

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.

Journals and Journalizing

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

JOURNAL											PAGE					
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	1				2		3		4		5		
				GENERAL				SALES CREDIT		CASH						
				DEBIT		CREDIT				DEBIT		CREDIT				
1																1
2																2
3																3

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	\$ 165.00
Date	January 2 20 --
To	Eastside Supplies
For	Supplies
BALANCE BROUGHT FORWARD	0 00
AMOUNT DEPOSITED	1 2 -- 2,000 00
SUBTOTAL	2,000 00
OTHER:	
SUBTOTAL	2,000 00
AMOUNT THIS CHECK	165 00
BALANCE CARRIED FORWARD	1,835 00

DELGADO WEB SERVICES	NO. 1	93-2150 929
25402 Rimrock Road	January 2	20 --
Billings, MT 59102-1820		
PAY TO THE ORDER OF	Eastside Supplies	\$ 165.00
	One hundred sixty-five and ^{no} / ₁₀₀	DOLLARS
 Billings National Bank		
Billings, MT		
FOR	Supplies	Michael Delgado
⑆092921508⑆ 706466631⑆		

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: <u>Main Street Services</u> <u>3900 Grand Avenue</u> <u>Billings, MT 59102</u>	No. <u>1</u> Date <u>1/12/--</u> Terms <u>30 days</u>
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**.

<p>No. 1</p> <p>Date <u>January 2</u> 20<u>--</u></p> <p>From <u>Michael Delgado</u></p> <p>For <u>Investment</u></p> <hr/> <div style="border: 1px solid black; padding: 5px; display: inline-block;"> \$ 2,000 00 </div>	<p>Receipt No. 1</p> <p><u>January 2</u> 20<u>--</u></p> <p>Rec'd from <u>Michael Delgado</u></p> <p>For <u>Investment</u></p> <p><u>Two thousand and no/100</u> Dollars</p> <p>Amount \$ <div style="border: 1px solid black; padding: 5px; display: inline-block;">2,000 00</div></p> <p style="text-align: right;"><u>Michael Delgado</u> Received By</p> <p>DELGADO WEB SERVICES</p> <p>25402 Rimrock Road Billings, MT 59102-1820</p>
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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
<i>Bought supplies on account from Canyon Office Supplies, \$220.00</i>		
Signed: <u>Michael Delgado</u>		Date: <u>January 5, 20--</u>

Calculator Tapes

LO2

A handwritten calculator tape with a scalloped border. The text is as follows:

	0.00 *
<i>Jan. 10, 20--</i>	330.00 +
	450.00 +
<i>7/10</i>	330.00 +
	1,100.00 *

Received Cash from Owner as an Investment

LO3

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

Cash	
↑ 2,000.00	
Michael Delgado, Capital	
	↑ 2,000.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
1 Jan. 2	Michael Delgado, Capital	R1			2 0 0 0 0 0		2 0 0 0 0 0			1

1. Write the date in the Date column.
2. Write the debit amount in the Cash Debit column.
3. 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.

Supplies	
↑ 165.00	
Cash	
	↓ 165.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
2	Supplies	C1		165.00				165.00	2	

1. Write the date in the Date column.
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.

Lesson 3-1 Audit Your Understanding

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

ANSWER

By date

Lesson 3-1 Audit Your Understanding

2. Why are source documents important?

ANSWER

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

Lesson 3-1 Audit Your Understanding

3. List the four parts of a journal entry.

ANSWER

Date

Debit

Credit

Source document

LESSON

3-2 Transactions Affecting Prepaid Insurance and Supplies



Learning Objectives

- 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

January 3. Paid cash for insurance,
\$900.00. Check No. 2.

Prepaid Insurance	
↑	900.00
Cash	
	↓
	900.00

JOURNAL										PAGE 1	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH				
				DEBIT	CREDIT		DEBIT	CREDIT			
3	3	Prepaid Insurance	C2		900.00					900.00	3

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

Bought Supplies on Account

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

	Supplies
↑	220.00
	Accounts Payable—Canyon Office Supplies
↑	220.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
5	Supplies	M1		220	00					4
	Accts. Pay.—Canyon Office Supplies					220	00			5

1. Write the date in the Date column.
2. Record the debit amount in the General Debit column and write the account title.
3. 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

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

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
9	Accts. Pay.—Canyon Office Supplies	C3		100	00				100	00

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

Lesson 3-2 Audit Your Understanding

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

ANSWER

General Debit

Cash Credit

Lesson 3-2 Audit Your Understanding

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

ANSWER

General Debit

General Credit

Lesson 3-2 Audit Your Understanding

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



Learning Objectives

- 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

January 10. Received cash from sales,
\$1,100.00. Calculator Tape No. 10.

Cash	
↑ 1,100.00	
Sales	
	↑ 1,100.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
10 ✓		T10 ✓				1 1 0 0 0 0	1 1 0 0 0 0			7

- Write the date in the Date column.
- Write the debit amount in the Cash Debit column.
- 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.
- Write the source document number in the Doc. No. column.

Sold Services on Account

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

Accounts Rec.—Main Street Services	
↑	500.00
Sales	
	↑
	500.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH		8	
				DEBIT	CREDIT		DEBIT	CREDIT		
12	Accts. Rec.—Main Street Services	S1		500.00		500.00			8	

- Write the date in the Date column.
- Record the debit amount in the General Debit column and write the account title.
- Write the credit amount in the Sales Credit column.
- 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.

Communications Expense	
↑ 80.00	
Cash	
	↓ 80.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
12	Communications Expense	C4		8000					8000	9

1. Write the date in the Date column.
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.

Paid Cash for an Expense

LO7

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

Equipment Rental Expense	
↑ 400.00	
Cash	
	↓ 400.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
12	Communications Expense	C4		800					800	9
15	Equipment Rental Expense	C5		400					400	10

1. Write the date in the Date column.
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

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

	Cash	
↑	200.00	
Accounts Receivable—Main Street Services		
		↓
		200.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
16	Accts. Rec.—Main Street Services	R2			200 00			200 00		

1. Write the date in the Date column.
2. Write the debit amount in the Cash Debit column.
3. 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 to Owner as Withdrawal of Equity

LO7

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

Michael Delgado, Drawing	
↑ 350.00	
Cash	
	↓ 350.00

JOURNAL										PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		SALES CREDIT	CASH			
				DEBIT	CREDIT		DEBIT	CREDIT		
16	Michael Delgado, Drawing	C6		350.00					350.00	12

1. Write the date in the Date column.
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.

Lesson 3-3 Audit Your Understanding

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

ANSWER

Cash Debit

Sales Credit

Lesson 3-3 Audit Your Understanding

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

ANSWER

General Debit

Sales Credit

Lesson 3-3 Audit Your Understanding

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

ANSWER

General Debit

Cash Credit

Lesson 3-3 Audit Your Understanding

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

ANSWER

Cash Debit

General Credit

Lesson 3-3 Audit Your Understanding

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

ANSWER

General Debit

Cash Credit

LESSON

3-4 Proving and Ruling a Journal



Learning Objectives

- 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

Column	Debit Column Total	Credit Column Total
General	\$4,213.00	\$2,525.00
Sales		3,640.00
Cash	4,940.00	2,988.00
Totals	\$9,153.00	\$9,153.00

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

JOURNAL											PAGE 1			
				1		2		3		4		5		
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL				SALES CREDIT	CASH					
				DEBIT		CREDIT			DEBIT		CREDIT			
1 Jan. 20--	2 Michael Delgado, Capital	R1					2 0 0 0 00				2 0 0 0 00			1
2	2 Supplies	C1		1 6 5 00								1 6 5 00		2
3	3 Prepaid Insurance	C2		9 0 0 00								9 0 0 00		3
23	23 ✓	T23	✓					2 4 0 00			2 4 0 00			23
24	23 Equipment Rental Expense	C9		5 1 0 00								5 1 0 00		24
25	23 Carried Forward		✓	4 2 1 3 00	2 5 2 5 00	3 6 4 0 00	4 9 4 0 00	2 9 8 8 00						25

2 Date
3 Carried Forward
1 Single Rule
4 Column Totals
5 Double Rule

1. Rule a single line to indicate that columns are to be totaled.
2. 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.
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.

Starting a New Journal Page

LO8

1 Page

JOURNAL															PAGE 2															
						1		2		3		4		5																
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL				SALES CREDIT		CASH																				
				DEBIT		CREDIT				DEBIT		CREDIT																		
1	Jan. 23		✓	4	2	1	3	00	2	5	2	5	00	3	6	4	0	00	4	9	4	0	00	5	2	9	8	8	00	1
2																												2		

2 Date **3** Brought Forward **4** Column Totals

- 1.** Write the page number at the top of the journal.
- 2.** 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

LO8

JOURNAL											PAGE 2
					GENERAL		SALES CREDIT		CASH		
DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT			DEBIT	CREDIT	
1	Jan. 23	Brought Forward		✓	4 2 1 3 00	2 5 2 5 00	3 6 4 0 00		4 9 4 0 00	2 9 8 8 00	1
2	24	✓	T24	✓			2 1 5 00		2 1 5 00		2
14	31	✓	T31	✓			6 8 5 00		6 8 5 00		14
15	31	Equipment Rental Expense	C13		5 4 5 00					5 4 5 00	15
16	31	Totals			5 7 4 8 00	2 5 2 5 00	5 8 2 0 00	7 1 2 0 00	4 5 2 3 00		16

2 Date
 3 Totals
 1 Single Rule
 4 Column Totals
 5 Double Rule

1. Rule a single line to indicate that columns are to be totaled.
2. 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

LO8

JOURNAL											PAGE 2												
					1		2		3		4		5										
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL				SALES CREDIT		CASH													
				DEBIT		CREDIT				DEBIT		CREDIT											
1 Jan. 23	Brought Forward		✓	4	2	1	3	2	5	2	5	3	6	4	0	4	9	4	0	2	9	8	8
2 24	✓	T24	✓											2	1			2	1				
14 31	✓	T31	✓											6	8			6	8				
15 31	Equipment Rental Expense	C13			5	4	5												5			4	5
16 31	Totals			5	7	4	8	2	5	2	5	5	8	2	0	7	1	2	0	4	5	2	3

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

Totals equal

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	<u>+7,120.00</u>
Equals total	\$ 7,120.00
Less total cash paid during the month	<u>-4,523.00</u>
Equals cash balance at the end of the month	<u><u>\$ 2,597.00</u></u>

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	<u><u>\$ 2,597.00</u></u>
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Correcting Errors in Journal Entries

LO10

JOURNAL											PAGE 14			
					1		2		3		4		5	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL				SALES CREDIT		CASH				
				DEBIT		CREDIT				DEBIT		CREDIT		
19	27 ✓		T27						4 5 0 0 00		4 5 0 0 00			19
20	28 Advertising Expense		C57	4 0 0 00									4 0 0 00	20
21	28 Advertising Expense		C57	4 0 00									4 0 00	21
22	29 ^{Miscellaneous Expense} Supplies Expense		C58	2 5 0 00									2 5 0 00	22
23	30 Michael Delgado, Drawing		C59	1 5 0 0 00									1 5 0 0 00	23
24	30 Totals			9 5 0 0 00	1 7 5 0 00			12 2 5 0 00		12 2 5 0 00			7 7 5 0 00	24

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.

Lesson 3-4 Audit Your Understanding

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.

Lesson 3-4 Audit Your Understanding

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.

Lesson 3-4 Audit Your Understanding

3. 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.