

chapter 4

introduction to, and posting to, ledger accounts

Learning outcome

The learning outcome for this chapter is to understand the principles of ledger accounts and postings from General journal entries.

concepts

This chapter introduces columnar ledger and T-shape ledger accounts.

key terms

The new terms introduced in this chapter include:

- **Balancing ledger accounts**—used to show the difference between debit and credit amounts of the ledger account; continuously in a columnar ledger account, or mostly calculated for the T-shape ledger account.
- **Columnar ledger account**—a ledger account showing columns for the debit, the credit and the continuous balance.
- **Ledger account**—a book of second entry, with postings made from the journals.
- **T-shape ledger account**—the division of the account into debit and credit sides with the balance often needing to be calculated.

Introduction

From Chapter 8 onwards there are practical applications of postings to ledger accounts. At this stage just accept the figures as shown and if necessary refer back to the rules of double entry in Chapter 3. For example, applying the rules of double entry, the purchase of an asset on credit means that assets have increased (debit) and, because more money is owed by the business, liabilities have increased (credit).

Initially, posting to ledger accounts might seem to be difficult; but, after practice, it becomes second nature.

Once the hurdle of posting to ledger accounts is overcome, then accounting flows clearly and logically, so persevere with preparing ledger accounts. It will enhance your understanding of the following chapters.

The rules for posting to ledger accounts are contained in Chapter 8, together with a restatement of the rules of double entry from Chapter 3.

Postings to T-shape ledger accounts from the General journal entries in Chapter 3 will be shown in Illustrations and Test your learning questions later in this chapter so that the concept can be practised before the main chapters for ledger postings are reached. Posting to columnar ledger accounts from source documents and journals will be examined in detail in Chapter 8.

The cash and credit journals in Chapter 6 contain summaries of individual transactions and their reference to the source documents, with like items grouped together; for example, into a Sales dissection journal.

The ledger furnishes information about a specific part of the business accounting system. The ledger accounts disclose vital information, such as the cash position of a business, amounts owed to creditors, amounts owed by debtors, the values of individual assets and the profit-determining accounts. The ledger accounts are a complete record of all assets, liabilities, owner's equity, revenue and expenses.

Chapter 9 contains subsidiary ledger accounts for individual Accounts payable and Accounts receivable accounts.

Goods and services tax (GST)

GST is covered in Chapter 5 and will not be used in the examples in this chapter.

Types of ledger accounts

Ledger accounts appear in two forms: columnar and T-shaped.

Columnar ledgers

The columnar ledger account in practice appears as a bank statement, a bankbook, an account from a large departmental store, or as credit card accounts. Columnar ledgers, used by businesses, are contained in computer accounting packages.

Illustration 4.1 presents an Accounts receivable control (debtors) account and only shows, at this stage, one side of a transaction; that is, the double entry is not shown. The double entry is shown in Illustration 4.3.

Illustration 4.1

In this Illustration, the transactions begin with:

- The overall amount owed by Accounts receivable (debtors) to the business at 1 June, which is \$34 000.

For the month of June:

- Total sales and sales returns from the Sales dissection journal (credit sales) is a net \$14 500.
- Cash received from debtors (from the Cash receipts journal) is \$27 000.
- Discount allowed is \$100 (for the early payment of an account).
- A bad debt of \$400 is written off.

ACCOUNTS RECEIVABLE CONTROL

Date	Details	Debit (\$)	Credit (\$)	Balance (\$)
1 June	Balance			34 000 dr
30 June	Sales	14 500		48 500 dr
	Cash		27 000	21 500 dr
	Discount allowed		100	21 400 dr
	Bad debt		400	21 000 dr

Notes on the columnar ledger

1. The balance at 1 June is the total amount owed to the business by debtors. As items are sold on credit, more money is owed to the business (assets increased, therefore debit). Where debtors pay their accounts, a discount is allowed and less money is owed to the business (assets decreased, therefore credit). A further credit occurs when monies owed to the business are written off as bad debts.
2. During the month the amount owed to the business has decreased by \$13 000, from \$34 000 to \$21 000.
3. Accounts receivable is an asset, so it is expected to have a debit balance.
4. The abbreviations 'dr' for *debit* and 'cr' for *credit* will be used in the columnar ledger accounts contained within this book, because it is easier to prepare a Trial Balance when these are shown. In practice 'dr' in some accounting records can be replaced by a plus sign and 'cr' by a minus sign.
5. Sometimes a folio or 'F' column is included in columnar ledger accounts. The F column contains a cross-reference to identify other ledger accounts or a journal and, for simplicity, is not used in the Illustrations and Test your learning sections in this chapter but will be introduced in Chapter 8.
6. A continuous balance is maintained. *After every entry, the balance is altered*, which is an advantage over T-shape ledger accounts where the balance of each account is not shown after each transaction.

List the ledger accounts that you have seen in practice in the columnar format.

IN PRACTICE

4.1

T-shape ledgers

The benefit of T-shape ledger accounts is that they are separated into the debit side on the left and the credit side on the right, so that the separation of debits from credits is more easily seen.

Illustration 4.2

Information from Illustration 4.1 is inserted in a T-shape ledger as follows:

(DEBIT SIDE)			ACCOUNTS RECEIVABLE CONTROL			(CREDIT SIDE)		
Date	Details	Debit (\$)	Date	Details	Credit (\$)			
1 June	Balance	34 000	30 June	Cash	27 000			
30 June	Sales	14 500		Discount allowed	100			
				Bad debts	400			

The same information has been posted as for the columnar ledger. Now add the amounts in the highest side, the debit side, and enter the total. Carry the total across to the credit side.

(DEBIT SIDE)			ACCOUNTS RECEIVABLE CONTROL			(CREDIT SIDE)		
Date	Details	Debit (\$)	Date	Details	Credit (\$)			
1 June	Balance	34 000	30 June	Cash	27 000			
30 June	Sales	14 500		Discount allowed	100			
				Bad debts	400			
		48 500			48 500			

The difference between the two sides is the closing balance, entered on the credit side then transferred to the debit side as the opening balance of the account as at 1 July.

(DEBIT SIDE)			ACCOUNTS RECEIVABLE CONTROL			(CREDIT SIDE)		
Date	Details	Debit (\$)	Date	Details	Credit (\$)			
1 June	Balance	34 000	30 June	Cash	27 000			
30 June	Sales	14 500		Discount allowed	100			
				Bad debts	400			
		48 500		Balance	21 000			
1 July	Balance	21 000			48 500			

From Chapter 8 onwards, this book will consider ledger accounts in Illustrations using only the columnar form of ledger. However, answers to Test your learning questions involving ledger accounts will show both types of ledger accounts.

Sometimes students have an initial difficulty in the cross-referencing of ledger accounts. For consistency, the cross-references will be to the other ledger account.

IN PRACTICE

4.2

For an Accounts payable account, the opening balance was \$5000, credit purchases were \$2000, cash paid to creditors \$4000, purchase returns \$50 and discount received \$70. What is the closing balance of the account?

IN PRACTICE

4.3

In addition to the information in In practice 4.2 above, cash purchases were \$1000. What is the closing balance of the Accounts payable account?

Illustration 4.3

Using the information in Illustration 4.1, the cross-references showing the double entry are as follows:

ACCOUNTS RECEIVABLE CONTROL ACCOUNT

Date	Details	Debit (\$)	Credit (\$)	Balance (\$)
1 June	Balance			34 000 dr
30 June	Sales	14 500		48 500 dr
	Cash		27 000	21 500 dr
	Discount allowed		100	21 400 dr
	Bad debt		400	21 000 dr

SALES ACCOUNT

30 June	Accounts receivable		14 500	14 500 cr*
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* Revenue increased—credit.

CASH AT BANK ACCOUNT

30 June	Accounts receivable	27 000		27 000 dr*
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* Asset increased—debit.

DISCOUNT ALLOWED ACCOUNT

30 June	Accounts receivable	100		100 dr*
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BAD DEBTS ACCOUNT

30 June	Accounts receivable	400		400 dr*
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* Discount allowed and bad debts are both expenses—increase debit.

Balancing T-shape accounts

Illustration 4.4

- Where an account has only one entry, that entry is the present balance of that account and the balance at the start of the next accounting period. Note 'dr' need not be inserted as the entry is on the debit (left-hand) side.

MOTOR VEHICLE ACCOUNT

Date	Details	Debit (\$)	Date	Details	Credit (\$)
30 June	Balance	50 000			

- Where there are two entries, one on each side, no further balancing is needed as they equal each other. In this case the motor vehicle is sold on credit on 15 July. A line is put under each total.

MOTOR VEHICLE ACCOUNT

Date	Details	Debit (\$)	Date	Details	Credit (\$)
30 June	Balance	<u>50 000</u>	15 July	Accounts receivable	<u>50 000</u>

◀ continued

3. Where there are several entries (e.g. motor vehicles bought for cash on 16 July and 30 July and one sold on credit on 15 July) add the highest side, insert the total and carry it across on the same line. The difference between the two sides is the balance, which is carried down to the start of the new accounting period commencing 1 August. This is similar to that shown in Illustration 4.2.

MOTOR VEHICLE ACCOUNT

Date	Details	Debit (\$)	Date	Details	Credit (\$)
30 June	Balance	50 000	15 July	Accounts receivable	50 000
16 July	Cash	20 000	31 July	Balance*	42 000
30 July	Cash	<u>22 000</u>			
		<u>92 000</u>			<u>92 000</u>
1 August	Balance	42 000			

* Note that in some books you may find the \$42 000 entry on the right has 'c/d' next to the balance and for the balance on 1 August, 'b/d'. These are abbreviations for 'carried down' and 'brought down' and are not used here.

4. One new vehicle was acquired for cash on 16 July. Where there are two entries on the same side, total the highest side and transfer the total to the other side on the same line. The balance is inserted on the clear side and transferred down to the start of the next accounting period.

MOTOR VEHICLE ACCOUNT

Date	Details	Debit (\$)	Date	Details	Credit (\$)
30 June	Balance	50 000	31 July	Balance	70 000
16 July	Cash	<u>20 000</u>			
		<u>70 000</u>			<u>70 000</u>
1 August	Balance	70 000			

Try Multiple choice questions 1 to 10

Try Topic review question 1 for balancing T-shape ledger accounts and question 2 for columnar ledgers

Posting from General journal entries to ledger accounts with a Trial Balance prepared

As an introduction to ledger accounts, General journal entries are to be posted to T-shape and columnar ledger accounts and a Trial Balance prepared. The Trial Balance is a summary of ledger account balances that proves that for every debit there is a corresponding credit. It will be explained in more detail in Chapter 8.

In posting to ledger accounts, follow the General journal entry exactly; for example, debit and credit exactly as shown in the journal. All debtors and creditors accounts will be contained within control accounts at this stage. In Chapter 9 individual ledger accounts will be introduced.

In the Illustrations note how the ledger account details are cross-referenced to the other account. The use of folio numbers will be introduced in Chapter 8.

Illustration 4.5

Posting journal entries involving inventories (trading stock)

The following information relates to the books of M. Muffin.

These General journal entries are from Chapter 3. These entries are added to the opening balances, 1 May, of cash \$20 000 dr and capital \$20 000 cr.

ACCOUNT NUMBERS

1 Purchases	2 Cash at bank	3 Accounts receivable control	4 Sales
5 Sales returns	6 Accounts payable control	7 Purchases returns	8 Capital

GENERAL JOURNAL ENTRIES

Date: 2009	Details	Debit (\$)	Credit (\$)	Reason
1 May	Purchases Cash at bank <i>Purchased inventories for cash</i>	1200	1200	Expenses increased Asset decreased
3 May	Accounts receivable—R. Burns Sales <i>Sold inventories on credit</i>	500	500	Asset increased Revenue increased
5 May	Sales returns Accounts receivable—R. Burns <i>Faulty inventories returned by customer</i>	100	100	Revenue decreased Asset decreased
6 May	Purchases Accounts payable—Y. Argue <i>Purchased inventories on credit</i>	5500	5500	Expenses increased Liability increased
7 May	Accounts payable—Y. Argue Purchases returns <i>Incorrect trading stock returned to the supplier</i>	450	450	Liability decreased Expenses decreased
	Cash at bank Sales <i>Sold inventories for cash</i>	600	600	Asset increased Revenue increased

Notes

- Accounts receivable are amounts owed to the business by customers and Accounts payable are amounts owed by the business to suppliers. The individual accounts for R. Burns and Y. Argue are not included in the Illustrations.
- Sales returns and purchase returns will be integrated with the Sales and Purchases accounts after credit journals are considered in Chapter 6.

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Posting journal entries to T-shape ledger accounts

1 PURCHASES

Date: 2009	Details	Debit (\$)	Date: 2009	Details	Credit (\$)
1 May	Cash at bank	1 200	7 May	Balance	6 700
6 May	Accounts payable	<u>5 500</u>			<u>6 700</u>
		6 700			
8 May	Balance	6 700			

2 CASH AT BANK

1 May	Balance	20 000	1 May	Purchases	1 200
7 May	Sales	<u>600</u>	7 May	Balance	<u>19 400</u>
		20 600			<u>20 600</u>
8 May	Balance	19 400			

3 ACCOUNTS RECEIVABLE CONTROL

3 May	Sales	500	5 May	Sales returns	100
		<u>500</u>	7 May	Balance	<u>400</u>
8 May	Balance	400			<u>500</u>

4 SALES

7 May	Balance	1 100	3 May	Accounts receivable	500
		<u>1 100</u>	7 May	Cash	<u>600</u>
					<u>1 100</u>
			8 May	Balance	1 100

5 SALES RETURNS

5 May	Accounts receivable	100			
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6 ACCOUNTS PAYABLE CONTROL

7 May	Purchases returns	450	6 May	Purchases	5 500
	Balance	<u>5 050</u>			<u>5 500</u>
		5 500	7 May	Balance	5 050

7 PURCHASES RETURNS

			7 May	Accounts payable	450
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8 CAPITAL

			1 May	Balance	20 000
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Preparing a Trial Balance as at 7 May 2009

TRIAL BALANCE FOR M. MUFFIN AS AT 7 MAY 2009

Account no.	Account	Debit (\$)	Credit (\$)
1	Purchases	6 700	
2	Cash at bank	19 400	
3	Accounts receivable control	400	
4	Sales		1 100
5	Sales returns	100	
6	Accounts payable control		5 050
7	Purchases returns		450
8	Capital		20 000
	Totals	26 600	26 600

Illustration 4.6

From the information in Illustration 4.5 the same postings for columnar ledgers follow, with a Trial Balance as at 7 May 2009. These entries are added to the opening balances at 1 May of cash \$20 000 dr and capital \$20 000 cr.

ACCOUNT NUMBERS

1 Purchases	2 Cash at bank	3 Accounts receivable control	4 Sales
5 Sales returns	6 Accounts payable control	7 Purchases returns	8 Capital

1 PURCHASES

Date: 2009	Details	Debit (\$)	Credit (\$)	Balance (\$)
1 May	Cash at bank	1 200		1 200 dr
6 May	Accounts payable	5 500		6 700 dr

2 CASH AT BANK

1 May	Balance			20 000 dr
	Purchases		1 200	18 800 dr
7 May	Sales	600		19 400 dr

3 ACCOUNTS RECEIVABLE CONTROL

3 May	Sales	500		500 dr
5 May	Sales returns		100	400 dr

4 SALES

3 May	Accounts receivable		500	500 cr
7 May	Cash		600	1 100 cr

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5 SALES RETURNS ACCOUNT

Date: 2009	Details	Debit (\$)	Credit (\$)	Balance (\$)
5 May	Accounts receivable	100		100 dr

6 ACCOUNTS PAYABLE CONTROL

6 May	Purchases		5 500	5 500 cr
7 May	Purchases returns	450		5 050 cr

7 PURCHASES RETURNS

7 May	Accounts payable		450	450 cr
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8 CAPITAL

1 May	Balance			20 000 cr
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TRIAL BALANCE FOR M. MUFFIN AS AT 7 MAY 2009

Account no.	Account	Debit (\$)	Credit (\$)
1	Purchases	6 700	
2	Cash at bank	19 400	
3	Accounts receivable control	400	
4	Sales		1 100
5	Sales returns	100	
6	Accounts payable control		5 050
7	Purchases returns		450
8	Capital		20 000
	Totals	26 600	26 600

Illustration 4.7

The following information will be used to post to T-shape ledgers and then columnar ledgers for the books of B. Blank. A Trial Balance will be prepared as at 5 June 2009. Individual Accounts receivable and Accounts payable accounts are not shown.

The opening balances at 1 June are Accounts receivable \$5000 dr, Office furniture \$1000 dr, Store wages \$15 000 dr, Office salaries \$10 000 dr, Cash at bank \$2000 cr (overdrawn), Accounts payable \$4000 cr and Capital \$25 000 cr.

GENERAL JOURNAL ENTRIES FOR B. BLANK: GJ 10

Date: 2009	Details	Debit (\$)	Credit (\$)	Reason
1 June	Cash at bank	10 000		Asset increased
	Capital		10 000	Owner's equity increased
	<i>Extra capital contributed by owner</i>			

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Date: 2009	Details	Debit (\$)	Credit (\$)	Reason
1 June	Accounts receivable—R. Burns Sales <i>Sold inventories on credit</i>	900	900	Asset increased Revenue increased
2 June	Motor vehicle Accounts payable—Minor Motors <i>Motor vehicle purchased on credit</i>	20 000	20 000	Asset increased Liability increased
3 June	Accounts receivable—C. Customer Sales <i>Sold inventories on credit</i>	6 000	6 000	Asset increased Revenue increased
3 June	Purchases Accounts payable—Y. Argue <i>Purchased inventories on credit</i>	7 000	7 000	Expenses increased Liability increased
3 June	Store wages Cash at bank <i>Store wages week ended 2 June</i>	6 000	6 000	Expenses increased Asset decreased
4 June	Cash at bank Sales <i>Sold inventories for cash</i>	6 400	6 400	Asset increased Revenue increased
5 June	Office salaries Cash at bank <i>Office salaries fortnight ending 4 June</i>	2 500	2 500	Expenses increased Asset decreased
5 June	Cash at bank Rent revenue <i>Weekly rental received</i>	700	700	Asset increased Revenue increased

ACCOUNT NUMBERS

Assets	Liabilities	Revenue
1 Cash at bank	11 Accounts payable control	31 Sales
2 Accounts receivable control	Expenses	32 Rent revenue
3 Motor vehicle	21 Purchases	Owner's equity
4 Office furniture	22 Store wages	41 Capital
	23 Office salaries	

T-shape ledgers

Assets

1 CASH AT BANK

Date	Details	Debit (\$)	Date	Details	Credit (\$)
1 June	Capital	10 000	1 June	Balance	2 000
4 June	Sales	6 400	3 June	Store wages	6 000
5 June	Rent revenue	700	5 June	Office salaries	2 500
				Balance	<u>6 600</u>
		<u>17 100</u>			<u>17 100</u>
8 May	Balance	6 600			

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2 ACCOUNTS RECEIVABLE CONTROL

Date	Details	Debit (\$)	Date	Details	Credit (\$)
1 June	Balance	5 000	5 June	Balance	11 900
	Sales	900			
3 June	Sales	6 000			
		<u>11 900</u>			<u>11 900</u>
6 June	Balance	11 900			

3 MOTOR VEHICLES

2 June	Accounts payable	20 000			
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4 OFFICE FURNITURE

1 June	Balance	1 000			
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Liabilities**11 ACCOUNTS PAYABLE CONTROL**

5 June	Balance	31 000	1 June	Balance	4 000
			2 June	Motor vehicle	20 000
			3 June	Purchases	7 000
		<u>31 000</u>			<u>31 000</u>
			6 June	Balance	31 000

Expenses**21 PURCHASES**

3 June	Accounts payable	7 000			
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22 STORE WAGES

1 June	Balance	15 000	5 June	Balance	21 000
3 June	Cash at bank	6 000			
		<u>21 000</u>			<u>21 000</u>
6 June	Balance	21 000			

23 OFFICE SALARIES

1 June	Balance	10 000	5 June	Balance	12 500
5 June	Cash at bank	2 500			
		<u>12 500</u>			<u>12 500</u>
6 June	Balance	12 500			

Revenue**31 SALES**

5 June	Balance	13 300	1 June	Accounts receivable	900
			3 June	Accounts receivable	6 000
			4 June	Cash at bank	6 400
		<u>13 300</u>			<u>13 300</u>
			6 June	Balance	13 300

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32 RENT REVENUE

Date	Details	Debit (\$)	Date	Details	Credit (\$)
			5 June	Cash at bank	700

Owner's equity**41 CAPITAL**

5 June	Balance	35 000	1 June	Balance	25 000
				Cash at bank	10 000
		<u>35 000</u>			<u>35 000</u>
			6 June	Balance	35 000

TRIAL BALANCE FOR B. BLANK AS AT 5 JUNE 2009

Account no.	Account	Debit (\$)	Credit (\$)
1	Cash at bank	6 600	
2	Accounts receivable control	11 900	
3	Motor vehicle	20 000	
4	Office furniture	1 000	
11	Accounts payable control		31 000
21	Purchases	7 000	
22	Store wages	21 000	
23	Office salaries	12 500	
31	Sales		13 300
32	Rent revenue		700
41	Capital		35 000
	Totals	80 000	80 000

Columnar ledgers**Assets****1 CASH AT BANK**

Date	Details	Debit (\$)	Credit (\$)	Balance (\$)
1 June	Balance			2 000 cr
	Capital	10 000		8 000 dr*
3 June	Store wages		6 000	2 000 dr
4 June	Sales	6 400		8 400 dr
5 June	Office salaries		2 500	5 900 dr
	Rent revenue	700		6 600 dr

* A credit balance is changed into a debit balance.

2 ACCOUNTS RECEIVABLE CONTROL

1 June	Balance			5 000 dr
	Sales	900		5 900 dr
3 June	Sales	6 000		11 900 dr

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3 MOTOR VEHICLE

Date	Details	Debit (\$)	Credit (\$)	Balance (\$)
2 June	Accounts receivable	20 000		20 000 dr

4 OFFICE FURNITURE

1 June	Balance			1 000 dr
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Liabilities**11 ACCOUNTS PAYABLE CONTROL**

1 June	Balance			4 000 cr
2 June	Motor vehicle		20 000	24 000 cr
3 June	Purchases		7 000	31 000 cr

Expenses**21 PURCHASES**

3 June	Accounts payable	7 000		7 000 dr
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22 STORE WAGES

1 June	Balance			15 000 dr
3 June	Cash at bank	6 000		21 000 dr

23 OFFICE SALARIES

1 June	Balance			10 000 dr
5 June	Cash at bank	2 500		12 500 dr

Revenue**31 SALES**

1 June	Accounts receivable		900	900 cr
3 June	Accounts receivable		6 000	6 900 cr
4 June	Cash at bank		6 400	13 300 cr

32 RENT REVENUE

5 June	Cash at bank		700	700 cr
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Owner's equity**41 CAPITAL**

1 June	Balance			25 000 cr
	Cash at bank		10 000	35 000 cr

TRIAL BALANCE FOR B. BLANK AS AT 5 JUNE 2009

Account no.	Account	Debit (\$)	Credit (\$)
1	Cash at bank	6 600	
2	Accounts receivable control	11 900	
3	Motor vehicle	20 000	

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Account no.	Account	Debit (\$)	Credit (\$)
4	Office furniture	1 000	
11	Accounts payable control		31 000
21	Purchases	7 000	
22	Store wages	21 000	
23	Office salaries	12 500	
31	Sales		13 300
32	Rent revenue		700
41	Capital		35 000
	Totals	80 000	80 000

This Illustration is continued in Topic review questions 3 and 4

TEST YOUR LEARNING

Insert your answers into the workbook.

✓ Multiple choice questions

WB p.19

- 1** What is the closing balance of the cash ledger account where the opening balance is \$10 000 (credit), cash receipts \$80 000 and cash payments \$90 000?
- (a) Nil.
 - (b) \$20 000 credit.
 - (c) \$20 000 debit.
 - (d) \$10 000 debit.

2 Lawnmowers

Date	Details	Debit (\$)	Date	Details	Credit (\$)
1 June	Balance	5 000			

On 10 June a lawnmower that cost \$1500 was sold for \$800 cash and two new lawn-mowers were purchased for \$1200 each. One of the lawnmowers was faulty and was returned to the supplier on 29 June. The closing balance of this asset ledger account at 30 June is:

- (a) \$4700.
- (b) \$4100.
- (c) \$5400.
- (d) \$6600.

3 Cash at bank account

Date	Details	Debit (\$)	Date	Details	Credit (\$)
1 April	Balance	28 000	April 30	Cash payments	65 000
30 April	Balance	3 000			

The value of the cash receipts is:

- (a) \$34 000.
- (b) \$37 000.
- (c) \$40 000.
- (d) \$62 000.

4 Describe the difference between columnar and T-shape ledgers:

- (a) Most T-shape ledgers require a balance to be calculated.
- (b) Columnar ledgers maintain a continuous balance.
- (c) The two sides of a T-shape ledger are separated.
- (d) All of the above.

5 A bank statement is in the form of a _____ ledger.

- (a) T-shape.
- (b) Columnar.
- (c) Continuous.
- (d) None of the above.

6 T-shape ledger account of I. Owe (a debtor)

Date	Details	Debit (\$)	Date	Details	Credit (\$)
1 June	Balance	1300	6 June	Sales returns	88
3 June	Sales	528	10 June	Cash received	300
				Discount allowed	20

In addition, interest of \$22 is to be charged to the debtor for overdue accounts. What is the final balance?

- (a) \$1398.
- (b) \$1400.
- (c) \$1442.
- (d) None of the above.

7 Columnar ledger account of B. Reft (a debtor)

Date	Details	Debit (\$)	Credit (\$)	Balance (\$)
1 June	Balance			7 000 dr
3 June	Cash		2 000	
4 June	Sales	3 300		
8 June	Sales returns		44	
10 June	Discount allowed (for 3 June payment)		25	

The final balance of this account is:

- (a) \$5769.
- (b) \$8231.
- (c) \$8369.
- (d) \$12 231.

8 T-shape ledger account of W. E. Pay (a creditor)

Date	Details	Debit (\$)	Date	Details	Credit (\$)
2 June	Purchases returns	80	1 June	Balance	800
	GST	8			
6 June	Cash paid	900			
	Discount received	32			

No money is now owed to this creditor. What are the likely missing items?

- (a) Sales \$220.
- (b) Purchases \$220.
- (c) Sales \$200.
- (d) Purchases \$200.

9 A debit in the Cash at bank ledger account in the business books means that the account:

- (a) Has funds.
- (b) Is overdrawn.
- (c) Has a nil balance.
- (d) Is an asset to the bank.

10 The closing balance of a T-shape ledger account is:

- (a) Carried down on the same side in the account.
- (b) Carried down to the other side of the account.
- (c) Left as a continuous balance.
- (d) None of the above.

T Topic review

- WB** p.19 **1** Balance at 31 July the similar, but unrelated, T-shape ledger accounts shown in the workbook.
- WB** p.20 **2** Insert the closing balances into the columnar ledger accounts shown in the workbook.
- WB** p.21 **3** This question is a continuation of Illustration 4.7. The opening balances of the ledger accounts, shown in the workbook, come from the Trial Balance as at 5 June 2009.
 - (a) Insert the following General journal entries into T-shape ledger accounts in the workbook.
 - (b) Prepare a Trial Balance as at 10 June 2009.

ACCOUNT NUMBERS

Assets	Expenses	Revenue
1 Cash at bank	21 Purchases	31 Sales
2 Accounts receivable control	22 Store wages	32 Rent revenue
3 Motor vehicle	23 Office salaries	33 Sales returns
4 Office furniture	24 Motor vehicle expenses	Owner's equity
	25 Electricity	41 Capital
Liabilities	26 Telephone	42 Drawings
11 Accounts payable control	27 Rates and taxes	

GENERAL JOURNAL ENTRIES

Date	Details	Debit (\$)	Credit (\$)	Reason
8 June	Sales returns Accounts receivable—C. Customer <i>Inventories returned</i>	300	300	Revenue decreased Asset decreased
8 June	Accounts payable—Minor Motors Cash at bank <i>Deposit 15% on motor vehicle cost</i>	3 000	3 000	Liability decreased Asset decreased
8 June	Motor vehicle expenses Motor vehicle <i>Correction of error</i>	300	300	Expenses increased Asset decreased
9 June	Electricity Telephone Cash at bank <i>Paid expense accounts</i>	400 700	1 100	Expenses increased Expenses increased Asset decreased
9 June	Rates and taxes Cash at bank <i>Paid 40% of rates and taxes account</i>	440	440	Expenses increased Asset decreased
10 June	Purchases Cash at bank <i>Purchased inventories for cash</i>	5 000	5 000	Expenses increased Asset decreased
10 June	Purchases Accounts payable—S. Supplies <i>Purchased inventories on credit</i>	4 000	4 000	Expenses increased Liability increased
10 June	Accounts payable—Y. Argue Cash at bank <i>Paid balance owing</i>	7 000	7 000	Liability decreased Asset decreased
10 June	Cash at bank Accounts receivable—C. Customer <i>Account paid</i>	5 700	5 700	Asset increased Asset decreased
10 June	Accounts receivable—J. Johns Office furniture <i>Sold asset on credit</i>	600	600	Asset increased Asset decreased
10 June	Purchases Accounts payable—J. Johns <i>Purchased inventories on credit</i>	200	200	Expenses increased Liability increased
10 June	Drawings Cash at bank <i>Withdrawal of cash by the owner</i>	500	500	Owner's equity decreased Asset decreased

4 Insert the General journal entries shown in question 3 into columnar ledger accounts in the workbook and prepare a Trial Balance as at 10 June 2009.

Activities

- WB** p.25 **1** Balance the T-shape ledger accounts shown in the workbook.
- WB** p.26 **2** Balance the columnar ledger accounts shown in the workbook.
- WB** p.27 **3** The following transactions are for the accounts of H. Harrow for the week ended 7 April 2008. There is no GST to consider.
- Apply the rules of double entry to the following transactions and prepare General journal entries.
 - Post to either T-shape or columnar ledger accounts.
 - Prepare a Trial Balance as at 7 April 2008.

Date: 2008	Transaction	Amount (\$)	Cash transaction √	Credit transaction √
1 April	Sold inventories	800	√	
3 April	Sold inventories to S. Smith	400		√
5 April	Purchased inventories from TV Supplies	8 000		√
5 April	Owner contributes extra capital	10 000	√	
5 April	Bought office computer	3 800	√	
7 April	Paid advertising	600	√	
7 April	Owner withdrew cash	500	√	
7 April	Sold inventories to S. Smith	800		√
7 April	Paid TV Supplies	5 000	√	

Opening balances 1 April are cash \$15 000 dr, inventories \$3000 dr, capital \$18 000 cr.

CHART OF ACCOUNTS

1 Cash at bank	2 Inventories	3 Capital	4 Sales
5 Purchases	6 Office computer	7 Advertising	8 Drawings
9 Accounts receivable—S. Smith		10 Accounts payable—TV Supplies	

