

Reading Guide • Chapter 3: Journalizing Transactions

Name: _____

Lesson 3-1: Recording Transactions and the General Journal

Objectives: LO1: _____

LO2: _____

LO3: _____

A. Journals and Journalizing

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

- Where can we find all of our account names and numbers?
- Journal:
- A journal is more _____ and a more _____ record of transactions.
- Journalizing:
- There are several kinds/only one kind (*circle one*) of journal(s).
- Most businesses journalize transactions _____ to stay up-to-date.

B. General Journal

- Entries must be _____.
- Transactions are journalized in order by _____.
- Entry:
- Double-entry:
- Double entry means each transaction affects AT LEAST _____ accounts.
- **ONCE AGAIN,** _____ must always equal _____.

C. Source Documents

- Source documents:
- A source document _____ that a transaction occurred.
- **GAAP CONCEPT:**
 - Objective Evidence:

1. Checks

NO. 1 Date <u>January 2</u> 20-- To <u>Eastside Supplies</u> For <u>Supplies</u>		DELGADO WEB SERVICES 25402 Rimrock Road Billings, MT 59102-1820 NO. 1 Date <u>January 2</u> 20-- PAY TO THE ORDER OF <u>Eastside Supplies</u> \$ <u>165.00</u> <u>One hundred sixty-five and no/100</u> DOLLARS Billings National Bank FOR <u>Supplies</u> <u>Michael Delgado</u> MICR: ⑆092921508⑆ 706466631⑆ 1	
BALANCE BROUGHT FORWARD 0.00 AMOUNT DEPOSITED <u>1/2</u> 20-- 2,000.00 SUBTOTAL 2,000.00 OTHER: SUBTOTAL 2,000.00 AMOUNT THIS CHECK 165.00 BALANCE CARRIED FORWARD 1,835.00			

- Check:
- When cash is noted in a transaction, a _____ is being used, not actual cash money.
- A _____ is used to keep tabs on the balance in a checking account.
 - Only the TOP of this is used to journalize.
 - ALWAYS fill in the check stub!

2. 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		

- Invoice:
- Sales Invoice:
- When a sale is made, the customer gets their services, but nothing is paid yet (sale _____), we use this source doc: _____.

3. Receipts

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

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

4. Memos

DELGADO WEB SERVICES <small>25402 Rimrock Road Billings, MT 59102-1820</small>		No. 1
MEMORANDUM		
<p><i>Bought supplies on account from Canyon Office Supplies, \$220.00</i></p>		
Signed: <u>Michael Delgado</u>		Date: <u>January 5, 20--</u>

- Memo:
- A memo is used when _____ or when an _____ is needed for a transaction.

5. Calculator Tape

	0.00 *
Jan 10, 20-- T10	330.00 +
	450.00 +
	330.00 +
	1,100.00 *

- Calculator tape:
- When customers pay cash at the time they get a service, it is put in a drawer and added at the end of the day. This way, only **ONE** _____ is made.

D. Preparing Journal Entries

- A journal is sometimes called _____.
- A journal is a _____ record, so we use ink.
- We should always signify 0¢ by _____.

Received cash from owner as investment:

GENERAL JOURNAL										PAGE 1	
DATE		ACCOUNT TITLE				DOC. NO.	POST. REF.	DEBIT		CREDIT	
1	Jan. 2	Cash				R1		2 0 0 0 00			
2		Michael Delgado, Capital								2 0 0 0 00	
3											

Steps to journalize:

Source doc is? _____

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

Paid cash for supplies:

Source doc is? _____

Check yourself!

1. In what order are transactions recorded in a journal?
2. Why are source documents important?
3. List the four parts of a journal entry.

Lesson 3-2: Transactions Affecting Prepaid Insurance and Supplies

Objectives: LO4: _____
LO5: _____

A. Paid cash for insurance

January 3. Paid cash for insurance, \$900.00.
Check No. 2.

GENERAL JOURNAL									
PAGE 1									
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT				
5 3	Prepaid Insurance	C2		900 00					5
6	Cash				900 00				6

- What is the Doc Number? _____
- Which account is decreasing? _____
- Which account is increasing? _____

B. Bought supplies on account

January 5. Bought supplies on account from Canyon Office Supplies, \$220.00. Memorandum No. 1.

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

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

C. Paid cash on account

January 9. Paid cash on account to Canyon Office Supplies, \$100.00. Check No. 3.

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

- Any time we pay cash, a _____ has been written.

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

Objectives: LO6: _____
LO7: _____

A. Received cash from sales

January 10. Received cash from sales, \$1,100.00.
Calculator Tape No. 10.

GENERAL JOURNAL						
DATE			DOC. NO.	POST. REF.	DEBIT	CREDIT
11	10	Cash	T10		1100.00	
12		Sales				1100.00

Diagram labels: 1 Date (points to 10), 2 Debit (points to Cash), 3 Credit (points to Sales), 4 Source Document (points to T10).

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

B. Sold services on account

January 12. Sold services on account to Main Street Services, \$500.00. Sales Invoice No. 1.

GENERAL JOURNAL						
DATE			DOC. NO.	POST. REF.	DEBIT	CREDIT
13	12	Accts. Rec.—Main Street Services	S1		500.00	
14		Sales				500.00

Diagram labels: 1 Date (points to 12), 2 Debit (points to Accts. Rec.—Main Street Services), 3 Credit (points to Sales), 4 Source Document (points to S1).

- This means a customer received a service without paying at the same time.
- Source doc is _____.
- Remember, _____ increases Owner's Equity.
- 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

January 12. Paid cash for communications bill, including cell phone and Internet service, \$80.00. Check No. 4.
January 15. Paid cash for equipment rental, \$400.00. Check No. 5.

GENERAL JOURNAL						
DATE			DOC. NO.	POST. REF.	DEBIT	CREDIT
15	12	Communications Expense	C4		80.00	
16		Cash				80.00
17	15	Equipment Rental Expense	C5		400.00	
18		Cash				400.00

Diagram labels: 1 Date (points to 12 and 15), 2 Debit (points to Communications Expense and Equipment Rental Expense), 3 Credit (points to Cash), 4 Source Document (points to C4 and C5).

- Source doc is _____.
- Remember, _____ decrease Owner's Equity, so we must (debit/credit?) _____

D. Received cash on account

January 16. Received cash on account from Main Street Services, \$200.00. Receipt No. 2.

GENERAL JOURNAL							PAGE 1	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT			
19	16	Cash	R2	200 00				19
20		Accts. Rec.—Main Street Services			200 00			20

- 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

January 16. Paid cash to owner for a withdrawal of equity, \$350.00. Check No. 6.

GENERAL JOURNAL							PAGE 1	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT			
21	16	Michael Delgado, Drawing	C6	350 00				21
22		Cash			350 00			22

- Remember, a _____ is when the owner basically writes a paycheck to him/herself, to use the money for personal use.
- This **INCREASES/DECREASES** (circle 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

Objectives: LO8: _____
LO9: _____

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										1
2										2
3										3

- When starting a new page, list the **MONTH** again, but not the year.
- 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			10
11	27 Miscellaneous Expense	C10		5	5	00				11
12	Cash				5	5	00			12
13	28 Supplies	C11		3	0	00				13
14	Cash				3	0	00			14
15	29 Cash	T29		4	3	00				15
16	Sales				4	3	00			16

- 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 _____.
- We CANNOT just line through and put the entry at the bottom or the entries will not be in chronological order!**
- DO NOT ERASE ENTRIES – REMEMBER, ENTRIES ARE PERMANENT AND NEED TO BE TRACEABLE!**

Check yourself!

- When is a general journal page complete? _____

2. if an entire entry is incorrect and is discovered before the next entry is journalized, how should the incorrect entry be corrected? _____
3. If several correct entries are recorded after an incorrect entry is made, how should the incorrect entry be corrected? _____