**Accounting Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Ch. 4 - Recording Transactions in a General Journal**

**4.1 - Journals, Source Documents, and Recording Entries in a Journal**

I. General Journal

A. Using a Journal – (pg. 66)

1. Entry - Information for each transaction recorded in a

journal.

2. General Journal - A journal with 2 amount columns in

which all kinds of entries can be recorded. (used by our co)

3. Columns in Encore Music's Journal

a. Date

b. Account Title

c. Document Number

d. Post Reference *– on hold for now*

e. Debit

f. Credit

B. Accuracy - Very Important!

C. Chronological Record

1. Transactions recorded in date order.

2. All info. about each transaction is recorded in one place,

making information easier to locate.

D. Double-Entry Accounting

1. Def. - The recording of DR & CR parts of a transaction.

2. Each transaction affects at least two accounts.

3. The DR & CR are both recorded for each transaction.

4. They reflect the dual effect on the records of the

businesses.

5. Double-entry accounting assures that debits equal credits.

E. Source Documents – document number

1. Def. - A business paper from which info. is obtained for a

journal entry.

2. Source documents prove the transaction occurred.

3. Example: Check Stub

a. Check - business form ordering a bank to pay cash

from a bank account.

b. All cash payments made by our business are made by

check.

c. Checks are pre-numbered to help you to keep track of

all checks.

d. Check stubs are prepared at the same time as the

check.

*4. Concept Used: Objective Evidence = proof*

5. Transactions should only be journalized if they actually

occur.

6. Amounts must be accurate & true.

7. Source Documents used by Encore Music:

a. Checks, pg. 67

b. Sales Invoices, pg. 67

c. Receipts, pg. 68

d. Calculator Tapes, pg. 68

e. Memorandums, pg. 68

II. Sales Invoices, pg. 67 – with Accounts Receivable

A. Services Being Sold on Account (example on pg. 67)

1. Invoice - form describing the goods and services sold, the

quantity, and the price.

2. Sales Invoice - An invoice used as a source document for

recording a sale on account. (A/R & Sales)

a. Also known: *Sales Ticket* or *Sales Slip*

b. Prepared in duplicate, you keep a copy & a copy is

given to the customer.

c. Sales Invoices are numbered in sequence.

*d. Concept: Objective Evidence = proof*

III. Other Source Documents

A. Receipts (pg. 68)

1. Def. - Business form giving written acknowledgment for

cash received.

2. Used when cash is received from sources other than sales.

3. Receipts are pre-numbered to help us keep better track of

them.

*4. Concept: Objective Evidence = proof*

B. Memorandums (pg. 68)

1. Def. - A form on which a brief message is written

describing a transaction.

2. Used when no other source doc. is prepared or when an

additional explanation is needed.

3. They are also pre-numbered.

4. A brief note may be written on the memorandum if a

further explanation is necessary for your records.

5*. Concept: Objective Evidence = proof*

C. Calculator Tapes (pg. 68)

1. Encore Music collects cash at the time of services rendered

to customers.

2. An electronic calculator totals the daily amount received

for sales.

3. Contains the total daily sales on one source document

(saving time & space).

*4. Concept: Objective Evidence = proof*

IV. Received Cash from Owner as an Investment

A. Four Parts of an Entry

1. Date

2. Debit

3. Credit

4. Source Document

B. Before a transaction is recorded in a journal, the transaction is

analyzed into DR & CR parts.

*August 1, 2020 - Received cash from owner as an investment, $10,000. Receipt No. 1.*

*(Analyze Transaction)*

*Cash BT, Capital*

*10,000.00 10,000.00*

C. Journalizing cash received from owner as an investment:

1. **Date**:

a. Write the date (August 1, 2020) in the Date column.

b. This should be your first entry on the page.

c. The year and month are both written for this entry.

d. Neither the year nor the month are written again on the

*same* page.

2. **Debit**:

a. Write the title of the account debited, *Cash*, in the

Account Title column.

b. Write the Debit amount $10,000.00, in the Debit

column.

3. **Credit**:

a. On the next line, indented about 1centimeter,

write the title of the account credited, *Barbara*

*Trevino, Capital,* in the Account Title column.

b. This account title is indented to indicate that this

account is credited.

c. Write the credit amount, $10,000.00 in the Credit

column.

4. **Source Document**:

a. On the first line of the entry, write the source

document number, *R1*, in the Doc. No. column.

b. The source document number. R1 indicates this

is Receipt No. 1

c. The source document number is a cross reference

from the journal to the source document.

d. If more details are needed about this transaction, a

person can refer to Receipt No. 1

*Remember: Debits must equal credits for each entry in a General Journal. After the entry is journalized, the equality of debits and credits is verified. For this entry, the total debits, $10,000.00, equal the total credits $10,000.00.*

V. Paid Cash for Supplies (pg. 70)

*August 3, Paid Cash for Supplies, $1,577.00 using Check No. 1.*

*(Analyze Transaction)*

*Supplies Cash*

*1,577.00 1,577.00*

A. Journalizing Cash Paid for Supplies:

1. **Date**:

a. Write the date (August 3, 2020) in the Date column.

b. This is not the first entry on the journal page,

therefore, the year and month are not written for this entry. In this transaction we only write the 3.

2. **Debit:**

a. Write the title of the account debited, *Supplies,* in the

Account Title column.

b. Write the debit amount, $1,577.00 in the Debit

column.

3. **Credit:**

a. On the next line, indented about 1 centimeter, write

the title of the account credited, *Cash*, in the Account

Title column.

b. Write the credit amount, $1,577.00 in the Credit

column.

4. **Source Document**:

a. On the first line of this entry, write the source

document number, C1, in the Doc. No. column.

b. The source document number, C1, indicates that

this is Check No. 1.

*Debit must equal Credit. Did they in this transaction?*

*For this entry the total debits, $1,577.00,*

*did equal the total credits, $1,577.00.*

***Remember:***  *If you misspell words in your written communications, people may mistrust the quality of your accounting skills. Note that in the word receipt the "e" comes before the "i" and there is a silent "p" before the "t" at the end of the word.*

R e c e I p t

**4.2 - Journalizing Buying Insurance, Buying on Account, and Paying on Account**

I. Paid Cash for Insurance

*August 4, Paid Cash for insurance, $1,200.00. Check No. 2.*

*(Analyze Transaction)*

*Pre-Pd. Ins. Cash*

*1,200.00 1,200.00*

**A. Journalizing Cash paid for Insurance:**

1. **Date**. Write the date, 4, in the Date column.

2. **Debit**.

a. Write the title of the account debited, Pre-Paid

Insurance in the Account Title column.

b. Write the debit amount $1,200.00, in the Debit

column.

3. **Credit**.

a. On the next line, indented about 1 centimeter, write

the title of the account credited, Cash, in the Account

Title column.

b. Write the credit amount, $1,200.00 in the Credit

column.

4. **Source Document**.

a. On the first line of this entry, write the source document number, C2, in the Doc. No. column.

*Remember: All amounts recorded in the general journal must have an account title written in the Account Title column.*

II. Bought Supplies on Account

*August 7, Bought supplies on account from Ling Music Supplies,*

*$2,720.00. Memorandum No. 1.*

*Supplies A/P - Ling Music Supplies*

*2,720.00 2,720.00*

A. Journalizing Supplies Bought on Account

1. **Date**. Write the date, 7, in the Date Column.

2. **Debit**.

a. Write the title of the account debited, Supplies, in the Account Title column.

b. Write the debit amount, $2,720.00, in the Debit column.

3. **Credit**.

a. On the next line, indented about 1 centimeter, write the title of the account credited, Accounts Payable - Ling Music Supplies, in the Account Title column.

b. Write the credit amount, $2,720.00, in the Credit

column.

4. **Source Document**.

a. On the first line of this entry, write the source

document number, M1, in the Doc. No. column.

*Remember: When recording transactions in a general journal, the account title that is credited is normally indented.*

III. Paid Cash on Account

*August 11, Paid Cash on Account to Ling Music Supplies, $1,360.00. Check No. 3.*

*(Analyze Transaction)*

*A/P - Ling* *Music Supplies Cash*

*1,360.00 1,360.00*

**4.3 Journalizing Transactions That Affect Owner's Equity and Receiving Cash on Account**

I. Received Cash from Sales (revenue account)

*August 12, Received Cash from Sales, $325.00. Tape No. 12.*

*Cash Sales*

*325.00 325.00*

II. Sold Services on Account

*August 12, Sold Services on Account to Kids Time, $200.00. Sales*

*Invoice No. 1.*

*A/R - Kids Time Sales*

*200.00 200.00*

III. Paid Cash for Expenses

*August 12, Paid Cash for Rent, $250.00, Check No. 4.*

*Rent Expense Cash*

*250.00 250.00*

IV. Received Cash on Account

*August 12, Received Cash on Account from Kids Time, $100.00, Receipt No. 2.*

*Cash A/R - Kids Time*

*100.00 100.00*

V. Paid Cash to Owner for Personal Use

*August 12, paid Cash to owner for personal use, $100.00. Check*

*No 6.*

*BT - Drawing Cash*

*100.00 100.00*

**Steps to Journalizing Transactions**

1. **Date**: Write specific date in Date column.

2. **Debit**: Write the title of the account debited, in the Account

Title column & the dollar amount in the Debit column.

3. **Credit**: Indented slightly, Write the title of the account

credited, in the Account Title column & the dollar amount in

the Credit column.

4. **Source Document**: On the first line of this entry, write the

source document number, in the Doc. No. column.

**4 - 4 Starting a New Journal Page**

I. When is a journal page complete?

1. When there is insufficient space to record any more complete

entries.

B. One blank line remaining is not enough, each entry requires at least two lines.

C. If a journal entry is split between two pages, the equality of

debits and credits is not as easily verified & may appear

incorrect.

D. Don't split entries between pages.

II. Starting a New General Journal

A. After one page is filled, a new journal page is started.

B. Start a new page by writing the page number in the space

provided in the journal heading.

III. Standard Accounting Practices

A. Correcting Errors

1. Do it in a way that does not cause doubts about the

correctness of the information.

2. If an error is recorded:

a. Cancel the error by neatly drawing a line through the

incorrect item.

b. Write the correct item immediately above the canceled

item.

B. Finding incorrect entries before making your next entry.

1. Draw neat lines through all parts of the incorrect entry.

(DO NOT SCRIBBLE IT OUT)

2. Journalize the entry correctly on the next blank line.

C. When there are **several** correct entries **after** an incorrect entry

and the next blank lines are several entries later:

1. Draw neat lines through all incorrect parts of the entry.

2. Record the correct items on the same line as the incorrect

items, directly above the canceled parts.

D. In accounting records write words in full when space permits

you to do so.

1. Abbreviate only when space is limited.

2. All items **must** be written legibly.

E. When using Ruled Accounting Paper

1. Dollar & cent signs & decimal points are **not** used.

2. Sometimes a color tint or a heavy vertical rule is used on

printed accounting paper to separate dollars & cents

columns.

F. Always write two zeros in the cents column even if the amount

is in even dollars. Blanks may cause doubts of accuracy later.

G. Neatness is **very** important, use a ruler to draw lines.