Name: _____

Lesson 3-1: Recording Transactions and the General Journal

<u>Objectives:</u>
1. Define "journal" and explain why it is used to record transactions.
2. Compare different source documents.
3. Identify the four parts of a journal entry.

A. Journals and Journalizing

- Where can we find all of our account names and numbers? Chart of Accounts

- <u>Journal:</u> form for recording transactions

- A journal is more manageable and a more permanent record of transactions.

- <u>Journalizing:</u> Recording transactions in a journal

- There are **several kinds**/only one kind *(circle one)* of journal(s).

- Most businesses journalize transactions daily to stay up-to-date.

B. General Journal
- Entries must be accurage.

- Transactions are journalized in order by date.

- <u>Entry:</u> information for each transaction recorded in a journal

- <u>Double-entry:</u> Record both debit/credit so called double entry

- Double entry means each transaction affects AT LEAST two accounts.

- **ONCE AGAIN, debits must always equal credits.**

C. Source Documents
- <u>Source documents:</u> Business paper with information to record transaction

- A source document proves that a transaction occurred.

- **GAAP CONCEPT:**
  - o <u>Objective Evidence:</u> Source doc for EACH transaction

1. Checks

- Check: Orders a bank to pay someone cash

- When cash is noted in a transaction, a check is being used, not actual cash money.

- A check stub is used to keep tabs on the balance in a checking account.
    o Only the TOP of this is used to journalize.
    o ALWAYS fill in the check stub!

2. Sales Invoice

- Invoice: A form describing the goods or services sold, the quantity, the price, and the terms of sale

- Sales Invoice: Source Doc for Sale on Account

- When a sale is made, the customer gets their services, but nothing is paid yet (sale on account), we use this source doc: sales invoice.

3. Receipts


- Receipt: A business form giving written acknowledgement for cash received

- A receipt is used when cash is received from sales

4. Memos

DELGADO
WEB SERVICES
25402 Rimrock Road
Billings, MT 59102-1820

MEMORANDUM No. 1

Bought supplies on account from Canyon Office Supplies, $220.00

Signed: *Michael Delgado*   Date: *January 5, 20--*

- <u>Memo:</u> A form on which a brief message is written to describe a transaction

- A memo is used when no other source doc is available or when an explanation is needed for a transaction.

5. Calculator Tape


```
              0·00 *
Jan. 10, 20--  330·00 +
              450·00 +
  T10         330·00 +
            1,100·00 *
```
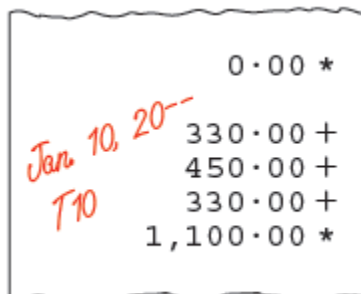
- <u>Calculator tape:</u> source document for daily sales

- 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** entry is made.

D. *Preparing Journal Entries*
- A journal is sometimes called Book of original entry

- A journal is a permanent record, so we use ink.

- We should always signify 0¢ by $-.00

Received cash from owner as investment:

Source doc is? Receipt

Steps to journalize:
1. Write the date in the Date column

2. Write the title of the account debited in the Account Title column. Write the debit amount in the Debit column.

3. On the next line, indented about one centimeter, write the title of the account credited in the Account Title column. Write the credit amount in the Credit column.

4. Write the source document number in the Doc. No. column

Paid cash for supplies:

Source doc is? Check

Check yourself!
1. In what order are transactions recorded in a journal?

Chronological

2. Why are source documents important?

Proof of transaction – assure accuracy

3. List the four parts of a journal entry.

Date
Debit
Credit
Source Doc

Lesson 3-2: Transactions Affecting Prepaid Insurance and Supplies

<u>Objectives:</u>
4. Record cash transactions using source documents.
5. Record buying and paying on account.

A. Paid cash for insurance

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

- What is the Doc Number? C2

- Which account is decreasing? Cash

- Which account is increasing? Prepaid Insurance

B. Bought supplies on account

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

- What type is the Source Document? Memo

- We can abbreviate Accounts Payable as Accts. Pay. or AP

C. Paid cash on account

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

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

Check yourself!

1. When cash is paid for insurance, which account is listed on the first line of the entry?
Prepaid Insurance

2. When supplies are bought on account, which account is listed on the first line of the entry?
Supplies

3. When supplies are bought on account, which account is listed on the second line of the entry?
Accounts payable

4. When cash is paid on account, which account is listed on the second line of the entry?
Cash

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

Objectives:
5. Analyze and record transactions that affect owner's equity.
6. Analyze and record sales and receipt of cash on account.

A. Received cash from sales

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

- Source doc is Calculator Tape
  - This is the total of all cash transactions of the day.

- Remember, Sales 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.

- This means a customer received a service without paying at the same time.

- Source doc is Sales Invoice

- Remember, Sales increases Owner's Equity.

- Because we haven't received cash (but we will), we debit Accounts Receivable

- We still credit Sales, 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.

- Source doc is Check.

- 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.

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

- We can abbreviate Accounts Receivable as Accts. Rec. or AR

E. Paid cash to owner

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

- Remember, a withdrawal 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!
1. When cash is received from sales, which account is listed on the first line of the entry?
Cash

2. When cash is received from sales, which account is listed on the second line of the entry?
Sales

3. When services are sold on account, which account is listed on the second line of the entry?
Sales

4. When cash is paid for any reason, what abbreviation is used for the source document?
C

5. When cash is received on account, what abbreviation is used for the source document?
M

Lesson 3-4: Starting a New Journal Page

<u>Objectives:</u>
6. Demonstrate when to end and how to start a new journal page.
7. 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 two lines remain, you must begin a new journal page. **<u>NEVER</u>** split a transaction on two pages!

B. Starting a New General Journal Page

- When starting a new page, list the **<u>MONTH</u>** again, but not the year.

- Put the next journal page number at the top right corner.

C. Correcting Errors in Journal Entries

- If the error is discovered before the next entry, line through and then write correct entry below..

- If it isn't immediately noticed and there are entries below it, line through and write the correct item directly above the lined through information.

- **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 – REMEMEMBER, ENTRIES ARE PERMANENT AND NEED TO BE TRACEABLE!**

Check yourself!

1. When is a general journal page complete? Not enough lines for a complete entry
2. if an entire entry is incorrect and is discovered before the next entry is journalized, how should the incorrect entry be corrected? Line through and write correct items above incorrect items
3. If several correct entries are recorded after an incorrect entry is made, how should the incorrect entry be corrected? Line through and journalize on blank lines below