

Special Journals: Purchases and Cash Payments

What You'll Learn

1. Explain the purpose of the purchases and cash payments journals.
2. Record transactions in the purchases and cash payments journals.
3. Record payroll transactions in the cash payments journal.
4. Post from the purchases and cash payments journals to the general ledger and the accounts payable subsidiary ledger.
5. Total, prove, and rule the purchases and cash payments journals.
6. Prepare a schedule of accounts payable.
7. Prove cash.
8. Define the accounting terms introduced in this chapter.

Why It's Important

- ▶ Cash must be protected and accounted for.



BEFORE YOU READ

Predict

1. What does the chapter title tell you?
2. What do you already know about this subject from personal experience?
3. What have you learned about this in the earlier chapters?
4. What gaps exist in your knowledge of this subject?

Exploring the *Real World* of Business

LOOKING AT THE ROLE OF PURCHASES

Adler Planetarium & Astronomy Museum

Millions of people visit Chicago's **Adler Planetarium & Astronomy Museum** where the sky's the limit when it comes to finding new ways to view the cosmos. If you want to know more about our galaxy, the Adler has something for you. Visitors can observe a simulated night sky in action on the Sky Theater's 68-foot dome or build a solar system on a computer.

Operations like the **Adler** make many purchases. Its Galileo Café buys food and utensils. Exhibits might need giant models of planets or moons. The gift shop needs to stock puzzles, telescopes, and jewelry. The museum's accounting system documents each purchase.

What Do You Think?

When the **Adler Planetarium** gift shop purchases items for resale, what general ledger accounts are affected?



Working in the *Real World*

APPLYING YOUR ACCOUNTING KNOWLEDGE

Do you, or anyone you know, make regular payments to anyone—perhaps for car insurance or for a purchase you made on an installment plan? Businesses make many similar payments. Retail businesses buy the merchandise they sell to customers. They also buy many items used to operate the business, such as china and silverware for a restaurant. Businesses buy most items on credit and must keep track of when payments are due. You will learn how that is done in the accounting records as you study this chapter.

Personal Connection

1. What items might your employer buy on credit?
2. Do you have any ideas on how you might keep track of purchases and when payments are due on those items?

Online Connection

Go to glencoeaccounting.glencoe.com and click on **Student Center**. Click on **Working in the Real World** and select **Chapter 17**.



SECTION 1

The Purchases Journal

BEFORE YOU READ

Main Idea

The purchases journal is used to record credit purchases.

Read to Learn...

- how to use the purchases journal. (p. 482)
- how to post transactions from the purchases journal. (p. 484)

Key Terms

purchases journal

In the last chapter, you learned that businesses use special journals to record transactions that are similar and occur frequently. If the accounting system were like a transit system, special journals would be like traffic police in helping avoid accounting traffic jams by channeling incoming data into appropriate “lanes.” They also provide a shortcut for much of the data headed for the general ledger.



You also learned in the last chapter that the sales and cash receipts journals record the sale of merchandise and other assets. In this chapter you will learn how accountants use purchases and cash payments journals to record the purchase of merchandise and other assets. You will also learn about the accounts payable subsidiary ledger.

Businesses like Target purchase merchandise for resale from hundreds of suppliers. Target and other companies use purchases and cash payments journals to simplify the purchase and payment processes.

Using the Purchases Journal

What Is the Purpose of the Purchases Journal?

Accountants use the **purchases journal** as a special journal to record all purchases on account. **Figure 17–1** shows the purchases journal that On Your Mark Athletic Wear uses.

The purchases journal includes space for the page number, a column for the date, a column for the invoice number, a column for the name of the creditor, and a column for the posting reference. It also has three amount

Figure 17–1
Purchases Journal

PURCHASES JOURNAL								PAGE _____	
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL			
						ACCOUNT DEBITED	POST. REF.	DEBIT	
1									1
2									2
3									3

Used to record increases in the accounts payable subsidiary ledger and **Accounts Payable** controlling account.

Used to record amounts of purchases of merchandise on account.

Used to enter debits to general ledger accounts for which there are no special columns.



columns. Refer to **Figure 17–1** for a description of what amounts should be recorded in each column.

Recording the Purchase of Merchandise on Account

After verifying an invoice, the accounting clerk records the purchase in the purchases journal. Refer to the purchases journal and follow these steps:

1. Enter the date in the Date column. Use the date the invoice was *received*, not the date the invoice was prepared.
2. Enter the invoice number in the Invoice Number column.
3. Enter the creditor's name in the Creditor's Account Credited column.
4. Enter the *total* of the invoice in the Accounts Payable Credit column.
5. For purchases of merchandise on account, enter the total amount of the invoice in the Purchases Debit column.

As You READ

Key Point

Purchasing Merchandise on Account

Debit **Purchases**
Credit **Accounts Payable**

Business Transaction

On December 14 On Your Mark received Invoice 7894 from Pro Runner Warehouse for merchandise purchased on account, \$2,300, terms 2/10, n/30.

PRO RUNNER WAREHOUSE 22009 Ben White Blvd. Austin, TX 78705		INVOICE NO. 7894	
TO On Your Mark Athletic Wear 595 Leslie Street Dallas, TX 75207		DATE: Dec. 14, 20--	ORDER NO.: 9784
		SHIPPED BY: Federal Trucking	TERMS: 2/10, n/30
REC'D DEC. 14, 20--			
QTY.	ITEM	UNIT PRICE	TOTAL
20 pair	Soft Cushion: White, #94682	\$ 50.00	\$ 1,000.00
10 pair	Soft Cushion: Black, #94788	50.00	500.00
10 pair	Low Cut: White, #94281	40.00	400.00
10 pair	Low Cut: Black, #94666	40.00	400.00
	Total		\$ 2,300.00
Due Date: <u>12/24</u>			
Discount: <u>\$ 46.00</u>			
Net Amount: <u>\$ 2,254.00</u>			
Check No.: _____			

JOURNAL ENTRY

PURCHASES JOURNAL							PAGE 12		
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL			
						ACCOUNT DEBITED	POST. REF.	DEBIT	
6 14	7894	Pro Runner Warehouse		2 300 00	2 300 00				6
7 1	2	3		4	5				7

After journalizing the invoice from Pro Runner Warehouse, the accounting clerk places it in a tickler file by due date. In this case it is filed in the December 24 folder. On Your Mark plans to take the discount, and December 24 is ten days after the invoice date.

Journalizing Other Purchases on Account

On Your Mark also purchases supplies and other assets on account. These purchases do not occur often enough to set up special columns in the purchases journal. When these purchases do occur, they are recorded in the General Debit column of the purchases journal.

Refer to the purchases journal on page 484 and follow these steps:

1. Enter the date the invoice was *received* in the Date column.
2. Enter the invoice number in the Invoice Number column.
3. Enter the creditor's name in the Creditor's Account Credited column.
4. Enter the *total* of the invoice in the Accounts Payable Credit column.

As You READ

Instant Recall

Merchandisers A merchandising business purchases merchandise from a supplier and resells it.

Business Transaction

On December 15 On Your Mark received Invoice 3417, dated December 13, from Champion Store Supply for store equipment bought on account, \$1,200, terms n/30.

CHAMPION STORE SUPPLY 47249 Randall Parkway Dallas, TX 75207		INVOICE NO. 3417 DATE: Dec. 13, 20-- ORDER NO.: 9795 SHIPPED BY: Federal Trucking TERMS: n/30	
TO On Your Mark Athletic Wear 595 Leslie Street Dallas, TX 75207		REC'D DEC. 15, 20--	
QTY.	ITEM	UNIT PRICE	TOTAL
3	Corner Shelf Units	\$ 300.00	\$ 900.00
1	Shirt Rack	300.00	300.00
	Total		\$ 1,200.00
Due Date: 1/12 Discount: \$0.00 Net Amount: \$1,200.00 Check No.:			

JOURNAL ENTRY

PURCHASES JOURNAL										PAGE 12	
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL			POST. REF.	DEBIT	
						ACCOUNT DEBITED					
7	15	3417		1 200 00		Store Equipment				1 200 00	7
8	1	2		4		5				6	8

- Store equipment is not merchandise purchased for resale, so this transaction is not recorded in the Purchases Debit column. Instead, it is recorded in the General column. Write the name of the general ledger account being debited in the General Account Debited column.
- Enter the total amount of the invoice in the General Debit column.

After journalizing the invoice, the accounting clerk places it in the tickler file. Because Champion Store Supply does not offer its credit customers a cash discount, the due date is January 12, 30 days after the date of the invoice. The invoice is filed in folder "12" to indicate this date.



Posting from the Purchases Journal

How Do You Post Entries from the Purchases Journal?

As you have learned, special journals save time in recording and posting business transactions. Each transaction in the purchases journal is a purchase on account. Therefore, each transaction is separately posted *daily* to the accounts payable subsidiary ledger to keep creditor accounts current.

Refer to **Figure 17-2** as you read about posting to the accounts payable subsidiary ledger.

- In the Date column of the subsidiary ledger account, enter the date of the transaction.
- In the Posting Reference column of the subsidiary ledger account, record the journal letter and the page number. *P* is the letter used for the purchases journal.
- In the Credit column of the subsidiary ledger account, enter the amount owed to the creditor.
- Compute the new account balance by adding the amount in the Credit column to the previous balance amount. Since there was no previous balance in Pro Runner's account, enter \$2,300 in the Balance column.



PURCHASES JOURNAL										PAGE 12
	DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL			
							ACCOUNT DEBITED	POST. REF.	DEBIT	
1	20--									1
2	Dec. 8	CS56	Computer Solutions	✓	80000	80000				2
6	14	7894	Pro Runner Warehouse	✓	230000	230000				6
7				5						7

NAME <u>Pro Runner Warehouse</u>					
ADDRESS <u>22009 Ben White Blvd., Austin, TX 78705</u>					
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 14		P12		230000	230000

Figure 17–2 Posting from the Purchases Journal to the Accounts Payable Subsidiary Ledger

- Return to the purchases journal and place a check mark (✓) in the first Posting Reference column (next to the Creditor's Account Credited column).

Posting from the General Debit Column

The clerk makes daily postings from the General Debit column of the purchases journal to the appropriate accounts in the general ledger. Refer to **Figure 17–3** on page 486 as you read the following steps:

- Enter the date of the transaction in the Date column of the general ledger account.
- In the Posting Reference column of the general ledger account, record the journal letter (*P* for purchases journal) and page number.
- In the Debit column of the general ledger account, enter the amount recorded in the General Debit column of the purchases journal.
- Compute and record the new balance in the Debit Balance column.
- Return to the purchases journal and place the general ledger account number in the General Posting Reference column (following the General Account Debited column).

Totaling, Proving, and Ruling the Purchases Journal

To complete the purchases journal, refer to **Figure 17–4** on page 486 and follow these steps:

- Draw a single rule across the three amount columns: Accounts Payable Credit, Purchases Debit, and General Debit.
- Foot each amount column.

As You READ

Key Point

Ruling the Purchases Journal When ruling the purchases journal, the ruling is drawn across the amount columns only.

PURCHASES JOURNAL										PAGE	12
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL			DEBIT		
						ACCOUNT DEBITED	POST. REF.				
20--											
Dec. 8	CS56	Computer Solutions	✓	80000	80000						
15	3417	Champion Store Supply	✓	120000		Store Equipment	150		120000		
							5				

ACCOUNT <u>Store Equipment</u>						ACCOUNT NO. <u>150</u>	
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
20--							
Dec. 1	Balance	✓			400000		
15		P12	120000		520000	4	

Figure 17-3 Posting from the Purchases Journal to the General Ledger

- Test for the equality of debits and credits.

As You READ
In Your Own Words
Proving the Purchases Journal What does "proving the purchases journal" mean?

Debit Columns		Credit Column	
Purchases	\$15,400	Accounts Payable	\$16,850
General	1,450		
	<u>\$16,850</u>		<u>\$16,850</u>

- In the Date column, on the line below the single rule, enter the date the journal is being totaled.
- On the same line, write the word *Totals* in the Creditor's Account Credited column.
- Enter the three column totals, in ink, just below the footings.
- Draw a double rule across the three amount columns.

PURCHASES JOURNAL										PAGE	12
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL			DEBIT		
						ACCOUNT DEBITED	POST. REF.				
20--											
Dec. 8	CS56	Computer Solutions	✓	80000	80000						
10	4692	Sports Link Footwear	✓	400000	400000						
12	SN63	Sports Nutrition Supply	✓	60000	60000						
14	2560	FastLane Athletics	✓	300000	300000						
14	7894	Pro Runner Warehouse	✓	230000	230000						
15	3417	Champion Store Supply	✓	120000		Store Equipment	150		120000		
15	9881	Geary Office Supply	✓	25000		Supplies	130		25000		
18	8560	FastLane Athletics	✓	200000	200000						
20	6593	Computer Solutions	✓	120000	120000						
27	5200	Sports Link Footwear	✓	150000	150000						
31		<i>Totals</i>	2	1685000	1540000				145000		
4		5	6								

Figure 17-4 The Completed Purchases Journal



The completed purchases journal is a quick reference tool for the accountant to review current transactions that affect the **Purchases** account and the **Accounts Payable** account. Miscellaneous purchases are also reflected in the purchases journal. If a general journal had been used, these transactions would have been mixed with other transactions (cash receipts, payments, and more) of the period.

What else can the accountant verify from the completed purchases journal? A quick review of the Post. Ref. column tells the accountant that amounts have been posted to the accounts payable subsidiary ledger.

Posting the Special Column Totals to the General Ledger

After totaling and ruling the purchases journal, the clerk posts the totals of the Accounts Payable Credit column and the Purchases Debit column to the general ledger accounts. Then the clerk calculates the new balance for each account, and enters the new balance in the appropriate Balance column. **Figure 17–5** shows the posting of these column totals.

After posting each column total, write the general ledger account number, in parentheses, in the column below the double rule as shown in **Figure 17–5**. The total of the General Debit column is not posted because the individual amounts were posted during the month. Place a check mark (✓) in parentheses below the double rule in the General Debit column to indicate that the total is not posted.

PURCHASES JOURNAL										PAGE	12
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL					
						ACCOUNT DEBITED	POST. REF.	DEBIT			
1 20--										1	
2 Dec. 8	CS56	Computer Solutions	✓	800 00	800 00					2	
11 27	5200	Sports Link Footwear	✓	1 500 00	1 500 00					11	
12 31		Totals		16 850 00	15 400 00			1 450 00		12	
13				(201)	(501)			(✓)		13	
14										14	

ACCOUNT <u>Accounts Payable</u>							ACCOUNT NO. <u>201</u>		
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE				
					DEBIT	CREDIT			
20--									
Dec. 1	Balance	✓				6 300 00			
16		G21	2 000 00			6 100 00			
31		P12		16 850 00		22 950 00			

ACCOUNT <u>Purchases</u>							ACCOUNT NO. <u>501</u>		
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE				
					DEBIT	CREDIT			
20--									
Dec. 1	Balance	✓				190 000 00			
19		CP14	1 300 00			191 300 00			
31		P12	15 400 00			206 700 00			

Figure 17–5
Posting Column Totals from the Purchases Journal to the General Ledger



AFTER
You READ**Reinforce the Main Idea**

Create a table similar to this one to describe how these three separate transactions would appear in the purchases journal.

Transaction	Account Debited	Account Credited	Amount Column Debited	Amount Column Credited
Purchased Merchandise on Account				
Purchased Store Equipment on Account				
Purchased Supplies on Account				

**Do the Math**

Dynamo Industries received an invoice from Santos Suppliers for merchandise purchased on July 5 for \$12,000 with terms of 3/15, n/30. Answer the following questions:

1. What is the due date of the invoice?
2. What is the amount of cash discount?
3. What is the net amount to be paid?
4. What account is debited and for what amount?
5. What account is credited and for what amount?

**Problem 17-1 Recording Transactions in the Purchases Journal**

The Design Den, a retail merchandising business, uses special journals. On page 3 of the purchases journal in the working papers, record the following purchases:

Date	Transactions
Feb. 1	Purchased \$1,400 in merchandise on account from Woodstock Furnishings, terms 3/15, n/30, Invoice WF39.
2	Bought \$900 in store equipment on account from Holmes Equipment Company, terms n/30, Invoice 98.
4	Purchased \$700 in merchandise from Fuller Fabrics, terms 3/10, n/30, Invoice 72.
7	Purchased computer speakers on account for \$50 from Digital Solutions, terms 2/10, n/30, Invoice AB220.
10	Purchased fabric from Valley Upholstery for \$1,500, terms 2/10, n/30, Invoice 947.

The Cash Payments Journal

You have learned about three special journals: the sales journal, the cash receipts journal, and the purchases journal. Now you will study the *cash payments journal*. For many businesses like grocers who must pay for the purchases of a wide variety of merchandise, frequent payments make the use of the *cash payments journal* necessary.

Using the Cash Payments Journal

How Do You Record Cash Payments?

The **cash payments journal** is used to record all transactions in which cash is paid out or decreased. These transactions include: payments to creditors for items bought on account, cash purchases of merchandise and other assets, payments for various expenses, payments for wages and salaries, and cash decreases for bank service charges and bankcard fees. The source documents for the journal entries are check stubs and the bank statement. The cash payments journal is also called the *cash disbursements journal*.

Figure 17-6 shows the cash payments journal that On Your Mark uses. Notice that it has five amount columns.

The seven transactions that follow are typical of those recorded in the cash payments journal. Note that each transaction in the cash payments journal results in a credit to the **Cash in Bank** account.

BEFORE YOU READ

Main Idea

The cash payments journal is used to record the cash a business pays out.

Read to Learn...

- how to record cash payment transactions. (p. 489)
- how to post from the cash payments journal. (p. 494)

Key Terms

cash payments journal
 schedule of accounts payable
 proving cash

CASH PAYMENTS JOURNAL										PAGE _____
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT		
				DEBIT	CREDIT					
1										1
2										2
3										3

Used to enter debits and credits to general ledger accounts for which there are no special columns. ↑

Used to record decreases to accounts in the accounts payable subsidiary ledger and to the **Accounts Payable** controlling account. ↑

Used to enter the amount of purchases discounts taken. ↑

Every transaction recorded here decreases **Cash in Bank**. ↑

Figure 17-6 Cash Payments Journal



Recording the Cash Purchase of an Asset

Cash purchases of various assets are recorded in the cash payments journal. One asset commonly purchased for cash is insurance. Let's record a transaction involving a cash purchase of insurance.

Business Transaction

On December 17 On Your Mark paid \$1,500 to Keystone Insurance Company for the premium on a six-month insurance policy, Check 1001.

ON YOUR MARK
ATHLETIC WEAR
595 Leslie Street, Dallas, TX 75207

DATE Dec. 17 20--

PAY TO THE ORDER OF Keystone Insurance Company \$ 1,500.00

One thousand five hundred and ^{no}/₁₀₀ _____ DOLLARS

Security National Bank
DALLAS, TEXAS

MEMO Michael Brown

1001
22-523
4210

⑆ 4 2 1 0 2 2 5 2 3 ⑆ 7 2 7 5 9 6 ⑆ 1 0 0 2

JOURNAL ENTRY

CASH PAYMENTS JOURNAL										PAGE	14
	DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT		
					DEBIT	CREDIT					
1	20--										1
2	Dec. 17	1001	Prepaid Insurance			1 500 00				1 500 00	2
3	1	2	3			4				5	3

As You READ

Compare and Contrast

Purchases and Cash Payments Journals

How are the purchases journal and the cash payments journal similar? How are they different?

Refer to the cash payments journal above and follow these steps:

1. Enter the date of the transaction in the Date column.
2. Enter the check number in the Document Number column.
3. Enter the name of the account debited in the Account Name column.
4. Because there is no special column for **Prepaid Insurance**, enter the amount of the debit in the General Debit column.
5. Enter the amount of the credit in the Cash in Bank Credit column.

After payment, the invoice for the insurance is filed.

Recording a Cash Purchase of Merchandise

Retail businesses are constantly purchasing merchandise for resale. While they make most purchases on account, many are for cash. Let's record a cash purchase of merchandise for resale.

Business Transaction

On December 19 On Your Mark purchased merchandise from FastLane Athletics for \$1,300, Check 1002.

ON YOUR MARK
ATHLETIC WEAR
595 Leslie Street, Dallas, TX 75207

DATE Dec. 19 20--

PAY TO THE ORDER OF FastLane Athletics \$ 1,300.00

One thousand three hundred and ^{no}/₁₀₀ _____ DOLLARS

Security National Bank
DALLAS, TEXAS

MEMO Michael Brown

1002
22-523
4210

⑆ 4 2 1 0 2 2 5 2 3 ⑆ 7 2 7 5 9 6 ⑆ 1 0 0 2

JOURNAL ENTRY

CASH PAYMENTS JOURNAL										PAGE	14
	DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT		
					DEBIT	CREDIT					
3	19	1002	Purchases			1 300 00				1 300 00	3
4	1	2	3			4				5	4

Refer to On Your Mark's purchase from FastLane Athletics and the cash payments journal as you follow these steps:

1. Enter the date of the transaction in the Date column.
2. Enter the check number in the Document Number column.
3. Enter the name of the account debited in the Account Name column.
4. Because there is no special column for **Purchases**, enter the amount of the debit in the General Debit column.
5. Enter the amount of the check in the Cash in Bank Credit column.

After recording the transaction, the receipt for the cash purchase is filed.

Recording a Payment on Account

Now let's learn how to make a payment on account and take a purchase discount.

As You READ

Key Point

The General Column

The General column of a special journal refers to the general ledger. The account named in the Account Name column is the general ledger account affected by the transaction.

Business Transaction

On December 24 On Your Mark paid \$2,254 to Pro Runner Warehouse for merchandise purchased on account, \$2,300 less a discount of \$46, Check 1003.

ON YOUR MARK ATHLETIC WEAR
595 Leslie Street, Dallas, TX 75207

DATE Dec. 24 20 --

PAY TO THE ORDER OF Pro Runner Warehouse \$ 2,254.00

Two thousand two hundred fifty-four and ^{no}/₁₀₀ DOLLARS

Security National Bank
DALLAS, TEXAS

MEMO Michael Brown

⑆42⑆022523⑆ 727596⑆ ⑆003

1003
22-523
4210

JOURNAL ENTRY

CASH PAYMENTS JOURNAL										PAGE <u>14</u>
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT		
				DEBIT	CREDIT					
4	24	1003	Pro Runner Warehouse			230000	4600	225400	4	4
5	1	2	3			4	5	6	5	5

Refer to the purchases journal above and follow these steps:

1. Enter the date of the transaction in the Date column.
2. Enter the check number in the Document Number column.
3. Enter the creditor's name in the Account Name column.
4. Enter the amount of the original purchase in the Accounts Payable Debit column.
5. Enter the amount of the purchase discount in the Purchases Discounts Credit column.
6. Enter the amount of the check in the Cash in Bank Credit column.

Remember that a processing stamp is placed on each invoice when it is verified. After the cash payment has been journalized, the accounting clerk records the check number on the "Check No." line of the processing stamp. The paid invoice is then filed.

Companies offer no discount for some purchases. For others they offer a discount, but the business cannot pay within the discount period. In these cases the check is written for the full amount of the purchase.

Recording Other Cash Payments

Let's record a check written to pay for shipping charges when merchandise is sent FOB shipping point.

Business Transaction

On December 24 On Your Mark issued Check 1004 for \$275 to Dara's Delivery Service for shipping charges on merchandise purchased from Sports Link Footwear.

ON YOUR MARK
ATHLETIC WEAR
595 Leslie Street, Dallas, TX 75207

1004
22-523
4210

DATE Dec. 24 20--

PAY TO THE ORDER OF Dara's Delivery Service \$ 275.00

Two hundred seventy-five and ^{no}/₁₀₀ DOLLARS

Security National Bank
DALLAS, TEXAS

MEMO Michael Brown

⑆ 4 2 1 0 2 2 5 2 3 ⑆ 7 2 7 5 9 6 ⑆ 1 0 0 4

JOURNAL ENTRY

CASH PAYMENTS JOURNAL										PAGE	14
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT			
				DEBIT	CREDIT						
5	24	1004	Transportation In		275.00				275.00	5	
6	1	2	3		4				5	6	



Refer to the cash payments journal above and follow these steps:

1. Enter the date of the transaction in the Date column.
2. Enter the check number in the Document Number column.
3. Enter the name of the account debited in the Account Name column.
4. Because there is no special column for **Transportation In**, enter the amount in the General Debit column.
5. Enter the amount of the check in the Cash in Bank Credit column.

Recording Payment of Payroll

In an earlier chapter, you learned how to record the payroll entry in the general journal. When a business uses special journals, the entry for payment of the payroll is recorded in the cash payments journal. The information to record payroll transactions in journals is taken from the payroll register.

To record the payroll transaction, refer to the cash payments journal and follow these steps:

1. On the first line of the entry, enter the date of the transaction in the Date column.
2. Enter the check number in the Document Number column.
3. Enter the name of the account debited in the Account Name column.
4. Enter the amount of the payroll (gross pay) in the General Debit column.
5. Enter the net pay in the Cash in Bank Credit column.
6. On the next four lines, enter the names of the accounts credited in the Account Name column. Enter the amount of each liability in the General Credit column.

Connect to... MATHEMATICS

A 1946 contest was held to determine whether a modern electric adding machine or an ancient abacus could calculate problems faster. The abacus won all rounds except multiplication.

Business Transaction

On December 31 On Your Mark wrote Check 1012 for \$2,974 to pay the payroll of \$4,000 (gross earnings) for the pay period ended December 31. The following amounts were withheld: Employees' Federal Income Tax, \$640; Employees' State Income Tax, \$80; Social Security Tax, \$248; and Medicare Tax, \$58.

JOURNAL ENTRY

CASH PAYMENTS JOURNAL										PAGE	14
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT			
				DEBIT	CREDIT						
31	1012	Salaries Expense 3		4 000 00				5 297 400			
1	2	Employees' Fed. Inc. Tax Pay.		4	640 00						
		Employees' State Inc. Tax Pay.		6	80 00						
		Social Security Tax Pay.			248 00						
		Medicare Tax Pay.			58 00						

Recording Bank Service Charges

Bank service charges are automatically deducted from the checking account. Although no check is written to pay these charges, the transactions are recorded in the cash payments journal because the charges decrease the Cash in Bank account.

Business Transaction

On December 31 On Your Mark recorded a bank service charge for \$20 indicated on the bank statement.

JOURNAL ENTRY

CASH PAYMENTS JOURNAL										PAGE	14
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT			
				DEBIT	CREDIT						
31		Miscellaneous Expense		20 00				20 00			

Recording Bankcard Fees

Most banks charge a fee for handling bankcard sales. This fee is automatically deducted from the business's checking account. For example, On Your Mark's bank deducted a bankcard fee of \$75. The fee appeared on the bank statement as a deduction from the checking account balance. The accounting clerk recorded this decrease in cash in the cash payments journal.

As You READ

In Your Experience

Bank Service Charges
What bank service charges, if any, has your bank charged you?

Business Transaction

On December 31 On Your Mark recorded the bankcard fee of \$75 that appeared on the bank statement.

JOURNAL ENTRY

CASH PAYMENTS JOURNAL										PAGE	14
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT			
				DEBIT	CREDIT						
19	31	Bankcard Fees Expense		75.00				75.00		19	
20										20	

The clerk also enters the bank charges in the checkbook records. Figure 17–7 illustrates one way to adjust the balance on the check stub. The deposit heading is crossed out, and the words *Bankcard Fees* are written in its place. A deduction of \$75 is entered on the stub. On the next line, the words *Less Bank Service Charge* are written and an entry is made for the \$20 deduction. Both amounts are subtracted from the balance brought forward.

As You READ

Key Point

Posting from the Cash Payments Journal

Every day accounting clerks post individual amounts in the Accounts Payable Debit column to the accounts payable subsidiary ledger.

Posting from the Cash Payments Journal

How Do You Post from the Cash Payments Journal?

Individual amounts in the Accounts Payable Debit column and the General Debit column are posted daily. Column totals are posted at the end of the month.

To keep creditors' accounts current, clerks make daily postings from the Accounts Payable Debit column to the accounts payable subsidiary ledger. Refer to Figure 17–8 and follow these steps:

1. Enter the date of the transaction in the Date column of the subsidiary ledger account.
2. In the subsidiary ledger account's Posting Reference column, enter the journal letters (*CP* for the cash payments journal) and the page number.
3. In the Debit column of the subsidiary ledger account, enter the amount recorded in the Accounts Payable Debit column of the journal.
4. Compute the new account balance and enter it in the Balance column. If the account has a zero balance, draw a line through the Balance column.

\$ _____	No. 1013	
Date _____	20 _____	
To _____		
For _____		
	Dollars	Cents
Balance brought forward	15,274	00
Add deposits Bankcard Fees	-75	00
Less Bank Svc. Chg.	-20	00
Total	15,179	00
Less this check		
Balance carried forward		

Figure 17–7 Recording Bankcard Fees and Service Charges in the Checkbook

CASH PAYMENTS JOURNAL											PAGE 14
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT			
				DEBIT	CREDIT						
20--											
Dec. 17	1001	Prepaid Insurance	135	1 500 00				1 500 00			
19	1002	Purchases	501	1 300 00				1 300 00			
24	1003	Pro Runner Warehouse	✓ 5			2 300 00	4600	2 254 00			

NAME Pro Runner Warehouse										
ADDRESS 22009 Ben White Blvd., Austin, TX 78705										
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE					
20--										
Dec. 14		P12		2 300 00	2 300 00					
24		CP14	2 300 00							

Figure 17-8 Posting from the Cash Payments Journal to the Accounts Payable Subsidiary Ledger

- Return to the cash payments journal and enter a check mark (✓) in the Posting Reference column.

Figure 17-9 shows On Your Mark's accounts payable subsidiary ledger after all postings have been made. Notice that the accounts contain entries from the purchases, cash payments, and general journals.

NAME Champion Store Supply										
ADDRESS 99455 Williams Lane #334, Dallas, TX 75214										
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE					
20--										
Dec. 1	Balance	✓			1 000 00					
15		P12		1 200 00	2 200 00					
26		CP14	1 200 00		1 000 00					

NAME Computer Solutions										
ADDRESS 6990 Baker Circle, Dallas, TX 75219										
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE					
20--										
Dec. 1	Balance	✓			500 00					
8		P12		800 00	1 300 00					
20		P12		1 200 00	2 500 00					
31		CP14	1 200 00		1 300 00					

Figure 17-9 The Completed Accounts Payable Subsidiary Ledger



NAME Dara's Delivery Service
 ADDRESS 14500 Ellis Blvd., Plano, TX 75093

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 1	Balance	✓			3 0 0 0 0
30		CP14	3 0 0 0 0		

NAME FastLane Athletics
 ADDRESS 35992 Fletcher Blvd. #334, Boston, MA 02106

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 1	Balance	✓			1 0 0 0 0 0
14		P12		3 0 0 0 0 0	4 0 0 0 0 0
16		G21	2 0 0 0 0 0		3 8 0 0 0 0
18		P12		2 0 0 0 0 0	5 8 0 0 0 0
28		CP14	2 0 0 0 0 0		3 8 0 0 0 0

NAME Geary Office Supply
 ADDRESS 3300 Fulton Street, Dallas, TX 75219

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 15		P12		2 5 0 0 0 0	2 5 0 0 0 0

NAME Pro Runner Warehouse
 ADDRESS 22009 Ben White Blvd., Austin, TX 78705

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 14		P12		2 3 0 0 0 0	2 3 0 0 0 0
24		CP14	2 3 0 0 0 0		

NAME Sports Link Footwear
 ADDRESS 300 Page St. #910, San Francisco, CA 94107

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 1	Balance	✓			2 0 0 0 0 0
10		P12		4 0 0 0 0 0	6 0 0 0 0 0
27		P12		1 5 0 0 0 0	7 5 0 0 0 0
31		CP14	1 5 0 0 0 0		6 0 0 0 0 0

NAME Sports Nutrition Supply
 ADDRESS 348 11th Street, Cleveland, OH 44112

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 1	Balance	✓			1 5 0 0 0 0
12		P12		6 0 0 0 0 0	2 1 0 0 0 0
27		CP14	6 0 0 0 0 0		1 5 0 0 0 0

Figure 17-9 The Completed Accounts Payable Subsidiary Ledger (continued)



CASH PAYMENTS JOURNAL										PAGE	14
	DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE CREDIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT		
					DEBIT	CREDIT					
1	20--										1
2	Dec. 17	1001	Prepaid Insurance	135	1 500 00				1 500 00		2
3				5							3

ACCOUNT			Prepaid Insurance		ACCOUNT NO.			135	
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE			
						DEBIT	CREDIT		
	20--								
	Dec. 17		CP14	1 500 00		1 500 00	4		

Figure 17–10 Posting from the General Debit Column of the Cash Payments Journal

Posting from the General Debit Column

Accountants post daily from the General Debit column to the appropriate general ledger accounts. Refer to **Figure 17–10** as you read the following steps.

1. Enter the date of the transaction in the Date column of the general ledger account.
2. Enter the journal letters (*CP* for the cash payments journal) and the page number in the Posting Reference column of the general ledger account.
3. In the Debit column, enter the amount from the General Debit column of the cash payments journal.
4. Compute the new balance and enter it in the appropriate Balance column. (Because the example used here has no previous balance, the amount recorded in the Debit column is also entered in the Debit Balance column.)
5. Return to the cash payments journal and enter the account number in the Posting Reference column.

All the transactions in the General Debit column are posted to the general ledger accounts in the same way.

Accountants also post entries daily from the General Credit column to the appropriate general ledger accounts. This is done in the same way as shown for General Debit Column entries.

Totaling, Proving, and Ruling the Cash Payments Journal

Accountants total the cash payments journal following the same steps that they use for other special journals. Before they rule the journal, they prove the equality of debits and credits.

As You READ

Instant Recall

Totaling Special Journal Columns First, foot columns with the totals entered in pencil. After verifying the totals, write them in ink.

CASH PAYMENTS JOURNAL

DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT
				DEBIT	CREDIT			
1 20--								
2 Dec. 17	1001	Prepaid Insurance	135	1 500 00				1 500 00
3 19	1002	Purchases	501	1 300 00				1 300 00
4 24	1003	Pro Runner Warehouse	✓			2 300 00	46 00	2 254 00
5 24	1004	Transportation In	505	275 00				275 00
6 26	1005	Champion Store Supply	✓			1 200 00		1 200 00
7 27	1006	Sports Nutrition Supply	✓			600 00		600 00
8 28	1007	FastLane Athletics	✓			2 000 00	40 00	1 960 00
9 30	1008	Dara's Delivery Service	✓			300 00		300 00
10 31	1009	Rent Expense	660	2 000 00				2 000 00
11 31	1010	Computer Solutions	✓			1 200 00	24 00	1 176 00
12 31	1011	Sports Link Footwear	✓			1 500 00	30 00	1 470 00
13 31	1012	Salaries Expense	665	4 000 00				2 974 00
14		Employee's Federal Inc. Tax Pay.	205		640 00			
15		Employee's State Inc. Tax Pay.	211		80 00			
16		Social Security Tax Payable	212		248 00			
17		Medicare Tax Payable	213		58 00			
18 31	—	Miscellaneous Expense	655	20 00				20 00
19 31	—	Bankcard Fees Expense	605	75 00				75 00
20 31		Totals		<u>9 170 00</u>	<u>1 026 00</u>	<u>9 100 00</u>	<u>140 00</u>	<u>17 104 00</u>
21								

Figure 17-11 The Completed Cash Payments Journal

Debit Columns		Credit Columns	
General	\$ 9,170	General	\$ 1,026
Accounts Payable	9,100	Purchases Discounts	140
		Cash in Bank	17,104
	<u>\$18,270</u>		<u>\$18,270</u>

Since debits equal credits, the cash payments journal can be double-ruled, as shown in Figure 17-11.

Posting Column Totals to the General Ledger

At the end of the month, the accountant posts the total of each special amount column to the general ledger account named in the column heading. For the cash payments journal, column totals are posted to **Accounts Payable**, **Purchases Discounts**, and **Cash in Bank**. Figure 17-12 shows the posting of the three special column totals to the general ledger accounts. Note that the account numbers for the three general ledger accounts are written in parentheses below the double rule in the appropriate columns of the cash payments journal.

The totals of the General Debit and Credit columns are not posted. Each entry in those columns was posted individually to the general ledger accounts. A check mark (✓) is entered below the double rule in the General Debit and Credit columns.



CASH PAYMENTS JOURNAL											PAGE	14
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT				
				DEBIT	CREDIT							
20--												
Dec. 17	1001	Prepaid Insurance	135	150000						150000		
31	—	Bankcard Fees Expense	605	7500							7500	
31		Totals		917000	102600	910000	14000	1710400				
				(✓)	(✓)	(201)	(510)	(101)				

ACCOUNT <i>Cash in Bank</i>											ACCOUNT NO.	101
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT	CREDIT						
20--												
Dec. 1	Balance	✓					150000					
31		CR13	1728300				3228300					
31		CP14		1710400			1517900					

ACCOUNT <i>Accounts Payable</i>											ACCOUNT NO.	201
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT	CREDIT						
20--												
Dec. 1	Balance	✓							630000			
16		G21	20000						610000			
31		P12		1685000					2295000			
31		CP14	910000						1385000			

ACCOUNT <i>Purchases Discounts</i>											ACCOUNT NO.	510
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT	CREDIT						
20--												
Dec. 1	Balance	✓							120000			
31		CP14		14000					134000			

Figure 17–12 Posting Column Totals from the Cash Payments Journal

Proving the Accounts Payable Subsidiary Ledger

The accountant prepares a **schedule of accounts payable** after posting the column totals. This schedule lists all creditors in the accounts payable subsidiary ledger, the balance in each account, and the total amount owed to all creditors. The clerk proves the accounts payable subsidiary ledger when the total of the schedule of accounts payable agrees with the balance of the **Accounts Payable** (controlling) account in the general ledger.

Figure 17–13 on page 500 shows On Your Mark’s schedule of accounts payable for December. The accounts are listed in alphabetical order. All creditors are listed, even those with zero balances. Notice that the total listed on the schedule (\$13,850) agrees with the balance of the **Accounts Payable** (controlling) account.



ACCOUNT <i>Accounts Payable</i>				ACCOUNT NO. <i>201</i>			
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
20--							
Dec. 1	Balance	✓				6 300 00	
16		G21	2 00 00			6 100 00	
31		P12		16 850 00		22 950 00	
31		CP14	9 100 00			13 850 00	

On Your Mark Athletic Wear			
Schedule of Accounts Payable			
December 31, 20--			
Champion Store Supply		1 000 00	
Computer Solutions		1 300 00	
Dara's Delivery Service		—	
FastLane Athletics		3 800 00	
Geary Office Supply		2 500 00	
Pro Runner Warehouse		—	
Sports Link Footwear		6 000 00	
Sports Nutrition Supply		1 500 00	
Total Accounts Payable			13 850 00

The balance of the Accounts Payable account should equal the total of the schedule of accounts payable.

Figure 17-13 Schedule of Accounts Payable

Proving Cash

Proving cash is the process of verifying that cash recorded in the accounting records agrees with the amount entered in the checkbook. Ideally businesses should prove cash each day. When a business uses special journals, however, it updates the **Cash in Bank** account in the general ledger at the end of the month. For many businesses, then, proving cash is done at the end of the month.



The cash proof may be prepared on plain paper, on accounting stationery, on a special cash proof form, or on a computer. The cash proof for On Your Mark, shown in **Figure 17–14**, is prepared on two-column accounting stationery. To prove cash, follow these steps:

1. On the first line, record the beginning balance of **Cash in Bank** according to the general ledger account.
2. On the next line, enter the total cash received during the month. This is the total of the Cash in Bank Debit column from the cash receipts journal.
3. Add the first and second lines.
4. From this subtotal subtract the cash payments for the month. This is the total of the Cash in Bank Credit column from the cash payments journal.
5. Compare this figure to the balance shown on the last check stub in the checkbook. If the ending balance of **Cash in Bank** and the balance on the check stub match, you have proved cash. In this example the ending balance of **Cash in Bank** is \$15,179. The balance shown on the last check stub is also \$15,179; therefore, cash is proved.

If the balances are not equal, you should look for errors. Recording a bank service charge or a bankcard fee in the checkbook but not in the general ledger can cause the cash proof to be out of balance. Next, you should verify that all disbursements and deposits were recorded in the accounting records. If cash is being proved at month-end, the accountant can then continue making month-end entries.

On Your Mark Athletic Wear	
Cash Proof	
December 31, 20--	
<i>Beginning Cash in Bank Balance</i>	15 000 00
<i>Plus: Cash Receipts for the Month</i>	17 283 00
<i>Subtotal</i>	32 283 00
<i>Less: Cash Payments for the Month</i>	17 104 00
<i>Ending Cash in Bank Balance</i>	15 179 00
<i>Check Stub Balance</i>	15 179 00

Figure 17–14 Cash Proof

Note that proving cash is different from reconciling a bank statement, which is taught in Chapter 11 (pages 284–287). Proving cash verifies that amounts recorded in the general ledger, cash receipts journal, and cash payments journal agree with the checking account balance. It does *not* confirm that the bank has processed all the deposits from the business or that all outstanding checks have cleared.



AFTER
You READ

Reinforce the Main Idea

Create a table similar to the one here to identify the journal in which each of the following transactions should be recorded. Identify debit and credit parts for each transaction.

Transaction	Journal	Account(s) Debited	Account(s) Credited
1. Sold merchandise on account			
2. Purchased merchandise on account			
3. Paid a creditor			
4. Sold merchandise for cash			
5. Bankcard sales			
6. Paid the payroll			
7. Discovered that purchase of supplies was incorrectly debited to Purchases			



Do the Math

At Car Wash Palace, hourly wage earners are paid weekly. These employees earned \$8,000 in total gross earnings this week.

1. Calculate each withholding amount.
2. What is the total net pay for this week?

Tax	Rate
Social Security	6.2%
Medicare	1.45%
Federal Unemployment	0.8%
State Unemployment	5.4%
State Income	4.0%



Problem 17-2 Preparing a Cash Proof

Apple Tree Boutique uses special journals. On September 30 the total of the Cash in Bank Debit column of the cash receipts journal is \$18,750.12. The total of the Cash in Bank Credit column of the cash payments journal is \$16,890.43. The checkbook balance on September 30 is \$5,610.59.

Instructions Prepare a cash proof for September in your working papers. The balance of **Cash in Bank** on September 1 is \$3,750.90.



Problem 17-3 Analyzing a Source Document

The Country Peddler, which is a retail merchandising business, had the following transaction that occurred on November 2.

Instructions Analyze Check Stub 104 that is shown here. In your working papers, make the necessary entry to record the transaction on page 11 of the cash payments journal.

\$ 873.00	No. 104
Date November 2 20 --	
To Colonial Products Inc.	
For Inv. 323 \$900 less 3% disc. \$27.00	
	Dollars Cents
Balance brought forward	3,468 29
Add deposits	
Total	3,468 29
Less this check	873 00
Balance carried forward	2,595 29

Accounting Careers in Focus

DIRECTOR OF FINANCE

Leslie Karnauskas

Cobe Cardiovascular, Arvada, Colorado

Q: What does Cobe Cardiovascular do?

A: We identify and develop products that help treat cardiovascular disease.

Q: What are your day-to-day responsibilities?

A: I manage the general ledger, financial reporting, accounts payable, and cost accounting groups at three of our company's sites. I am part of a team responsible for budgeting and forecasting, internal and external audit, and financial analysis.

Q: What has been key to your success?

A: I have always set high standards for myself and those I manage. I continually look for new and better ways to get things done, not just in accounting but in all aspects of the business. I've also learned the importance of being proactive and taking initiative.

Q: What is most challenging about your job?

A: Finding the time and resources to meet our company's goals. I constantly reprioritize my tasks and manage several initiatives at once to make sure I meet all deadlines and still focus on growing the business.

Q: What advice do you have for accounting students?

A: Learn as much as you can about the company you join—its products, market, and strategy. Involve yourself in every aspect of the business. Join a professional organization and volunteer on a committee or its board to build leadership skills. Also, pursue interests outside of work to balance your life.

Tips from . . .



Robert Half International Inc.

Before submitting your résumé, don't forget to proofread it. Reread the document several times and ask a friend to do the same. A single typo or grammatical mistake can cause a hiring manager to question your professionalism and attention to detail.

CAREER FACTS

- ▶ **Nature of the Work:** Maintain budgeting and forecasting models; assist with business-funding decisions; hire, train, and motivate finance staff.
- ▶ **Training or Education Needed:** At least 10 years of public accounting or finance experience. A master's degree in business administration, as well as a CPA or CMA designation is preferred.
- ▶ **Aptitudes, Abilities, and Skills:** Strong leadership abilities, technology skills, analytical skills, and communication skills.
- ▶ **Salary Range:** \$80,000 to \$180,000 depending on location, experience, and company size.
- ▶ **Career Path:** Obtain the required degrees and certifications. Gain job experience by either working for a public accounting firm or in management accounting. Once in a corporate environment, gradually take on increased responsibility and move into a management position.

Thinking Critically

How can you improve your time-management skills and increase productivity?

Key Concepts

1. A *purchases journal* is used to record purchases made on credit instead of with cash. The Purchases Debit column is used for *merchandise* purchases only. Other purchases are recorded in the *General* column. The *cash payments journal* is used to record all decreases to cash.
2. The following illustrates the purchases journal entry to record the purchase of merchandise on account.

PURCHASES JOURNAL										PAGE	12	
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT		PURCHASES DEBIT		GENERAL				
								ACCOUNT DEBITED	POST. REF.	DEBIT		
1	<i>Date</i>	<i>Invoice No.</i>	<i>Creditor's Name</i>		xx	xx	xx	xx				1
2												2
3												3

The following types of transactions are recorded in the cash payments journal:

- (a) merchandise purchased for cash
- (b) payment to a creditor
- (c) payment to a creditor with a cash discount taken
- (d) cash paid out but no check written (for example, a bank service charge)

CASH PAYMENTS JOURNAL										PAGE	14
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT			
				DEBIT	CREDIT						
(a) 1	<i>Date</i>	<i>Ck # Purchases</i>		xx	xx			xx	xx	1	
(b) 2	<i>Date</i>	<i>Ck # Creditor's Account Name</i>				xx	xx	xx	xx	2	
(c) 3	<i>Date</i>	<i>Ck # Creditor's Account Name</i>				xx	xx	xx	xx	3	
(d) 4	<i>Date</i>	<i>--- Account Name to be Debited</i>		xx	xx			xx	xx	4	
5										5	

3. Follow these steps to record payroll transactions in the cash payments journal:
 - (a) Enter the date of the transaction in the Date column.
 - (b) Enter the check number in the Document Number column.
 - (c) Enter the name of the account debited in the Account Name column.
 - (d) Enter the amount of the payroll (gross pay) in the General Debit column.
 - (e) Enter the net pay amount in the Cash in Bank Credit column.
 - (f) On the next four lines, enter the names of the accounts credited in the Account Name column, and enter the amount of each liability in the General Credit column.
4. Post these columns' individual amounts *daily*:

Journal	Individual Column Amounts	Are Posted To:
Purchases Journal	Accounts Payable Credit column	➤ Subsidiary ledger creditor account
	General Debit column	➤ General ledger account

Journal	Individual Column Amounts	Are Posted To:
Cash Payments Journal	Accounts Payable Debit column	➤ Subsidiary ledger creditor account
	General Debit column	➤ General ledger account
	General Credit column	➤ General ledger account

Post these column totals at *month-end*:

Journal	Individual Column Amounts	Are Posted To:
Purchases Journal	Accounts Payable Credit column	➤ Accounts Payable account
	Purchases Debit column	➤ Purchases account
Cash Payments Journal	Accounts Payable Debit column	➤ Accounts Payable account
	Purchases Discounts Credit column	➤ Purchases Discounts account
	Cash in Bank Credit column	➤ Cash in Bank account

5. Complete seven steps before you post special journal column totals to the general ledger:
 - (a) Rule the amount columns.
 - (b) Foot the amount columns.
 - (c) Prove the journal.
 - (d) Under the last transaction, enter the date the journal is totaled in the Date column.
 - (e) On the same line, enter the word *Totals*
 - in the purchases journal Creditors' Account Credited column
 - in the cash payments journal Account Name column
 - (f) Enter the column totals, in ink, just below the footings.
 - (g) Double-rule the amount columns.
6. To prove the accounts payable subsidiary ledger, accountants prepare a *schedule of accounts payable*, which is a list of each creditor, the balance in the creditor's account, and the total amount due to all creditors. The **Accounts Payable** account is the controlling account for the accounts payable subsidiary ledger. Review this relationship in **Figure 17-13** on page 500.
7. At the end of each month, prove cash by verifying that the cash recorded in the accounting records agrees with the amount shown in the checkbook.

Key Terms

cash payments journal	(p. 489)	purchases journal	(p. 482)
proving cash	(p. 500)	schedule of accounts payable	(p. 499)

AFTER
YOU READ**Check Your Understanding**

1. **Purchases and Cash Payments Journals**
 - a. What are the source documents for the purchases journal?
 - b. What are the source documents for the cash payments journal?
2. **Recording Transactions**
 - a. List the steps to record transactions in the purchases journal.
 - b. Bank service charges are automatically deducted from the bank account. Why are these charges recorded in the cash payments journal?
3. **Recording Payroll Payments**
 - a. Where do you find the information for recording payroll transactions in the cash payments journal?
 - b. In recording payroll, what four liabilities are entered in the General Credit column of the cash payments journal?
4. **Posting from Special Journals**
 - a. When are purchases transactions posted to the accounts payable subsidiary ledger? Why?
 - b. When are cash payments transactions posted to the accounts payable subsidiary ledger? Why?
5. **Totaling, Proving, and Ruling**
 - a. When totaling, proving, and ruling the purchases journal, where are the double rules placed?
 - b. What does the check mark (✓) in the first Posting Reference column indicate?
6. **Schedule of Accounts Payable**
 - a. What information does the schedule of accounts payable include?
 - b. With what account in the general ledger must the total of the schedule of accounts payable agree when proving the accounts payable subsidiary ledger?
7. **Proving Cash**
 - a. When does a business that uses special journals update the **Cash in Bank** account in the general ledger?
 - b. How does an accountant prove cash?

Apply Key Terms

You are an applicant for an accounting clerk position with PETCO and asked to write definitions for these terms. Make sure you connect your knowledge of these accounting terms to the financial activities you believe take place at PETCO.

cash payments journal
proving cash
purchases journal

schedule of accounts payable



Mastering Purchases and Cash Payments

Making the Transition from a Manual to a Computerized System

Task	Manual Methods	Computerized Methods
Setting up vendor records	<ul style="list-style-type: none"> Ledger sheet or card is prepared with vendor details such as name, address, and contact information. Account activities are posted to the vendor subsidiary ledger accounts. 	<ul style="list-style-type: none"> Record details of vendor accounts into vendor records. The software will access this information automatically each time the vendor ID code is used.
Recording a debit memorandum	<ul style="list-style-type: none"> A journal entry is prepared to record the debit memorandum. The journal entry is posted to the subsidiary account and to the general ledger. 	<ul style="list-style-type: none"> The accounting software creates a credit memo and applies it to the appropriate outstanding vendor invoice. The accounting software automatically posts the credit memo to the vendor account and to the general ledger.



Peachtree® Q & A

Peachtree Question	Answer
How do I set up a new vendor account?	<ol style="list-style-type: none"> From the <i>Maintain</i> menu, select Vendors. Assign a Vendor ID to the new vendor. Enter vendor name and contact information. Click on the Purchases Defaults tab. Verify or enter the appropriate purchase default GL account number.
How do I record a debit memorandum?	<ol style="list-style-type: none"> From the <i>Tasks</i> menu, select Vendor Credit Memos. Select the appropriate vendor from the Vendor ID drop-down list. Enter the Vendor Credit number in the <i>Credit Number</i> field. Click on the Apply to Invoices tab, select the invoice to which the credit memo is applied, and enter the credit amount.



QuickBooks Q & A

QuickBooks Question	Answer
How do I set up a new vendor record?	<ol style="list-style-type: none"> From the <i>Lists</i> menu, select Vendor List. Click the Vendor pull-down menu and choose New. Enter vendor name and contact information. Click on the Additional Info tab and enter any additional vendor information.
How do I issue and record a debit memorandum?	<ol style="list-style-type: none"> From the <i>Vendors</i> menu, select Enter Bills. Click the Credit radio button and enter the vendor name. Click on the Items tab and select the item to which the credit memo is applied. Enter the quantity and select a customer from the <i>Customer:Job</i> field.

For detailed instructions, see your Glencoe Accounting Chapter Study Guides and Working Papers.

Complete problems using:

Manual Glencoe Working Papers

OR

Peachtree Complete Accounting Software

OR

QuickBooks Templates

Peachtree®

SMART GUIDE

Step-by-Step Instructions: Problem 17-4

1. Select the problem set for Denardo's Country Store (Prob. 17-4).
2. Rename the company and set the system date.
3. Record the payment of the payroll using the **Payments** option.
4. Print a Cash Disbursements Journal report.
5. Proof your work.
6. Complete the Analyze activity.
7. End the session.

TIP: Remember to update the *G/L Account* field for each line of a multipart cash payment transaction.

Peachtree®

SMART GUIDE

Step-by-Step Instructions: Problem 17-5

1. Select the problem set for Sunset Surfwear (Prob. 17-5).
2. Rename the company and set the system date.
3. Record all purchases on account using the **Purchases/Receive Inventory** option.
4. Print a Purchases Journal report.
5. Proof your work.
6. Complete the Analyze activity.
7. End the session.

TIP: Remember to change the *G/L Account* field as needed for general purchases.

Problem 17-4 Recording Payment of the Payroll

Denardo's Country Store pays its employees on a biweekly basis. This week the payroll is \$2,000. You issued Check 949 for \$1,487 in payment of the payroll less the following amounts: Employees' Federal Income Tax, \$320; Employees' State Income Tax, \$40; Social Security Tax, \$124; and Medicare Tax, \$29.

Instructions In your working papers, record the July 15 payroll on page 4 of the cash payments journal.

Analyze

Calculate the total deductions from employees' wages for federal, state, social security, and Medicare taxes. What percentage of gross payroll is this amount?

Problem 17-5 Recording Transactions in the Purchases Journal

Sunset Surfwear had the following purchases transactions for the month of July.

Instructions Use the purchases journal in your working papers.

1. Record each of the following transactions on page 4 of the purchases journal.
2. Foot, prove, total, and rule the purchases journal.

Date	Transactions
July 1	Purchased merchandise on account from Waverunner Designs for \$1,200, Invoice WD121.
3	Received Invoice CA552 from Capital Accessories for the purchase of \$1,600 in merchandise on account.
5	Purchased \$2,000 in store equipment on account from Neilson Store Equipment, Invoice NS444.
9	Purchased \$870 in merchandise on account from Kelley Apparel Inc., Invoice KA772.
12	Purchased \$250 in supplies from Moore Paper & Office Supply Co., Invoice MPS266.
15	Purchased \$1,800 in merchandise on account from AcaTan Products, Invoice ATP99.

CONTINUE

Date	Transactions (cont.)
July 18	Purchased \$500 in office equipment on account from Moore Paper & Office Supply Co., Invoice MPS275.
22	Received Invoice WD156 from Waverunner Designs for the purchase of \$900 in merchandise on account.
25	Purchased \$475 in merchandise on account from Capital Accessories, Invoice CA560.
28	Purchased from Kelley Apparel Inc. \$390 in merchandise on account, Invoice KA800.
30	Received Invoice NS460 from Neilson Store Equipment for the purchase of \$1,200 in store equipment on account.

Analyze Calculate the total purchases on account for the month.

Problem 17-6 Recording and Posting Purchases

Shutterbug Cameras, a retail merchandising business, had the following purchases on account for the month of July. In the working papers, the beginning balances in the accounts are opened for you.

Instructions In your working papers:

- Record July's transactions on page 18 of the purchases journal.
- Post to the accounts payable subsidiary ledger accounts daily.
- Post amounts entered in the General Debit column daily.
- Foot, prove, total, and rule the purchases journal at the end of the month.
- Post the column totals at the end of the month to the account named in the column heading.
- Prepare a schedule of accounts payable.

Date	Transactions
July 1	Purchased \$1,200 in merchandise on account from U-Tech Products, Invoice UT220.
3	Purchased \$140 in supplies on account from State Street Office Supply, Invoice 983, n/30.
6	Received Invoice 1338 from Photo Emporium for the purchase of \$150 in merchandise on account, 2/10, n/30.
9	Invoice 445 for \$90 was sent by Allen's Repair for plumbing repairs completed at the store (Maintenance Expense).
12	Purchased \$800 in merchandise on account from Video Optics Inc., Invoice VO167, 3/15, n/45.
15	Received Invoice 1322 from Digital Precision Equipment for the purchase of \$2,500 in store equipment on account, n/30.

QuickBooks

PROBLEM GUIDE

Step-by-Step Instructions: Problem 17-5

- Restore the Problem 17-5.QBB file.
- Enter all purchases on account using the **Enter Bills** option.
- Print a Journal report.
- Proof your work.
- Print a Vendor Balance Summary.
- Complete the Analyze activity.
- Back up your work.

Peachtree®

SMART GUIDE

Step-by-Step Instructions: Problem 17-6

- Select the problem set for Shutterbug Cameras (Prob. 17-6).
- Rename the company and set the system date.
- Record all purchases on account using the **Purchases/Receive Inventory** option.
- Print a Purchases Journal report.
- Proof your work.
- Print a General Ledger report and a Vendor Ledgers report.
- Complete the Analyze activity.
- End the session.

TIP: Remember to change the *G/L Account* field for purchases other than merchandise.

CONTINUE

Date	Transactions (cont.)
July 18	Purchased \$1,300 in merchandise on account from U-Tech Products, Invoice UT257.
20	Purchased \$400 in supplies on account from ProStudio Supply, Invoice 4677.
23	Photo Emporium sent Invoice 1359 for the purchase of \$600 of merchandise on account.
26	Received Invoice 478 for \$120 from Allen's Repair for additional plumbing work completed at the store.
28	Purchased \$200 in merchandise on account from Video Optics Inc., Invoice VO183.

Analyze Explain what problems would occur if the transaction of July 23 (Photo Emporium) was posted to the accounts payable subsidiary ledger as \$60.

Peachtree®

SMART GUIDE

Step-by-Step Instructions: Problem 17-7

1. Select the problem set for River's Edge Canoe & Kayak (Prob. 17-7).
2. Rename the company and set the system date.
3. Record all cash payments using the **Payments** option.
4. Print a Cash Disbursements Journal report.
5. Proof your work.
6. Print a General Ledger report and a Vendor Ledgers report.
7. Complete the Analyze activity.
8. End the session.

TIP: Sometimes you may have to manually enter a cash discount when you record a cash payment.

Problem 17-7 Recording and Posting Cash Payments

River's Edge Canoe & Kayak is a retail merchandising business located in Jackson Hole, Wyoming. The beginning balances of the accounts needed to complete this problem are opened in your working papers.

Instructions In your working papers:

1. Record the transactions on page 19 of the cash payments journal.
2. Post the individual amounts in the Accounts Payable Credit column on a daily basis to the creditors' accounts.
3. Post the individual amounts in the General Debit and Credit columns on the date the transaction occurred.
4. Foot, prove, total, and rule the cash payments journal.
5. Post the column totals at the end of the month.
6. Prepare a schedule of accounts payable.
7. Prove cash at the end of the month. The beginning **Cash in Bank** balance was \$8,000; cash receipts were \$7,000; and the ending check stub balance is \$8,402.

Date	Transactions
July 1	Issued Check 1405 for \$1,372 to North American Waterways Suppliers in payment on account of \$1,400 invoice less a 2% discount.
3	Received insurance premium statement from Rocky Mountain Insurance Company. Issued Check 1406 for \$1,800.

CONTINUE 

Peachtree®

SMART GUIDE

Step-by-Step Instructions: Problem 17-8

1. Select the problem set for Buzz Newsstand (Prob. 17-8).
2. Rename the company and set the system date.
3. Enter the purchases on account.
4. Record all cash payments.
5. Print the following reports: Purchases Journal, Cash Disbursements Journal, and Vendor Ledgers.
6. Proof your work.
7. Print a General Ledger report.
8. Complete the Analyze activity.
9. End the session.

QuickBooks

PROBLEM GUIDE

Step-by-Step Instructions: Problem 17-8

1. Restore the Problem 17-8.QBB file.
2. Enter the purchases on account.
3. Record all cash payments.
4. Print a Journal report and a Vendor Balance Summary.
5. Proof your work.
6. Print a General Ledger report.
7. Complete the Analyze activity.
8. Back up your work.

Date	Transactions (cont.)
July 5	Issued Check 1407 to Pacific Wholesalers for \$500 to apply on account.
8	Received an invoice for \$300 from Jackson News for advertising. Issued Check 1408.
12	Issued Check 1409 for \$686 to Trailhead Canoes in payment on account of \$700 invoice less a 2% discount.
15	Issued Check 1410 for \$200 to Rollins Plumbing Service in full payment of the amount owed on account.
18	Issued Check 1411 for \$75 to Ben Jacobs for completing odd jobs in the store (Miscellaneous Expense).
20	Purchased \$90 in supplies from StoreMart Supply by issuing Check 1412.
22	Paid StoreMart Supply \$400 to apply on account, Check 1413.
24	Issued Check 1414, \$700 to Office Max, store equipment.
25	Paid Mohican Falls Kayak Wholesalers \$200 to apply on account, Check 1415.
26	Issued Check 1416 to Office Max, \$150 to apply on account.
28	Paid transportation charges of \$125 to Stein's Trucking, Check 1417.

Analyze Identify the amount that River's Edge owes its creditors at month end.



Problem 17-8 Recording and Posting Purchases and Cash Payments

Buzz Newsstand had the following purchases and cash payment transactions for July. The balance in the accounts payable subsidiary ledger and general ledger accounts are opened in the working papers.

Instructions In your working papers:

1. Record the purchases and cash payment transactions on page 12 of the purchases journal and page 12 of the cash payments journal.
2. Post to the creditors' accounts in the accounts payable subsidiary ledger daily.
3. Post from the General Debit and Credit columns of the journals on the date the transaction occurred.
4. Foot, prove, total, and rule both journals.
5. Post the column totals of the purchases journal to the general ledger accounts named in the column headings.
6. Post the column totals of the cash payments journal to the general ledger accounts named in the column headings.
7. Prepare a schedule of accounts payable.

SOURCE DOCUMENT PROBLEM

Problem 17-8

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

CONTINUE

8. Prepare a cash proof at the end of the month. The beginning **Cash in Bank** balance was \$9,000. Cash receipts were \$10,500. The check stub balance on July 31 is \$10,178.

Date	Transactions
July 1	Issued Check 2455 for \$1,552 to ADC Publishing in payment on account of \$1,600 invoice less a 3% discount.
2	Purchased \$400 in merchandise on account from Pine Forest Publications, Invoice PFP144, terms 2/10, n/30.
2	Paid Candlelight Software \$1,358 in payment of \$1,400 account less a 3% discount, Check 2456.
4	Issued Check 2457 to Nomad Computer Sales for \$350 to apply on account.
5	Purchased \$2,000 in store equipment on account from CorpTech Office Supply, Invoice CT67.
7	Issued Check 2458 for \$125 to Wolfe Trucking for transportation charges.
9	Purchased \$900 in merchandise on account from American Trend Publishers, Invoice ATP98.
12	Purchased \$300 in supplies on account from CorpTech Office Supply, Invoice CT72.
14	Issued Check 2459 to Delta Press for \$750 to apply on account.
15	Received insurance premium statement from SeaTac Insurance Co. for \$1,600. Issued Check 2460.
16	Check 2461 was issued for \$882 to American Trend Publishers in payment of \$900 account less a 2% discount.
18	Purchased \$500 in merchandise on account from Candlelight Software, Invoice CS101, terms n/30.
20	Purchased \$200 in merchandise on account from Nomad Computer Sales, Invoice NC56, terms 2/10, n/30.
22	Paid Pine Forest Publications \$100 to apply on account, Check 2462.
23	Issued Check 2463 for \$2,000 to CorpTech Office Supply to apply on account.
25	Purchased \$600 in merchandise on account from ADC Publishing, Invoice ADC70.
28	Issued Check 2464 for \$450 to Nomad Computer Sales to apply on account.
30	Recorded the bank service charge of \$25. Recorded the bankcard fees, \$130. July bank statement.

Analyze

Examine the purchases made during July and determine the dollar amount by which merchandise inventory increased.

Practice your test-taking skills! The questions on this page are reprinted with permission from national organizations:

- Future Business Leaders of America
- Business Professionals of America

Use a separate sheet of paper to record your answers.



Future Business Leaders of America

MULTIPLE CHOICE

1. A listing of vendor accounts, account balances, and total amount due all vendors is a
 - a. schedule of accounts payable.
 - b. schedule of accounts receivable.
 - c. schedule of vendors.
 - d. schedule of creditors.

Use the following choices for questions 2–4. Write the letter for the correct journal used to journalize each transaction.

- a. Purchases Journal
 - b. Cash Receipts Journal
 - c. Cash Payments Journal
 - d. General Journal
 - e. Sales Journal
2. Purchased merchandise for cash.
 3. Paid cash on account.
 4. Purchased merchandise on account.



Business Professionals of America

MULTIPLE CHOICE

5. Just for You Shoes purchased shoes for its two retail locations. The mall store ordered 20 pairs at \$29.90/pair and 40 pairs at \$18.50/pair. The downtown store ordered 35 pairs at \$29.90/pair and 24 pairs at \$18.50/pair. What was the total cost of the shoes for the two stores?
 - a. \$96.50
 - b. \$193.50
 - c. \$2,828.50
 - d. \$2,703.10

Need More Help?

Go to glencoeaccounting.glencoe.com and click on **Student Center**. Click on **Winning Competitive Events** and select **Chapter 17**.

- Practice Questions and Test-Taking Tips
- Concept Capsules and Terminology


**CRITICAL
Thinking**
Special Journals: Purchases and Cash Payments

1. Describe the purpose of the purchases and the cash payments journals.
2. Your test for the equality of debits and credits of the purchases journal does not balance. Explain how you would go about finding the error(s).
3. You are instructed to prepare a schedule of accounts payable and prove its accuracy. How do you perform the task?
4. Explain why the purchase of supplies is not recorded in the special columns of the purchases journal, store equipment is not recorded in the journal's Purchases Debit column, and the General Debit column of the purchases journal is not posted to the general ledger.
5. Your accounting supervisor asks you to prepare a cash proof for the month. What accounting documents do you need? What steps will you perform?
6. Explain why it is important to prove cash.


**CASE
STUDY**
Merchandising Business: Books & More

Books & More sells hardcover and paperback books, music tapes, and CDs. It keeps a large stock of merchandise and orders new products often. The store may place an order for fast-selling items, such as a popular new CD, weekly.

You recently noticed two invoices for three dozen CDs ordered from the same music wholesaler. The CDs ordered and the amounts on both invoices are identical.

INSTRUCTIONS

1. Explain how you would determine whether the invoices are for two different orders or are duplicate invoices for one order.
2. Suggest steps to ensure that the company does not pay duplicate invoices.


**a
matter
of
ETHICS**
Insufficient Funds

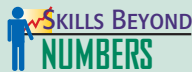
As the owner of a sporting goods store, you manage the accounting records. Your delivery van has been in the shop for repairs and you need it back as soon as possible. The mechanic calls with the repair cost, which is much higher than you expected. Your checking account cannot cover the bill, but you authorize the work anyway. If you write a check for the repairs, you believe the account will have enough money when the mechanic cashes the check.

ETHICAL DECISION MAKING

1. What are the ethical issues?
2. What are the alternatives?
3. Who are the affected parties?
4. How do the alternatives affect the parties?
5. What would you do?


**COMMUNICATING
ACCOUNTING**
Requesting Information

Thomas Sampson is a purchasing agent for Complete Offices. He gave you an envelope full of receipts from a 10-day business trip without any explanations. Write a memo asking Thomas to identify which are cash purchases and which are purchases on account. Refer specifically to payment terms as you explain the information you need to analyze the transactions.



Selecting Equipment and Tools

Web Works is an online computer assistance service specializing in applications accessible through the Internet. In a recent staff meeting, Shelly Lazarus, your manager, asked you to assess online invoice payment.

INSTRUCTIONS

1. Use the Internet and read software reviews to explore different options for paying invoices online. Prepare a table showing the comparative data.
2. Draft a memorandum with your recommendations for the hardware and software Web Works will need to facilitate online invoice payment. Proofread the draft, make corrections as needed, and prepare the final memorandum.



International Competitive Advantage

If your company has resources, products, or skills that are valuable, unique, or difficult to imitate globally, it has an *international competitive advantage*. For example Wal-Mart has developed its inventory management and purchasing system into a powerful resource that has given it a sustained competitive advantage in the international retailing industry.

INSTRUCTIONS Brainstorm other resources or skills a company might use to gain international competitive advantage.



Your Federal Income Tax

If you are working, you know that your employer withholds federal income tax from your earnings each payday as required by law. You may also be required to file a federal tax return each year, either manually or electronically.

PERSONAL FINANCE ACTIVITY Assume you have a part-time job. List the information that you need to know about filing a federal income tax return.

PERSONAL FINANCE ONLINE Log on to glencoeaccounting.glencoe.com and click on **Student Center**. Click on **Making It Personal** and select **Chapter 17**.



Cost of Sales

To increase profits, corporations must increase sales or decrease costs. They share information about both in their annual reports. PETSMART's annual report has a section labeled *Management's Discussion and Analysis of Financial Condition and Results of Operations*. It includes a comparison of net sales and gross profit for the current year and previous year. Here is how gross profit is calculated:

$$\text{Sales} - \text{Cost of Sales} = \text{Gross Profit}$$

INSTRUCTIONS

Refer to the *Fiscal 2003 Compared to Fiscal 2002* section of PETSMART's annual report in Appendix F to answer these questions.

1. What items do you think would be included in PETSMART's cost of sales?
2. What factors contributed to a higher gross profit in 2003 versus 2002?

