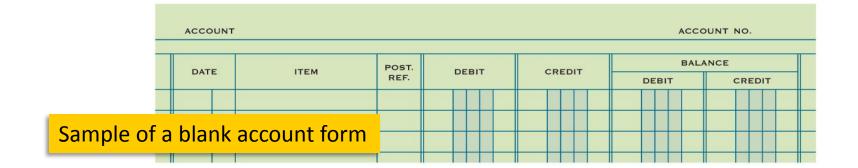
4-1 Using Accounts and Preparing and Maintaining a Chart of Accounts



- **LO1** Construct a chart of accounts for a service business organized as a proprietorship.
- **LO2** Demonstrate correct principles for numbering accounts.
- **LO3** Apply file maintenance principles to update a chart of accounts.
- **LO4** Complete the steps necessary to open general ledger accounts.

Account Form

- Used to summarize in one place all the changes to a single account
- A separate form for each account





Relationship of a T Account to an Account Form

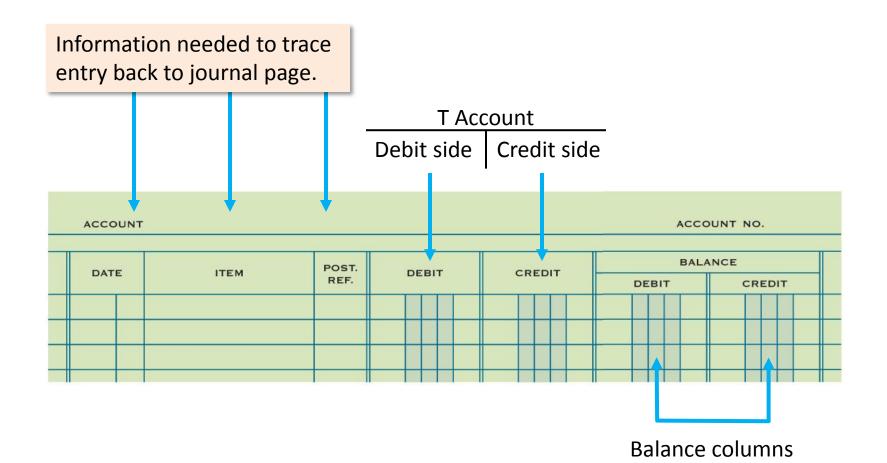


Chart of Accounts

LO1

Delgado Web Services

25402 Rimrock Road Billings, MT 59102-1820

CHART OF ACCOUNTS

Balance Sheet Accounts

- (100) ASSETS
- 110 Cash
- 120 Petty Cash
- 130 Accounts Receivable—Main Street Services
- 140 Accounts Receivable—Valley Landscaping
- 150 Supplies
- 160 Prepaid Insurance

(200) LIABILITIES

- 210 Accounts Payable—Canyon Office Supplies
- 220 Accounts Payable—Mountain Graphic Arts

(300) OWNER'S EQUITY

- 310 Michael Delgado, Capital
- 320 Michael Delgado, Drawing
- 330 Income Summary

Income Statement Accounts

- (400) REVENUE
- 410 Sales

(500) EXPENSES

- 510 Advertising Expense
- 520 Cash Short and Over
- 530 Communications Expense
- 540 Equipment Rental Expense
- 550 Insurance Expense
- 560 Miscellaneous Expense
- 570 Supplies Expense

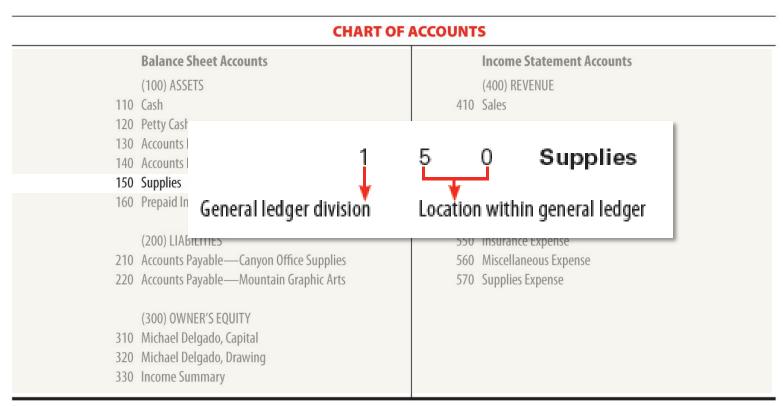
L01

- A group of accounts is called a **ledger**.
- A ledger that contains all accounts needed to prepare financial statements is called a general ledger.
- The name given to an account is known as an account title.
- The number assigned to an account is called an account number.

Account Numbers

LO2

Delgado Web Services 25402 Rimrock Road Billings, MT 59102-1820



Assigning Account Numbers

LO3

 The procedure for arranging accounts in a general ledger, assigning account numbers, and keeping records current is called file maintenance.

Assigning Account Numbers

LO3

- 560 Miscellaneous Expense
- 565 Postage Expense
- 570 Supplies Expense
- 580 Water Expense

(Existing account) (New Account) (Existing account) (New Account)

Opening an Account in a General Ledger



 Writing an account title and number on the heading of an account is called opening an account.

Opening an Account in a General Ledger **LO4** 1 2 ACCOUNT Cash ACCOUNT NO. 110 BALANCE POST. DATE DEBIT CREDIT ITEM REF. DEBIT CREDIT

- **1.** Write the account title, **Cash**, after the word *Account* in the heading.
- 2. Write the account number, **110**, after the words *Account No.* in the heading.

1. Describe the two parts of an account number.

ANSWER

- The first digit indicates in which general ledger division the account is located.
- The second and third digits indicate the location of the account within that division.

2. List the two steps for opening an account.

ANSWER

- 1. Write the account title after the word *Account* in the heading.
- 2. Write the account number after the words *Account No.* in the heading.





LO5 Post amounts from the General Debit and General Credit columns of a journal.

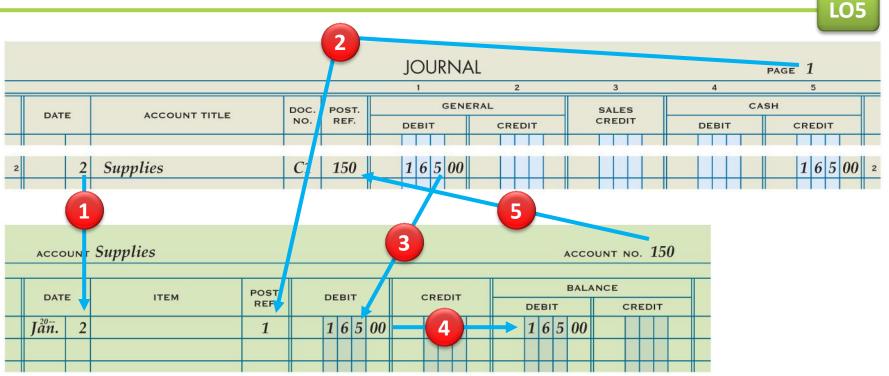


LO5

Posting an Amount from a General Debit Column

 Transferring information from a journal entry to a ledger account is called posting.

Posting an Amount from a General Debit Column

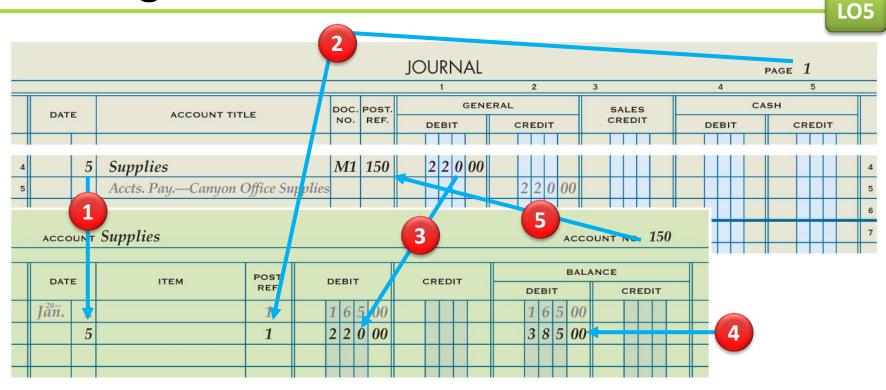


- **1.** Write the date.
- **2.** Write the journal page number.
- 3. Write the debit amount.

- **4.** Write the new account balance.
- **5.** Return to the journal and write the account number.

Lesson 4-2

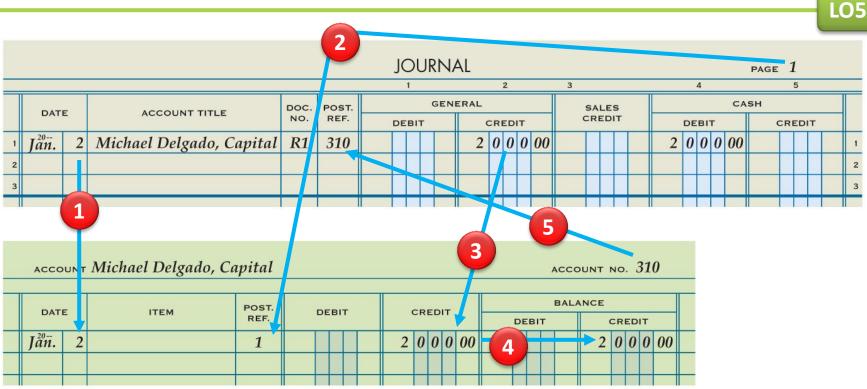
Posting a Second Amount to an Account



- **1.** Write the date.
- **2.** Write the journal page number.
- 3. Write the debit amount.

- **4.** Write the new account balance.
- **5.** Return to the journal and write the account number.

Posting an Amount from a General Credit Column



- **1.** Write the date.
- **2.** Write the journal page number.
- 3. Write the credit amount.

- **4.** Write the new account balance.
- **5.** Return to the journal and write the account number.

Lesson 4-2

1. List the five steps of posting from the general columns of a journal to the general ledger.

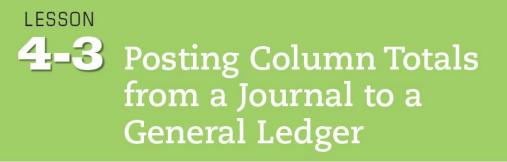
ANSWER

- 1. Write the date.
- 2. Write the journal page number in the Post. Ref. column of the account.
- 3. Write the amount in the Debit or Credit column.
- Calculate and write the new account balance in the Balance Debit or Balance Credit column.
- 5. Return to the journal and write the account number in the Post. Ref. column of the journal.

2. Are the totals of the General Debit and General Credit columns posted? Why or why not?

ANSWER

No. Each separate amount in the General Debit and General Credit columns of a journal is posted to the account written in the Account Title column.





LO6 Post column totals from a journal to ledger accounts.

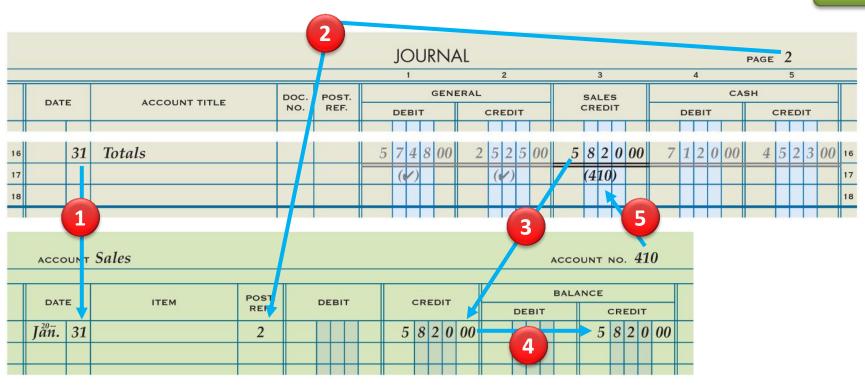
Check Marks Show that Amounts Are Not Posted

LO6

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Posting the Total of the Sales Credit Column

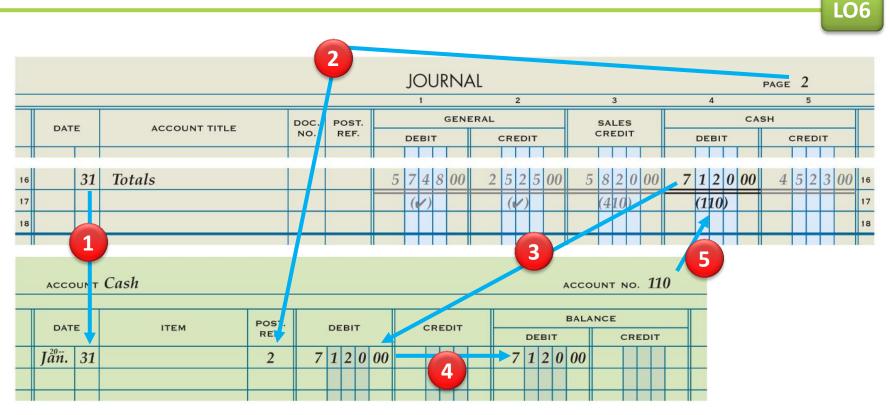
LO6



- **1.** Write the date.
- **2.** Write the journal page number.
- 3. Write the column total.

- **4.** Write the new account balance.
- **5.** Return to the journal and write the account number.

Posting the Total of the Cash Debit Column

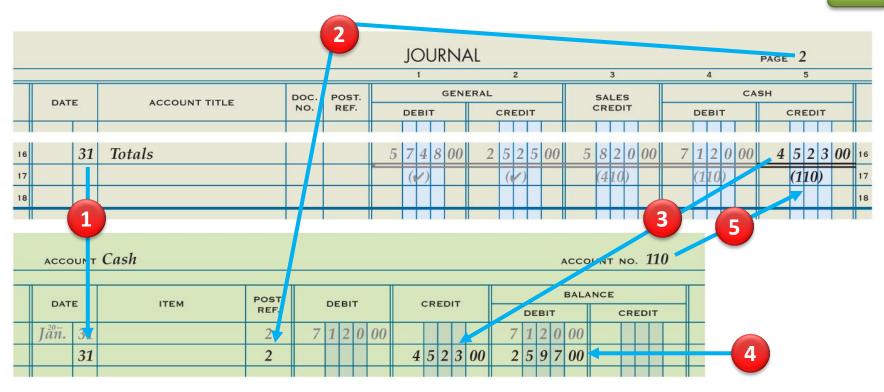


- **1.** Write the date.
- **2.** Write the journal page number.
- 3. Write the column total.

- **4.** Write the new account balance.
- **5.** Return to the journal and write the account number.

Posting the Total of the Cash Credit Column

LO6



- **1.** Write the date.
- 2. Write the journal page number.
- 3. Write the column total.

- **4.** Write the new account balance.
- **5.** Return to the journal and write the account number.

LO6

Journal Page with Posting Completed

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1. Which column totals of a journal are posted?

ANSWER Special amount columns

2. Under what conditions will an account balance be a debit?

ANSWER Whenever the debits in an account exceed the credits

3. Under what conditions will an account balance be a credit?

ANSWER Whenever the credits in an account exceed the debits

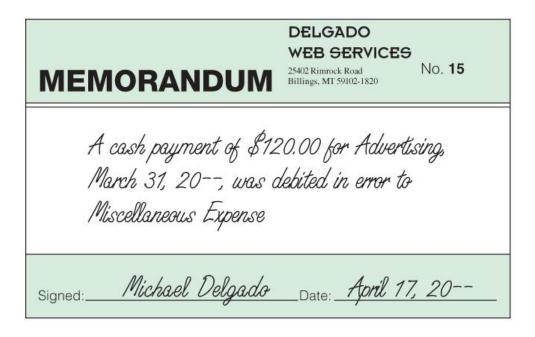


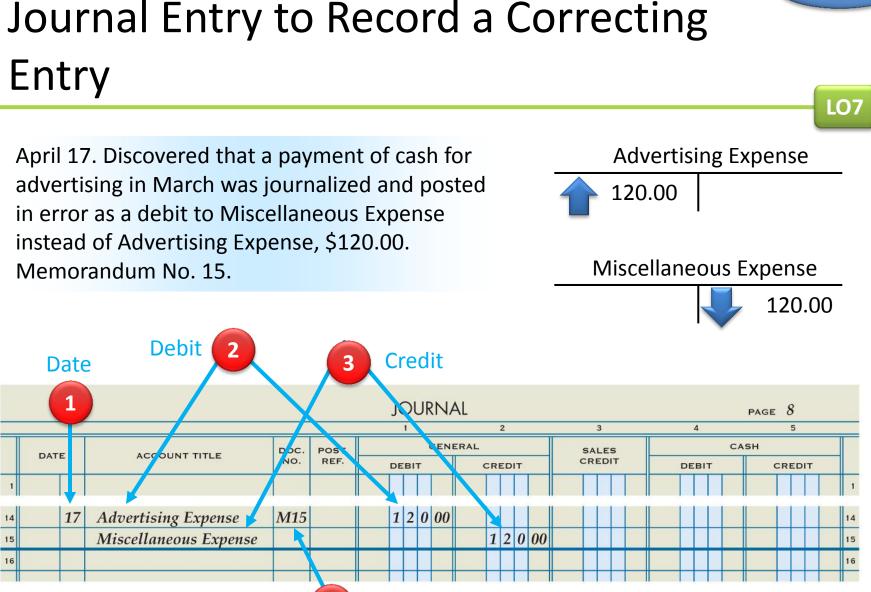


- **LO7** Analyze incorrect journal entries and prepare correcting entries.
- **LO8** Demonstrate how to correct errors made during the posting process.

Memorandum for a Correcting Entry

- L07
- An incorrect journal entry should be corrected with an additional journal entry, called a correcting entry.
- A memorandum is prepared as the source document describing the correction to be made.





Source Document

Δ

Lesson 4-4

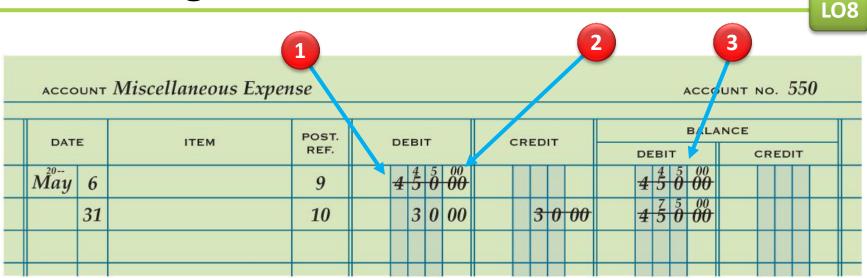
LO8

Correcting an Error in Posting to the Wrong Account

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- **1.** Draw a line through the entire incorrect entry.
- 2. Record the posting in the correct account. Recalculate the account balance.

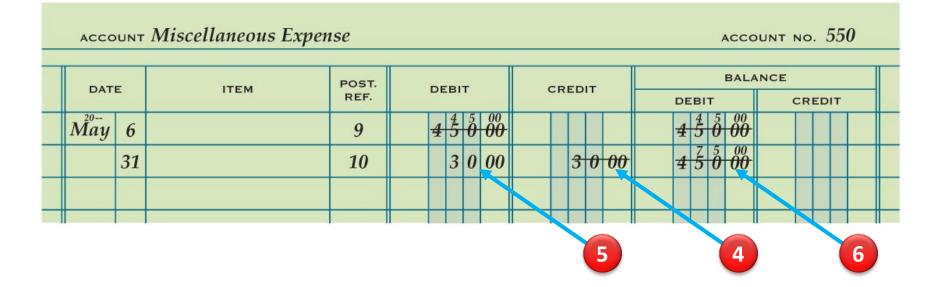
Correcting an Incorrect Amount



- **1.** Draw a line through the incorrect amount.
- 2. Write the correct amount just above the incorrect amount in the same space.
- **3.** Recalculate the account balance.

LO8

Correcting an Amount Posted to the Wrong Column



- **4.** Draw a line through the incorrect item in the account.
- **5.** Record the posting in the correct amount column.
- **6.** Recalculate the account balance.

1. What is a correcting entry?

ANSWER

A journal entry made to correct an error in the ledger

2. When is a correcting entry necessary?

ANSWER

When a transaction has been improperly journalized and posted to the ledger

3. What are the three steps for correcting an incorrect amount posted to an account?

ANSWER

- 1. Draw a line through the incorrect amount.
- 2. Write the correct amount just above the correction in the same space.
 3. Recalculate the account balance
- 3. Recalculate the account balance.

4. What are the three steps for correcting an amount posted to an incorrect column?

ANSWER

- 1. Draw a line through the incorrect item in the account.
- 2. Record the posting in the correct amount column.
- 3. Recalculate the account balance.