#### CHAPTER 5 GENERAL LEDGER AND INVENTORY

In Chapter 5 your students learn how to use the General Ledger Chart of Accounts. This chapter provides your students with an explanation of how to set up their own company. When a new company is set up, the following steps need to be taken: set up a chart of accounts and enter any necessary balances or budget amounts.

PCA comes with over 75 sample companies on their Charts of Accounts. You can set up your own Chart of Accounts from scratch or select one of the sample companies' Charts of Accounts.

This chapter also shows your students how to use Peachtree's Inventory system.

**SOFTWARE OBJECTIVES:** In Chapter 5, your students will use the software to:

- 1. Restore data from Exercise 4-2.
- 2. Enter a new account in the Chart of Accounts.
- 3. Enter a budget amount for an account.
- 4. Make a General Journal entry to transfer funds.
- 5. Display the General Ledger Trial Balance.
- 6. Set up an Inventory Item.
- 7. Record an inventory adjustment.
- 8. Make two backups: backup Chapter 5 data; and backup Exercise 5-2.<sup>1</sup>

<sup>&</sup>lt;sup>1</sup>Refer to the chart on page 2 - IMK for backing up data.

The McGraw-Hill Companies, Inc., Computer Accounting with Peachtree Complete 2005, 9e

**WEB OBJECTIVES:** In Chapter 5, your students will do these Internet activities:

- 1. Use their Internet browser to go to the book's website.
- 2. Complete the Internet activity for Ask Jeeves.
- 3. Complete the steps shown for this activity.

#### PCA TIPS, CHAPTER 5

Peachtree uses a perpetual inventory system. See textbook page 172 for a review of how Peachtree journalizes the purchase and sale of inventory items.

# LECTURE OUTLINE FOR CHAPTER 5: GENERAL LEDGER AND INVENTORY

- A. Software Objectives, page 153
- B. Web Objectives, page 153
- C. Chart of Accounts, pages 154-155
- D. Getting Started, pages 156-159
- E. General Journal, pages 160-163
- F. Setting Up an Inventory Item, pages 163-164
  - 1. Inventory Types, pages 164-167
  - 2. Inventory Default Accounts, pages 167-168
- G. Inventory and Purchases, pages 168-169
- H. Inventory and Sales, pages 169-172
- I. Inventory Adjustments, pages 173-174
- J. Backing Up Chapter 5 Data, page 174

- K. Internet Activity, page 174
- L. Summary and Review, page 175
  - 1. Going to the Net, page 175
  - 2. Multiple Choice Questions, pages 176-178
  - 3. Exercise 5-1, page 179
  - 4. Exercise 5-2, page 179
  - 5. Chapter 5 Index, page 180

#### ANSWERS TO GOING TO THE NET

- 1. The article says that no single definition will apply to the term Accounting Firm in the next millennium.
- 2. AccountantsWorld.com will always be relevant to the changing needs of the accounting profession.

#### ANSWERS TO MULTIPLE-CHOICE QUESTIONS

- 1. d (Perpetual inventory)
- 2. c (Account No. 10500, Money-Market Fund)
- 3. a (Chart of Accounts)
- 4. c (\$1,000)
- 5. a (\$4,000)
- 6. e (All of the above)
- 7. d (Both a. and b.)
- 8. d (Stock item)
- 9. b (Debit Inventory; Credit Accounts Payable/Vendor)
- 10. b (Debit Accounts Receivable/Customer; Credit Sales; Credit Sales Tax Payable; Debit Product Cost; Credit Inventory)

## SOLUTION TO EXERCISE 5-1 (3): General Journal Entry

🗳 General Journal Entry			
Close New Open Save Delete Recy Row Help			
		Jourr	nal Entry 🗲 🗖
Date: Mar 18, 2007 🔟 🗌 Reverse Transaction Reference: Transfer			
GL Account Description	Debit	Credit	Job
10300	1,000.00		
Payroll Checking Account	Account will be incre		
10200		1,000.00	
Regular Checking Account	Account will be decr	eased	
Totals:	1,000.00	1,000.00	
Out of Balance:	0.00	-,	

Vendor ID: DEJULIA     Remit To: DeJulia Wholesale Suppliers   4800 Peachtree Ind., Blvd.   Duluth, GA 30092 USA     Shig To:   Shig To:   Bellwether Garden Supply   1505 Pavilion Place   Address Line 2   None   0200     Customer SO No.   Customer Invoice No.   12% 10, Net 30 Dej   None     2000     Apply to Purchase Orger: 0.00   Apply to Purchase Orger: 0.00     Apply to Purchase Orger: 0.00     Apply to Purchase Orger: 0.00     Apply to Purchase Orger: 0.00     Apply to Purchase Orger: 0.00     Outentiation     Other Payments and Credits:   0.00   14.00   14.00   14.00   14.00   14.00   14.00   14.00   Other Payments and Credits:    0.00    14.00   14.00   14.00   14.00   14.00   14.00   14.00   14.00   14.00   14.00   14.00   14.00   14.00   14.00 <tr< th=""><th>Purchases/Receive Invento</th><th>ry</th><th></th><th></th><th></th><th></th></tr<>	Purchases/Receive Invento	ry				
Remit To: DeJulia Wholesale Suppliers 4800 Peachtree Ind. Blvd. Duluth, GA 30092 USA       Ship To: Ship to Address 1       Image: Mar 19, 2007       Image: Mar 19, 2007         Bellwether Garden Supply       IS05 Pavilion Place       Image: Mar 19, 2007       Image: Mar 19, 2007         Address Line 2       Norcross       GA 30093-3203       Image: Mar 19, 2007       Image: Mar 19, 2007         Customer SO No.       Customer Invoice No.       Terms       Ship Via       A/P Account         Quantity       Item       Description       GL Account       Unit Price       Amount       Job         Quantity       Item       Description       GL Account       Unit Price       Amount       Job         Version of the end of	Close New Open Save	Delete Recyr Row	Note Journal E	🧼 🛄 🗸	🥙 🗸 Télp	
Hour Peachtree Ind. BVO. Duluth, GA 30092 USA       Bellwether Garden Supply       Invoige No.: 94967         ISOS Pavilion Place       Address Line 2       Divide No.: 94967         Address Line 2       Norcross       GA 30093-3203         USA       USA       Validing on Bill         Customer SO No.       Customer Invoice No.       Terms         Ship Via       A/P Account         2% 10, Net 30 Day       None         Quantity       Item         Description       GL Account         Unit Price       Amount         Job AWRY-10300       Hummingbird Feeder         Hummingbird Feeder       12000         Customer Sol No.       Investor         Apply to Purchase Order:       Obb         Quantity       Item         Description       GL Account         Unit Price       Amount         Job Clear Description       GL Account         Unit Price       Amount	Vendor ID: DEJULIA	Q			Pu	rchase 🗲 🔿
2% 10, Net 30 Day       None       20000         Apply to Purchase Order: 0.00       Apply to Purchases: 14.00         Quantity       Item       Description         GL Account       Unit Price       Amount         Job       7.00       14.00         Hummingbird Feeder       12000       7.00       14.00         Hummingbird Feeder       0       0       0       0         Hummingbird Feeder       12000       7.00       14.00       0         Hummingbird Feeder       0.00       14.00       0	4800 Peachtree Ind. Blvd	ers Shi <u>p</u> To J.	Bellwether Garden 1505 Pavilion Place Address Line 2 Norcross	Supply		94967
Apply to Purchase Order: 0.00       Apply to Purchases: 14.00         Quantity       Item       Description       GL Account       Unit Price       Amount       Job         2.00       AVRY-10300       Hummingbird Feeder       12000       7.00       14.00         Hummingbird Feeder       12000       7.00       14.00       100         Hummingbird Feeder       12000       100       100       100       100       100 </td <td>Customer SO No.</td> <td>Customer Invoice No.</td> <td><u>T</u>erms</td> <td>Ship Via</td> <td></td> <td>A/P Account</td>	Customer SO No.	Customer Invoice No.	<u>T</u> erms	Ship Via		A/P Account
Quantity       Item       Description       GL Account       Unit Price       Amount       Job         2.00       AVRY-10300       Hummingbird Feeder       12000       7.00       14.00       14.00         Hommengtand Pressder       Triventory       Job Description       Job       Job       Job         Hommengtand Pressder       Triventory       Job       Job       Job       Job       Job         Hommengtand Pressder       Triventory       Job       Job       Job       Job       Job         Hommengtand Pressder       Triventory       Job       Job       Job       Job       Job       Job         Hommengtand Pressder       Triventory       Job       Job <t< td=""><td></td><td>2</td><td>% 10, Net 30 Day 🔹</td><td><ul> <li>None</li> </ul></td><td>✔ 20000</td><td></td></t<>		2	% 10, Net 30 Day 🔹	<ul> <li>None</li> </ul>	✔ 20000	
2.00       AVRY-10300       Hummingbird Feeder       12000       7.00       14.00         Hummingbird Feeder       Torrectory       Job Description         Hummingbird Feeder       Hummingbird Feeder       Hummingbird Feeder	Apply to Purchase Order: 0.00		Apply to P	urch <u>a</u> ses: 14.00	D	
Promotogene     Inventory       Add: Description       Image: Second Sec	Quantity Item	Description	GL Account	Unit Price	Amount	Job
Other Payments and Credits:     0.00     14.00     Invoice Total       Amount Paid at Purchase:     0.00     14.00     Net Due	2.00 AVRY-10300	Hummingbird Feeder	12000	7.00	14.00	
Amount Paid at Purchase: 0.00 14.00 Net Due	Hummingbird Feeder	Inventory			Job Des	cription
Amount Paid at Purchase: 0.00 14.00 Net Due						
Amount Paid at Purchase: 0.00 14.00 Net Due						
Amount Paid at Purchase: 0.00 14.00 Net Due						
Amount Paid at Purchase: 0.00 14.00 Net Due						
Amount Paid at Purchase: 0.00 14.00 Net Due						
Amount Paid at Purchase: 0.00 14.00 Net Due						
Amount Paid at Purchase: 0.00 14.00 Net Due						
			_			
	Vendor Balance on Mar 19, 2007	-		0.00	14.00	Net DUB

## SOLUTION TO EXERCISE 5-1 (3): Purchases/Receive Inventory

## **SOLUTION TO EXERCISE 5-2 (1)**

ïlter Criteria inc	ludes: Report order is by ID. Repor	General L As c	er Garden Supply edger Trial Balance if Mar 31, 2007 ail Format.	
Account ID	Account Description	Debit Amt	Credit Amt	
10000	Petty Cash	200.00		
10100	Cash on Hand	1,850.45		
10200	Regular Checking Account	7,946.52		
10300 10400	Payroll Checking Account	13,122.27		
10400	Savings Account Money Market Fund	22,500.00 4,000.00		
11000	Accounts Receivable	157,936.97		
11400	Other Receivables	7,681.84		
11500	Allowance for Doubtful Acc		5,000.00	
12000	Inventory	14,722.36		
14000	Prepaid Expenses	14,221.30		
14100	Employee Advances	3,000.65		
14200	Notes Receivable-Current	11,000.00		
14700 15000	Other Current Assets Furniture and Fixtures	120.00 62,769.25		
15100	Equipment	38,738.33		
15200	Vehicles	86,273.40		
15300	Other Depreciable Property	6,200.96		
15500	Buildings	185,500.00		
15600	Building Improvements	26,500.00		
17000	Accum. Depreciation-Furnit		54,680.57	
17100	Accum. Depreciation-Equip		33,138.11	
17200	Accum Depreciation-Vehicl		51,585.26	
17300 17500	Accum. Depreciation-Other Accum. Depreciation-Buildi		3,788.84 34,483.97	
17600	Accum. Depreciation-Bldg I		4,926.28	
19000	Deposits	15,000.00	4,520.20	
19100	Organization Costs	4,995.10		
19150	Accum Amortiz - Organiz C	,	2,000.00	
19200	Notes Receivable- Noncurr	5,004.90		
19900	Other Noncurrent Assets	3,333.00		
20000	Accounts Payable		80,027.06	
23000 23100	Accrued Expenses		3,022.55	
23200	Sales Tax Payable Wages Payable		17,540.21 2,320.30	
23300	401 K Deductions Payable		2,409.55	
23350	Health Insurance Payable	530.64	2,100.00	
23400	Federal Payroll Taxes Paya		41,790.49	
23500	FUTA Tax Payable		258.20	
23600	State Payroll Taxes Payabl		6,852.90	
23700	SUTA Tax Payable		658.67	
23800 23900	Local Payroll Taxes Payabl		113.25	
23900	Income Taxes Payable Other Taxes Payable		11,045.75 2,590.15	
24100	Current Portion Long-Term		5,167.00	
24300	Contracts Payable- Current		2,000.00	
24700	Other Current Liabilities	96.00		
27000	Notes Payable-Noncurrent		4,000.00	
39003	Common Stock		5,000.00	
39004	Paid-in Capital		100,000.00	
39005	Retained Earnings		189,037.60	
40000 40000-A∨	Sales Sales - Aviary		175.00 50.198.16	
40000-AV	Sales - Aviary Sales - Books		7,293.10	
40000-EQ	Sales - Equipment		57,842.72	
40000-FF	Sales - Food/Fert		5,204.15	
40000-FU	Sales - Furntiture		15,000.00	
40000-HT	Sales - Hand Tools		7,058.12	
40000-LS	Sales - Landscape Services		16,977.53	
40000-MI	Sales - Miscellaneous		45.00	
40000-NU 40000-PO	Sales - Nursery Sales - Pots		65,042.56	
40000-PO 40000-SE	Sales - Seeds		9,469.51 8,661.39	
40000-SC	Sales - Soil		9,082.55	
41000	Other Income		25,600.00	
49000	Sales Discounts	154.62	,	

ilter Criteria ind	Bellwether Garden Supply General Ledger Trial Balance As of Mar 31, 2007 udes: Report order is by ID. Report is printed in Detail Format.			
Account ID	Account Description	Debit Amt	Credit Amt	
50000	Product Cost		68.50	
50000-AV	Product Cost - Aviary	20,355.75		
50000-BK	Product Cost - Books	2,361.37		
50000-EQ	Product Cost - Equipment	23,173.10		
50000-FF	Product Cost - Food/Fert	2,060.04		
50000-HT	Product Cost - Hand Tools	2,813.85		
50000-PO	Product Cost - Pots	2,621.45		
50000-SE	Product Cost - Seeds	3,450.65		
50000-SO	Product Cost - Soil	4,048.47		
57000-NU	Direct Labor - Nursery	3,062.50		
57200	Materials Cost	1,397.45		
57200-NU	Materials Cost - Nursery	9,139.00		
57300-LS	Subcontractors - Landscapi	335.50		
57500	Freight	50.00		
60000	Advertising Expense	1,325.00		
61000	Auto Expenses	274.56		
62000	Bank Charges	18.00		
64000	Depreciation Expense	8,394.00		
68500	Legal and Professional Exp	510.00		
69000	Licenses Expense	150.00		
70000	Maintenance Expense	75.00		
71000	Office Expense	479.89		
72000	Payroll Tax Exp	15,768.12		
74000	Rent or Lease Expense	1,100.00		
74500	Repairs Expense	3,694.00		
75500	Supplies Expense	2,628.17		
77000	Utilities Expense	303.45		
77500	Wages Expense	137,712.33		
89000	Other Expense	464.90		
89500	Purchase Disc- Expense Ite		10.11	
	Total:	941,165.11	941,165.11	

# SOLUTION TO EXERCISE 5-2 (1) (Concluded)