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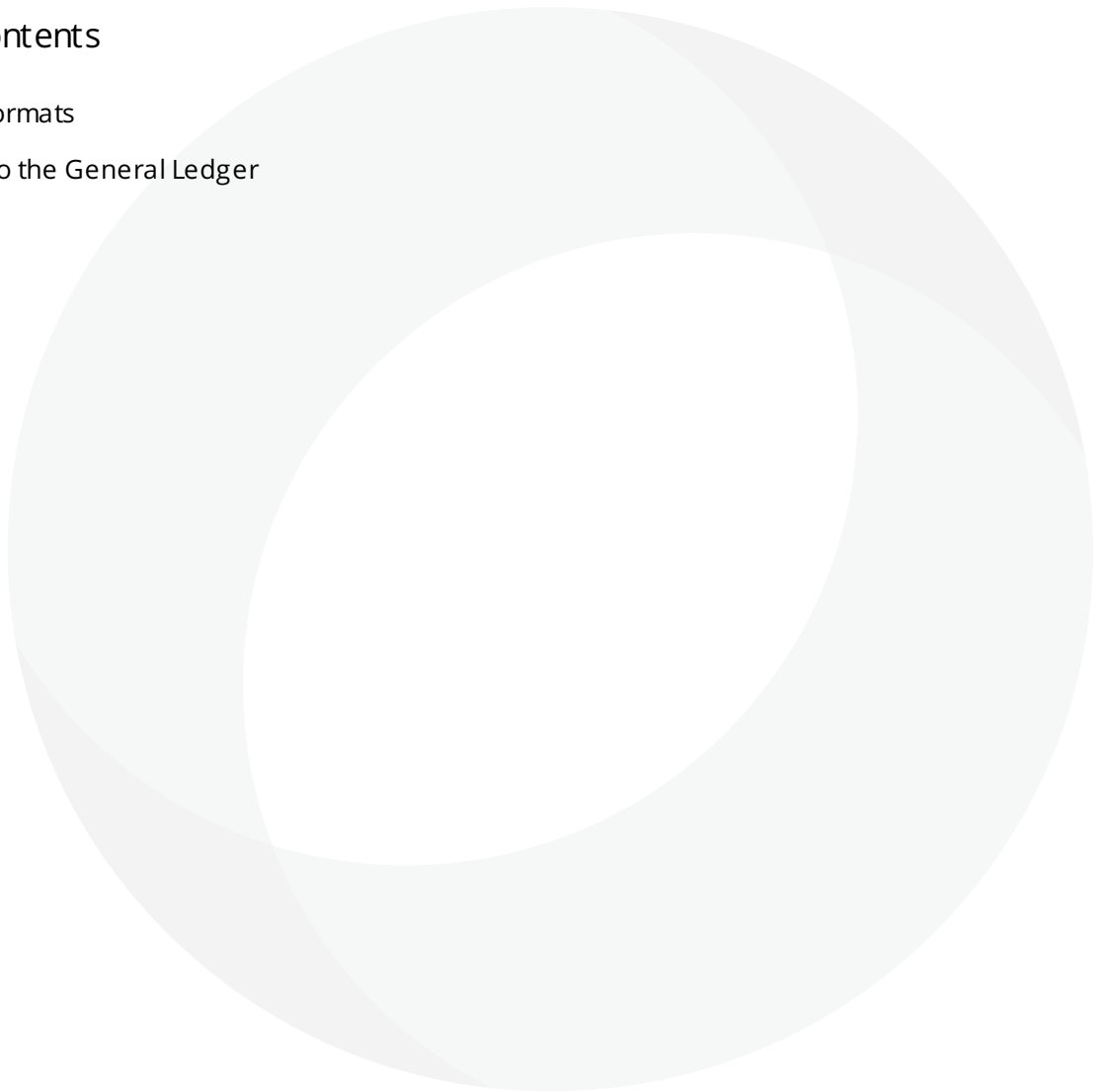
Bookkeeping

Transaction analysis

Table of Contents

Ledger formats

Posting to the General Ledger



Transaction analysis

This topic may take you approximately 2.5 hours to complete.

In this topic you will build on the skills that you have learnt in this module. You will learn how to think about the rules of double entry and apply these rules as you process each transaction, ensuring that all the information is accurately captured. Transaction analysis is thinking about the process of recording the transaction that is evidenced by the source documents, and then breaking the transaction down into debits and credits that can be entered into the accounting system. You will also learn how to post the transactions to the general ledger and produce a trial balance.

This topic will help you develop the skills and knowledge to enable you to:

- Identify, check and record information from documents
- Examine supporting documentation to establish accuracy and completeness and to ensure authorisation by appropriate personnel
- Post journals accurately to ledger in accordance with organisational input standards, with transactions correctly allocated to system and accounts
- Enter data accurately into system in accordance with organisational input standards and correctly allocate transactions to system and accounts
- Complete cash and credit journals and post to general ledger
- Extract and check trial balance and prepare other required reports
- Find and correct any errors

Cash receipts and the double entry system

Cash receipts are evidenced by receipts, bank statements and other source documents. These documents are analysed and then entered into a listing of transactions called the General Journal.

Each receipt of funds is listed; one listing per source document. This is the first stage of the bookkeeping process. Cash receipts are deposited into the business cheque account. This account will have its own specific account in the Chart of Accounts. Each receipt will be deposited to the business cheque account, and the corresponding account 'Bank' in the General Ledger will increase. Recall that 'Bank' is an asset account which is a debit account; increasing the asset account results in a debit entry. Each cash receipt will therefore debit the bank ledger.

Example: Jack Sprat owns a handyman service, Jack of All Trades. Jack also sub-lets part of his tool shed for

\$100 per week plus GST. Cash receipts for the first week in July are to be entered into the general journal.

Required: Transaction Analysis entries for the below receipts.

Rec No: 01	Date: 01/07
From:	Cash Services
For:	Window repairs inc GST
Received	\$220

Rec No: 02	Date: 01/07
From:	A Tenant
For:	Rent Income inc GST
Received	\$110

Rec No: 03	Date: 04/07
From:	Cash Services
For:	Gardening inc GST
Received	\$88

Rec No: 04	Date: 05/07
From:	Jack Sprat
For:	Capital Contribution
Received	\$1,000

Solutions:

Receipt No. 1: Received for window repairs \$220 including GST

Transaction Analysis				
Account	Classification	Type of account	Increase/decrease	DR/CR
Bank Service Fees	Asset	Debit	Increase	\$220 DR
Service Fees	Revenue	Credit	Increase	\$200 CR
GST Collected	Liability	Credit	Increase	\$20 CR

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- The balance of bank (an asset, a debit account) is being increased, therefore DEBIT
- The balance of service fees (a revenue, a credit account) is being increased, therefore CREDIT
- The balance of GST Collected (a liability) is being increased, therefore CREDIT

Receipt No. 2: Received from A Tenant for rent \$110 including GST

Transaction Analysis				
Account	Classification	Type of account	Increase/decrease	DR/CR
Bank	Asset	Debit	Increase	\$110 DR
Rent Received	Revenue	Credit	Increase	\$100 CR
GST Collected	Liability	Credit	Increase	\$10 CR

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- The balance of *Bank* (an asset, a debit account) is being *increased*, therefore DEBIT
- The balance of *Rent Received* (a revenue, a credit account) is being *increased*, therefore CREDIT
- The balance of *GST Collected* (a liability) is being *increased*, therefore CREDIT

Receipt No. 3: Cash received for gardening \$88 including GST

Transaction Analysis				
Account	Classification	Type of account	Increase/decrease	DR/CR
Bank	Asset	Debit	Increase	\$88 DR
Service Fees	Revenue	Credit	Increase	\$80 CR
GST Collected	Liability	Credit	Increase	\$8 CR

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- The balance of *Bank* (an asset, a debit account) is being *increased*, therefore DEBIT
- The balance of *Service Fees* (a revenue, a credit account) is being *increased*, therefore CREDIT
- The balance of *GST Collected* (a liability) is being *increased*, therefore CREDIT

Receipt No. 4: Cash contribution received from owner Jack Sprat \$1,000

Transaction Analysis				
Account	Classification	Type of account	Increase/decrease	DR/CR
Bank	Asset	Debit	Increase	\$1,000 DR
Capital	Equity	Credit	Increase	\$1,000 CR

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- The balance of *Bank* (an asset, a debit account) is being *increased*, therefore DEBIT
- The balance of *Capital* (an equity, a credit account) is being *increased*, therefore CREDIT

The General Journal entries

The next step is to convert the transactions into General Journal entries. There is a standard format, which needs to be used. This format assists consistency and readability of the entries. In addition to the account name, the folio number is also displayed to ensure clarity of account from the Chart of Accounts (that we have discussed in the topic - Bookkeeping and accounting foundations and principles).

General Journal standard format – note this is for receipt No. 2:

General Journal Entry standard format

Debit entry first

General Journal				
Date	Particulars	Folio	Debit	Credit
01/07/15	Bank Rent Received GST Collected <i>Rent revenue received from A Tenant</i>	100 455 230	110	100 10

Indent the Credit entries

Narration to explain the transaction

Ledger number from Chart of Accounts

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Review this example:

Return to the example of *Jack of all Trades*. Using the transaction analysis, prepare general journal entries for each transaction.

General Journal - Jack Of All Trades				
Date	Particulars	Folio	Debit	Credit
01/07	Bank Service Fees GST Collected <i>Service revenue received in cash</i>	100 410 230	220	200 20
01/07	Bank Rent Received GST Collected <i>Rent revenue received from A Tenant</i>	100 455 230	110	100 10
04/07	Bank Service Fees GST Collected <i>Service revenue received in cash</i>	100 410 230	88	80 8
05/07	Bank Capital <i>Capital contribution - Sprat</i>	100 300	1,000	1,000

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Activity 9029

John Brains

John Brains is a taxation consultant who is registered for GST.

Rec No: 01	Date: 02/07	Rec No: 02	Date: 07/07
From: J Farnham	Tax advice	From: J Brains	Capital
For: inc GST		For:	
Received	\$2,200	Received	\$1,000
Rec No: 03	Date: 14/07	Rec No: 04	Date: 25/07
From: E Bogle	Rent Received	From: S Dusty	Tax advice
For: (no GST)		For: inc GST	
Received	\$880	Received	\$1,430

Required:

- 1 Complete transaction analysis
- 2 Prepare general journal entries for John's July receipts.

A template for this activity table is provided in the [Activity Template document](#).

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Hints

John Brains - Transaction Analysis

Account	Classification	Type of account	Incr / Decr	Dr / Cr
Bank	A	Dr	Incr	2,200 Dr
Service Revenue	R	Cr	Incr	2,000 Cr
GST Collected	L	Cr	Incr	200 Cr
Bank	A	Dr	Incr	1,000 Dr
Capital	OE	Cr	Incr	1,000 Cr
Bank	A	Dr	Incr	880 Dr
Rent Revenue	R	Cr	Incr	880 Cr
Bank	A	Dr	Incr	1,430 Dr
Service Revenue	R	Cr	Incr	1,300 Cr
GST Collected	L	Cr	Incr	130 Cr

General Journal - John Brains				
Date	Particulars	Folio	Debit	Credit
Jul 02	Bank Service Revenue GST Collected <i>Cash services provided</i>	100 410 230	2,200	2,000 200
Jul 07	Bank Capital <i>Capital contribution</i>	100 300	1,000	1,000
Jul 14	Bank Rent Revenue <i>Rent received - residential tenant (no GST)</i>	100 455	880	880
Jul 25	Bank Service Revenue GST Collected <i>Cash services provided</i>	100 410 230	1,430	1,300 130

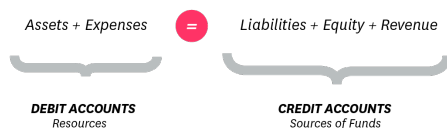
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Cash payments and the double entry system

Source documents for cash payments include cheque butts, the bank statement and EFT documentation. As with cash receipts, these documents are entered into the general journal. Each source document is listed once in the general journal.

We will now examine how to create general journal entries for a range of payments.

These entries will all impact on the Bank account, whether payments are made by cheque, EFT, BPay or direct debit; the funds are drawn from the bank account regardless of which methods of payment are used.



Cash Payments are usually made from the business cheque account. This account will have its own specific account in the Chart of Accounts. As each of the payments will be made from the business cheque account, the corresponding account 'Bank' in the general ledger will be reduced as a result of each transaction. Recall that 'Bank' is an Asset account, which is a Debit account; reducing the asset account results in a Credit entry. Each cash payment from the Bank ledger will therefore Credit the Bank ledger.

Example

Prepare a Transaction Analysis for each of these cash payments.

(a) Paid wages	\$ 600	(GST does not apply)
(b) Cash paid for inventory (stock)	2,200	(\$2,000 plus \$200 GST)
(c) Paid cash for a computer	1,100	(\$1,000 plus \$100 GST)
(d) Paid insurance (incl stamp duty \$50)	270	(Premium \$220 incl GST, Stamp Duty \$50 no GST)
(e) Loan repayment	500	(GST does not apply)
(f) Owner draws funds for personal use	400	(GST does not apply)

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a) Paid wages \$600

Transaction Analysis				
Account	Classification	Type of account	Incr/Decr	Dr / Cr
Wages	Expense	Debit	Increase	600 Dr (to increase expenses)
Bank	Asset	Debit	Decrease	600 Cr (credit to decrease)

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- The balance of *Wages* (an expense, a debit account) is being *increased*, therefore DEBIT
- The balance of *Bank* (an asset, a debit account) is being *decreased*, therefore CREDIT

b) Cash paid for inventory (stock) \$2,200 including GST

Account	Classification	Type of account	Incr/Decr	Dr / Cr
Inventory	Asset	Debit	Increase	2,000 Dr
GST Paid	Asset	Debit	Increase	200 Dr
Bank	Asset	Debit	Decrease	2,200 Cr

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- The balance of inventory (an asset, a debit account) is being *increased*, therefore DEBIT
- The balance of *GST Paid* (an asset, a debit account) is being *increased*, therefore DEBIT
- The balance of *Bank* (an asset, a debit account) is being *decreased*, therefore CREDIT

c) Paid cash for a computer for \$1,100 including GST

Account	Classification	Type of account	Incr/Decr	Dr / Cr
Office Equipment	Asset	Debit	Increase	1,000 Dr
GST Paid	Asset	Debit	Increase	100 Dr
Bank	Asset	Debit	Decrease	1,100 Cr

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- The balance of *Office Equipment* (an asset, a debit account) is being *increased*, therefore DEBIT

- The balance of *GST Paid* (an asset, a debit account) is being *increased*, therefore DEBIT
- The balance of *Bank* (an asset, a debit account) is being *decreased*, therefore CREDIT

d) Paid insurance \$270 including \$20 GST

Account	Classification	Type of account	Incr/Decr	Dr / Cr
Insurance	Expense	Debit	Increase	250 Dr
GST Paid	Asset	Debit	Increase	20 Dr
Bank	Asset	Debit	Decrease	270 Cr

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- The balance of *Insurance* (an expense, a debit account) is being *increased*, therefore DEBIT
- The balance of *GST Paid* (an asset, a debit account) is being *increased*, therefore DEBIT
- The balance of *Bank* (an asset, a debit account) is being *decreased*, therefore CREDIT

e) Loan repayment \$500

Account	Classification	Type of account	Incr/Decr	Dr / Cr
Loan	Liability	Credit	Decrease	500 Dr
Bank	Asset	Debit	Decrease	500 Cr

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- The balance of *Loan* (a liability, a credit account) is being *decreased*, therefore DEBIT
- The balance of *Bank* (an asset, a debit account) is being *decreased*, therefore CREDIT

f) Owner draws funds for personal use \$400

Account	Classification	Type of account	Incr/Decr	Dr / Cr
Drawings	Equity	Credit	Decrease	400 Dr
Bank	Asset	Debit	Decrease	400 Cr

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- The balance of *Drawings* (a liability, a credit account) is being *decreased*, therefore DEBIT
- The balance of *Bank* (an asset, a debit account) is being *decreased*, therefore CREDIT

Using the transaction analysis, prepare general journal entries for each transaction.

General Journal				
Date	Particulars	Folio	Debit	Credit
(a)	Wages Bank <i>Paid wages</i>	700 100	600	600
(b)	Inventory GST Paid Bank <i>Cash purchases</i>	120 125 100	2,000 200	2,200
(c)	Office Equipment GST Paid Bank <i>Brought Office Equipment for cash</i>	174 125 100	1,000 100	1,100
(d)	Insurance GST Paid Bank <i>Insurance paid</i>	720 125 100	250 20	270
(e)	Loan Bank <i>Loan repayment</i>	270 100	500	500
(f)	Drawings Bank <i>Owner's drawings</i>	310 100	400	400

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Activity 9030

Basil Restaurant

On 30 June, Basil Restaurant made the following payments from its cheque account. Templates for this activity are provided in the [Activity Template document](#).

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Required:

- 1 Complete the transaction analysis for these payments.
- 2 Prepare general journal entries in standard format.

	Account	Classification	Type	Incr/Decr	\$Dr / \$Cr
Paid Wages \$700					
Paid Telephone \$140 + \$14 GST Paid					
Paid for Furniture \$200 + \$20 GST Paid					
Paid Bank fees \$10 (no GST)					
Drawings for personal use \$50 (no GST)					
Paid Insurance \$340 [Premium 300 + \$30 GST Paid, Stamp Duty \$10 (no GST)]					

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Hints

Transaction Analysis

	Account	Classification	Type	Incr/Decr	\$Dr / \$Cr
Paid Wages \$700	Bank Wages	Asset Expense	Dr Dr	Decrease Increase	\$700 Cr \$700 Dr
Paid telephone \$140 + \$14 GST	Bank Telephone GST Paid	Asset Expense Asset	Dr Dr Dr	Decrease Increase Increase	\$154 Cr \$140 Dr \$ 14 Dr
Paid for furniture \$200 + \$20 GST	Bank Furniture GST Paid	Asset Asset Asset	Dr Dr Dr	Decrease Increase Increase	\$220 Cr \$200 Dr \$ 20 Dr
Paid bank fees \$10 (no GST)	Bank Bank Charges	Asset Expense	Dr Dr	Decrease Increase	\$10 Cr \$10 Dr
Drawings for personal use \$50 (no GST)	Bank Drawings	Asset Owners Eq	Dr Cr	Decrease Decrease in Owners Equity	\$50 Cr \$50 Dr
Paid insurance \$340 [Premium 300 + \$30 GST, stamp duty \$10 (no GST)]	Bank Insurance GST Paid	Asset Expense Asset	Dr Dr Dr	Decrease Increase Increase	\$340 Cr \$310 Dr \$ 30 Dr

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General Journal

Date	Particulars	Folio	Debit	Credit
30/06	Wages Bank <i>Paid Wages</i>	700 100	700	700
	Telephone GST Paid Bank <i>Paid telephone</i>	765 125 100	140 14	154
	Furniture GST Paid Bank <i>Paid cash for furniture</i>	174 125 100	200 20	220
	Bank Charges Bank <i>Bank charges per statement</i>	840 100	10	10
	Drawings Bank <i>Funds drawn for personal use</i>	310 100	50	50
	Insurance GST Paid Bank <i>Paid insurance</i>	720 125 100	310 30	340

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Ledger formats

After general journal entries are prepared, they are then entered into the General Ledger. The General Ledger comprises many individual ledgers: one ledger for each account in the Chart of Accounts. The aim of ledgers is to gather information together under various headings. For example, the Telephone Ledger gathers together the costs of the telephone expense during the year. The Sales Ledger accumulates all the sales amounts for the year.

Information for the ledgers is sourced from the general journal entries, as each journal entry is 'posted' or entered into the General Ledger.

There are two basic formats of ledger accounts:

- 1 T Ledgers
- 2 Running Balance Ledgers, also known as Columnar Ledgers

Accounting systems will use either format, although the running balance format is much more commonly used. In your studies you will be introduced to both ledger formats. As you progress you will concentrate on running balance ledgers.

T Ledger Format

Traditionally, ledger accounts were in a 'T' format. The left side is the debit side and the right is the credit. The folio number is a reference to the ledger account number.

Account Name				A/c Number			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
	DEBIT SIDE				CREDIT SIDE		

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Example:

This example shows the **Wages expense ledger** for a business for July. Wages are an expense, thus entries to increase the Wages expense are entered on the Debit side. The ledger is accumulating the wages expense for the year. Each pay, wages will be added on the Debit side, until at the end of the year, the total wages paid during the year can be determined from the balance of this ledger.

Wages				700			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/07	Bank	100	\$500				
15/07	Bank	100	\$500				
29/07	Bank	100	\$500				
			\$1,500				

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This Wages ledger has entries on one side only, so to balance, only adding is required. The next example is a **Bank Ledger**. The amount of cash at the bank will rise and fall with monies received and payments made. As Bank is an Asset account, amounts increasing the Bank ledger will be on the Debit side, and amounts reducing Bank will be on the Credit side. The balance at 1 July is \$10,000 funds available.

Throughout the month of July, the T-account does not indicate what the 'balance' of the account is, until it is closed at the end of the month:

Bank				100			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/07	Balance		\$10,000	01/07	Bank	100	\$500
10/07	Cash Sales	400	\$800	15/07	Bank	100	\$500
20/07	Rent Rec'd	455	\$200	29/07	Bank	100	\$500
30/07	Cash Sales	455	\$600				

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At the end of the month it is time to 'close' the accounts and calculate the balances. The steps to achieving this are detailed below:

- Draw a single line under the last figure sitting at the bottom line of either side of the T-account (in this case it is under the \$600 debit on 30/07), then a double line on the line immediately under this as illustrated:

Bank				100			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/07	Balance		\$10,000	01/07	Bank	100	\$500
10/07	Cash Sales	400	\$800	15/07	Bank	100	\$500
20/07	Rent Rec'd	455	\$200	29/07	Bank	100	\$500
30/07	Cash Sales	455	\$600				

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- On the opposite side of the T-account repeat the process on the same lines as illustrated below:

Bank				100			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/07	Balance		\$10,000	01/07	Bank	100	\$500
10/07	Cash Sales	400	\$800	15/07	Bank	100	\$500
20/07	Rent Rec'd	455	\$200	29/07	Bank	100	\$500
30/07	Cash Sales	455	\$600				

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- Total both sides of the T-account and fill the **highest** total in the totalling lines you have created:

Bank				100			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/07	Balance		\$10,000	01/07	Bank	100	\$500
10/07	Cash Sales	400	\$800	15/07	Bank	100	\$500
20/07	Rent Rec'd	455	\$200	29/07	Bank	100	\$500
30/07	Cash Sales	455	\$600				
			\$11,600				\$11,600

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- Balance both columns with the figure required, in this case $\$11,600 - \$1500 = \$10,100$

Bank				100			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/07	Balance		\$10,000	01/07	Bank	100	\$500
10/07	Cash Sales	400	\$800	15/07	Bank	100	\$500
20/07	Rent Rec'd	455	\$200	29/07	Bank	100	\$500
30/07	Cash Sales	455	\$600	31/07	Balance c/d		\$10,100
			\$11,600		(by difference)		\$11,600

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- The closing balance on the last day of the month becomes the opening balance on the first day of next month:

Bank				100			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/07	Balance		\$10,000	01/07	Bank	100	\$500
10/07	Cash Sales	400	\$800	15/07	Bank	100	\$500
20/07	Rent Rec'd	455	\$200	29/07	Bank	100	\$500
30/07	Cash Sales	455	\$600	31/07	Balance		\$10,100
			\$11,600		(by difference)		\$11,600
01/08	Balance		\$10,100				

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The Debit side increases Bank, and the Credit side decreases Bank

The balance of the Bank ledger is determined by 'balancing' the T ledger, as shown. Both sides of the ledger are added to the total of the larger side: the balance is the difference. The balance is carried forward to the next period, on the correct side of the ledger. This account shows there is \$10,100 cash available at 31 July/1 August.

Running balance format

Computerised accounting systems use the running balance ledger format, which is also referred to as Columnar format. Similarly, the DEBITS are entered in the Debit column, and the CREDITS are entered into the Credit column. After each transaction is recorded, the account balance is calculated and entered into the Balance column. The amount in the Balance column will have DR or CR to denote if the ledger is in Debit or in Credit.

Account Name					A/c Number
Date	Details	Folio	Debit	Credit	Balance

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Review the same example from the same illustration for T-accounts:

Again, this example shows the **Wages expense ledger** for a business for July.

Wages					700
Date	Details	Folio	Debit	Credit	Balance
01/7	Bank	100	500		500 DR
15/7	Bank	100	500		1,000 DR
29/7	Bank	100	500		1,500 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444797947/hybi8leuezdlleippie.png>]

- Wages are an expense so entries to increase the Wages expense are entered in the Debit column. □
- Each wage transaction will be entered in the Debit column to increase the expense. □
- A new balance of the Wages ledger is calculated for each entry. □
- The balance increases each time by the wages amount to make a larger debit amount.

□

Repeating the Bank ledger example, the running balance ledger would appear as follows: □

Bank					100
Date	Details	Folio	Debit	Credit	Balance
01/7	Balance				10,000 DR
01/7	Wages	700		500	9,500 DR
10/7	Cash sales	400	800		10,300 DR
15/7	Wages	700		500	9,800 DR
20/7	Rent Received	455	200		10,000 DR
29/7	Wages	700		500	9,500 DR
30/7	Cash Sales	400	600		10,100 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444797976/vdeqaqxu5qliaweg4yen.png>]

- The opening balance is a debit, showing funds available at \$10,000. □
- Each debit entry increases the balance, making a larger debit. □
- Each payment is a Credit entry, reducing the Debit balance. □

- It is possible for the Bank ledger to swing to a Credit indicating being overdrawn at the bank.

The balance of this ledger is the same regardless of the format chosen.

Activity 9031

Unrelated Ledgers

Below are a number of unrelated ledger accounts that require balancing. You are required to balance each ledger at 30 April. The ledgers provide the same information presented in both running balance and T ledger formats. Final balances should agree regardless of the format.

Complete the ledger accounts in running balance format and T format, these tables are provided in the [Activity Template document](#).

[<https://opencolleges.sharepoint.com/:w/s/OS/Ea3jv8Wyr6JGhOpL90FkLYcBn0JjPgHqpCXVIPDwJbLfyg?e=wOtrk3>]

Running Balance Format

(a) General Expenses					715
Date	Details	Folio	Debit	Credit	Balance
01/4	Bank	100	250		250 DR
15/4	Bank	100	300		
24/4	Bank	100	400		

[<https://res.cloudinary.com/opencolleges/image/upload/v1444798360/nrreb1cpz3umeykzrt4d.png>]

(b) Bank - Westpac Account					100
01/4	Balance				4,000 DR
07/4	Telephone	765		500	
10/4	Sales Revenue	400	5,500		
10/4	Wages	700		800	
15/4	Interest Revenue	460	20		
20/4	Sales Revenue	400	6,400		
25/4	Rent	455		1,000	

[<https://res.cloudinary.com/opencolleges/image/upload/v1444798403/fmu58wcyk42wxa8sy7bq.png>]

(c) Bank - ANZ Account					100
01/4	Balance				1,200 DR
07/4	Stationery	760		550	
08/4	Sales Revenue	400	700		
10/4	Advertising	605		1,800	
15/4	Rent Revenue	455	2,500		
25/4	Wages	700		600	

[<https://res.cloudinary.com/opencolleges/image/upload/v1444798429/b4k42yafo5e4vjyu2b2x.png>]

(d) Loan - ABC Ltd					270
02/4	Bank	100		12,000	12,000 CR
30/4	Bank	100	500		

T Format

(a) General Expenses				715			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/4	Bank	100	250				
15/4	Bank	100	300				
24/4	Bank	100	400				

[https://res.cloudinary.com/opencolleges/image/upload/v1444798482/cvkyxg8bjflyzv4rou8.png]

(b) Bank - Westpac Account				100			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/4	Balance		4,000	07/4	Telephone	765	500
10/4	Sales Revenue	400	5,500	10/4	Wages	700	800
15/4	Int. Revenue	460	20	25/4	Rent	750	1,000
20/4	Sales Revenue	400	6,400				

[https://res.cloudinary.com/opencolleges/image/upload/v1444798519/nwym80nrgsclt2fgtrtwq.png]

(c) Bank - ANZ Account				100			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/4	Balance		1,200	07/4	Stationery	760	550
08/4	Sales Revenue	400	700	10/4	Advertising	605	1,800
15/4	Rent Revenue	455	2,500	25/4	Wages	700	600

[https://res.cloudinary.com/opencolleges/image/upload/v1444798545/wqy3pfrtqxhvgv5xzlyu.png]

(d) Loan - ABC Ltd				270			
Date	Details	Folio	Amount	Date	Details	Folio	Amount
30/4	Bank	100	500	02/4	Bank	100	12,000

[https://res.cloudinary.com/opencolleges/image/upload/v1444798571/wy5cslmercyqpbxzgcz.png]

Hints

Running Balance Format

(a) General Expenses				715			
01/4	Bank	100	250				250 DR
15/4	Bank	100	300				550 DR
24/4	Bank	100	400				950 DR

[https://res.cloudinary.com/opencolleges/image/upload/v1444798654/bztr8oqe3i93rxdegq9m.png]

(b) Bank - Westpac Account				100			
01/4	Balance		4,000				4,000 DR
07/4	Telephone	765			500		3,500 DR
10/4	Sales Revenue	400	5,500				9,000 DR
10/4	Wages	700			800		8,200 DR
15/4	Interest Revenue	460	20				8,220 DR
20/4	Sales Revenue	400	6,400				14,620 DR
25/4	Rent	750			1,000		13,620 DR

[https://res.cloudinary.com/opencolleges/image/upload/v1444798677/sluert1cezymbzvf5zu0.png]

(c) Bank - ANZ Account				100			
01/4	Balance		1,200				1,200 DR
07/4	Stationery	760			550		650 DR
08/4	Sales Revenue	400	700				1,350 DR
10/4	Advertising	605			1,800		450 CR
15/4	Rent Revenue	455	2,500				2,050 DR
25/4	Wages	700			600		1,450 DR

[https://res.cloudinary.com/opencolleges/image/upload/v1444798709/btkdyoezii1wqlzyt3em.png]

(d) Loan - ABC Limited 270					
Date	Details	Folio	Debit	Credit	Balance
02/4	Bank	100		12,000	12,000 CR
30/4	Bank	100	500		11,500 CR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444798736/elrdmobov0mtqlrk81j2.png>]

T Format

(a) General Expenses 715							
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/4	Bank	100	250				
15/4	Bank	100	300				
24/4	Bank	100	400				
			950				

[<https://res.cloudinary.com/opencolleges/image/upload/v1444798766/brijj32alrgdzkfr7nkr.png>]

(b) Bank - Westpac Account 100							
01/4	Balance		4,000	07/4	Telephone	765	500
10/4	Sales Revenue	400	5,500	10/4	Wages	700	800
15/4	Interest Revenue	460	20	25/4	Rent	750	1,000
20/4	Sales Revenue	400	6,400	30/4	Balance		13,620
			15,920				15,920
01/5	Balance		13,620				

[<https://res.cloudinary.com/opencolleges/image/upload/v1444798792/ge4ok1lxclgkcs6dxlf9.png>]

(c) Bank - ANZ Account 100							
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/4	Balance		1,200	07/4	Stationery	760	550
08/4	Sales Revenue	400	700	10/4	Advertising	605	1,800
15/4	Rent Revenue	455	2,500	25/4	Wages	700	600
			4,400	30/4	Balance		1,450
			1,450				4,400
01/5	Balance		1,450				

[<https://res.cloudinary.com/opencolleges/image/upload/v1444798817/u7hjlbnueajt3snuwnat.png>]

(d) Loan - ABC Limited 270							
30/4	Bank	100	500	02/4	Bank	100	12,000
30/4	Balance		11,500				
			12,000				12,000
				01/7	Balance		11,500

[<https://res.cloudinary.com/opencolleges/image/upload/v1444798851/jc2utjta8czf79yhrxpt.png>]

Posting to the General Ledger

The accounting process begins with source documents, and these are entered into the general journal. After the journal entries are prepared, the entries are posted or transferred into the General Ledger, which will collate the information.

For example, the Stationery account will collate all stationery expenses regardless of where the stationery purchases were made, and the Rent Expense account gathers all rent expenses for the year. Likewise, the Bank account will show all receipts and payments of cash involving the business cheque account.

Posting to running balance ledgers

Example: Wendy Smithers, a boutique owner, is registered for GST. The opening balances of her accounts on

1 July are Bank \$12,000 and Capital \$12,000.

Required: Post the journal entries for the following payments into the ledgers.

General Journal				GJ8
Date	Particulars	Folio	Debit	Credit
Jul 01	Wages	700	200	
	Bank	100		200
	<i>Paid wages</i>			
02	Accounting Fees	715	500	
	GST Paid	125	50	
	Bank	100		550
	<i>Paid accounting fees</i>			

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799329/h2pnbrdmixaj2cs86xtm.png>]

To post the Wages for 1 July, read the journal entry above as follows:

- *TIP – enter the \$ amount first!*
- Go to the Wages ledger and enter a debit of \$200, complete the balance (\$200 DR) and date, 'Details' is the *CREDIT* account (Bank)
- Go to Bank and enter a credit of \$200, complete the balance (\$11,800DR) and date, 'Details' is the *DEBIT* account (Wages)

Bank (ASSET)					100
Date	Details	Folio	Debit	Credit	Balance
01/07	Balance				12,000 DR
01/07	Wages	GJ8		200	11,800 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799369/jze090mxrvjybn0b60sd.png>]

Capital (EQUITY)					300
Date	Details	Folio	Debit	Credit	Balance
01/07	Balance				12,000 CR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799388/nbjekhrtjq9dxsjle9.png>]

Wages (EXPENSE)					700
Date	Details	Folio	Debit	Credit	Balance
01/07	Bank	GJ8	200		200 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799421/wet2sknslgrx1km4kfst.png>]

To post the accounting fees for 02/07, refer to the journal entry above and repeat the process.

- Go to the 'Accounting Fees' ledger and enter a debit of \$500, complete the balance and date, 'Details' is the *CREDIT* account, 'Bank'
- Go to 'GST Paid' ledger and enter a debit of \$50, complete the balance and date, 'Details' is the *CREDIT* account, 'Bank'
- Go to 'Bank' ledger and enter a credit of \$550, update the balance and date, 'Details' is the *DEBIT* account, 'Accounting Fees, GST Paid'.

Bank (ASSET)					100
Date	Details	Folio	Debit	Credit	Balance
01/07	Balance	GJ8			12,000 DR
01/07	Wages	GJ8		200	11,800 DR
02/07	Accounting Fees, GST Paid	GJ8		550	11,250 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799450/mhvmjptpuwubkdckexvn.png>]

GST Paid (ASSET)					125
Date	Details	Folio	Debit	Credit	Balance
02/07	Bank	GJ8	50		50 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799515/j4ebhlmzrlqddx32aqmm.png>]

Capital (EQUITY)					300
Date	Details	Folio	Debit	Credit	Balance
01/07	Balance				12,000 CR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799545/l7ujqquk3evceg7bcnr8.png>]

Accounting Fees (EXPENSE)					715
Date	Details	Folio	Debit	Credit	Balance
02/07	Bank	GJ8	500		500 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799568/tjrfis2buv9el9fxvel8.png>]

Wages (EXPENSE)					700
Date	Details	Folio	Debit	Credit	Balance
01/07	Bank	GJ8	200		200 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799642/nn8vhd4qiwpb9r9jfwewa.png>]

Information from the ledgers:

- The cash available to the business is \$11,250.
- GST Paid is currently \$50.
- Expenses ledgers always exclude any GST.

The accounting equation is still in balance:

$$\text{Assets } (\$11,250 + \$50) + \text{Expenses } (\$500 + \$200) = \text{Liabilities } (\$0) + \text{Equity } (\$12,000)$$

Posting to T ledgers

Review the same example:

Using the same example of Wendy Smithers, we will now post the same transactions to T ledgers.

Following the same process, enter debits into the Debit side of the T ledger, and Credit entries into the credit side of the ledger. Balance at 2 July.

Bank								100
Date	Details	Folio	Amount	Date	Details	Folio	Amount	
01/7	Balance		12,000	01/7	Wages		200	
				02/7	Acct. Fees, GST		550	
				02/7	Balance		11,250	
			12,000				12,000	
03/7	Balance		11,250					

[<https://res.cloudinary.com/opencolleges/image/upload/v1444799725/mmisbe8wfohq4xqw70o.png>]

GST Paid					125
01/7	Bank		50		

[https://res.cloudinary.com/opencolleges/image/upload/v1444799743/w0iy5rddywy0yhr5kcv0s.png]

Capital					300
			01/7	Balance	12,000

[https://res.cloudinary.com/opencolleges/image/upload/v1444799763/zrzz635gdhgzpuygmdqu.png]

Accounting Fees					715
02/7	Bank		500		

[https://res.cloudinary.com/opencolleges/image/upload/v1444799786/ftf7ys5mj4jh8gnimxac.png]

Wages					700
01/7	Bank		200		

[https://res.cloudinary.com/opencolleges/image/upload/v1444799878/dwyrrert1ts9bpmultiu.png] A trial balance can be prepared to check the posting and arithmetic. As each journal entry posted has Debits and Credits equal, it follows that the total Debits in the General Ledger should equal the total Credits in the General Ledger.

Trial Balance

Account	Debit (\$)	Credit (\$)
Bank	11,250	
GST Paid	50	
Capital		12,000
Accounting Fees	500	
Wages	200	
	12,000	12,000

[https://res.cloudinary.com/opencolleges/image/upload/v1444799974/fzr6pwr5d5jg5odyqns.png]

Activity 9032

Bonza Abs

Bonza Abs has commenced a personal training business, Energy Enterprises. The business is registered for the GST and deposits are made daily. Bonza provides you with receipts and payments details for March. Amounts include GST where applicable.

Date March	Doc #	Details	GST	Amount
01	CR1	Owner contributes cash	x	8,000
02	BS	Loan proceeds received	x	15,000
06	111	Paid for gym equipment in cash	✓	8,800
08	112	Paid rent	✓	440
12	113	Bought a computer	✓	1,650
14	CR2	Training Fees Receipts	✓	605
18	114	Cleaning expenses	x	50

[https://res.cloudinary.com/opencolleges/image/upload/v1444800026/denya21crkltg0qk1o0g.png]

Required:

- Prepare General Journal entries for the transactions.
- Post the General Journal entries to the running balance ledgers.

- Prepare a trial balance.

Templates are provided in the [Activity Template document](#)

[<https://opencolleges.sharepoint.com/:w/s/OS/Ea3jv8Wyr6JGhOpL90FkLYcBn0JjPgHqpcXVIPDwJbLfyg?e=wOtrk3>].

Hints

(a) General Journal GJ3				
Date	Particulars	Folio	Debit	Credit
Mar 01	Bank Capital <i>Capital Contribution by owner</i>	100 300	8,000	8,000
Mar 02	Bank Loan <i>Loan Proceeds</i>	100 270	15,000	15,000
Mar 06	Equipment GST Paid Bank <i>Gym equipment purchased for cash</i>	166 125 100	8,000 800	8,800
Mar 08	Rent Expense GST Paid Bank <i>Rent paid</i>	750 125 100	400 40	440
Mar 12	Computer GST Paid Bank <i>Computer purchased for cash</i>	174 125 100	1,500 150	1,650
Mar 14	Bank Training Receipts GST Collected <i>Training income received</i>	100 410 230	605	550 55
Mar 18	Cleaning Bank <i>Cleaning paid (no GST)</i>	730 100	50	50

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800150/zp80luboqhwfk3bqfiy.png>]

(b) Bank (ASSET) 100					
Date	Details	Folio	Debit	Credit	Balance
01/3	Capital	GJ3	8,000		8,000 DR
02/3	Loan	GJ3	15,000		23,000 DR
06/3	Equipment, GST	GJ3		8,800	14,200 DR
08/3	Rent, GST	GJ3		440	13,760 DR
12/3	Computer, GST	GJ3		1,650	12,110 DR
14/3	Training Receipts, GST	GJ3	605		12,715 DR
18/3	Cleaning	GJ3		50	12,665 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800195/ewzq6exxiurgen7xl4g.png>]

GST Paid (ASSET) 125					
Date	Details	Folio	Debit	Credit	Balance
06/3	Bank	GJ3	800		800 DR
08/3	Bank	GJ3	40		840 DR
12/3	Bank	GJ3	150		990 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800214/lmpcelyh9rlrx5nexplg.png>]

Computer (ASSET) 174					
Date	Details	Folio	Debit	Credit	Balance
12/3	Bank	GJ3	1,500		1,500 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800244/zdvlbwkm3iknpbckyjbc.png>]

Equipment (ASSET) 166					
Date	Details	Folio	Debit	Credit	Balance
06/3	Bank	GJ3	8,000		8,000 DR

GST Collected (LIABILITY) 230					
Date	Details	Folio	Debit	Credit	Balance
14/3	Bank	GJ3		55	55 CR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800285/c24o7g6dzcoaycnzsm5s.png>]

Loan (LIABILITY) 270					
Date	Details	Folio	Debit	Credit	Balance
02/3	Bank	GJ3		15,000	15,000 CR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800308/hugbrzex7bcvx8gv9dz6.png>]

Capital (EQUITY) 300					
Date	Details	Folio	Debit	Credit	Balance
01/3	Bank	GJ3		8,000	8,000 CR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800329/dlshvm4jvcnbnbjkcv3a.png>]

Training Fees Receipts (REVENUE)					410	Cleaning (EXPENSE)					730
14/3	Bank	GJ3		550	550 CR	18/3	Bank	GJ3	50		50 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800369/jtz2x9ulfmrinhsamius.png>]

Rent Expense (EXPENSE)					750
08/3	Bank	GJ3	400		400 DR

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800392/q0ngnfzdoqmtwrnyqm41.png>]

(c) Trial Balance		
	Debit	Credit
Bank	12,665	
GST Paid	990	
Computer	1,500	
Equipment	8,000	
GST Collected		55
Loan		15,000
Capital		8,000
Training Fees Receipts		550
Cleaning	50	
Rent Expense	400	
TOTAL	23,605	23,605

[<https://res.cloudinary.com/opencolleges/image/upload/v1444800443/szycdaofw6mydxhxequ.png>]

Activity 9035

More Transactions

For each of the transactions below complete the table provided in the [Activity Template](#)

[<https://opencolleges.sharepoint.com/:w/s/OS/Ea3jV8Wyr6jGhOpL90FkLYcBn0jJpGhQpCXVIPDwjbLfyg?e=wOtrk3>].

Use the abbreviations:

Account Type:

- A Asset
- E Expense
- L Liability
- OE Owner's Equity
- R Revenue

	Transaction	Account Name	Account Type	Increase or Decrease	\$Dr or \$Cr
(a)	Purchased tools for cash: \$3000 + \$300 GST				
(b)	Paid rent for shop premises: \$400 + \$40 GST				
(c)	Paid wages: \$550 (no GST)				
(d)	Paid advertising \$600 + \$60 GST				
(e)	Bought office furniture for cash: \$800 + \$80 GST				
(f)	Negotiated a long term loan and received proceeds into bank account: \$25,000				
(g)	Service income received in cash \$6,000 + \$600 GST				
(h)	Residential rent received \$200 (GST does not apply)				

[<https://res.cloudinary.com/opencolleges/image/upload/v1444801218/kflc3vkbygsrc0tfuyn.png>]

Hints

	Transaction	Account Name	Account Type	Increase or Decrease	\$ Dr or Cr
(a)	Purchased tools for cash: \$3000 + \$300 GST	Equipment	A	+ 3,000	Dr
		GST Paid	A	+ 300	Dr
		Bank	A	- 3,300	Cr
(b)	Paid rent for shop premises: \$400 + \$40	Rent	E	+ 400	Dr
		GST Paid	A	+ 40	Dr
		Bank	A	- 440	Cr
(c)	Paid wages: \$550 (no GST)	Wages	E	+550	Dr
		Bank	A	- 550	Cr
(d)	Paid advertising \$600 + \$60 GST	Advertising	E	+600	Dr
		GST Paid	A	+ 60	Dr
		Bank	A	-660	Cr
(e)	Bought office furniture for cash: \$800 + \$80 GST	Bank	A	- 880	Cr
		Office	A	+800	Dr
		Furniture	A	+ 80	Dr
		GST Paid			
(f)	Negotiated a long term loan and received proceeds into bank account: \$25,000	Bank	A	+25,000	Dr
		Loan	L	+25,000	Cr
(g)	Service income received in cash: \$6,000 + \$600 GST	Service	R	+ 6,000	Cr
		Income	L	+ 600	Cr
		GST	A	+ 6,600	Dr
		Collected Bank			
(h)	Residential rent received \$200 (GST doesn't apply)	Bank	A	+ 200	Dr
		Rent Revenue	R	+ 200	Cr

[<https://res.cloudinary.com/opencolleges/image/upload/v1444801454/axarzhcpq9bmme6mciu2.png>]