

Name: _____

ACCOUNTING I

Chapter 3--Journalizing Transactions

Lesson 3-1: Recording Transactions and the General Journal

Learning Targets:

- Define what a journal is and explain why it is used to record transactions.
- Compare and contrast different types of source documents.
- Identify the four parts of a journal entry.

A. Journals and Journalizing

- Where can we find all of our account titles and numbers? _____

GENERAL JOURNAL													PAGE
	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT				
1													1
2													2
3													3
4													4

- Define Journal:
- A journal is more _____ and a more _____ record of transactions.
- Define Journalizing:
- There are several kinds/only one kind (*highlight one*) of journal(s).
- Most businesses journalize transactions _____ to stay up-to-date.

B. General Journal

- Information recorded in a journal includes the _____ and _____ parts of each transaction recorded in one _____.
- Transactions are journalized in order by _____.
- Define Entry:
- Define Double-entry accounting:
- Double entry means each transaction affects AT LEAST _____ accounts.
- **ONCE AGAIN,** _____ must always equal _____.

C. Source Documents

- Define Source documents:

- A source document _____ that a transaction occurred.
- Define **GAAP Concept--OBJECTIVE EVIDENCE:**
- Define Check:

NO. 1 \$ 165.00		DELGADO WEB SERVICES		NO. 1 000100	
Date <u>January 2</u> 20__		25402 Rimrock Road		January 2 20__	
To <u>Fastade Supplies</u>		Billings, MT 59102-1820			
For <u>Supplies</u>		PAY TO THE ORDER OF <u>Fastade Supplies</u>		\$ 165.00	
BALANCE BROUGHT FORWARD 0.00		One hundred sixty-five and 00/100		DOLLARS	
AMOUNT DEPOSITED 121 2,000.00		Billings National Bank			
SUBTOTAL 2,000.00		FOR <u>Supplies</u>		<u>Michael Delgado</u>	
OTHER:		Billings, MT			
SUBTOTAL 2,000.00		0042921508 700465531			
AMOUNT THIS CHECK 165.00					
BALANCE CARRIED FORWARD 1,835.00					

- The source document for _____ is a check.
- A company's record of information on a check is the _____ prepared at the _____ time as the check.
- Define Invoice:
- Define Sales invoice:

DELGADO WEB SERVICES 25402 Rimrock Road Billings, MT 59102-1820		Sold to: <u>Main Street Variety</u> <u>3900 Grand Avenue</u> <u>Billings, MT 59102</u>	No. <u>1</u> Date <u>1/12/-</u> Terms <u>30 days</u>
Description	Amount		
Web Site Design	\$500.00		
Total	\$500.00		

- When a sale is made, the customer gets their services, but nothing is paid yet. This is called a sale _____.
- Define Receipt:

No. 1	Receipt No. 1
Date <u>January 2</u> 20__	Date <u>January 2</u> 20__
From <u>Michael Delgado</u>	Rec'd from <u>Michael Delgado</u>
For <u>Investment</u>	For <u>Investment</u>
	<u>Two thousand and no/100</u> Dollars
\$ 2,000.00	Amount \$ 2,000.00
	DELGADO WEB SERVICES 25402 Rimrock Road Billings, MT 59102-1820
	<u>Domin Delgado</u> Received By

- A receipt is used when cash is received from _____.

- Define Memorandum:

DELGADO WEB SERVICES 2500 G Street East El Paso, TX 79901-1332		No. 1
MEMORANDUM		
<i>Bought supplies on account from Canyon Office Supplies \$220.00</i>		
Signed: <i>Michael Delgado</i>		Date: <i>January 5, 20--</i>

- A memo is used when there is _____ source document or when an _____ is needed about a transaction.

- Define Calculator Tape:

	0.00 *
<i>Jan. 10, 20--</i>	330.00 +
<i>T10</i>	450.00 +
	330.00 +
	1,100.00 *

- By totaling all the individual sales, a single source document is produced for the _____ of the day. Time and space are saved by _____ only _____ entry for all of a day's sales.

D. Preparing Journal Entries

- A journal is sometimes called _____.
- A journal is a _____ record, so we use ink.
- When an entry in an amount column is an even dollar amount, _____ should be added to the cents column.

E. Received Cash from Owner as Investment

GENERAL JOURNAL						
DATE	ACCOUNT TITLE	DO. NO.	POST. REF.	DEBIT	CREDIT	
1 Jan. 2	Cash	R7		2 0 0 0 00		1
	Michael Delgado, Capital				2 0 0 0 00	2

List the steps to journalize:

- 1.
- 2.
- 3.
- 4.

- What type of source document is used for this transaction? _____

F. Paid Cash for Supplies

The diagram shows a General Journal entry for "Paid Cash for Supplies". The entry is as follows:

GENERAL JOURNAL		PAGE 1	
DATE	ACCOUNT TITLE	DOC. NO. POST. REF. DEBIT CREDIT	
2	Supplies	C1 165.00	
	Cash		165.00

Numbered steps for journalizing:

1. Date (2)
2. Account Title (Supplies)
3. Debit Amount (165.00)
4. Credit Amount (165.00)

List the steps to journalize:

- 1.
- 2.
- 3.
- 4.

- What type of source document is used for this transaction? _____

Lesson 3-2: Transactions Affecting Prepaid Insurance and Supplies

Learning Targets:

- Analyze and record cash transactions using source documents.
- Analyze and record transactions for buying and paying on account.

A. Paid Cash for Insurance

The diagram shows a General Journal entry for "Paid Cash for Insurance". The entry is as follows:

GENERAL JOURNAL		PAGE 1	
DATE	ACCOUNT TITLE	DOC. NO. POST. REF. DEBIT CREDIT	
3	Prepaid Insurance	C2 900.00	
	Cash		900.00

Numbered steps for journalizing:

1. Date (3)
2. Debit (Prepaid Insurance)
3. Credit (Cash)
4. Source Document (C2)

- What is the Doc Number? _____
- Which account is decreasing? _____
- Which account is increasing? _____
- All amounts written in the Debit or Credit columns must have an _____ written in the Account Title column.

B. Bought Supplies on Account

GENERAL JOURNAL									
PAGE 1									
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT				
7 5	Supplies	M1		220 00					7
8	Accts. Pay.—Canyon Office Supplies				220 00				8

Diagram labels: 1 Date (points to 7 5), 2 Debit (points to Supplies), 3 Credit (points to Accts. Pay.—Canyon Office Supplies), 4 Source Document (points to M1).

- What type is the Source Document? _____
- We can abbreviate Accounts Payable as _____ or _____.

C. Paid Cash on Account

GENERAL JOURNAL									
PAGE 1									
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT				
9 9	Accts. Pay.—Canyon Office Supplies	C3		100 00					9
10	Cash				100 00				10

Diagram labels: 1 Date (points to 9 9), 2 Debit (points to Accts. Pay.—Canyon Office Supplies), 3 Credit (points to Cash), 4 Source Document (points to C3).

- Any time we pay cash, a _____ has been written.
- Explain why Accounts Payable is a debit in this transaction.

Check Yourself!

1. When cash is paid for insurance, which account is listed on the first line of the entry?
2. When supplies are bought on account, which account is listed on the first line of the entry?
3. When supplies are bought on account, which account is listed on the second line of the entry?
4. When cash is paid on account, which account is listed on the second line of the entry?

Lesson 3-3: Transactions Affecting Owner's Equity and Asset Accounts

Learning Targets:

- Analyze and record transactions that affect owner's equity.
- Analyze and record sales and receipt of cash on account.

A. Received Cash from Sales

The image shows a General Journal entry for "Received Cash from Sales". The entry is on page 1. The date is 10. The account title is "Cash" (debit) and "Sales" (credit). The debit amount is 11,000.00 and the credit amount is 11,000.00. Annotations: 1 points to the date "10", 2 points to the "Debit" label, 3 points to the "Credit" label, and 4 points to the "Source Document" label.

GENERAL JOURNAL							PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
10	Cash	T10		11 000.00		11	
	Sales				11 000.00	12	

- Source doc is _____.
 - This is the _____ of all cash transactions of the day.
- Remember, _____ increases Owner's Equity.

B. Sold Services on Account

GENERAL JOURNAL										PAGE 1	
	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT		CREDIT				
13	12	Accts. Rec.—Main Street Services	S1		5 000.00						
14		Sales					5 000.00				

Annotations:

- 1 Date
- 2 Debit
- 3 Credit
- 4 Source Document

- This means a customer received a service without paying at the same time.
- Source doc is _____.
- Because we haven't received cash (but we will), we debit _____.
- We still credit _____, as a sales transaction occurred even if no cash was received.

C. Paid cash for expense

- Because expenses _____ owner's equity, _____ in expenses are recorded as debits.

GENERAL JOURNAL							PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
12	Communications Expense	C4		8 000		15	
	Cash				8 000	16	
15	Equipment Rental Expense	C5		4 000		17	
	Cash				4 000	18	
						19	
						20	
						21	

D. Received Cash on Account

The diagram shows a General Journal entry for "Received Cash on Account". The entry is recorded on lines 19 and 20. Line 19 is a debit to "Cash" for 2,000.00, and line 20 is a credit to "Accts. Rec.—Main Street Services" for 2,000.00. The entry is dated 16. The source document is R2. The diagram includes numbered callouts: 1 points to the date "16", 2 points to the debit account "Cash", 3 points to the credit account "Accts. Rec.—Main Street Services", and 4 points to the source document "R2".

GENERAL JOURNAL						PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT	
16	Cash	R2		2 0 0 0 0		
	Accts. Rec.—Main Street Services				2 0 0 0 0	

- When we receive _____ on account, a customer has already received the service, so the sales account has already been credited. We credit _____ (to reduce it) instead.
- We can abbreviate Accounts Receivable as _____ or _____.

E. Paid Cash to Owner

The diagram shows a General Journal entry for "Paid Cash to Owner". The entry is recorded on lines 21 and 22. Line 21 is a debit to "Michael Delgado, Drawing" for 350.00, and line 22 is a credit to "Cash" for 350.00. The entry is dated 16. The source document is C6. The diagram includes numbered callouts: 1 points to the date "16", 2 points to the debit account "Michael Delgado, Drawing", 3 points to the credit account "Cash", and 4 points to the source document "C6".

GENERAL JOURNAL						PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT	
16	Michael Delgado, Drawing	C6		3 5 0 0 0		
	Cash				3 5 0 0 0	

- Remember, a _____ is when the owner basically writes a paycheck to him/herself, to use the money for personal use.
- This **INCREASES/DECREASES** (highlight one) Owner's Equity?

Check Yourself!

- When cash is received from sales, which account is listed on the first line of the entry?
- When cash is received from sales, which account is listed on the second line of the entry?
- When services are sold on account, which account is listed on the second line of the entry?
- When cash is paid for any reason, what abbreviation is used for the source document?
- When cash is received on account, what abbreviation is used for the source document?

Lesson 3-4: Starting a New Journal Page

Learning Targets:

- Demonstrate when to end and how to start a new journal page.
- Identify and correct errors using standard accounting practices.

A. A Completed Journal page

33	22	Equipment Rental Expense	C9	5	1	0	00					33
34		Cash						5	1	0	00	34

- If less than _____ lines remain, you must begin a new journal page. **NEVER** split a transaction on two pages!

B. Starting a New General Journal Page

GENERAL JOURNAL													PAGE 2	
	DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT				
1														
2														
3														

- Put the next _____ at the top right corner.

C. Correcting Errors in Journal Entries

GENERAL JOURNAL										PAGE 14	
	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT			CREDIT			
9	27	Advertising Expense	C10		5	5	00			9	
10		Cash						5	5	00	
11	27	Miscellaneous Expense	C10		5	5	00			11	
12		Cash						5	5	00	
13	28	Supplies	C11		3	0	00			13	
14		Cash						3	0	00	
15	29	Cash	T29		4	3	00			15	
16		Sales						4	3	00	

- If the error is discovered before the next entry, _____ and then _____.
- If it isn't immediately noticed and there are entries below it, _____ and write the correct item _____.
- **DO NOT ERASE ENTRIES – REMEMBER, ENTRIES ARE PERMANENT AND NEED TO BE TRACEABLE!**