

Unit 17 The Three-Ledger System

Terminology

- subsidiary ledger
- accounts receivable ledger
- accounts receivable control account
- accounts payable ledger
- schedule of accounts receivable
- schedule of accounts payable
- accounting control
- division of labour

Introduce the accounts receivable ledger and accounts payable ledger using overhead.

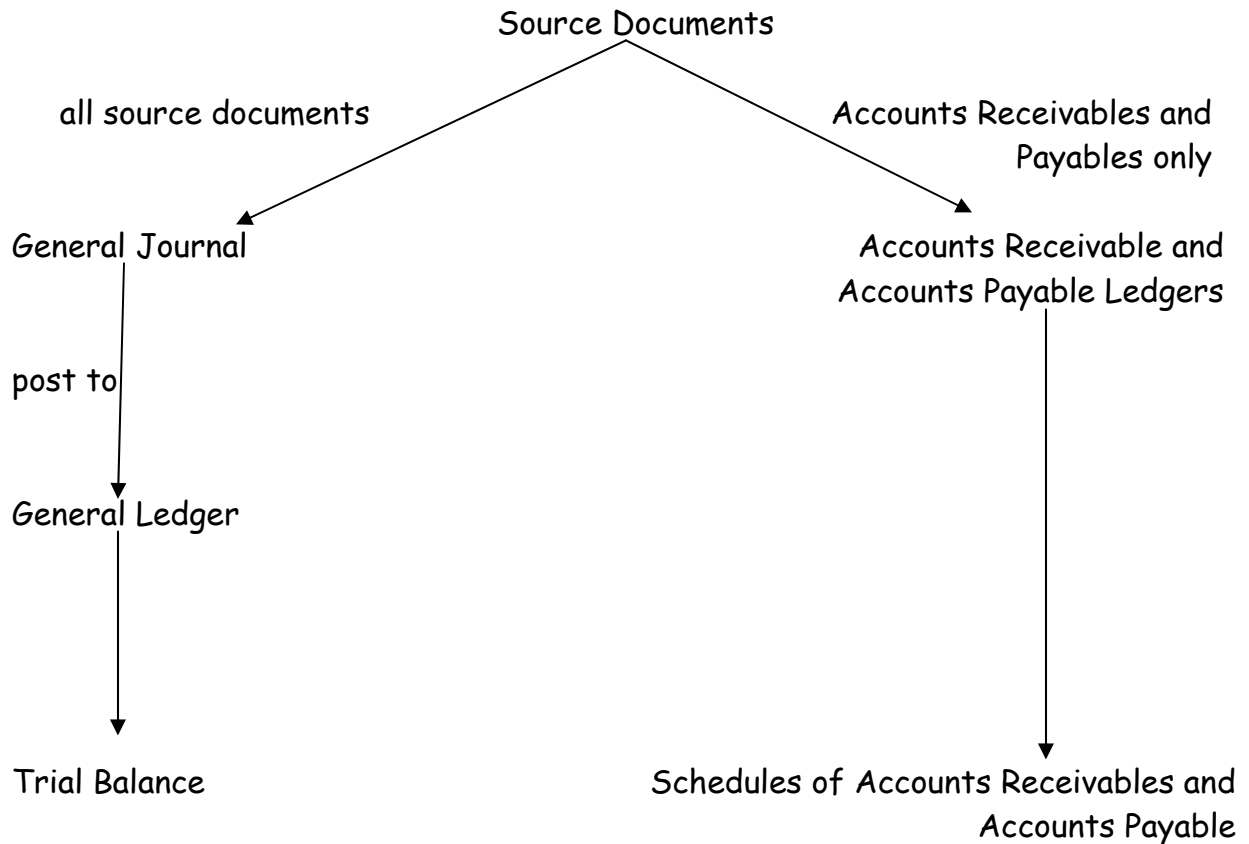
Need for Accounts Receivable and Accounts Payable Ledgers:

- General Ledger gets too **big**
- General Ledger gets too **complex**
- only one person can **post** at a time
- **trial balance** very long, therefore it would be hard to find errors and/or make corrections

The General Ledger maintains an Accounts Receivable account to control the **Accounts Receivable Ledger** and an Accounts Payable account to control the **Accounts Payable Ledger**.

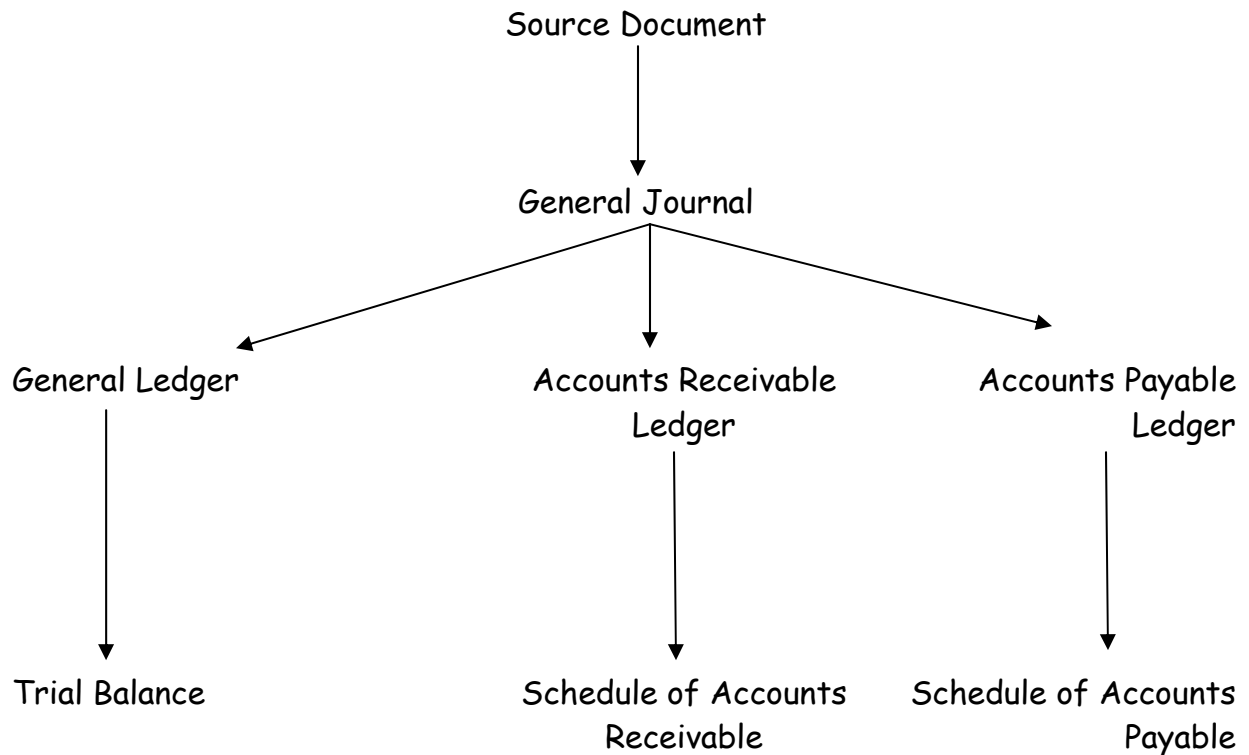
The Steps in the Accounting Cycle now include posting to the Accounts Receivable Ledger and the Accounts Payable Ledger. Each of the subsidiary ledgers needs to be proven by preparing a **Schedule of Accounts Receivable and Schedule of Accounts Payable**.

Two Methods of incorporating Accounts Receivable and Accounts Payable Ledgers: **indirect** and **direct**.

Direct Method (two or three people):

At this point compare Accounts Receivable controlling account with Schedules of Account Receivable and **Accounts Payable** controlling account with **Schedule of Accounts Payable**.

Proceed to next step of preparing worksheet.

Indirect Method (one person):

At this point compare Accounts Receivable controlling account with Schedules of Account Receivable and **Accounts Payable** controlling account with **Schedule of Accounts Payable**.

Proceed to next step of preparing worksheet.