

Accounting 1

Lesson Plan

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Day/Date:

Topic: Posting to General and Subsidiary Ledgers

Unit: 3 Chapter 13

I. Objective(s): By the end of today's lesson, the student will be able to:

- define accounting terms related to posting to ledgers.
- identify accounting concepts and practices related to posting to ledgers.
- post to a general ledger from a journal.
- open accounts in ledgers.
- post to subsidiary ledgers from a journal.
- prepare subsidiary schedules.

II. Materials:

Textbook

Workbook

Transparencies

III. Anticipatory Set:

A journal provides a permanent record of transactions listed in chronological order. Journal entries are sorted and summarized by transferring information to ledger accounts. Transferring information from journal entries to ledger accounts is known as posting. Posting information from a journal to ledger accounts summarizes in one place transactions affecting each account.

IV. Learning Activities:

LEDGERS AND CONTROLLING ACCOUNTS

A business' size, number of transactions, and type of transactions determine the number of ledgers used in an accounting system.

General Ledger

A ledger that contains all accounts needed to prepare financial statements.

A general ledger sorts and summarizes all information affecting income statement and balance sheet accounts.

Subsidiary Ledger

A ledger that is summarized in a single general ledger account.

A business needs to know the amount owed each vendor as well as the amount to be collected from each charge customer. A business with several vendors and charge customers keeps a separate ledger for vendors and a separate ledger for customers. Each separate ledger is summarized in a single general ledger account.

Accounts Payable Ledger - a subsidiary ledger containing only accounts for vendors from whom items are purchased or bought on account.

Accounts Receivable Ledger - a subsidiary ledger containing only accounts for charge customers.

Controlling Account

An account in a general ledger that summarizes all accounts in a subsidiary ledger.

The total amount owed to all vendors is summarized in a single general ledger account, **Accounts Payable**.

The total amount to be collected from all charge customers is summarized in a single general ledger account, **Accounts Receivable**.

The balance of a controlling account equals the total of all account balances in its related subsidiary ledger.

- the balance in Accounts Payable equals the total of all vendor account balances in the accounts payable subsidiary ledger.
- the balance in Accounts Receivable equals the total of all charge customer account balances in the accounts receivable subsidiary ledger.

POSTING TO A GENERAL LEDGER

Posting from a journal to a general ledger can be done periodically throughout a month. The number of transactions determines how often to post to a general ledger. However, posting must always be done at the end of a month.

Posting a journal's general amount columns

(pg. 286)

Each separate amount in the General Debit and General Credit columns of a journal are posted to the account written in the Account Title column.

- 1) Write the **date** in the *Date* column of the account.
- 2) Write the **journal page number** in the *Post. Ref.* column of the account.
- 3) Write the **debit** amount in the Debit amount column.
- 4) Write the **new account balance** in the *Balance Debit* column.
- 5) Write the **account number** in the *Post. Ref.* column of the journal.

Posting a journal's special amount columns

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Only the totals of special amount columns are posted to the general ledger. Each special amount column total is posted to the general ledger account listed in the column heading.

- 1) Write the **date** in the *Date* column of the account.
- 2) Write the **journal page number** in the *Post. Ref.* column of the account.
- 3) Write the **column total** in the *Credit* amount column.
- 4) Write the **new account balance** in the *Balance Credit* column.
- 5) Write the **account number** in parentheses below the *Cash Credit* column total in the journal.

Rules for posting a journal's column totals

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General amount column totals are NOT posted. A check mark is placed in parentheses below the General Debit and General Credit column totals to indicate that the two amount column totals are not posted.

Special amount column totals ARE posted. The general ledger account number of the account listed in the column heading is written in parentheses below the special amount column totals to show that the totals are posted.

Opening a new page for an account in a general ledger

(pg. 289)

When a general ledger account page is full, a new page is prepared.

The **account name** and **account number** are written on the heading at the top of the new page.

The **date** is recorded in the Date column.

The word **Balance** is written in the Item column.

A **check mark** is placed in the Post. Ref. column to show that the entry has been carried forward from a previous page rather than posted from a journal.

The **account balance** is written in the Balance Debit column.

Assignment:

Be sure you know and understand:

- the meaning of terms 1 - 4, pg. 304.
- the answers to questions 1 - 13, pg. 304.
- answer Case 1, pg. 304.
- do Drill 13-D2, pg. 305.
- do Problem 13-1, instructions 1, 4a, and 5, pg. 305-306.
- read pages 290-300.

ASSIGNING ACCOUNT NUMBERS TO SUBSIDIARY LEDGER ACCOUNTS

A vendor number is assigned to each account in the accounts payable ledger.

A customer number is also assigned to each account in the accounts receivable ledger.

1000	Assets
2000	Liabilities
3000	Owner's Equity
4000	Operating Revenue
5000	Cost of Merchandise
6000	Operating Expenses

A three-digit number is used. The first digit identifies the division in which the controlling account appears in the general ledger.

The second two digits show each account's location within a subsidiary ledger.

2 10

General ledger division	Location within general ledger division
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Accounts are arranged in alphabetic order within the subsidiary ledgers.

Account numbers are assigned by 10's. New accounts are assigned the unused middle number.

If a new account is the last account, the next number in the sequence of 10's is assigned.

Add Hall's Supplies to the **Accounts Receivable ledger** on **pg. 244.** 135

Add Volmer and Company to the **Accounts Payable ledger** on **pg. 244.** 270

POSTING TO AN ACCOUNTS PAYABLE LEDGER

The total of all vendor account balances in the accounts payable ledger equals the balance of the controlling account, **Account Payable.** (pg. 291)

When the balance of a vendor account in an accounts payable ledger is changed, the balance of the controlling account, Accounts Payable, is changed.

Accounts Payable ledger form (pg. 291)

A 3-column accounts payable subsidiary account form is used.

It includes the **date, item, post. ref., debit or credit amount,** and **new account balance**

Accounts payable are liabilities, and liabilities have normal credit balances, therefore, the debit balance column is omitted for accounts payable ledger accounts.

Opening vendor accounts

Each new account is opened by writing the **vendor name** and **vendor number** on the heading of the ledger account form. The vendor name is obtained from the first purchase invoice received. The vendor number is assigned using the three-digit numbering system.

Posting from a journal to an accounts payable ledger

Each entry in the Accounts Payable columns of a journal affects the vendor named in the Account Title column.

Posting each amount in these two columns often keeps each vendor account balance up to date.

Totals of Accounts Payable special amount columns are posted to the general ledger at the end of each month.

Posting a credit to an accounts payable ledger

Posting a credit for a purchase on account:

(pg. 292)

- 1) Write the **date** in the *Date* column of the account.
- 2) Write the **journal page number** in the *Post. Ref.* column of the account.
- 3) Write the **credit amount** in the *Credit* amount column.
- 4) Add the amount in the **credit amount** column to the previous balance in the *Credit Balance* column.
- 5) Write the **vendor account number** in the *Post. Ref.* column of the journal.

The controlling account in the general ledger, Account Payable, is increased by this entry when the column totals are posted at the end of the month.

Posting a debit to an accounts payable ledger

Posting a debit for a cash payment on account:

(pg. 293)

- 1) Write the **date** in the *Date* column of the account.
- 2) Write the **journal page number** in the *Post. Ref.* column of the account.
- 3) Write the **debit amount** in the *Debit* amount column.
- 4) Subtract the amount in the **debit amount** column to the previous balance in the *Credit Balance* column.
- 5) Write the **vendor account number** in the *Post. Ref.* column of the journal.

The controlling account in the general ledger, Account Payable, is decreased by this entry when the column totals are posted at the end of the month.

Opening a new page for a vendor in an accounts payable ledger (pg. 294)

When a accounts payable ledger account page is full, a new page is prepared.

The **vendor name** and **vendor number** are written on the heading at the top of the new page.

The **date** is recorded in the Date column.

The word **Balance** is written in the Item column.

A **check mark** is place in the Post. Ref. column to show that the entry has been carried forward from a previous page rather than posted from a journal.

The **account balance** is written in the Credit Balance column.

Completed accounts payable ledger Pgs. 294-295. FYI - pgs. 294 & 295.

POSTING TO AN ACCOUNTS RECEIVABLE LEDGER

The total of all customer account balances in the accounts receivable ledger equals the balance of the controlling account, **Account Receivable.** (pg. 296)

When the balance of a customer account in an accounts receivable ledger is changed, the balance of the controlling account, Accounts Receivable, is changed.

Accounts Receivable ledger form (pg. 296)

A 3-column accounts receivable subsidiary account form is used.

It includes the **date, item, post. ref., debit or credit amount, and new account balance**

Accounts receivables are assets, and assets have normal debit balances, therefore, the credit balance column is omitted for accounts receivable ledger accounts.

Opening customer accounts

Each new account is opened by writing the **customer name** and **customer number** on the heading of the ledger account form. The customer name is obtained from the first sales

invoice prepared for a customer. The customer number is assigned using the three-digit numbering system.

Posting from a journal to an accounts receivable ledger

Each entry in the Accounts Receivable columns of a journal affects the customer named in the Account Title column.

Posting each amount in these two columns often keeps each customer account balance up to date.

Totals of Accounts Receivable special amount columns are posted to the general ledger at the end of each month.

Posting a debit to an accounts receivable ledger

(pg. 298)

Posting a debit for a sale on account:

- 1) Write the **date** in the *Date* column of the account.
- 2) Write the **journal page number** in the *Post. Ref.* column of the account.
- 3) Write the **debit amount** in the *Debit* amount column.
- 4) Add the amount in the **debit amount** column to the previous balance in the *Debit Balance* column.
- 5) Write the **customer account number** in the *Post. Ref.* column of the journal.

The controlling account in the general ledger, Account Receivable, is increased by this entry when the column totals are posted at the end of the month.

Posting a credit to an accounts receivable ledger

(pg. 299)

Posting a credit for a cash payment on account:

- 1) Write the **date** in the *Date* column of the account.
- 2) Write the **journal page number** in the *Post. Ref.* column of the account.
- 3) Write the **credit amount** in the *Credit* amount column.
- 4) Subtract the amount in the **debit amount** column from the previous balance in the *Debit Balance* column.
- 5) Write the **customer account number** in the *Post. Ref.* column of the journal.

The controlling account in the general ledger, Account Receivable, is decreased by this entry when the column totals are posted at the end of the month.

Opening a new page for a customer in an accounts receivable ledger (pg. 300)

When an accounts payable ledger account page is full, a new page is prepared.

The **customer name** and **customer number** are written on the heading at the top of the new page.

The **date** is recorded in the Date column.

The word **Balance** is written in the Item column.

A **check mark** is placed in the Post. Ref. column to show that the entry has been carried forward from a previous page rather than posted from a journal.

The **account balance** is written in the Debit Balance column.

Completed accounts payable ledger Pgs. 299-300.

Assignment:

Be sure you know and understand:

- the answers to questions 14 - 19, pg. 304.
- answer Case 2, pg. 304.
- do Problem 14-1, instructions 2, 3, and 4b and c, pg. 309.
- read pages 300-303.

PROVING THE ACCURACY OF POSTING

A single error in posting to a ledger account may cause the trial balance to be out of balance.

An error in posting may cause the cash account balance to disagree with the actual cash on hand.

An error in posting may also cause the income to be understated or overstated on an income statement.

An error in posting may also cause a business to overpay or underpay its vendors.

Posting must be accurate to assure correct account balances.

To prove the accuracy of posting, the following are done:

- 1) **Cash is proved**
- 2) **Subsidiary schedules are prepared** to prove that the total of the balances in the subsidiary ledgers equals the balance of the controlling account in the general ledger.
- 3) A **Trial Balance is prepared** to prove that debits equal credits in the general ledger.

Proving cash

We learned how to prove cash in Chapter 12.

The cash proof total is compared with the balance on the next unused check stub in the checkbook.

Proving the subsidiary ledgers

Accounts payable and Accounts receivable subsidiary ledgers are proved at the end of each month.

Proving Accounts Payable

(pg. 301)

Schedule of Accounts Payable - a listing of vendor accounts, account balances, and total amount due all vendors.

A schedule of accounts payable is prepared after all entries in a journal are posted.

The accounts payable ledger is proved when the balance of **Accounts Payable** in the general ledger equals the schedule of accounts payable.

Proving Accounts Receivable**(pg. 302)**

Schedule of Accounts Receivable - a listing of vendor accounts, account balances, and total amount due all vendors.

A schedule of accounts receivable is prepared after all entries in a journal are posted.

The accounts receivable ledger is proved when the balance of **Accounts Receivable** in the general ledger equals the schedule of accounts receivable.

SUMMARY OF POSTING TO GENERAL AND SUBSIDIARY LEDGERS**Posting from a journal's general columns****(pg. 302)**

Individual amounts in the General debit and General credit columns are posted separately.

Totals of General debit and General credit columns are not posted.

Posting from a journals's special columns**(pg. 303)**

Totals of special amount columns are posted to the account named in the column heading.

Account numbers are placed in **parentheses** below **special amount column** total of the journal to show that these column totals have been posted.

Posting from a journal's special columns for controlling accounts**(pg. 305)**

Individual amounts and total amounts are posted from special columns for controlling accounts.

Individual amounts in the Accounts Receivable/Payable Debit and Credit columns are posted separately to customer/vendor accounts found in the Accounts Receivable/Payable subsidiary ledgers.

The customer/vendor account number is written in the Post. Ref. column of the journal as the last step in the posting process to show that the posting has been completed.

The totals of the Accounts Receivable/Payable Debit and Credit columns are posted to the controlling accounts, Accounts Receivable/Payable, in their respective columns.

Account numbers are placed in **parentheses** below **special amount column** total of the journal to show that these column totals have been posted.

Assignment:

Be sure you know and understand:

- **accounting terms 5-6, pg. 304**
- **the answer to question 20, pg. 304**
- **do Problem 13-1, instructions 6-7, pg. 306**

Assignment:

Problem 13-M, pg. 306-307.

Problem 13-C, pg. 307-308.

Multicultural Awareness pg. 286.

Personal Visions in Business pg. 287.

V. Closure:

To review for test do Study Guide 13 and Problem 13-M.

VI. Evaluation of Student Learning:

Students will be evaluated using Problems 13-M and 13-C, and Chapter 13 test.