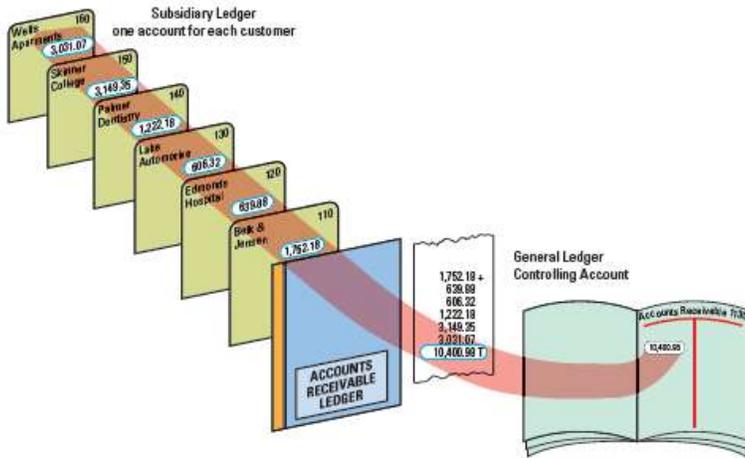


Name: _____

Lesson 10-1: Subsidiary Ledgers & Controlling Accounts

Objectives: LO1: _____
 LO2: _____

A. Subsidiary Ledgers and Controlling Accounts



- Selling Price:
- Markup:
- _____ + _____ = Selling Price
- A sale of merchandise may be either:
 1. _____
 2. _____
- NO MATTER WHEN WE GET PAYMENT, revenue is recorded when the _____.
- Accounts receivable ledger:
- The total of all customers in the subsidiary ledger is equal to the _____ controlling account.
- Remember, Accounts Receivable (AR) is an _____ account, so it increases with a _____.

CUSTOMER Skinner College						CUSTOMER NO. 150
DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE	
28-Nov	1 Balance	✓			3 0 6 0 95	
						6 Account Balance

ACCOUNT Accounts Receivable					ACCOUNT NO. 1130	
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT

B. *Subsidiary Ledger Form*

- Because AR has a normal _____ balance, the subsidiary ledger forms only have a _____ balance column.

C. *Sales Tax*

- Sales tax:
 - Generally a percentage of sales.
- Regardless of the tax rate, accounting procedures are the same.
- Every business collecting sales tax must keep record of:
 1. _____
 2. _____
- The amount of sales tax collected is NOT revenue for the business. It will be paid to the government agency; thus, it is a _____ (it is owed to someone else—the government agency).
 - Because of this, sales tax is recorded in a liability account called _____
 - The normal balance of this account is _____
 - If items are going to be resold, companies can _____ them from sales tax.

- Two common exemptions from sales tax:

1. _____
2. _____

D. Sales Journal

SALES JOURNAL							PAGE						
DATE	ACCOUNT DEBITED	SALE NO.	POST. REF.	1			2			3			
				ACCOUNTS RECEIVABLE DEBIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	
1													1
2													2
3													3

- Sales journal:
- What special amount columns are on the sales journal (hint: three)?

E. Sales Invoice

- ***used for merchandise _____, NOT cash sales
- When a seller creates an invoice (sales invoice), the customer considers it a _____.
- _____

F. Sale on Account

- Even though money is not received, the sale (revenue) is still recognized at the time the _____.
- The customer owes _____ PLUS _____ (HINT: look at the special amounts columns!), so AR is debited for the sum.
- _____ is written in the Account Debited column to show who owes the amount.
- A sale to a tax-exempt entity would have just a debit to _____ and credit to _____.

Check Yourself!

1. How are selling price and markup related?
2. What is the relationship between the accounts receivable ledger and its controlling account?
3. What column on a general ledger form is not on an accounts receivable ledger form?
4. What is the title of the general ledger account used to summarize the total amount due from all charge customers?
5. How are sales tax rates usually stated?
6. Why is sales tax collected considered a liability?

Lesson 10-2: Accounting for Merchandise Purchases

Objectives: LO3: _____

A. Posting from a Sales Journal to an Accounts Receivable Ledger

- The only significant difference between the accounts payable and accounts receivable ledger form is _____.
- A business should post sales transactions frequently to the accounts receivable ledger so that each customer account will show an _____.

B. Totaling, Proving, and Ruling a Sales Journal

- ***Make sure DEBITS equal CREDITS when totaling the Sales Journal!

C. Posting Totals of a Sales Journal to a General Ledger

SALES JOURNAL							PAGE 11											
DATE	ACCOUNT DEDITED	SALE NO.	POST. REF.	1			2		3									
				ACCOUNTS RECEIVABLE DEBIT			SALES CREDIT		SALES TAX PAYABLE CREDIT									
9 29	Palmer Dentistry	506		4	5	3	68	4	2	8	00	2	5	68	9			
10 30	Totals			9	0	2	1	23	8	6	3	7	50	3	8	3	73	10
11				(1130)			(4110)		(2120)						11			

1 Date
 2 Journal Number
 3 Debit or Credit
 5 Account Number

ACCOUNT Accounts Receivable							ACCOUNT NO. 1130					
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT	CREDIT						
Nov. 1	Balance	✓			13	0	2	1	05			
30		S11	9	0	2	1	23	22	0	4	2	28

Account Balance

ACCOUNT Sales							ACCOUNT NO. 4110						
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE								
					DEBIT	CREDIT							
Nov. 1	Balance	✓			485	1	9	6	31				
30		S11		8	6	3	7	50	493	8	3	3	81

ACCOUNT Sales Tax Payable							ACCOUNT NO. 2120						
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE								
					DEBIT	CREDIT							
Nov. 1	Balance	✓					3	7	2	37			
15		CP21	3	7	2	37							
30		S11		3	8	3	73			3	8	3	73

Lesson 10-3: Accounting for Cash and Credit Card Sales

Objectives: LO4: _____
 LO5: _____

A. Processing Sales Transactions

- Cash sale:
- _____ and _____ sales are also treated as cash sales.
- Point-of-sale (POS) terminal:
 - **AKA a Cash Register**
- Terminal Summary:
 - AKA: _____
 - _____

TERMINAL SUMMARY	
ThreeGreen Products, Inc.	
Code:	35
Date:	11/4/--
Time:	19:34
VISA	033
Sales	689.40
Sales Tax	41.36
Total	<u>730.76</u>
MasterCard	029
Sales	784.60
Sales Tax	47.08
Total	<u>831.68</u>
Debit Cards	063
Sales	2,184.50
Sales Tax	131.07
Total	<u>2,315.57</u>
Cash	162
Sales	2,621.50
Sales Tax	157.29
Total	<u>2,778.79</u>
Totals	
Sales	6,280.00
Sales Tax	376.80
Total	<u>6,656.80</u>

B. Processing Credit Cards

- Batch report:
- Batching out:
- Credit card sales can be processed in many ways. Explain how ThreeGreen batches out their credit card sales:

BATCH REPORT	
MERCHANT:	02984893 155
TERMINAL:	934844
DATE:	11/4/-- 19:35
BATCH:	37
VISA	
COUNT	033
SALES	743.01
RETURNS	12.25
NET	<u>730.76</u>
MASTERCARD	
COUNT	029
SALES	869.83
RETURNS	38.15
NET	<u>831.68</u>
DEBIT CARDS	
COUNT	063
SALES	2,320.87
RETURNS	5.30
NET	<u>2,315.57</u>
TOTALS	
COUNT	125
SALES	3,933.71
RETURNS	55.70
NET	<u>3,878.01</u>
CONTROL NUMBER: 0934849534	

C. Cash Receipts Journal

CASH RECEIPTS JOURNAL													PAGE
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL				ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT	
				DEBIT	CREDIT								
1													1
2													2
3													3

- Cash receipts journal:
 - **ALL cash receipts are recorded in this journal**
 - What Special Amount columns are on the Cash Receipts journal?
 1. _____
 2. _____
 3. _____
 4. _____
 5. _____

- Sales discount:
 - If a sales discount is offered, the amount of cash received is _____.
 - What cash receipt transactions are recorded in the general column?

D. Cash and Credit Card Sales

CASH RECEIPTS JOURNAL											PAGE 11
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT	
				DEBIT	CREDIT						
Nov. 4	✓	TS35	✓				6 2 8 0 00	3 7 6 80		6 6 5 6 80	

1 Date
 2 Check Mark
 3 Terminal Summary Number
 4 Check Mark
 5 Sales
 6 Sales Tax Payable
 7 Cash

- What is the source doc for weekly cash and credit card sales? _____



$$\begin{array}{r}
 \text{Cash Sales} \\
 + \text{Credit Card Sales} \\
 \hline
 = \text{Total Sales} \\
 \$2,778.79 + \$3,878.01 = \$6,656.80
 \end{array}$$

- Most businesses batch out, deposit cash, and records sales how often?

• **REMINDER—do not post to ledger until total and rule Cash Receipts Journal**

E. Cash Receipts on Account

- When cash is received on account, a _____ is written to the customer. This is the source doc used to journalize receipts of cash on account.
 - *The customer name is written in the “account title” when cash is received on account.*
- FYI: Many companies charge merchants for credit card sales, thus why sometimes paying with cash can get a discount at stores.

F. Calculating Cash Receipts on Account with Sales Discount



$$\begin{array}{r}
 \text{Sales Invoice Amount} \\
 \times \text{Sales Discount Rate} \\
 \hline
 = \text{Sales Discount} \\
 \$1,450.00 \times 2\% = \$29.00
 \end{array}$$

- 2/10,n/30 = 2% off if paid within 10 days. Otherwise the total is due in 30 days.

G. Journalizing Cash Receipts on Account with Sales Discount

- Since Sales Discounts _____ Sales, it is a contra account to Sales and has a normal _____ balance.

Check yourself!

1. How does a POS terminal determine the price of an item?
2. What are the two types of batch reports?
3. What is meant by 2/10, n/30 credit terms?

Lesson 10-4: Posting from a Cash Receipts Journal

Objectives: LO6: _____
 LO7: _____

A. Posting from a Cash Receipts Journal to an Accounts Receivable Ledger

CASH RECEIPTS JOURNAL											PAGE 11	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT		
				DEBIT	CREDIT							
11	15	Lake Automotive	R608	130							3 8 1 60	11
12												12
13												13

CUSTOMER Lake Automotive		CUSTOMER NO. 130			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE
Nov. 1	Balance	✓			3 8 1 60
9		S11	6 0 6 32		9 8 7 92
15		CR11		3 8 1 60	6 0 6 32

- Each entry in the AR Credit column is posted to the _____.
- This keeps tab of what each customer owes and when payment was last received from them.

B. Totaling, Proving, and Ruling a Cash Receipts Journal

CASH RECEIPTS JOURNAL											PAGE 11	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT		
				DEBIT	CREDIT							
25	30	✓	TS40	✓			3 1 8 4 00	1 9 1 04			3 3 7 5 04	25
26	30	Totals				11 6 4 1 30	43 1 1 9 33	2 3 8 1 46	7 2 25	57 0 6 9 84		26
27												27

Column Title	Debit Totals	Credit Totals
General Debit	—	—
General Credit	—	—
Accounts Receivable Credit.....		\$11,641.30
Sales Credit.....		43,119.33
Sales Tax Payable Credit.....		2,381.46
Sales Discount Debit.....	\$ 72.25	
Cash Debit.....	57,069.84	
Totals	<u>\$57,142.09</u>	<u>\$57,142.09</u>

- Remember, DEBITS must always equal CREDITS in the totals of journals

C. Proving Cash at the end of a Month

- After the cash receipts journal is proved, _____ is proved.
- This is just a check that the balance at the end of the month in the Cash account equals the balance on the next check stub.

Cash on hand at the beginning of the month	\$18,941.69
(Nov. 1 balance of general ledger cash account)	
Plus total cash received during the month.....	<u>57,069.84</u>
(Cash Debit column total, cash receipts journal)	
Equal total	\$76,011.53
Less total cash paid during the month.....	<u>23,546.38</u>
(Cash Credit column total, cash payments journal)	
Equals cash balance on hand at the end of the month	<u>\$52,465.15</u>
Checkbook balance on the next unused check stub.....	<u>\$52,465.15</u>

- This summarizes our ins/outs of cash to ensure we balance.

D. Posting Special Amount Column Totals of a Cash Receipts Journal to a General Ledger

CASH RECEIPTS JOURNAL											PAGE 11	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT		
				DEBIT	CREDIT							
25	30 ✓	TS40	✓				318400	19104			337504	25
26	30 Totals					1164130	4311933	238146	7225	5706984		26
27						(1130)	(4110)	(2120)	(4120)	(1110)		27

① Date
 Journal Number ②
 Debit or Credit ③
 ⑤ Account Number

ACCOUNT Accounts Receivable						ACCOUNT NO. 1130						
DATE	ITEM	POST. REF.	DEBIT			CREDIT			BALANCE			
										DEBIT	CREDIT	
Nov. 1	Balance	✓							1302105			
30		S11	902123						2204228			
30		CR11				1164130			1040098			

④ Account Balance

- Each Special Amount column total must be journalized

E. Completed Accounts Receivable Ledger

CUSTOMER Belk & Jensen			CUSTOMER NO. 110			
DATE	ITEM	POST. REF.	DEBIT		CREDIT	DEBIT BALANCE
²⁰⁻ Nov. 1	Balance	✓				3 1 5 8 80
6		CR11			2 1 6 2 40	9 9 6 40
16		S11	1 7 5 2 18			2 7 4 8 58
29		CR11			9 9 6 40	1 7 5 2 18

CUSTOMER Edmonds Hospital			CUSTOMER NO. 120			
DATE	ITEM	POST. REF.	DEBIT		CREDIT	DEBIT BALANCE
²⁰⁻ Nov. 1	Balance	✓				2 9 8 9 20
4		CR11			2 5 1 6 80	4 7 2 40
24		S11	1 6 7 48			6 3 9 88

CUSTOMER Lake Automotive			CUSTOMER NO. 130			
DATE	ITEM	POST. REF.	DEBIT		CREDIT	DEBIT BALANCE
²⁰⁻ Nov. 1	Balance	✓				3 8 1 60
9		S11	6 0 6 32			9 8 7 92
15		CR11			3 8 1 60	6 0 6 32

- **It is important to keep AR ledgers up-to-date so customers know what they owe.**

F. Proving the Accounts Receivable Ledger

- Schedule of Accounts Receivable:
 - ALL accounts are listed (even with a zero balance)
 - **The total of AR Schedule MUST equal the balance of the AR account.**
 - Also called AR Trial Balance

ThreeGreen Products, Inc.						
Schedule of Accounts Receivable						
November 30, 20--						
Belk & Jensen						1 7 5 2 18
Edmonds Hospital						6 3 9 88
Lake Automotive						6 0 6 32
Palmer Dentistry						1 2 2 2 18
Skinner College						3 1 4 9 35
Wells Apartments						3 0 3 1 07
Total Accounts Receivable						10 4 0 0 98

Check yourself!

1. From which column of the cash receipts journal are amounts posted individually to the accounts receivable ledger?

2. What is another name for the schedule of accounts receivable?