

Objectives: L01: \_\_\_\_\_  
L02: \_\_\_\_\_

**Subsidiary Ledger**  
one account for each customer

Customer	Balance
Webb Apartments	3,031.07
Skinner College	3,149.35
Parker Dentistry	1,222.18
Lake Automobiles	906.32
Edwards Hospital	839.89
Pink & Jensen	1,752.18

**General Ledger Controlling Account**

1,752.18 +
639.89
806.32
1,222.18
3,149.35
3,031.07
<b>10,400.99 T</b>

**General Ledger**

ACCOUNTS RECEIVABLE	10,400.99
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- The diagram illustrates the process of filling out a customer ledger card. It shows two cards: one for a specific customer and one for the general account.
- Customer Ledger Card (Top):**
- Header:** CUSTOMER *Skinner College* CUSTOMER NO. 150
  - Table Columns:** DATE, ITEM, POST. REC., DEBIT, CREDIT, DEBIT BALANCE.
  - Entry:**
    - DATE:** Nov 1 (labeled 3: Date)
    - ITEM:** Balance (labeled 4: "Balance")
    - POST. REC.:** Check mark (labeled 5: Check Mark)
    - DEBIT BALANCE:** 3060.95 (labeled 6: Account Balance)
- Account Ledger Card (Bottom):**
- Header:** ACCOUNT *Accounts Receivable* ACCOUNT NO. 1130
  - Table Columns:** DATE, ITEM, POST. REC., DEBIT, CREDIT, DEBIT, CREDIT (under BALANCE).
- Red circles and arrows indicate the following steps:
- Account Name
  - Account Number
  - Date
  - "Balance"
  - Check Mark
  - Account Balance

*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:

- \_\_\_\_\_
- \_\_\_\_\_

#### D. Sales Journal

SALES JOURNAL														PAGE	
DATE			ACCOUNT DEBITED	SALE NO.	POST. REF.	1 ACCOUNTS RECEIVABLE DEBIT			2 SALES CREDIT			3 SALES TAX PAYABLE CREDIT			
1															
2															
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 \_\_\_\_\_.
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#### 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.	ACCOUNTS RECEIVABLE DEBIT	SALES CREDIT	SALES TAX PAYABLE CREDIT		
9 29	Palmer Dentistry	506		453 68	428 00	25 68	9	
10 30	Totals			9 021 23	8 637 50	383 73	10	
11				(1130)	(4110)	(2120)	11	

  

ACCOUNT Accounts Receivable							ACCOUNT NO. 1130	
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE			
Nov. 1	Balance	✓			DEBIT	CREDIT	13 021 05	
30		S11	9 021 23		22 042 28			

  

ACCOUNT Sales							ACCOUNT NO. 4110	
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE			
Nov. 1	Balance	✓			DEBIT	CREDIT	485 196 31	
30		S11		8 637 50		493 833 81		

  

ACCOUNT Sales Tax Payable							ACCOUNT NO. 2120	
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE			
Nov. 1	Balance	✓			DEBIT	CREDIT	372 37	
15		CP21	372 37					
30		S11		383 73		383 73		

**Check yourself!**

1. Which accounts are impacted, and how, by the posting of the special columns of a sales journal?
2. List the five steps for posting transactions to accounts receivable ledger forms.

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

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

### C. Cash Receipts Journal

CASH RECEIPTS JOURNAL														PAGE	
		1		2		3		4		5		6		7	
	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? \_\_\_\_\_



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

- 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



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

- 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				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		ST1	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
1		2		3		4		5		6		7	
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

2

3

5

1

2

3

5

1

2

3

5

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?