the Doc. No. column.

1. Which journal columns are used to record receiving cash from sales?

ANSWER

Cash Debit

Sales Credit

2. Which journal columns are used to record sales on account?

ANSWER

General Debit

Sales Credit

3. Which journal columns are used to record paying cash for an expense?

ANSWER

General Debit

Cash Credit

4. Which journal columns are used to record receiving cash on account?

ANSWER

Cash Debit

General Credit

5. Which journal columns are used to record paying cash to the owner as a withdrawal of equity?

ANSWER

General Debit

Cash Credit

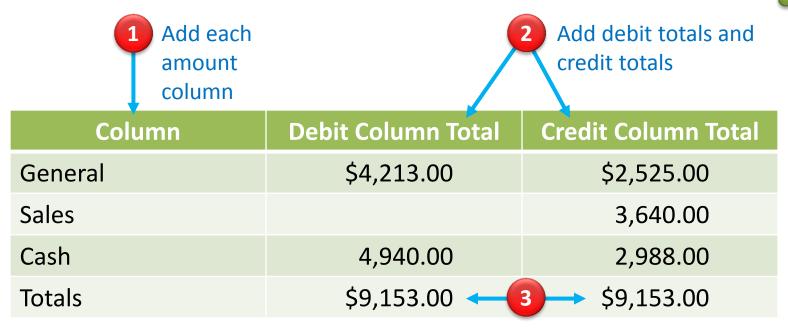
3-4 Proving and Ruling a Journal



- **LO8** Prove and rule a journal.
- LO9 Demonstrate how to prove cash.
- **LO10** Identify and correct errors using standard accounting practices.

Proving and Ruling a Journal Page

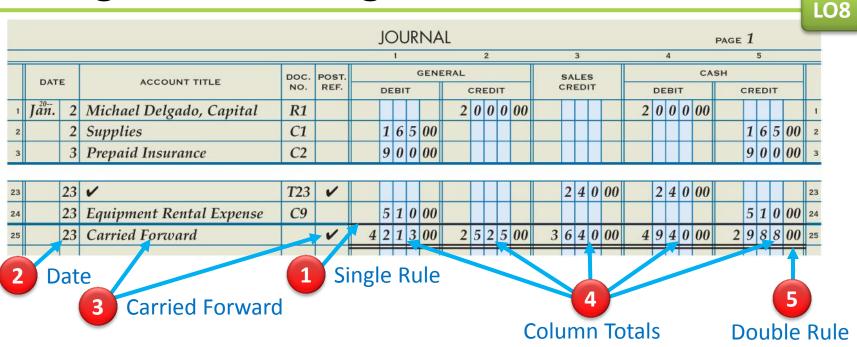
LO8



Totals equal

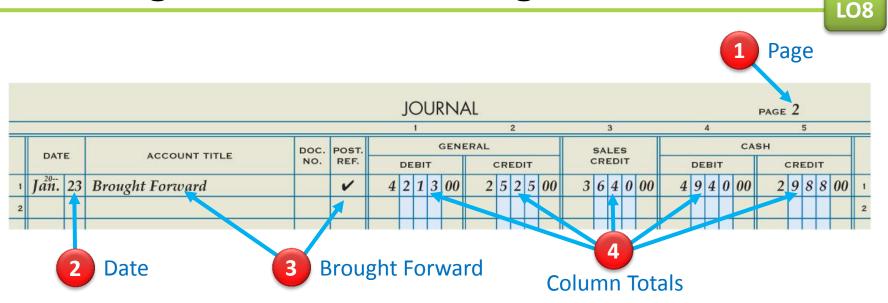
- 1. Add each of the amount columns.
- 2. Add the debit column totals, and then add the credit column totals.
- 3. Verify that the total debits and total credits are equal. Because the total debits equal the total credits, page 1 of the journal is proved.

Ruling a Journal Page



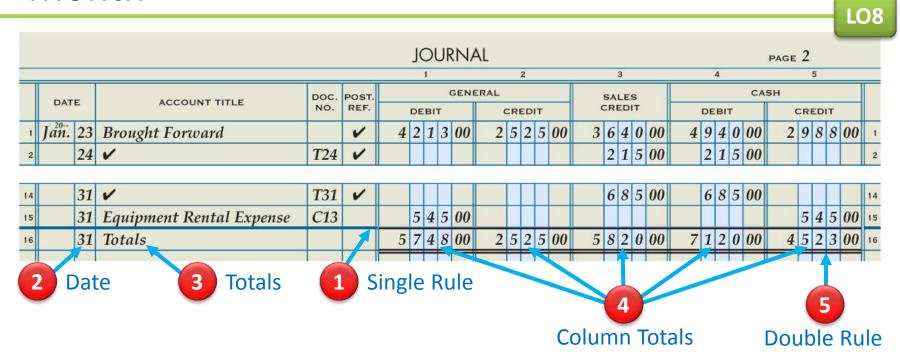
- 1. Rule a single line to indicate that columns are to be totaled.
- Write the date in the Date column.
- 3. Write Carried Forward in Account Title column. Place check mark in Post. Ref. column.
- 4. Write each column total below the single line.
- Rule double lines to indicate that the amounts are totals and that the sum of the debit totals equals the sum of the credit totals.

Starting a New Journal Page



- Write the page number at the top of the journal.
- Write the date in the Date column.
- 3. Write Brought Forward in the Account Title column. Place a check mark in the Post. Ref. column.
- 4. Record the column totals brought forward from the previous page.

Proving and Ruling a Journal at the End of a Month



- 1. Rule a single line to indicate that columns are to be totaled.
- Write the date in the Date column.
- 3. Write **Totals** in Account Title column.
- 4. Write each column total below the single line.
- 5. Rule double lines to indicate that the amounts are totals and that the sum of the debit totals equals the sum of the credit totals.

Proving and Ruling a Journal at the End of a Month

							JC	JC	JRI	NA	٩L															PAG	E 2				
							- 6	1				2						3					4					5			
	-		ACCOUNT TITLE	DOC.	POST.				G	ENE	ERAL						SA	LES							C/	SH					
	DA			NO.	REF.		DE	вп	г		(RE	רום	Г			CRI	EDI	Г			D	EB	IT			CF	RED	IT		
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Column	Debit Column Total	Credit Column Total
General	5,748.00	\$2,525.00
Sales		5,820.00
Cash	7,120.00	4,523.00
Totals	\$12,868.00	\$12,868.00
	Takala	1

Proving Cash

LO9

 Determining that the amount of cash agrees with the accounting records is called proving cash.

Proving Cash

LO9

1. Calculate the cash balance.

Cash on hand at the beginning of the month	\$ 0.00
Plus total cash received during the month	+7,120.00
Equals total	\$ 7,120.00
Less total cash paid during the month	-4,523.00
Equals cash balance at the end of the month	\$ 2,597.00

- 2. Verify that the cash balance equals the checkbook balance on the next unused check stub in the checkbook.
 - Checkbook balance on the next unused check stub

\$ 2,597.00

Correcting Errors in Journal Entries

LO10

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- 1. If an error is recorded, cancel the error by neatly drawing a line through the incorrect item. Write the correct item immediately above the canceled item.
- 2. Sometimes an entire entry is incorrect and is discovered before the next entry is journalized. Draw neat lines through all parts of the incorrect entry. Journalize the entry correctly on the next blank line.
- 3. Sometimes several correct entries are recorded after an incorrect entry is made. The next blank lines are several entries later. Draw neat lines through all incorrect parts of the entry. Record the correct items on the same lines as the incorrect items, directly above the canceled parts.

1. List the three steps for proving a journal.

ANSWER

- 1. Add each of the amount columns.
- 2. Add the debit column totals, and then add the credit column totals.
- 3. Verify that the total debits and total credits are equal.

2. State the formula for proving cash.

ANSWER

Cash on Hand, Beginning of the Month plus Total Cash Received during the Month minus Total Cash Paid during the Month equals Cash Balance, End of the Month.

List the five steps to rule a journal at the end of a month.

ANSWER

- 1. Rule a single line across all amount columns directly below the last entry to indicate that columns are to be totaled.
- 2. On the next line, write the date in the Date column.
- 3. Write *Carried Forward* in the Account Title column. Place a check mark in the Post. Ref. column.
- 4. Write each column total below the single line.
- 5. Rule double lines below the column totals across all amount columns.