So far we have spent a lot of time analyzing and recording transactions and learning the rules of debit and credit. We have recorded transactions in column form and in T-accounts. In this chapter we start recognizing transactions using formal accounting documents – the Journal and the Ledger. The ability to record a transaction using proper debits and credits represents the foundation of the accounting process.

To prepare a more professional looking and efficient record of the transactions, we have split the T-account into two different parts.

I.   The General Journal – the very first place a transaction gets recorded.

        A.

        B.

        C.

        DO NOT total the columns in the journal

II.   The General Ledger – each account has its own ledger that contains the detailed transactions for that individual account. The journal provides a great diary of the daily activities of a business but it does not have any totals or account balances.

        A.   Posting

        C.   Source Document

III.   Trial Balance – the same as we prepared in Chapter 2. Now, however, we will get the balances for the Trial Balance from the General Ledger instead of the T-accounts.

     A.   What if the debits and credits don't equal?

          1.   Make sure you have put the balances in the correct debit or credit column. The accounts all should have normal balances.

          2.   Check the footings; Re-add the Trial Balance itself.

          3.   Find the difference between the debits and the credits.
               a.   if the difference is evenly divisible by 9, you most likely have made a:
                  1.

                  2.

               b.   look for a transaction equal to half the amount or double the amount.

               c.   If you still haven't found the error, go back and re-foot the ledger accounts and double-check the postings.

General Journal

	DATE		DESCRIPTION	PR	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10
11							11
12							12
13							13
14							14
15							15
16							16
17							17
18							18
19							19
20							20
21							21
22							22
23							23
24							24
25							25
26							26
27							27
28							28
29							29
30							30
31							31
32							32
33							33
34							34
35							35
36							36
37							37
38							38
39							39
40							40
41							41

General Journal

	DATE		DESCRIPTION	PR	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10
11							11
12							12
13							13
14							14
15							15
16							16
17							17
18							18
19							19
20							20
21							21
22							22
23							23
24							24
25							25
26							26
27							27
28							28
29							29
30							30
31							31
32							32
33							33
34							34
35							35
36							36
37							37
38							38
39							39
40							40
41							41

EXERCISE 4.6

GENERAL LEDGER

ACCOUNT __Cash__   ACCT __101__

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	
20X1							
Sept.							

ACCOUNT __Accounts Receivable__   ACCT __111__

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	
20X1							
Sept.							

ACCOUNT __Supplies__   ACCT __121__

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	
20X1							
Sept.							

ACCOUNT __Prepaid Rent__   ACCT __137__

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	
20X1							
Sept.							

ACCOUNT __Automobile__   ACCT __139__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
Sept.					

ACCOUNT __Equipment__   ACCT __141__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Sept.					

ACCOUNT __Accounts Payable__   ACCT __202__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Sept.					

ACCOUNT __Martin Zillow, Capital__   ACCT __301__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Sept.					

ACCOUNT   Martin Zillow, Drawing   ACCT 302

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Sept.					

ACCOUNT   Fees Income   ACCT 401

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Sept.					

ACCOUNT   Telephone Expense   ACCT 517

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Sept.					

ACCOUNT   Rent Expense   ACCT 520

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Sept.					

General Journal

	DATE		DESCRIPTION	PR	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10
11							11
12							12
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36							36
37							37
38							38
39							39
40							40
41							41

General Journal

	DATE		DESCRIPTION	PR	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
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38							38
39							39
40							40
41							41

General Journal

	DATE		DESCRIPTION	PR	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
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40							40
41							41

PROBLEM 4.4B (continued)

GENERAL LEDGER

ACCOUNT   **Cash**   ACCT **101**

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	
20X1						
Dec.						

ACCOUNT   **Accounts Receivable**   ACCT **111**

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	
20X1						
Dec.						

ACCOUNT   **Office Supplies**   ACCT **121**

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	
20X1						
Dec.						

ACCOUNT   **Computers**   ACCT **131**

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	
20X1						
Dec.						

GENERAL LEDGER

ACCOUNT __Office Equipment__   ACCT #__141__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Dec.					

ACCOUNT __Furniture and Fixtures__   ACCT #__141__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Dec.					

ACCOUNT __Accounts Payable__   ACCT #__141__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Dec.					

ACCOUNT __Virginia Richey, Capital__   ACCT #__141__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Dec.					

ACCOUNT __Fees Income__   ACCT #__141__

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE
20X1					
Dec.					

Account	Debit	Credit