

# Accounting





Glencoe

# Accounting

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# CHAPTER

# 6

## RECORDING TRANSACTIONS IN A GENERAL JOURNAL

### BIG IDEA

Every transaction you have with a business is documented in some way. Companies keep permanent records of transactions.



### REAL-WORLD Business Connection

## The Night Agency

Even advertising agencies need to advertise. New York City-based **The Night Agency**, founded by three Syracuse University graduates, enjoyed early success in 2004 on the streets and in the subways of New York with creative “guerilla-style” campaigns that earned plenty of media attention. Businesses called on **The Night Agency** for their digital advertising needs; the company has come through with innovative, award-winning campaigns.

### Connect to the Business

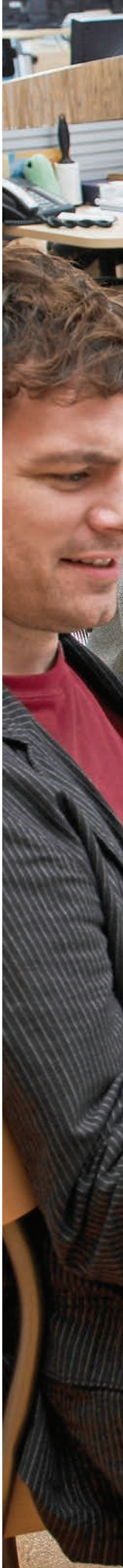
Accountants for **The Night Agency** rely on the activities of the accounting cycle to keep accounting records accurate and in order. The records are kept for a certain period of time, usually a year. Just as most school years do not begin in January, the 12-month accounting cycle can begin in any month, depending on the business.

### Analyze

*If you were just starting an advertising agency, what types of financial information would you record?*

### FOCUS ON THE PHOTO

With numerous high-profile clients and projects, the daily financial transactions at a busy digital agency like The Night Agency can include everything from paying for advertising to hiring SEO specialists. *Why is it important for any business to keep accurate records of daily transactions?*









# READING GUIDE



## Before You Read

**The Essential Question** How do businesses keep permanent records of transactions?

### Main Idea

The accounting cycle is a series of steps done in each accounting period to keep records in an orderly fashion. You can use the general journal to record all of the transactions of a business.

### Chapter Objectives

Concepts	Analysis	Procedures
<p><b>C1</b> Explain the first three steps in the accounting cycle. (p. 135)</p> <p><b>C2</b> Give and describe several examples of source documents. (p. 136)</p>	<p><b>A3</b> Explain the purpose of journalizing. (p. 137)</p> <p><b>A4</b> Apply information from source documents. (p. 139)</p>	<p><b>P1</b> Describe the steps to make a general journal entry. (p. 140)</p> <p><b>P2</b> Make general journal entries. (p. 140)</p> <p><b>P3</b> Correct errors in general journal entries. (p. 151)</p>



# THE ACCOUNTING CYCLE

In earlier chapters you learned to use the accounting equation and T accounts to analyze business transactions. In this chapter you will learn how to record business transactions in a journal.

## The Steps of the Accounting Cycle

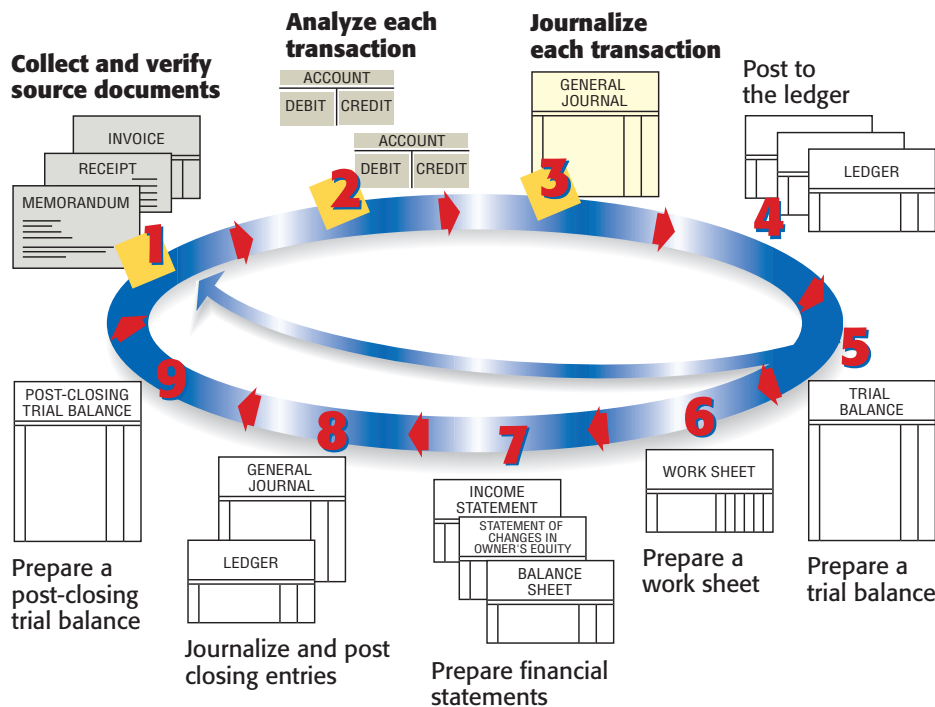
### What Is the Accounting Cycle?

The accounting period of a business is separated into activities called the **accounting cycle**. These activities help the business keep its accounting records in an orderly fashion. Take a look at **Figure 6–1**, which describes accounting activities and their sequence.

In this chapter you will use Steps 1, 2, and 3 of the accounting cycle:

1. Collect and verify source documents.
2. Analyze each transaction.
3. Journalize each transaction.

After studying Chapters 3 through 10, you will have covered the entire accounting cycle for a service business organized as a sole proprietorship.



### SECTION VOCABULARY

#### Content Vocabulary

- accounting cycle
- source document
- invoice
- receipt
- memorandum
- check stub
- journal
- journalizing
- fiscal year
- calendar year

#### Academic Vocabulary

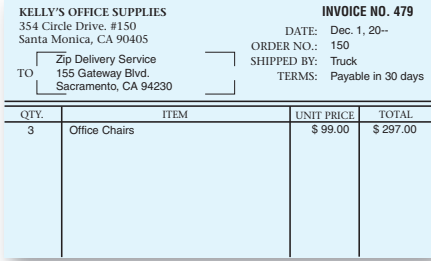


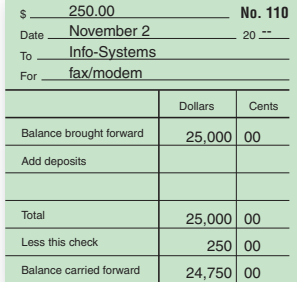
- occurs

**Figure 6–1** Steps in the Accounting Cycle with Steps 1, 2, 3 Highlighted

## The First Step in the Accounting Cycle: Collecting and Verifying Source Documents

Most business transactions take place during the daily operations of a business. In the course of one day, a business may pay its rent, place an ad in a local newspaper, contract to have a Web site created, pay its employees, sell products, and purchase new equipment. When a business transaction **occurs**, a paper is prepared as evidence of that transaction. This paper is a **source document**.

There are several types of source documents that can be prepared by hand, by computer, or by a machine. The type of source document prepared depends on the nature of the transaction. **Figure 6–2** describes and illustrates commonly used source documents.

 <p><b>KELLY'S OFFICE SUPPLIES</b> 354 Circle Drive, #150 Santa Monica, CA 90405</p> <p><b>INVOICE NO. 479</b> DATE: Dec. 1, 20-- ORDER NO.: 150 SHIPPED BY: Truck TERMS: Payable in 30 days</p> <p>TO: Zip Delivery Service 155 Gateway Blvd. Sacramento, CA 94230</p> <table border="1"> <thead> <tr> <th>QTY.</th> <th>ITEM</th> <th>UNIT PRICE</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>Office Chairs</td> <td>\$ 99.00</td> <td>\$ 297.00</td> </tr> </tbody> </table>	QTY.	ITEM	UNIT PRICE	TOTAL	3	Office Chairs	\$ 99.00	\$ 297.00	 <p><b>Zip Delivery Service</b> 155 Gateway Blvd. Sacramento, CA 94230</p> <p><b>RECEIPT</b> No. 2</p> <p>Nov. 26, 20-- RECEIVED FROM Greer's Market \$ 200.00 Two hundred and 00/100 DOLLARS FOR Deliveries 11/26/20-- RECEIVED BY: Crista Vargas</p>										
QTY.	ITEM	UNIT PRICE	TOTAL																
3	Office Chairs	\$ 99.00	\$ 297.00																
 <p><b>Zip Delivery Service</b> 155 Gateway Blvd. Sacramento, CA 94230</p> <p><b>MEMORANDUM 1</b></p> <p>TO: Accounting Clerk FROM: Crista Vargas DATE: October 1, 20-- SUBJECT: Contributed personal funds to the business</p> <p>I have contributed \$25,000 from my personal savings to be deposited to the business, Zip Delivery Service.</p>	 <p>\$ 250.00 No. 110 Date November 2, 20-- To Info-Systems For fax/modem</p> <table border="1"> <thead> <tr> <th></th> <th>Dollars</th> <th>Cents</th> </tr> </thead> <tbody> <tr> <td>Balance brought forward</td> <td>25,000</td> <td>00</td> </tr> <tr> <td>Add deposits</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>25,000</td> <td>00</td> </tr> <tr> <td>Less this check</td> <td>250</td> <td>00</td> </tr> <tr> <td>Balance carried forward</td> <td>24,750</td> <td>00</td> </tr> </tbody> </table>		Dollars	Cents	Balance brought forward	25,000	00	Add deposits			Total	25,000	00	Less this check	250	00	Balance carried forward	24,750	00
	Dollars	Cents																	
Balance brought forward	25,000	00																	
Add deposits																			
Total	25,000	00																	
Less this check	250	00																	
Balance carried forward	24,750	00																	

**Invoice**

The **invoice** lists specific information about a business transaction involving the buying or selling of an item on account. The invoice contains the date of the transaction; the quantity, description, and cost of each item; and the payment terms.

**Receipt**

A **receipt** is a record of cash received by a business. It indicates the date the payment was received, the name of the person or business from whom the payment was received, and the amount of the payment.

**Memorandum**

A **memorandum** is a brief written message that describes a transaction that takes place within a business. A memorandum is often used if no other source document exists for the business transaction.

**Check Stub**

The **check stub** lists the same information that appears on a check: the date written, the person or business to whom the check was written, and the amount of the check. The check stub also shows the balance in the checking account before and after each check is written.

Figure 6–2 Source Documents

The business owner, accountant, or accounting clerk (depending on the size of the business) uses source documents generated by business transactions to keep the records of the business. The accounting cycle starts by collecting and verifying the accuracy of source documents.

## **The Second Step in the Accounting Cycle: Analyzing Business Transactions**

After collecting and verifying source documents, the second step in the accounting cycle can begin—analyzing information on the source documents to determine the debit and credit parts of each transaction.

You have already learned how to analyze business transactions using the rules of debit and credit. When you learned to analyze transactions, you were given a description of each transaction, such as: Zip Delivery Service bought a computer system from Info-Systems Inc. for \$3,000 and issued Check 101 in payment. On the job you will not get a description of the transaction. Instead, you must examine a source document to determine what occurred during a business transaction.

## **The Third Step in the Accounting Cycle: Recording Business Transactions in a Journal**

You are now ready to apply information from source documents. The third step in the accounting cycle is to record the debit and credit parts of each business transaction in a journal. A **journal** is a record of the transactions of a business. Journals are kept in chronological order, that is, the order in which the transactions occur. The process of recording business transactions in a journal is called **journalizing**. Keeping a journal can be compared to keeping a diary in which all important events are written. A journal is the only place where complete details of a transaction, including both the debit and credit parts, are recorded. The journal is sometimes called the *book of original entry* because it is where transactions are first entered in the accounting system.



### **Reading Check**

Why are source documents necessary to a business?

## **The Accounting Period**

### **What Are the Two Types of Accounting Periods?**

As discussed in Chapter 2, accounting records are summarized for a certain period of time, called an accounting period. An accounting period may be for any designated length of time, such as a month, a quarter, or a year. Most businesses use a year as their accounting period. An accounting period of 12 months is called a **fiscal year**. If the fiscal year for a business begins on January 1 and ends on December 31, it is called a **calendar year** accounting period. Many businesses start their accounting periods in months other than January. For example, department stores often have fiscal years that begin on February 1 and end on January 31 of the following year. School districts usually have fiscal years that begin on July 1 and end on June 30.

## SECTION 6.1 • ASSESSMENT



### After You Read

#### Reinforce the Main Idea

Create a table similar to this one to describe how the first three steps of the accounting cycle help organize the records of a business.

Step Number	Step Description	How This Step Helps Organize Business Records

#### Math for Accounting

Glen's Catering received an invoice from Conover Restaurant Suppliers for the following supplies:

- 6 cartons of napkins at \$4.88 per carton
- 3 boxes of salt packets at \$3.19 per box
- 3 boxes of paper plates at \$7.28 per box
- 4 boxes of medium paper cups at \$8.24 per box

Calculate the total for each item on the invoice. Then calculate the total for all items.

### PROBLEM 6-1 Analyzing a Source Document

**INSTRUCTIONS** Analyze the invoice shown below and answer the following questions.

<b>JAYMAX OFFICE SUPPLY</b> 554 Town Square Fort Myers, FL 33902		<b>INVOICE NO. 479</b>	
TO <input type="text" value="Dariois Accounting Services"/> <input type="text" value="5821 Gulf Blvd."/> <input type="text" value="Naples, FL 33940"/>		DATE: Apr. 9, 20--	ORDER NO.:
		SHIPPED BY: Truck	TERMS: Payable in 30 days
QTY.	ITEM	UNIT PRICE	TOTAL
1	Fax Machine	\$ 299.00	\$ 299.00

1. What is the name of the company providing the service or merchandise?
2. What is the name of the business receiving the service or merchandise?
3. What is the date of the invoice?
4. What is the invoice number?
5. What item was sold?
6. What is the price for this item?
7. What are the payment terms?

# RECORDING TRANSACTIONS IN THE GENERAL JOURNAL

In Section 6.1 you learned about the first three steps in the accounting cycle. Let’s apply these steps to business transactions for Zip Delivery Service.

## Recording a General Journal Entry

### How Do You Record a General Journal Entry?

Many kinds of accounting journals are used in business. One of the most common is the general journal. As its name suggests, the **general journal** is an all-purpose journal in which all of the transactions of a business may be recorded. **Figure 6–3** shows the general journal you will be using throughout the accounting cycle for Zip Delivery Service. The general journal has two amount columns. The first amount column, the amount column on the left, is used to record debit amounts. (Remember that debit means left.) The second amount column, the amount column on the right, is used to record credit amounts. (Remember that credit means right.) Look at **Figure 6–3** to find where each component of a general journal entry appears.

1 Date of the transaction

2 Name of the account debited

3 Amount of the debit

4 Name of the account credited

5 Amount of the credit

6 Source document reference or an explanation

GENERAL JOURNAL										PAGE _____				
	DATE		DESCRIPTION			POST. REF.	DEBIT			CREDIT				
1	Year												1	
2	Month	Day	Debited Account Name				1	0	0	0	00			2
3			Credited Account Name							1	0	0	0	3
4			Explanation										4	
5													5	

SECTION VOCABULARY

Content Vocabulary

- general journal

Academic Vocabulary

- affect
- manual

Figure 6–3 General Journal for Zip Delivery Service

In Chapters 4 and 5, you learned a step-by-step method for analyzing business transactions. In this chapter you will learn to complete the journal entry for a business transaction in the same manner. Review the following steps before you continue.

## Business Transaction

### BUSINESS TRANSACTION ANALYSIS: Steps to Success

<b>ANALYSIS</b>	<b>Identify Classify</b> +/-	<ol style="list-style-type: none"> <li>1. Identify the accounts <b>affected</b>.</li> <li>2. Classify the accounts affected.</li> <li>3. Determine the amount of increase or decrease for each account affected.</li> </ol>
<b>DEBIT-CREDIT RULE</b>		<ol style="list-style-type: none"> <li>4. Which account is debited? For what amount?</li> <li>5. Which account is credited? For what amount?</li> </ol>
<b>T ACCOUNTS</b>		<ol style="list-style-type: none"> <li>6. What is the complete entry in T-account form?</li> </ol>
<b>JOURNAL ENTRY</b>		<ol style="list-style-type: none"> <li>7. What is the complete entry in general journal form?</li> </ol>

Use these steps to determine the debit and credit parts of each journal entry. Remember, it is always helpful to use T accounts to analyze transactions. After analyzing many transactions, you will find that you need these tools less and less to determine the debit and credit parts of a journal entry. After the complete entry is recorded, verify that the total debits and total credits are equal.

Now, let's examine business transactions and their analysis for Zip Delivery Service.

## Business Transaction 1

On October 1 Crista Vargas took \$25,000 from personal savings and deposited that amount to open a business checking account in the name of Zip Delivery Service, Memorandum 1.

**Zip Delivery Service**  
155 Gateway Blvd.  
Sacramento, CA 94230

### MEMORANDUM 1

TO: Accounting Clerk  
FROM: Crista Vargas  
DATE: October 1, 20--  
SUBJECT: Contributed personal funds to the business

I have contributed \$25,000 from my personal savings for a deposit to the business, Roadrunner Delivery Service.

<b>ANALYSIS</b>	<b>Identify Classify</b> +/-	<ol style="list-style-type: none"> <li>1. The accounts <b>Cash in Bank</b> and <b>Crista Vargas, Capital</b> are affected.</li> <li>2. <b>Cash in Bank</b> is an asset account. <b>Crista Vargas, Capital</b> is an owner's equity account.</li> <li>3. <b>Cash in Bank</b> is increased by \$25,000. <b>Crista Vargas, Capital</b> is increased by \$25,000.</li> </ol>
<b>DEBIT-CREDIT RULE</b>		<ol style="list-style-type: none"> <li>4. Increases in asset accounts are recorded as debits. Debit <b>Cash in Bank</b> for \$25,000.</li> <li>5. Increases in the owner's capital account are recorded as credits. Credit <b>Crista Vargas, Capital</b> for \$25,000.</li> </ol>



## T ACCOUNTS

6. Cash in Bank		Crista Vargas, Capital	
Debit + 25,000	Credit —	Debit —	Credit + 25,000

## JOURNAL ENTRY

7. GENERAL JOURNAL						
						PAGE 1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20--					1
2	Oct. 1	Cash in Bank		25 000 00		2
3		Crista Vargas, Owner's Equity			25 000 00	3
4		Memorandum 1				4

Look again at the general journal entry shown above. Notice that in the upper right-hand corner there is a line for the page number. Journal pages are numbered in consecutive order; that is, 1, 2, 3, and so on. When you fill one page with journal entries, go on to the next page. Be sure to properly number each new page.

## Business Transaction 2

On October 2 Crista Vargas took two telephones valued at \$200 each from her home and transferred them to the business as office equipment, Memorandum 2.

**Zip Delivery Service**  
155 Gateway Blvd.  
Sacramento, CA 94230

### MEMORANDUM 2

TO: Accounting Clerk  
FROM: Crista Vargas  
DATE: October 2, 20--  
SUBJECT: Contributed personal phones

I have contributed two telephones from my home to the business. The phones are valued at \$200 each. Total contribution = \$400.

## ANALYSIS Identify

## Classify

+/-

1. The accounts **Office Equipment** and **Crista Vargas, Capital** are affected.
2. **Office Equipment** is an asset account. **Crista Vargas, Capital** is an owner's equity account.
3. **Office Equipment** is increased by \$400. **Crista Vargas, Capital** is increased by \$400.

## DEBIT-CREDIT RULE

4. Increases in asset accounts are recorded as debits. Debit **Office Equipment** for \$400.
5. Increases in owner's capital accounts are recorded as credits. Credit **Crista Vargas, Capital** for \$400.

## T ACCOUNTS

6. Office Equipment		Crista Vargas, Capital	
Debit + 400	Credit —	Debit —	Credit + 400

## JOURNAL ENTRY

7.

GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
5	Oct. 2	Office Equipment		400 00			5
6		Crista Vargas, Capital			400 00		6
7		Memorandum 2					7

## Business Transaction 3

On October 4 Zip issued Check 101 for \$3,000 to buy a computer system.

### ANALYSIS Identify

### Classify

+/-

1. The accounts **Computer Equipment** and **Cash in Bank** are affected.
2. **Computer Equipment** and **Cash in Bank** are asset accounts.
3. **Computer Equipment** is increased by \$3,000. **Cash in Bank** is decreased by \$3,000.

\$	3,000.00	No. 101
Date	October 4	20 --
To	Info-Systems Inc.	
For	computer	
	Dollars	Cents
Balance brought forward	25,000	00
Add deposits		
Total	25,000	00
Less this check	3,000	00
Balance carried forward	22,000	00

### DEBIT-CREDIT RULE

4. Increases in asset accounts are recorded as debits. Debit **Computer Equipment** for \$3,000.
5. Decreases in asset accounts are recorded as credits. Credit **Cash in Bank** for \$3,000.

### T ACCOUNTS

Computer Equipment		Cash in Bank	
Debit + 3,000	Credit —	Debit +	Credit — 3,000

## JOURNAL ENTRY

7.

GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
8	4	Computer Equipment		3 000 00			8
9		Cash in Bank			3 000 00		9
10		Check 101					10
11							11

## Business Transaction 4

On October 9 Zip bought a used truck on account from Coast to Coast Auto for \$12,000, Invoice 200.

<b>Coast to Coast Auto</b> 440 Lake Drive Sacramento, CA 94230		<b>INVOICE NO. 200</b> DATE: Oct. 9, 20-- ORDER NO.: 99674 SHIPPED BY: n/a TERMS: Installment	
TO Zip Delivery Service 155 Gateway Blvd. Sacramento, CA 94230			
QTY.	ITEM	UNIT PRICE	TOTAL
1	Dodge Truck Used	\$ 12,000.00	\$ 12,000.00

### ANALYSIS Identify

### Classify

+/-

1. The accounts **Delivery Equipment** and **Accounts Payable—Coast to Coast Auto** are affected.
2. **Delivery Equipment** is an asset account. **Accounts Payable—Coast to Coast Auto** is a liability account.
3. **Delivery Equipment** is increased by \$12,000. **Accounts Payable—Coast to Coast Auto** is increased by \$12,000.

### DEBIT-CREDIT RULE

4. Increases in asset accounts are recorded as debits. Debit **Delivery Equipment** for \$12,000.
5. Increases in liability accounts are recorded as credits. Credit **Accounts Payable—Coast to Coast Auto** for \$12,000.

### T ACCOUNTS

6.

Delivery Equipment		Accounts Payable— Coast to Coast Auto	
Debit	Credit	Debit	Credit
+	—	—	+
12,000			12,000

### JOURNAL ENTRY

7.

GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
11	9	Delivery Equipment		12 000 00			11
12		Accts. Pay.—Coast to Coast Auto			12 000 00		12
13		Invoice 200					13
14							14

To separate the amounts to be paid to individual creditors, Zip uses a different account name for each creditor. The account name consists of **Accounts Payable** followed by the name of the creditor. You may have to abbreviate the name to fit it on one line of the journal. An acceptable abbreviation in the preceding journal entry is **Accts. Pay.—Coast to Coast Auto**.

Zip uses the same naming system for the amounts to be paid by individual customers. The account name consists of **Accounts Receivable** followed by the customer's name.

## Business Transaction 5

On October 11 Zip sold one telephone on account to Green Company for \$200, Memorandum 3.

**Zip Delivery Service**  
155 Gateway Blvd.  
Sacramento, CA 94230

MEMORANDUM 3

TO: Accounting Clerk  
FROM: Crista Vargas  
DATE: October 11, 20--  
SUBJECT: Sold telephone

Sold one telephone on account to Green Company for \$200.

### ANALYSIS Identify

**Classify**  
+/-

1. The accounts **Accounts Receivable—Green Company** and **Office Equipment** are affected.
2. Both accounts are asset accounts.
3. **Accounts Receivable—Green Company** is increased by \$200. **Office Equipment** is decreased by \$200.

### DEBIT-CREDIT RULE

4. Debit **Accounts Receivable—Green Company** for \$200.
5. Credit **Office Equipment** for \$200.

### T ACCOUNTS

Accounts Receivable— Green Company		Office Equipment	
Debit	Credit	Debit	Credit
+	—	+	—
200			200

### JOURNAL ENTRY

GENERAL JOURNAL						PAGE 1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
14	11	Accts. Rec.—Green Company		200 00		14
15		Office Equipment			200 00	15
16		Memorandum 3				16
17						17

## Business Transaction 6

On October 12 Zip mailed Check 102 for \$350 as the first installment on the truck purchased from Coast to Coast Auto on October 9.

\$ 350.00 **No. 102**  
Date October 12 20 --  
To Coast to Coast Auto  
For installment on truck

### ANALYSIS Identify

**Classify**

+/-

1. The accounts **Accounts Payable—Coast to Coast Auto** and **Cash in Bank** are affected.
2. **Accounts Payable—Coast to Coast Auto** is a liability account. **Cash in Bank** is an asset account.
3. Both accounts are decreased by \$350.

	Dollars	Cents
Balance brought forward	22,000	00
Add deposits		
Total	22,000	00
Less this check	350	00
Balance carried forward	21,650	00

**DEBIT-CREDIT RULE**

4. Debit **Accounts Payable—Coast to Coast Auto** for \$350.
5. Credit **Cash in Bank** for \$350.

**T ACCOUNTS**

6. Accounts Payable— Coast to Coast Auto		Cash in Bank	
Debit	Credit	Debit	Credit
—	+	+	—
350			350

**JOURNAL ENTRY**

7. GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
17	12	Accts. Pay.—Coast to Coast Auto		350 00		17	
18		Cash in Bank			350 00	18	
19		Check 102				19	
20						20	

**Business Transaction 7**

On October 14 Zip received and deposited a check for \$200 from Green Company, Receipt 1. The check is full payment for the telephone sold on account to Green on October 11.

**Zip Delivery Service**  
155 Gateway Blvd.  
Sacramento, CA 94230

**RECEIPT**

No. 1

Oct. 14 20 --

RECEIVED FROM Green Company \$ 200.00Two hundred and <sup>no</sup>/100 DOLLARSFOR TelephoneRECEIVED BY Crista Vargas**ANALYSIS Identify****Classify**

+/-

1. The accounts **Cash in Bank** and **Accounts Receivable—Green Company** are affected.
2. **Cash in Bank** is an asset account. **Accounts Receivable—Green Company** is an asset account.
3. **Cash in Bank** is increased by \$200. **Accounts Receivable—Green Company** is decreased by \$200.

**DEBIT-CREDIT RULE**

4. Debit **Cash in Bank** for \$200.
5. Credit **Accounts Receivable—Green Company** for \$200.

**T ACCOUNTS**

6. Cash in Bank		Accounts Receivable— Green Company	
Debit	Credit	Debit	Credit
+	—	+	—
200			200

## JOURNAL ENTRY

7.

GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
20	14	Cash in Bank		200 00		20	
21		Accts. Rec.—Green Company			200 00	21	
22		Receipt 1				22	
23						23	

## Business Transaction 8

On October 15 Zip provided delivery services for Sims Corporation. A check for \$1,200 was received in full payment, Receipt 2.

**Zip Delivery Service**  
155 Gateway Blvd.  
Sacramento, CA 94230

**RECEIPT**

No. 2

Oct. 15 20 --

RECEIVED FROM Sims Corporation \$ 1,200.00

One thousand two hundred and 00/100 DOLLARS

FOR Delivery services

RECEIVED BY Crista Vargas

### ANALYSIS Identify

- The accounts **Cash in Bank** and **Delivery Revenue** are affected.

### Classify

+/-

- Cash in Bank** is an asset account. **Delivery Revenue** is a revenue account.
- Cash in Bank** is increased by \$1,200. **Delivery Revenue** is increased by \$1,200.

### DEBIT-CREDIT RULE

- Increases in asset accounts are recorded as debits. Debit **Cash in Bank** for \$1,200.
- Increases in revenue accounts are recorded as credits. Credit **Delivery Revenue** for \$1,200.

### T ACCOUNTS

Cash in Bank		Delivery Revenue	
Debit	Credit	Debit	Credit
+	—	—	+
1,200			1,200

## JOURNAL ENTRY

7.

GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
23	15	Cash in Bank		1 200 00		23	
24		Delivery Revenue			1 200 00	24	
25		Receipt 2				25	
26						26	



## Business Transaction 9

On October 16 Zip mailed Check 103 for \$700 to pay the month's rent.

\$ 700.00 No. 103  
Date October 16 20 --  
To Tooley & Co. Management  
For rent

	Dollars	Cents
Balance brought forward	21,650	00
Add deposits 10/14	200	00
10/15	1,200	00
Total	23,050	00
Less this check	700	00
Balance carried forward	22,350	00

### ANALYSIS Identify

### Classify

+/-

1. The accounts **Rent Expense** and **Cash in Bank** are affected.
2. **Rent Expense** is an expense. **Cash in Bank** is an asset.
3. **Rent Expense** is increased by \$700. **Cash in Bank** is decreased by \$700.

### DEBIT-CREDIT RULE

4. Increases in expense accounts are recorded as debits. Debit **Rent Expense** for \$700.
5. Decreases in asset accounts are recorded as credits. Credit **Cash in Bank** for \$700.

### T ACCOUNTS

Rent Expense		Cash in Bank	
Debit	Credit	Debit	Credit
+	-	+	-
700		700	

### JOURNAL ENTRY

7.

GENERAL JOURNAL						PAGE 1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
	16	Rent Expense		700.00		26
		Cash in Bank			700.00	27
		Check 103				28
						29

## Business Transaction 10

On October 18 Rockport Advertising prepared an advertisement for Zip. Zip will pay Rockport's \$75 fee later, Invoice 129.

<b>ROCKPORT</b> Advertising 10200 Prairie Parkway Sacramento, CA 94206		<b>INVOICE NO. 129</b> DATE: Oct. 18, 20-- ORDER NO.: 699 SHIPPED BY: n/a TERMS: Payable in 30 days	
TO Zip Delivery Service 155 Gateway Blvd. Sacramento, CA 94230			
QTY.	ITEM	UNIT PRICE	TOTAL
1	Print Ad	\$ 75.00	\$ 75.00

### ANALYSIS Identify

### Classify

+/-

1. The accounts **Advertising Expense** and **Accounts Payable—Rockport Advertising** are affected.
2. **Advertising Expense** is an expense account. **Accounts Payable—Rockport Advertising** is a liability account.
3. **Advertising Expense** is increased by \$75. **Accounts Payable—Rockport Advertising** is increased by \$75.

## DEBIT-CREDIT RULE

- Increases in expense accounts are recorded as debits. Debit **Advertising Expense** for \$75.
- Increases in liability accounts are recorded as credits. Credit **Accounts Payable—Rockport Advertising** for \$75.

## T ACCOUNTS

6.

Advertising Expense		Accounts Payable— Rockport Advertising	
Debit + 75	Credit —	Debit —	Credit + 75

## JOURNAL ENTRY

7.

GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
29	18	Advertising Expense		75.00		29	
30		Accts. Pay.—Rockport Adv.			75.00	30	
31		Invoice 129				31	
32						32	

## Business Transaction 11

On October 20 Zip provided delivery services for a customer, City News. Zip billed City News \$1,450, Sales Invoice 1.

<b>Zip Delivery Service</b> 155 Gateway Blvd. Sacramento, CA 94230		<b>SALES INVOICE NO. 1</b> DATE: Oct. 20, 20-- ORDER NO.: 300 SHIPPED BY: n/a TERMS: Payable in 30 days	
TO	City News 10900 Main St. Sacramento, CA 94230		
QTY.	ITEM	UNIT PRICE	TOTAL
1	Delivery Services	\$ 1,450.00	\$ 1,450.00

## ANALYSIS

Identify

Classify

+/-

- The accounts **Accounts Receivable—City News** and **Delivery Revenue** are affected.
- Accounts Receivable—City News** is an asset account. **Delivery Revenue** is a revenue account.
- Accounts Receivable—City News** is increased by \$1,450. **Delivery Revenue** is increased by \$1,450.

## DEBIT-CREDIT RULE

- Increases in asset accounts are recorded as debits. Debit **Accounts Receivable—City News** for \$1,450.
- Increases in revenue accounts are recorded as credits. Credit **Delivery Revenue** for \$1,450.

## T ACCOUNTS

6.

Accounts Receivable—City News		Delivery Revenue	
Debit + 1,450	Credit —	Debit —	Credit + 1,450

## JOURNAL ENTRY



7.

GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
32	20	Accts. Rec.—City News		145000		32	
33		Delivery Revenue			145000	33	
34		Sales Invoice 1				34	
35						35	

## Business Transaction 12

On October 28 Zip paid a \$125 telephone bill with Check 104.

\$	125.00	No. 104
Date	October 28	20 --
To	Pacific Bell Telephone	
For	telephone bill	

### ANALYSIS Identify

### Classify

+/-

1. The accounts **Utilities Expense** and **Cash in Bank** are affected.
2. **Utilities Expense** is an expense account. **Cash in Bank** is an asset account.
3. **Utilities Expense** is increased by \$125. **Cash in Bank** is decreased by \$125.

	Dollars	Cents
Balance brought forward	22,350	00
Add deposits		
Total	22,350	00
Less this check	125	00
Balance carried forward	22,225	00

### DEBIT-CREDIT RULE

4. Increases in expense accounts are recorded as debits. Debit **Utilities Expense** for \$125.
5. Decreases in asset accounts are recorded as credits. Credit **Cash in Bank** for \$125.

### T ACCOUNTS

6.

Utilities Expense		Cash in Bank	
Debit + 125	Credit —	Debit +	Credit — 125

## JOURNAL ENTRY

7.

GENERAL JOURNAL						PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
35	28	Utilities Expense		12500		35	
36		Cash in Bank			12500	36	
37		Check 104				37	
38						38	

## Business Transaction 13

On October 29 Zip wrote Check 105 for \$600 to have the office repainted.

### ANALYSIS Identify

### Classify

+/-

1. The accounts **Maintenance Expense** and **Cash in Bank** are affected.
2. **Maintenance Expense** is an expense account. **Cash in Bank** is an asset account.
3. **Maintenance Expense** is increased by \$600. **Cash in Bank** is decreased by \$600.

\$ 600.00	No. 105
Date October 29 20 --	
To Rainbow Painting	
For office painted	
	Dollars Cents
Balance brought forward	22,225 00
Add deposits	
Total	22,225 00
Less this check	600 00
Balance carried forward	21,625 00

### DEBIT-CREDIT RULE

4. Increases in expense accounts are recorded as debits. Debit **Maintenance Expense** for \$600.
5. Decreases in asset accounts are recorded as credits. Credit **Cash in Bank** for \$600.

### T ACCOUNTS

6.	Maintenance Expense	Cash in Bank
	Debit	Debit
	+	+
	600	600
	Credit	Credit
	-	-

### JOURNAL ENTRY

7.	GENERAL JOURNAL					PAGE 1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
38	29	Maintenance Expense		600 00		38
39		Cash in Bank			600 00	39
40		Check 105				40
41						41

## Business Transaction 14

On October 31 Crista Vargas wrote Check 106 to withdraw \$500 cash for personal use.

### ANALYSIS Identify

### Classify

+/-

1. The accounts **Crista Vargas, Withdrawals** and **Cash in Bank** are affected.
2. **Crista Vargas, Withdrawals** is an owner's equity account. **Cash in Bank** is an asset account.
3. **Crista Vargas, Withdrawals** is increased by \$500. **Cash in Bank** is decreased by \$500.

\$ 500.00	No. 106
Date October 31 20 --	
To Crista Vargas	
For withdrawal	
	Dollars Cents
Balance brought forward	21,625 00
Add deposits	
Total	21,625 00
Less this check	500 00
Balance carried forward	21,125 00

## DEBIT-CREDIT RULE

- Increases in the owner's withdrawals account are recorded as debits. Debit **Crista Vargas, Withdrawals** for \$500.
- Decreases in asset accounts are recorded as credits. Credit **Cash in Bank** for \$500.

## T ACCOUNTS

6.		Crista Vargas, Withdrawals	Cash in Bank
		Debit + 500	Credit - 500

## JOURNAL ENTRY

7. GENERAL JOURNAL						PAGE 1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
41	31	Crista Vargas, Withdrawals		500 00		41
42		Cash in Bank			500 00	42
43		Check 106				43
44						44

# Correcting the General Journal

## How Do You Correct Errors in the General Journal?

Occasionally, errors occur when journalizing transactions. When an error is discovered, it must be corrected.

In a **manual** system, *an error should never be erased*. An erasure looks suspicious. It might be seen as an attempt to cover up a mistake or, worse, to change the accounting records illegally. To correct errors, use a pen and a ruler to draw a horizontal line through the entire incorrect item and write the correct information above the crossed-out error. A correction for an erroneous amount is shown in the general journal as follows:

GENERAL JOURNAL						PAGE 1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20--					1
2	Oct. 1	Cash in Bank		25 000 00		2
3		Crista Vargas, Capital			25 000 00	3
4		Memorandum 1				4

To correct for an erroneous account name, cross out the incorrect information and write the correct account name above.

GENERAL JOURNAL						PAGE 1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20--					1
2	Oct. 1	Cash in Bank		25 000 00		2
3		<del>Crista Vargas, Capital</del> Delivery Revenue			25 000 00	3
4		Memorandum 1				4

## Common Mistakes



**Writing too large** When entering data in the general journal, be sure not to write too large. You will leave little space to write in correct data if you have to cross out incorrect information. Account titles and amounts should be written no larger than  $\frac{3}{4}$  of the line space.

## SECTION 6.2 • ASSESSMENT



### After You Read

#### Reinforce the Main Idea

Think of three different types of business transactions you might have in the next month. Use a table similar to this one to describe the general journal entry for each transaction.

Business Transaction	First Line of General Journal Entry	Second Line of General Journal Entry	Third Line of General Journal Entry

#### Math for Accounting

Hania Dance Company bought a computer system on account from Tech World. The regular price for the system is \$3,000, but Tech World reduced the price by 20 percent for a storewide sale. Answer the following questions about the journal entry for this transaction.

1. Which account is debited and for what amount?
2. Which account is credited and for what amount?

#### PROBLEM 6-2 Recording Business Transactions

**INSTRUCTIONS** The six steps for recording a business transaction in the general journal are shown below, out of order. In your working papers or on a blank sheet of paper, indicate the proper order of these steps.

- |                                 |                                |
|---------------------------------|--------------------------------|
| A. Amount of the credit         | D. Date of the transaction     |
| B. Name of the account credited | E. Amount of the debit         |
| C. Source document reference    | F. Name of the account debited |

#### PROBLEM 6-3 Analyzing Transactions

Glenda Hohn recently started a day-care center. She uses the following accounts.

##### General Ledger

Cash in Bank Glenda Hohn, Capital  
Accts. Rec.—Tiny Tots Nursery Glenda Hohn, Withdrawals  
Office Furniture Day-Care Fees  
Passenger Van Utilities Expense  
Accts. Pay.—Acme Bus Service Van Expense

**INSTRUCTIONS** In your working papers or on a separate sheet of paper, for each transaction: Determine which accounts are affected. Classify each account. Determine whether the accounts are being increased or decreased. Indicate which account is debited and which account is credited.

##### TRANSACTIONS

1. Bought a passenger van for cash.
2. Paid the telephone bill for the month.
3. Received cash from customers for day-care services.



# CHAPTER 6 • VISUAL SUMMARY

## Concepts

**Explain the first three steps in the accounting cycle.**

<b>Step 1</b>	Collect and verify source documents	INVOICE RECEIPT MEMORANDUM
<b>Step 2</b>	Analyze each transaction	ACCOUNT DEBIT CREDIT      ACCOUNT DEBIT CREDIT
<b>Step 3</b>	Journalize each transaction	GENERAL JOURNAL

## Analysis

**Describe the steps to make a general journal entry.**

**Step 1:** Write in the date of the transaction  
**Step 2:** Write in the account to debit  
**Step 3:** Write in the debit amount  
**Step 6:** Write in the source document reference  
**Step 4:** Write in the account to credit  
**Step 5:** Write in the credit amount

GENERAL JOURNAL					PAGE _____
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	

## Procedures

**Correct errors in general journal entries**

GENERAL JOURNAL					PAGE _____
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
20__					
Nov 2	Office Equipment		25000		
	<del>Maintenance Expense</del>				
	Cash in Bank			25000	
	Check 110				

# CHAPTER 6 • REVIEW AND ACTIVITIES



## After You Read

## Answering the Essential Question

1. How do businesses keep permanent records of transactions? Good record keeping in the form of journals make financial information readily available. Why might a business need to refer to a journal entry about a transaction?

## Vocabulary Check

2. **Content Vocabulary** Arrange the vocabulary terms below into categories—groups of related words. Explain why you put the words together.
  - accounting cycle (p.135)
  - memorandum (p.136)
  - fiscal year (p.137)
  - source document (p.136)
  - check stub (p.136)
  - calendar year (p.137)
  - invoice (p.136)
  - journal (p.137)
  - general journal (p.139)
  - receipt (p.136)
  - journalizing (p.137)
3. **Academic Vocabulary** Use a dictionary to fill in the blanks below. Write a sentence for each word as it is defined by the filled-in statement.
  - *Occur* (p.136) is a verb that means \_\_\_\_\_.
  - *Affect* (p.140) is a verb that means \_\_\_\_\_.
  - *Affect* is a noun that means \_\_\_\_\_.
  - *Manual* (p.151) is an adjective that means \_\_\_\_\_.
  - *Manual* is a noun that means \_\_\_\_\_.

## Concept Check

4. **Evaluate** List the first three steps of the accounting cycle. What would happen if you skipped Step 2?
5. Describe four source documents. Be sure to include how and when each is used.
6. **Analyze** Why is a journal sometimes called the book of first entry?
7. How do you determine the debit and credit parts of a journal entry?
8. List—in the order they are recorded—the six types of information needed in a general journal entry.
9. **Analyze** Describe the relationship between the amounts entered in both columns of the general journal. Why must the amounts have this relationship?
10. What procedure is used to correct a general journal entry error in a manual system?

### Math

11. On Sunday, Dawson's flower shop sold 25 arrangements. The materials needed for 25 arrangements cost \$250. If he sold each arrangement for \$55, what was the net income?

### English Language Arts

12. You've been chosen as the local Business Owner of the Year. Write a one-page press release describing your business and why you've been successful. Be sure to include the skills you use in running your business, and how you plan to continue being successful in the future.

## Multiple Choice

1. Which is the purpose of a source document?
  - a. To describe a transaction that takes place within a business
  - b. To supply the information for journalizing a transaction
  - c. To serve as evidence of a transaction
  - d. All of these
2. A fiscal year is an accounting period
  - a. that begins on January 1 and ends on December 31.
  - b. of any length other than 12 months.
  - c. of 12 months which begins in the month the business chooses.
  - d. that may be for any designated length of time.
3. Which is the correct journal entry for the following transaction: A business buys \$300 of office supplies on account from A1 Office Supply on March 13?

a.	3/13	Office Supplies	\$300.00	
		A1 Office Supply		\$300.00
b.	3/13	A1 Office Supply	\$300.00	
		Office Supplies		\$300.00
c.	3/13	Cash	\$300.00	
		Office Supplies		\$300.00
d.	3/13	Office Supplies	\$300.00	
		Accts. Pay. –A1 Office Supply		\$300.00

## True or False

4. The general journal is a record of all the transactions that occur for a single accounting period.

## Short Answer

5. Explain why it is important not to use an eraser when correcting entries in the general journal.

Recording General Journal Entries

Making the Transition from a Manual to a Computerized System

MANUAL METHODS	COMPUTERIZED METHODS
<ul style="list-style-type: none"><li>• Analyze the source document to determine which accounts are affected.</li><li>• Using a general journal form, enter the details of the transaction.</li></ul>	<ul style="list-style-type: none"><li>• Analyze the source document to determine which accounts are affected.</li><li>• Enter the transaction details in the general journal using the account numbers for each ledger account.</li></ul>
<ul style="list-style-type: none"><li>• Check for equality of debits and credits.</li><li>• The software will calculate the equality of debits and credits.</li></ul>	

# CHAPTER 6 • PROBLEMS

## PROBLEM 6–4 Recording General Journal Transactions

Ronald Hicks owns and operates Wilderness Rentals. The following accounts are needed to journalize the month's transactions.

### General Ledger

101 Cash in Bank 301 Ronald Hicks, Capital  
 105 Accts. Rec.—Helen Katz 305 Ronald Hicks, Withdrawals  
 110 Accts. Rec.—Polk and Co. 310 Income Summary  
 120 Office Equipment 401 Equipment Rental Revenue  
 125 Camping Equipment 501 Advertising Expense  
 201 Accts. Pay.—Adventure 505 Maintenance Expense  
 Equipment Inc. 515 Rent Expense  
 203 Accts. Pay.—Digital Tech 520 Salaries Expense  
 Computers 525 Utilities Expense  
 205 Accts. Pay.—Greg Mollaro



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PROBLEMS CAN BE SOLVED  
USING:

- Working Papers
- Computerized accounting data files

**INSTRUCTIONS** Record the following transactions on page 1 of the general journal in your working papers. For each transaction:

1. Enter the date. Use the current year.
2. Enter the name of the account debited.
3. Enter the amount of the debit.
4. Enter the name of the account credited.
5. Enter the amount of the credit.
6. Enter a source document reference.

Date	Transactions
Jan. 1	Wrote Check 310 for the part-time secretary's salary, \$270.
3	Bought \$2,000 of camping equipment on account from Adventure Equipment Inc., Invoice 320.
5	Received \$500 from a client for equipment rental, Receipt 150.
7	Wrote Check 311 to pay the electricity bill of \$110.
11	Billed a client, Polk and Co., \$1,700 for rental equipment, Sales Invoice 262.
12	Ronald Hicks withdrew \$800 for personal use, Check 312.
14	Bought a \$300 scanner for the office computer from Digital Tech Computers, on account, Invoice 270.
16	Wrote Check 313 for \$1,000 as an installment payment toward the amount owed to Adventure Equipment Inc.
25	Received \$1,700 from Polk and Co. in payment on their account, Receipt 151.
30	Paid Digital Tech Computers \$300 for the amount owed, Check 314.

### Analyze

Calculate the amount of cash deducted from the Cash in Bank account in January.

## PROBLEM 6–5 Recording General Journal Transactions

Regina Delgado owns a business called Hot Suds Car Wash. She uses the following chart of accounts.

### General Ledger

101 Cash in Bank 401 Wash Revenue  
 105 Accts. Rec.—Linda Brown 405 Wax Revenue  
 110 Accts. Rec.—Valley Auto 410 Interior Detailing Revenue  
 125 Office Equipment 501 Advertising Expense  
 130 Office Furniture 505 Equipment Rental Expense  
 135 Car Wash Equipment 510 Maintenance Expense  
 201 Accts. Pay.—Allen 520 Rent Expense  
 Vacuum Systems 525 Salaries Expense  
 205 Accts. Pay.—O’Brian’s 530 Utilities Expense  
 Office Supply  
 301 Regina Delgado, Capital  
 305 Regina Delgado, Withdrawals  
 310 Income Summary

**INSTRUCTIONS** Record the following transactions on page 1 of the general journal in your working papers.

Date	Transactions
Jan. 1	Regina Delgado invested \$12,000 in the business, Memorandum 41.
5	Purchased \$5,000 in desks, chairs, and cabinets from O’Brian’s Office Supply on account, Invoice 1632.
8	Deposited \$1,600 for income received from car washes for the week, Receipt 101.
10	Paid the <i>Village Bulletin</i> \$75 for running an ad, Check 301.
13	Regina Delgado withdrew \$900 for personal use, Check 302.
17	Billed Valley Auto \$400 for interior detailing, Sales Invoice 102.
18	Paid O’Brian’s Office Supply \$2,500 as an installment payment on account, Check 303.
20	Regina Delgado transferred to the business an electronic calculator valued at \$350, Memorandum 42.
22	Wrote Check 304 for \$600 to Shadyside Realty for the office rent.
24	Purchased \$1,500 in car wash equipment from Allen Vacuum Systems on account, Invoice 312.
26	Received a \$400 check from Valley Auto in full payment of its account, Receipt 102.
30	Issued Check 305 for \$2,500 to O’Brian’s Office Supply for the balance due on account.

### Analyze

Identify the revenue account that was not used in the month of January.



## PROBLEM 6–6 Recording General Journal Transactions

Abe Shultz owns and operates a pet grooming business called Kits & Pups Grooming. The following accounts are used to journalize transactions.

### General Ledger

101 Cash in Bank 207 Accts. Pay.—Pet Gourmet  
 105 Accts. Rec.—Juan Alvarez 301 Abe Shultz, Capital  
 110 Accts. Rec.—N. Carlsbad 305 Abe Shultz, Withdrawals  
 115 Accts. Rec.—Martha Giles 310 Income Summary  
 125 Office Equipment 401 Boarding Revenue  
 130 Office Furniture 405 Grooming Revenue  
 135 Computer Equipment 501 Advertising Expense  
 140 Grooming Equipment 505 Equipment Repair Expense  
 145 Kennel Equipment 510 Maintenance Expense  
 201 Accts. Pay.—Able Store 520 Rent Expense  
 Equipment 525 Salaries Expense  
 205 Accts. Pay.—Dogs & Cats Inc. 530 Utilities Expense

**INSTRUCTIONS** Record the following transactions on page 7 of the general journal in your working papers.

Date	Transactions
Jan. 1	Received \$125 for boarding a client's dog for one week, Receipt 300.
3	Abe Shultz contributed to the business a computer valued at \$2,500, Memorandum 33.
5	Billed a client, Juan Alvarez, \$80 for grooming his pets, Sales Invoice 212.
9	Wrote Check 411 to Allegheny Power Co. for \$150 in payment for the month's electricity bill.
11	Abe Shultz withdrew \$700 for personal use, Check 412.
14	Purchased kennel equipment for \$2,600 from Dogs & Cats Inc., on account, Invoice DC92.
16	Paid the part-time receptionist's salary of \$400 by issuing Check 413.
18	Abe Shultz took from the business for his personal use a ten-key adding machine valued at \$65, Memorandum 34.
23	Juan Alvarez sent a check for \$80 in full payment of his account, Receipt 301.
28	Purchased on credit \$250 in grooming equipment from the Pet Gourmet, Invoice PG333.
31	Issued Check 414 for \$1,300 as an installment payment for the amount owed to Dogs & Cats Inc.

**Analyze** Calculate the total of the Accounts Receivable accounts as of January 31.

## PROBLEM 6–7 Recording General Journal Transactions

Juanita Ortega is the owner of Outback Guide Service. The following accounts are used to record the transactions of her business.

### General Ledger

101 Cash in Bank 205 Accts. Pay. —Peak Equipment Inc.  
 105 Accts. Rec.—M. Johnson 207 Accts. Pay.—Premier Processors  
 110 Accts. Rec.—Feldman, 301 Juanita Ortega, Capital  
 Jones & Ritter 302 Juanita Ortega, Withdrawals  
 115 Accts. Rec.—Podaski 310 Income Summary  
 Systems Inc. 401 Guide Service Revenue  
 130 Office Equipment 501 Advertising Expense  
 135 Office Furniture 505 Maintenance Expense  
 140 Computer Equipment 515 Rent Expense  
 145 Hiking Equipment 520 Salaries Expense  
 150 Rafting Equipment 525 Utilities Expense  
 201 Accts. Pay.—A-1  
 Adventure Warehouse

**INSTRUCTIONS** Record the following transactions on page 1 of the general journal in your working papers.

Date	Transactions
Jan. 1	Juanita Ortega contributed the following assets to her business: cash, \$1,500; hiking equipment, \$2,000; rafting equipment, \$2,500; and office furniture, \$500; Memorandum 21.
2	Issued Check 515 to <i>Town News</i> for a \$75 ad.
4	Purchased \$3,000 in rafting equipment on account from A-1 Adventure Warehouse, Invoice AW45.
6	A group from Feldman, Jones & Ritter went on a hiking trip. The group was billed \$4,800 for guide services, Sales Invoice 300.
10	Paid \$300 to Dunn's Painting and Interior Co. for painting the office, Check 516.
13	Made a \$1,000 payment to A-1 Adventure Warehouse toward the amount owed, Check 517.
15	Received a check for \$4,800 from Feldman, Jones & Ritter in payment of their account, Receipt 252.
18	Juanita Ortega paid herself \$600 by issuing Check 518.
22	Billed a client, Mary Johnson, \$1,200 for completing guide services on a hiking expedition, Sales Invoice 301.
25	Paid the monthly telephone bill for \$175 by issuing Check 519.
30	Purchased a \$3,600 computer system from Premier Processors. Made a down payment for \$1,800 and agreed to pay the balance within 30 days, Check 520 and Invoice 749.

**Analyze** Generalize about Outback's cash sales and credit sales.

## PROBLEM 6–8 Recording General Journal Transactions

Greg Failla operates Showbiz Video. The following accounts are used to record business transactions.

### General Ledger

101 Cash in Bank 207	Accts. Pay.—New Media Suppliers
105 Accts. Rec.—G. Cohen 209 Accts. Pay.—Palace Films	
110 Accts. Rec.—J. Coletti 301 Greg Failla, Capital	
113 Accts. Rec.—S. Flannery 305 Greg Failla, Withdrawals	
115 Accts. Rec.—Spring 310 Income Summary	
Branch School District 401 DVD Rental Revenue	
130 Office Equipment 405 HD projector Rental Revenue	
135 Office Furniture 501 Advertising Expense	
140 Computer Equipment 505 Equipment Repair Expense	
145 Blu-ray discs 510 Maintenance Expense	
150 Video Equipment 520 Rent Expense	
201 Accts. Pay.—Broad Street 525 Salaries Expense	
Office Supply 530 Utilities Expense	
205 Accts. Pay.—Computer Horizons	



### SOURCE DOCUMENT PROBLEM

#### Problem 6–8

Use the source documents in your working papers to complete this problem.

**INSTRUCTIONS** Record the following transactions on page 5 of the general journal in your working papers.

Date	Transactions
Jan. 1	Deposited \$3,400 in receipts. Of that amount, \$1,900 was HD Projector rentals and \$1,500 was DVD rentals, Receipt 435.
3	Wrote Check 1250 for \$325 of equipment repairs.
5	Purchased \$400 in Blu-ray discs from Palace Films on account, Invoice PF32.
7	Bought from New Media Suppliers \$2,600 in video equipment. Made a down payment of \$600 and agreed to pay the balance in two installments, Check 1251 and Invoice NM101.
10	Rented DVDs to Spring Branch School District. The school district agreed to pay \$1,800 at a later date, Sales Invoice 1650.
12	Issued Check 1252 for \$750 to Computer Horizons for the amount owed to them.
15	Deposited \$5,600 in receipts. HD Projector rentals amounted to \$4,400 and DVD rentals were \$1,200, Receipt 436.
18	Paid Clear Vue Window Cleaners \$100 for monthly window cleaning, Check 1253.
25	Made a \$1,000 installment payment toward the amount owed to New Media Suppliers by issuing Check 1254.

**Analyze** Calculate the total expenses incurred in January.



### CASE STUDY

#### Setting Up Accounting Records

Jasmine Lawrence recently purchased property (land and building) and opened Classic Auto Car Wash. The business provides a variety of services such as brushless automatic exterior car wash, interior shampooing, and detailing. Several workers have been hired to perform a variety of tasks. As Classic Auto's accountant, you have been asked to offer advice in setting up the accounting records for the business.

**ACTIVITY** Write Jasmine a business letter in which you suggest how she can set up and maintain accurate accounting records for her business.

**INSTRUCTIONS** Determine what kind of accounts you will suggest for Classic Auto's chart of accounts. What financial advice will you offer the owners?



#### Punctuality

People in different cultures have different ways of understanding and using time. This can be a challenge for businesses in the global workplace.

**ACTIVITY** Research cultural perceptions of time management and productivity in a country other than the United States. Summarize your findings in a one-page report.



— Classic Auto Car Wash —



## Your Personal Finance Records

Your day-to-day source documents are personal financial records. Personal financial records also include documents that are not related to everyday transactions. Vehicle titles, birth certificates, and tax returns are all personal financial documents. You can store your financial documents in home files, a home safe, or a safe-deposit box. You can also keep some financial records on a home computer.

**ACTIVITY** Imagine a person your age who drives to a part-time job and has a credit card. Make a list of the types of records and documents such a person would probably have. Create a plan that describes which records and documents to store and where to store them.



## Auditing General Journal Entries

In the following transactions, find any errors in the general journal entries presented.

1. Compare the transactions given below with the entries recorded in the general journal.
2. If any part of the transaction has been recorded incorrectly, make the necessary corrections to the journal entries on a sheet of paper.

Date	Transactions
Oct. 2	Bought \$2,000 in office equipment, Check 601.
4	Received \$50 from a charge customer, Jack Lane, to apply to his account, Receipt 120.

GENERAL JOURNAL						PAGE <u>1</u>
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20--					1
2	Oct. 2	Store Equipment		2 000 00		2
3		Cash in Bank			2 000 00	3
4		Check 601				4
5	4	Cash in Bank		5 00 00		5
6		Accts. Rec.—Jack Lane			5 00 00	6
7		Receipt 102				7
8						8







