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

**Ch. 5 Posting from a General Journal to a General Ledger**

**5-1 Preparing a Chart of Accounts**

A. Relationship of a T Account to an Account Form

1. Information on an Account Form (pg. 96) is used to

trace transactions back to the General Journal:

a. Account forms are based on debit and credit sides.

b. Space is also provided for the transaction date and journal page

number.

2. Some account form designs do not give an area for an up-to-date balance

to be kept, therefore it must be calculated each time the account is

examined.

3. *Balance-Ruled Account Form*

a. The Account Form we will be using.

b. This Form has columns for DR & CR balances.

c. Account balance is calculated and recorded as each entry is

recorded.

B. Chart of Accounts (pg. 97)

1. Ledger - A group of accounts.

2. General Ledger - A ledger that contains all accounts needed to prepare

financial statements.

3. Account Title - The name given to each account.

4. Account Number - The number assigned to an account.

5. Chart of Accounts - A list of account titles and numbers showing the

location of each account in a ledger.

6. Accounts in a general ledger are arranged in the same order as they

appear on financial statements.

7. Encore Music's Chart of Account has 5 Divisions

a. Assets

b. Liabilities

c. Revenue

d. Expenses

e. Owner's Equity

|  |  |
| --- | --- |
| Encore Music Chart of Accounts | |
| Balance Sheet Accounts | Income Statement Accts. |
| (100) Assets  110 Cash  120 Petty Cash  130 A/R - Kids Time  140 A/R - Learn N Play  150 Supplies  160 Prepaid Insurance  (200) Liabilities  210 A/P - Ling Music Supplies  220 A/P - Sullivan Office Supplies  (300) Owner's Equity  310 Barb Trevino, Capital  320 Barb Trevino, Drawing  330 Income Summary | (400) Revenue  410 Sales  (500) Expenses  510 Advertising Expense  520 Insurance Expense  530 Miscellaneous Expense  540 Rent Expense  550 Supplies Expense  560 Utilities Expense |

C. Account Numbers & File Maintenance - The procedure for arranging accounts

in a general ledger, assigning account numbers, and keeping records current.

1. Encore Music assigns three-digit account numbers to each account.

*Example: Supplies 150*

2. The first digit of each account number shows the general ledger division

where the account is located.

*Example: Asset Accounts are all 100's, Supplies begins with 1.*

3. The second digits indicate the location of each account within a

general ledger division.

*Example: The 50 under the account number for Supplies (150) indicates that the account*

*is located between account number 140 & 160.*

4. Encore Music initially assigns account numbers by 10's so new accounts

can be added easily. Nine numbers are unused between each account.

*Example: Numbers 111 to 119 are unused between 110 and 120. This enables new*

*numbers to be assigned between existing account numbers without renumbering all*

*existing accounts.*

5. Encore Music arranges accounts in alphabetic order. When inserting

new accounts they should be inserted alphabetically.

*Example: 510 Advertising Expense (existing acct.)*

*Gasoline Expense (New Account)*

*520 Insurance Expense (existing acct.)*

6. The number selected for new accounts should leave some unused

numbers on each side of it for other accounts that might need to be

added.

*Example: 510 Advertising Expense (existing acct.)*

*515 Gasoline Expense (New Account)*

*520 Insurance Expense (existing acct.)*

7. When an account is no longer needed, it is removed from the General

Ledger and Chart of Accounts.

*Example: If we bought a building and stopped renting we would no longer need our rent*

*expense account (540). 540 would be removed, and that number would become unused*

*and available to assign to another account if need should arise.*

8. When a new account is added at the end of a ledger division, the next

number in a sequence of 10's is used.

*Example: 550 Supplies Expense (existing acct.)*

*560 Utilities Expense (existing acct.)*

*570 Water Expense (New Account)*

9. Why Encore Music only uses 3 digit acct. numbers

a. We have relatively few accounts in our General Ledger.

b. We do not anticipate adding many new accounts in the future.

c. 3-digit numbers adequately provide for the few account numbers

needed.

d. As the number of general ledger accounts increases, a business

may change to four or more digits.

D. Opening an Account in a General Ledger (pg. 99)

1. Opening an Account - Writing an account title and number on the

heading of an account.

2. A General Ledger account is opened for each account listed on the Chart

of Accounts.

3. 110 Cash is the first account on Encore Music's Chart of Accounts.

4. Opening an account in a general ledger: pg. 99

a. Write the *account title* after the word *account* in the heading.

b. Write the *account number* after the words *Account No.* in the heading.

**5-2 Posting from a General Journal to a General Ledger**

A. Posting from the General Journal

1. Posting - Transferring information from a journal entry to a ledger

account.

2. Posting *sorts* journal entries so that all debits and credits affecting each

account are brought together in one place.

3. Post Reference Number Column

a. Use the Account Number (Cash = 110)

b. Post Reference Numbers allow you to be able to trace an entry in

an account to its source in a journal or to where it was posted in an

account.

c. If posting is interrupted, the accounting personnel can easily see

which entries in the general journal still need to be posted.

d. Blanks in the Post. Ref. Column indicates that posting for that line

still needs to be completed.

e. The posting reference is always recorded in the journal as the last

step in the posting procedure.

B. Posting a Debit Amount to an Account with a Balance pg. 103.

1. Steps to Posting a Debit Amount to an Account with a Debit Balance.

a. Write the date, *7*, in the Date column of the account. The month

and the year are written only once on a page of a ledger account

*unless the month or year changes.*

b. Write the journal page number, *G1*, in the Posting Reference

Column of the account.

c. Write the Debit amount, $*2,720.00*, in the Debit Amount Column

of the account.

d. Write the new balance, *$4,297.00*, in the Balance Debit Column.

When both the previous balance and a newly posted amount are

Debits, the new balance is a Debit.

*Previous* *DR Column New DR*

*Balance + Amount = Balance*

*$1,577.00 + $2,720.00 = $4,297.00*

e. Return to the journal and write the account number, *150*, in the

Post. Ref. Column of the journal.

2. Steps to Posting a Debit Amount to an Account with a Credit Balance.

a. Write the date, *11*, in the Date Column of the account.

b. Write the journal page number, *G1*, in the Post. Ref. Column of the account.

c. Write the debit amount, *$1,360.00*, in the Debit Amount Column

of the account.

d. Write the new balance, *$1,360.00*, in the Balance Credit Column.

1) Whenever the credits in an account exceed the debits, the

balance is a credit.

2) Whenever the debits in the account exceed the credits, the balance is a debit.

*Previous* *DR Column New CR*

*Balance - Amount = Balance*

*$2,720.00 - $1,360.00 = $1,360.00*

e. Return to the journal and write the account number, 210, in the

Post. Ref. column of the journal.

Steps to Posting an Amount from a **Debit** Column of a General Journal

1. Write the date, *August 1, 2020,* in the Date column of the account, *Cash*.

2. Write the journal page number, *G1,* in the Post. Ref. column of the account. The letter *G* is an

abbreviation for the General Journal. The number *1* stands for page one of the General Journal. Post.

Ref. is an abbreviation for Posting Reference.

3. Write the Debit amount, *$10,000.00,* in the Debit amount column of the account.

4. Write the new account balance, *$10,000.00*, in the Balance Debit column. Because this entry is the first

in the *Cash* account, the previous balance is zero. If there was a previous balance you would add it to

your transaction to obtain the proper balance.

5. (Last Step) Return to the journal and write the account number, *110,* in the Post. Ref. Column of the

General Journal.

Steps to Posting an Amount from a **Credit** Column of a General Journal

1. Write the date, *August 1, 2020,* in the Date column of the account, *Barbara Trevino, Capital*.

2. Write the journal page number, *G1,* in the Post. Ref. Column of the account.

3. Write the Credit amount, *$10,000.00,* in the Credit amount column of the account.

4. Write the new account balance, *$10,000.00*, in the Balance Credit column. Because this entry is the first in the *Capital* account, the previous balance is 0.

5. (Last Step) Return to the journal and write the account number, *310,* in the Posting Reference Column of

the Journal.