

# Recording Transactions in a General Journal

## 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?

### What You'll Learn

1. Explain the first three steps in the accounting cycle.
2. Give and describe several examples of source documents.
3. Explain the purpose of journalizing.
4. Apply information from source documents.
5. Describe the steps to make a general journal entry.
6. Make general journal entries.
7. Correct errors in general journal entries.
8. Define the accounting terms introduced in this chapter.

### Why It's Important

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



## Exploring the *Real World* of Business

### RECORDING FINANCIAL INFORMATION

#### Google Inc.

Think about how often you look for information on the Internet, whether it is for school or just something you find interesting. There is a good chance your first stop is **Google**.

Larry Page and Sergey Brin were students at Stanford University when they met in 1995. During the next few years, they worked together on Web search technology. They developed a way to do searches using personal computers instead of big, expensive machines.

The company **Google Inc.** was started in a garage in 1998. The site performed about 10,000 searches a day. Within two and one-half years, that number grew to 100 million. Today **Google** is the top Internet search engine. The company takes in billions of dollars in advertising each year, keeping its team of accountants busy.

#### What Do You Think?

If you were just starting an Internet company, what types of financial information would you record?



## Working in the *Real World*

### APPLYING YOUR ACCOUNTING KNOWLEDGE

Have you ever kept a daily journal of the things that happen during your day? The general journal of a business is similar. The daily financial happenings are recorded there. A company like Google sells advertising, invests in computer equipment, and pays software engineers. You will learn how to record business transactions in a journal in this chapter.

### Personal Connection

1. In your workplace, why is it important to keep accurate records of daily transactions?
2. List five business transactions that happen in your workplace.

### Online Connection

Go to [glencoeaccounting.glencoe.com](http://glencoeaccounting.glencoe.com) and click on **Student Center**. Click on **Working in the Real World** and select **Chapter 6**.



# The Accounting Cycle

## BEFORE YOU READ

### Main Idea

The accounting cycle is a series of steps done in each accounting period to keep records in an orderly fashion.

### Read to Learn...

- the steps in the accounting cycle. (p. 132)
- the different types of accounting periods. (p. 134)

### Key Terms

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

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

## The Steps of the Accounting Cycle

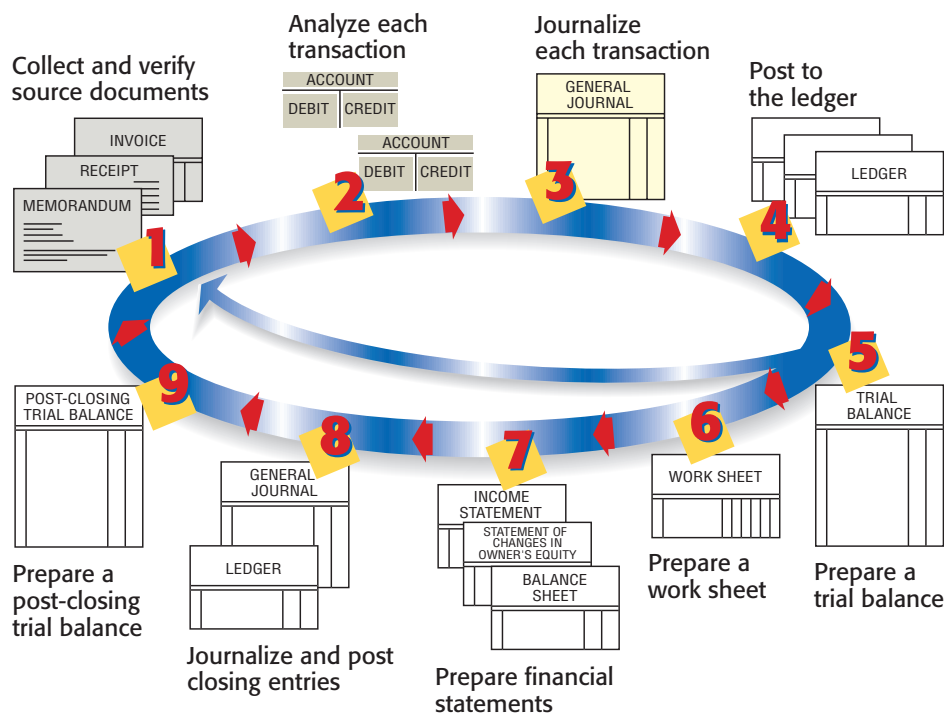
### What Is the Accounting Cycle?

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

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

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

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



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

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

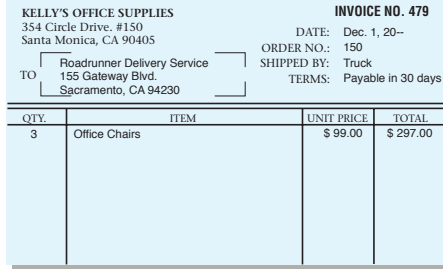

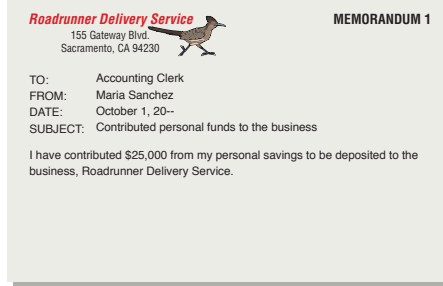
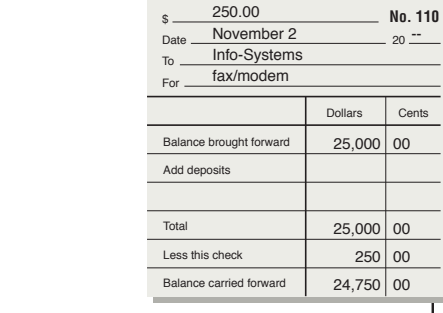
Most business transactions take place during the daily operations of a business. In the course of one day, a business may pay its rent, place an ad in a local newspaper, contract to have a Web site created, pay its employees, sell products, and purchase new equipment. When a business transaction occurs,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

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

**As You READ**

**Key Point**

**Source Documents**  
Source documents are evidence of business transactions.

<p><b>Invoice</b></p> <p>Lists specific information about a business transaction involving the buying or selling of an item on account. The invoice contains the date of the transaction; the quantity, description, and cost of each item; and the payment terms.</p>	 <p><b>KELLY'S OFFICE SUPPLIES</b> 354 Circle Drive, #150 Santa Monica, CA 90405</p> <p>INVOICE NO. 479</p> <p>DATE: Dec. 1, 20-- ORDER NO.: 150 SHIPPED BY: Truck TERMS: Payable in 30 days</p> <p>TO: Roadrunner Delivery Service 155 Gateway Blvd. Sacramento, CA 94230</p> <table border="1"> <thead> <tr> <th>QTY.</th> <th>ITEM</th> <th>UNIT PRICE</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>Office Chairs</td> <td>\$ 99.00</td> <td>\$ 297.00</td> </tr> </tbody> </table>	QTY.	ITEM	UNIT PRICE	TOTAL	3	Office Chairs	\$ 99.00	\$ 297.00										
QTY.	ITEM	UNIT PRICE	TOTAL																
3	Office Chairs	\$ 99.00	\$ 297.00																
<p><b>Receipt</b></p> <p>A record of cash received by a business. It indicates the date the payment was received, the name of the person or business from whom the payment was received, and the amount of the payment.</p>	 <p><b>Roadrunner Delivery Service</b> 155 Gateway Blvd. Sacramento, CA 94230</p> <p>RECEIPT No. 2</p> <p>Nov. 26 20 --</p> <p>RECEIVED FROM Greer's Market \$ 200.00</p> <p>Two hundred and <sup>no</sup>/<sub>100</sub> DOLLARS</p> <p>FOR Deliveries 11/26/20--</p> <p>RECEIVED BY <u>Maria Sanchez</u></p>																		
<p><b>Memorandum</b></p> <p>A brief written message that describes a transaction that takes place within a business. A memorandum is often used if no other source document exists for the business transaction.</p>	 <p><b>Roadrunner Delivery Service</b> 155 Gateway Blvd. Sacramento, CA 94230</p> <p>MEMORANDUM 1</p> <p>TO: Accounting Clerk FROM: Maria Sanchez DATE: October 1, 20-- SUBJECT: Contributed personal funds to the business</p> <p>I have contributed \$25,000 from my personal savings to be deposited to the business, Roadrunner Delivery Service.</p>																		
<p><b>Check Stub</b></p> <p>The check stub lists the same information that appears on a check: the date written, the person or business to whom the check was written, and the amount of the check. The check stub also shows the balance in the checking account before and after each check is written.</p>	 <p>\$ 250.00 No. 110</p> <p>Date November 2 20 --</p> <p>To Info-Systems</p> <p>For fax/modem</p> <table border="1"> <thead> <tr> <th></th> <th>Dollars</th> <th>Cents</th> </tr> </thead> <tbody> <tr> <td>Balance brought forward</td> <td>25,000</td> <td>00</td> </tr> <tr> <td>Add deposits</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>25,000</td> <td>00</td> </tr> <tr> <td>Less this check</td> <td>250</td> <td>00</td> </tr> <tr> <td>Balance carried forward</td> <td>24,750</td> <td>00</td> </tr> </tbody> </table>		Dollars	Cents	Balance brought forward	25,000	00	Add deposits			Total	25,000	00	Less this check	250	00	Balance carried forward	24,750	00
	Dollars	Cents																	
Balance brought forward	25,000	00																	
Add deposits																			
Total	25,000	00																	
Less this check	250	00																	
Balance carried forward	24,750	00																	

**Figure 6-2** Source Documents



The business owner, accountant, or accounting clerk (depending on the size of the business) uses source documents generated by business transactions to keep the records of the business. The accounting cycle starts by collecting and verifying the accuracy of source documents. One important activity is to check the arithmetic on each source document.

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

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

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

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

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

### As You READ

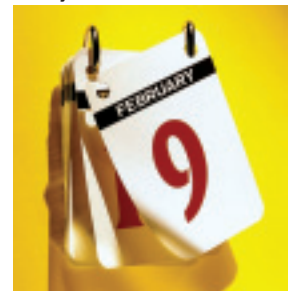
#### It's Not What It Seems

**Journal** In your personal life, a *journal* can be a private diary of your thoughts and experiences. In accounting a *journal* is a formal record of business transactions.

## The Accounting Period

### What Are the Different Types of Accounting Periods?

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



### Connect to...

#### HISTORY

In 1494 Franciscan monk Luca Pacioli published a mathematics book that included a section on double-entry accounting. In his book Pacioli described most of the accounting cycle as we know it today.

AFTER  
You READ**Reinforce the Main Idea**

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

Step Number	Step Description	How This Step Helps Organize Business Records

**Do the Math**

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

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

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

**Problem 6-1 Analyzing a Source Document**

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

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

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

## SECTION 2

# Recording Transactions in the General Journal

### BEFORE YOU READ

#### Main Idea

You can use the general journal to record all of the transactions of a business.

#### Read to Learn...

- how to record a general journal entry. (p. 136)
- how to correct errors in the general journal. (p. 148)

#### Key Terms

general journal

In Section 1 you learned about the first three steps in the accounting cycle. Let's apply these steps to business transactions for Roadrunner Delivery Service.

## Recording a General Journal Entry

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

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

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

**Figure 6–3** General Journal for Roadrunner Delivery Service

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

### As You READ

#### Instant Recall

##### Normal Debit Balance

Assets  
Expenses  
Owner's Withdrawals

##### Normal Credit Balance

Liabilities  
Revenue  
Owner's Capital

## Business Transaction

*BUSINESS TRANSACTION ANALYSIS: Steps to Success*

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

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

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

## Business Transaction 1

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

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

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



MEMORANDUM 1

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

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



## T ACCOUNTS

6.

Cash in Bank		Maria Sanchez, Capital	
Debit + 25,000	Credit -	Debit -	Credit + 25,000

## JOURNAL ENTRY

7.

GENERAL JOURNAL					PAGE <u>1</u>
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT
1	20--				
2	Oct. 1	Cash in Bank		25 000 00	
3		Maria Sanchez, Capital			25 000 00
4		Memorandum 1			

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

## Business Transaction 2

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

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



### MEMORANDUM 2

TO: Accounting Clerk  
FROM: Maria Sanchez  
DATE: October 2, 20--  
SUBJECT: Contributed personal phones

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

### ANALYSIS Identify

- The accounts **Office Equipment** and **Maria Sanchez, Capital** are affected.
- Office Equipment** is an asset account. **Maria Sanchez, Capital** is an owner's capital account.
- Office Equipment** is increased by \$400. **Maria Sanchez, Capital** is increased by \$400.

### Classify

+/-

### DEBIT-CREDIT RULE

- Increases in asset accounts are recorded as debits. Debit **Office Equipment** for \$400.
- Increases in owner's capital accounts are recorded as credits. Credit **Maria Sanchez, Capital** for \$400.

## T ACCOUNTS

6.

Office Equipment		Maria Sanchez, Capital	
Debit + 400	Credit -	Debit -	Credit + 400

**JOURNAL ENTRY**



7.

GENERAL JOURNAL					PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
5 Oct. 2	Office Equipment		40000		5
6	Maria Sanchez, Capital			40000	6
7	Memorandum 2				7
8					8

**Business Transaction 3**

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

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

**ANALYSIS Identify**

**Classify**

+/-

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

**DEBIT-CREDIT RULE**

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

**T ACCOUNTS**

6. Computer Equipment		Cash in Bank	
Debit	Credit	Debit	Credit
+	-	+	-
3,000			3,000

**JOURNAL ENTRY**

7.

GENERAL JOURNAL					PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
8 Oct. 4	Computer Equipment		300000		8
9	Cash in Bank			300000	9
10	Check 101				10
11					11



## Business Transaction 4

On October 9 Roadrunner bought a used truck on account from North Shore Auto for \$12,000, Invoice 200.

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

### ANALYSIS Identify

- The accounts **Delivery Equipment** and **Accounts Payable—North Shore Auto** are affected.

### Classify

+/-

- Delivery Equipment** is an asset account. **Accounts Payable—North Shore Auto** is a liability account.
- Delivery Equipment** is increased by \$12,000. **Accounts Payable—North Shore Auto** is increased by \$12,000.

### DEBIT-CREDIT RULE

- Increases in asset accounts are recorded as debits. Debit **Delivery Equipment** for \$12,000.
- Increases in liability accounts are recorded as credits. Credit **Accounts Payable—North Shore Auto** for \$12,000.

### T ACCOUNTS

6.

Delivery Equipment		Accounts Payable— North Shore Auto	
Debit	Credit	Debit	Credit
+ 12,000	—	—	+ 12,000

### JOURNAL ENTRY

7.

GENERAL JOURNAL					PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
Oct. 9	Delivery Equipment		12 000 00		11
	Accts. Pay.—North Shore Auto			12 000 00	12
	Invoice 200				13
					14

### As You READ

#### In Your Own Words

**On Account** In Business Transaction 4, Roadrunner “bought a used truck on account...” What does this mean?

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

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



## Business Transaction 5

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

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



MEMORANDUM 3

TO: Accounting Clerk  
FROM: Maria Sanchez  
DATE: October 11, 20--  
SUBJECT: Sold telephone

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

### ANALYSIS Identify

Classify  
+/-

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

### DEBIT-CREDIT RULE

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

### T ACCOUNTS

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

### JOURNAL ENTRY

7.

GENERAL JOURNAL					PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
14 Oct. 11	Accts. Rec.—Green Company		200.00		14
15	Office Equipment			200.00	15
16	Memorandum 3				16
17					17

## Business Transaction 6

On October 12 Roadrunner mailed Check 102 for \$350 as the first installment on the truck purchased from North Shore Auto on October 9.

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

### ANALYSIS Identify

Classify

+/-

- The accounts **Accounts Payable—North Shore Auto** and **Cash in Bank** are affected.
- Accounts Payable—North Shore Auto** is a liability account. **Cash in Bank** is an asset account.
- Both accounts are decreased by \$350.

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

**DEBIT-CREDIT RULE**

- Debit **Accounts Payable—North Shore Auto** for \$350.
- Credit **Cash in Bank** for \$350.

**T ACCOUNTS**

6.

Accounts Payable— North Shore Auto		Cash in Bank	
Debit – 350	Credit +	Debit +	Credit – 350

**JOURNAL ENTRY**



7.

GENERAL JOURNAL					PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
17	Oct. 12	Accts. Pay.—North Shore Auto		350.00		17
18		Cash in Bank			350.00	18
19		Check 102				19
20						20

**Business Transaction 7**

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

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

**RECEIPT**  
No. 1

Oct. 14 20 --

RECEIVED FROM Green Company \$ 200.00

Two hundred and 00/100 DOLLARS

FOR Telephone

RECEIVED BY Maria Sanchez

- ANALYSIS**
- Identify**
  - Classify**
  - +/-**

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

**DEBIT-CREDIT RULE**

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

**T ACCOUNTS**

6.

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



**JOURNAL ENTRY**

7.

GENERAL JOURNAL						PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
20 Oct. 14	Cash in Bank		20000		20	
21	Accts. Rec.—Green Company			20000	21	
22	Receipt 1				22	
23					23	

**Business Transaction 8**

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

**Roadrunner Delivery Service**

155 Gateway Blvd.  
Sacramento, CA 94230



**RECEIPT**

No. 2

Oct. 15 20 --  
RECEIVED FROM Sims Corporation \$ 1,200.00  
One thousand two hundred and <sup>no</sup>/<sub>100</sub> \_\_\_\_\_ DOLLARS  
FOR Delivery services  
RECEIVED BY Maria Sanchez

**ANALYSIS Identify**

**Classify**

+/-

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

**DEBIT-CREDIT RULE**

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

**T ACCOUNTS**

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

**JOURNAL ENTRY**

7.

GENERAL JOURNAL						PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
23 Oct. 15	Cash in Bank		120000		23	
24	Delivery Revenue			120000	24	
25	Receipt 2				25	
26					26	



## Business Transaction 9

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

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

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

### ANALYSIS Identify

### Classify

+/-

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

### DEBIT-CREDIT RULE

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

### T ACCOUNTS

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

### JOURNAL ENTRY



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

## Business Transaction 10

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

Beacon Advertising 10200 Prairie Parkway Sacramento, CA 94206	INVOICE NO. 129 DATE: Oct. 18, 20-- ORDER NO.: 699 SHIPPED BY: n/a TERMS: Payable in 30 days
	TO Roadrunner Delivery Service 155 Gateway Blvd. Sacramento, CA 94230

QTY.	ITEM	UNIT PRICE	TOTAL
1	Print Ad	\$ 75.00	\$ 75.00

### ANALYSIS Identify

### Classify

+/-

- The accounts **Advertising Expense** and **Accounts Payable—Beacon Advertising** are affected.
- Advertising Expense** is an expense account. **Accounts Payable—Beacon Advertising** is a liability account.
- Advertising Expense** is increased by \$75. **Accounts Payable—Beacon Advertising** is increased by \$75.

**DEBIT-CREDIT RULE**

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

**T ACCOUNTS**

6.

Advertising Expense		Accounts Payable— Beacon Advertising	
Debit	Credit	Debit	Credit
+	-	-	+
75			75


**JOURNAL ENTRY**

7.

GENERAL JOURNAL					PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
29 Oct. 18	Advertising Expense		7500		29
30	Accts. Pay.—Beacon Adv.			7500	30
31	Invoice 129				31
32					32

**Business Transaction 11**

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

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

**ANALYSIS Identify**

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

**Classify**

+/-

**DEBIT-CREDIT RULE**

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

**T ACCOUNTS**

6.

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





## JOURNAL ENTRY

7.

GENERAL JOURNAL					PAGE	1
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
32 Oct. 20	Accts. Rec.—City News		1 450 00			32
33	Delivery Revenue			1 450 00		33
34	Sales Invoice 1					34
35						35



## Business Transaction 12

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

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

### ANALYSIS Identify

### Classify

+/-

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

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

### DEBIT-CREDIT RULE

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

### T ACCOUNTS

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

## JOURNAL ENTRY

7.

GENERAL JOURNAL					PAGE	1
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
35 Oct. 28	Utilities Expense		125 00			35
36	Cash in Bank			125 00		36
37	Check 104					37
38						38



## Business Transaction 13

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

\$ 600.00 No. 105  
 Date October 29 20 --  
 To Rainbow Painting  
 For office painted

	Dollars	Cents
Balance brought forward	22,225	00
Add deposits		
Total	22,225	00
Less this check	600	00
Balance carried forward	21,625	00

**ANALYSIS** Identify

Classify

+/-

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

**DEBIT-CREDIT RULE**

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

**T ACCOUNTS**

6.

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

**JOURNAL ENTRY**

7.

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

## Business Transaction 14

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

\$ 500.00 No. 106  
 Date October 31 20 --  
 To Maria Sanchez  
 For withdrawal

	Dollars	Cents
Balance brought forward	21,625	00
Add deposits		
Total	21,625	00
Less this check	500	00
Balance carried forward	21,125	00

**ANALYSIS** Identify

Classify

+/-

- The accounts **Maria Sanchez, Withdrawals** and **Cash in Bank** are affected.
- Maria Sanchez, Withdrawals** is an owner's withdrawals account. **Cash in Bank** is an asset account.
- Maria Sanchez, Withdrawals** is increased by \$500. **Cash in Bank** is decreased by \$500.

## DEBIT-CREDIT RULE

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

## T ACCOUNTS

6.

Maria Sanchez, Withdrawals		Cash in Bank	
Debit + 500	Credit -	Debit +	Credit - 500

## JOURNAL ENTRY

7.

GENERAL JOURNAL					PAGE	1
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
41 Oct. 31	Maria Sanchez, Withdrawals		500.00			41
42	Cash in Bank			500.00		42
43	Check 106					43
44						44

## Correcting the General Journal

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

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

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

GENERAL JOURNAL					PAGE	1
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
1 20--						1
2 Oct. 1	Cash in Bank		25 000 00			2
3	Maria Sanchez, Capital		<del>52 000 00</del>	25 000 00		3
4	Memorandum 1			<del>52 000 00</del>		4

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

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

### As You READ

#### Compare and Contrast

**Journal Errors** What are the consequences of an error in an amount? In an account name? How are the consequences similar? How are they different?

AFTER  
You READ**Reinforce the Main Idea**

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

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

**Do the Math**

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

- Which account is debited and for what amount?
- Which account is credited and for what amount?

**Problem 6-2 Recording Business Transactions**

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

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

**Problem 6-3 Analyzing Transactions**

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

**General Ledger**

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

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

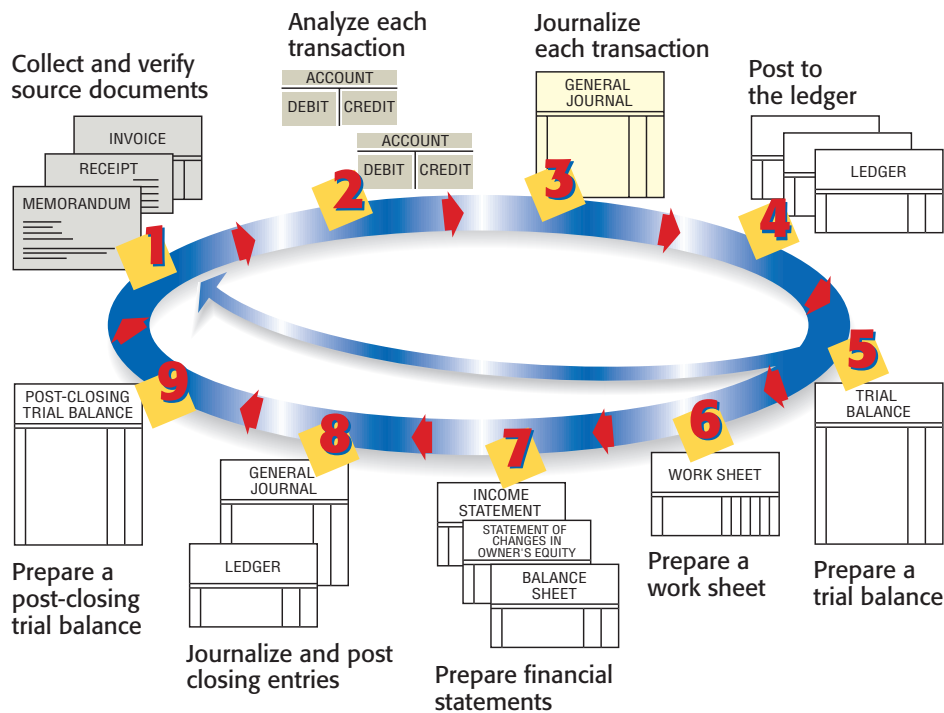
**Transactions:**

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



## Key Concepts

- The accounting cycle is pictured below. The first three steps are highlighted:
  - Step 1: Collect and verify source documents.
  - Step 2: Analyze each transaction.
  - Step 3: Journalize each transaction.



- Source documents are evidence of business transactions. Four examples of source documents are listed below.

- Invoice ➤ describes the buying or selling of an item on account
- Receipt ➤ describes cash received by a business
- Memorandum ➤ describes a transaction that takes place within a business
- Check Stub ➤ describes a specific check and shows the checking account balance

- Businesses use journals to keep records of transactions in the order they occur. The process of recording transactions in a journal is called *journalizing*.
- Source documents contain the information needed for journalizing transactions. The check stub shown to the right is a source document. The highlighted information is used to make the journal entry.

\$	250.00	No. 110
Date	November 2	20 --
To	Info-Systems	
For	fax/modem	
	Dollars	Cents
Balance brought forward	25,000	00
Add deposits		
Total	25,000	00
Less this check	250	00
Balance carried forward	24,750	00

5. Follow six steps to make a general journal entry:

GENERAL JOURNAL						PAGE _____
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
1 (1) Date	(2) Account to Debit		(3) Debit Amt.		1	
2	(4) Account to Credit			(5) Credit Amt.	2	
3	(6) Source Document Reference				3	
4					4	

6. Notice how information is applied from the source document (Check Stub 110) to the general journal.

GENERAL JOURNAL						PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
1 20--					1	
2 Nov. 2	Office Equipment		250 00		2	
3	Cash in Bank			250 00	3	
4	Check 110				4	

7. In a manual system, never erase a general journal error. The procedure to correct an error is shown below.

GENERAL JOURNAL						PAGE <u>1</u>
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
1 20--					1	
2 Nov. 2	Office Equipment		250 00		2	
3	<del>Maintenance Expense</del>			250 00	3	
4	Cash in Bank				4	
	Check 110					

## Key Terms

accounting cycle	(p. 132)	journal	(p. 134)
calendar year	(p. 134)	journalizing	(p. 134)
check stub	(p. 133)	memorandum	(p. 133)
fiscal year	(p. 134)	receipt	(p. 133)
general journal	(p. 136)	source document	(p. 133)
invoice	(p. 133)		

AFTER  
YOU READ**Check Your Understanding**

1. **Accounting Cycle**
  - a. List the first three steps of the accounting cycle.
  - b. What would happen if you skipped Step 2?
2. **Source Documents**
  - a. List four source documents and describe the contents of each.
  - b. Explain when each source document is used.
3. **Journalizing**
  - a. Why is a journal sometimes called the *book of original entry*?
  - b. What is the purpose of recording transactions in a journal?
4. **Applying Information**
  - a. Where do you get the information needed to make a journal entry?
  - b. How do you determine the debit and credit parts of a journal entry?
5. **Steps to Make a General Journal Entry**
  - a. What six types of information are included in each general journal entry?
  - b. In what order do you record this information?
6. **Making General Journal Entries**
  - a. How are the two amount columns of the general journal used to record dollar amounts?
  - b. Describe the spacing of the information in the Description column.
7. **Correcting General Journal Errors**
  - a. What procedure is used to correct a general journal entry error in a manual system?
  - b. What are the possible consequences of erasing an error in the general journal?

**Apply Key Terms**

Assume you are an accountant who keeps financial records for small businesses. Write a one-page newsletter that you might send to potential clients describing the importance of accounting records. Use each of the terms below in your newsletter.

accounting cycle  
calendar year  
check stub  
fiscal year  
general journal  
invoice

journal  
journalizing  
memorandum  
receipt  
source document



## General Journal Entries

### Making the Transition from a Manual to a Computerized System

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



## Peachtree® Q & A

Peachtree Question	Answer
How do I enter general journal entries in Peachtree?	<ol style="list-style-type: none"> <li>From the <i>Tasks</i> menu, select <b>General Journal Entry</b>.</li> <li>Enter the date of the transaction.</li> <li>Enter the source document reference.</li> <li>Enter the account number to be debited.</li> <li>Enter a brief description of the transaction.</li> <li>Enter the debit amount.</li> <li>Enter the account number to be credited.</li> <li>Enter the credit amount.</li> <li>Click <b>Save</b>.</li> </ol>



## QuickBooks Q & A

QuickBooks Question	Answer
How do I enter general journal entries in QuickBooks?	<ol style="list-style-type: none"> <li>From the <i>Company</i> menu, select <b>Make General Journal Entries</b>.</li> <li>Enter the date of the transaction.</li> <li>Enter the account to be debited.</li> <li>Enter the debit amount, source document reference, and description.</li> <li>Enter the account to be credited.</li> <li>Enter the credit amount, source document reference, and description.</li> <li>Click <b>Save &amp; Close</b>.</li> </ol>

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 6-4

1. Select the problem set for Wilderness Rentals (Prob. 6-4).
2. Rename the company and set the system date.
3. Enter all of the general journal transactions using the **General Journal Entry** option in the **Tasks** menu.
4. Print a General Journal report.
5. Proof your work and make any needed corrections.
6. Complete the Analyze activity.
7. End the session.

### QuickBooks

### PROBLEM GUIDE

#### Step-by-Step Instructions: Problem 6-4

1. Restore the Problem 6-4.QBB file.
2. Enter all of the general journal transactions using the **Make General Journal Entries** option in the **Company** menu.
3. Print a Journal report.
4. Proof your work and make any needed corrections.
5. Complete the Analyze activity.
6. Back up your work.

## Problem 6-4 Recording General Journal Transactions

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

### General Ledger

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

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

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

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

### Analyze

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

## Problem 6–5 Recording General Journal Transactions

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

### General Ledger

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

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

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

### Analyze

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

## Peachtree®

### SMART GUIDE

#### Step-by-Step Instructions: Problem 6–5

1. Select the problem set for Hot Suds Car Wash (Prob. 6–5).
2. Rename the company and set the system date.
3. Enter all of the general journal transactions using the **General Journal Entry** option in the **Tasks** menu.
4. Print a General Journal report.
5. Proof your work and make any needed corrections.
6. Complete the Analyze activity.
7. End the session.

**TIP:** You can use **General Ledger Navigation Aid** as an alternative way to access the **General Journal Entry** window.

## QuickBooks

### PROBLEM GUIDE

#### Step-by-Step Instructions: Problem 6–5

1. Restore the Problem 6-5.QBB file.
2. Enter all of the general journal transactions using the **Make General Journal Entries** option in the **Company** menu.
3. Print a Journal report.
4. Proof your work and make any needed corrections.
5. Complete the Analyze activity.
6. Back up your work.

**Peachtree®**

## SMART GUIDE

### Step-by-Step Instructions: Problem 6-6

1. Select the problem set for Kits & Pups Grooming (Prob. 6-6).
2. Rename the company and set the system date.
3. Enter all of the general journal transactions.
4. Print a General Journal report.
5. Proof your work and make any needed corrections.
6. Complete the Analyze activity.
7. End the session.

**TIP:** As a shortcut, you can enter just the day of the month for a transaction date.

## Problem 6-6 Recording General Journal Transactions

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

### General Ledger

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

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

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

### Analyze

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



## Problem 6–7 Recording General Journal Transactions

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

### General Ledger

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

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

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

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

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### SMART GUIDE

#### Step-by-Step Instructions: Problem 6–7

1. Select the problem set for Outback Guide Service (Prob. 6–7).
2. Rename the company and set the system date.
3. Enter all of the general journal transactions.
4. Print a General Journal report.
5. Proof your work and make any needed corrections.
6. Complete the Analyze activity.
7. End the session.

**TIP:** Press **SHIFT+?** in an *Account No.* field to display an account list.



## Problem 6–8 Recording General Journal Transactions

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

### General Ledger

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

### SOURCE DOCUMENT PROBLEM

#### Problem 6–8

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



### SMART GUIDE

#### Step-by-Step Instructions: Problem 6–8

1. Select the problem set for Showbiz Video (Prob. 6–8).
2. Rename the company and set the system date.
3. Enter all of the general journal transactions.
4. Print a General Journal report.
5. Proof your work and make any needed corrections.
6. Complete the Analyze activity.
7. End the session.

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

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

### Analyze

Calculate the total expenses incurred in January.



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. Recording account information in chronological order is called
  - a. posting.
  - b. journalizing.
  - c. analyzing.
  - d. processing.
2. Every journal consists of four parts:
  - a. account title, date, post reference, amount.
  - b. date, debit, credit, source document.
  - c. date, page number, debit, credit.
  - d. date, post reference, debit, credit.
3. The amount of each asset in an opening entry is recorded in a journal in the
  - a. General Debit column.
  - b. General Credit column.
  - c. both a and b.
  - d. neither a nor b.
4. An example of a business document that indicates a transaction has occurred is
  - a. a journal.
  - b. a ledger.
  - c. a memo.
  - d. a balance sheet.



## Business Professionals of America

### MULTIPLE CHOICE

5. The source document used when a customer makes a payment on his/her account owed would be a
  - a. sales invoice.
  - b. check.
  - c. receipt.
  - d. memorandum.

### Need More Help?

Go to [glencoeaccounting.glencoe.com](http://glencoeaccounting.glencoe.com) and click on **Student Center**. Click on **Winning Competitive Events** and select **Chapter 6**.

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

**CRITICAL**  
 Thinking

**General Journal Entries**

1. What term describes any accounting period of 12 months?
2. How is the general journal entry for a cash purchase different from the entry for a purchase on account?
3. It is your first day on a new job. Your task is to journalize transactions. You just sat at your desk, which is covered with papers. What do you do next?
4. Compare a general journal entry to a transaction recorded in T accounts. How is it similar? How is it different?
5. What items do you need to complete each of the first three steps of the accounting cycle? Include office supplies and forms as well as any information that will be needed.
6. What is the value of keeping the record of business transactions in chronological order?

**CASE**  
 STUDY

**Service Business: Exercise and Fitness**

Elena Rodriguez started a business offering an exercise facility and personal physical training. Elena has hired you as a financial consultant to help her set up her accounting system. She has rented a space for her business, purchased several exercise machines, and hired a part-time exercise instructor. Elena's clients can either pay a fee for each visit or purchase a membership.

**INSTRUCTIONS**

1. Write a plan for Elena Rodriguez explaining the types of financial information she needs to record. Describe the source documents that might be a part of her business. For example, should Elena send invoices to her non-membership clients or ask them to pay at each visit? Describe why it is important for Elena to record both the cost of doing business and the income from the business.
2. Suggest a chart of accounts for Elena's business.

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 matter  
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**ETHICS**
**Gossip in the Workplace**

Assume that you are an accounting clerk for a large insurance company like Farmers Insurance. Your boss introduces you to the newest hire, and you recognize her as a former classmate from high school named Sally. You remember that Sally had been suspended from school for a series of locker thefts. During lunch you consider telling other co-workers about Sally's history. You also wonder if your boss knows.

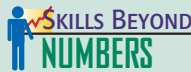
**ETHICAL DECISION MAKING**

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?



### Describing Source Documents

Write a paragraph describing the content of invoices, check stubs, memorandums, and receipts. Explain how to verify and analyze these source documents before an entry is made in the journal.



### Creative Thinking

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



### Dating Documents

Source documents from different countries can have different date formats:

	<u>United States</u>	<u>Australia</u>
Date written out	July 6, 2010	6 July 2010
Abbreviation	7/6/10	6/7/10
Format	MM/DD/YY	DD/MM/YY

As you can see in this example, writing out the month prevents confusion. The International Organization for Standardization (ISO) promotes the worldwide use of a single format: YYYY-MM-DD.

**INSTRUCTIONS** Write the date *February 17, 2010*, using the ISO recommended format.



### Your Personal Finance Records

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

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

**PERSONAL FINANCE ONLINE** Log on to [glencoeaccounting.glencoe.com](http://glencoeaccounting.glencoe.com) and click on **Student Center**. Click on **Making It Personal** and select **Chapter 6**.



### Transactions in Sports

The general journal can be used to record all types of transactions. Visit [glencoeaccounting.glencoe.com](http://glencoeaccounting.glencoe.com) and click on **Student Center**. Click on **WebQuest** and select **Unit 2** to continue your Internet project.

