Learning Objectives

After studying this appendix, you should be able to:

1. Describe the nature and purpose of a subsidiary ledger.
2. Explain how companies use special journals in journalizing.
3. Indicate how companies post a multi-column journal.

Expanding the Ledger—Subsidiary Ledgers

Imagine a business that has several thousand charge (credit) customers and shows the transactions with these customers in only one general ledger account—Accounts Receivable. It would be nearly impossible to determine the balance owed by an individual customer at any specific time. Similarly, the amount payable to one creditor would be difficult to locate quickly from a single Accounts Payable account in the general ledger.

Instead, companies use subsidiary ledgers to keep track of individual balances. A subsidiary ledger is a group of accounts with a common characteristic (for example, all accounts receivable). It is an addition to, and an expansion of, the general ledger. The subsidiary ledger frees the general ledger from the details of individual balances.

Two common subsidiary ledgers are:

1. The accounts receivable (or customers’) subsidiary ledger, which collects transaction data of individual customers.
2. The accounts payable (or creditors’) subsidiary ledger, which collects transaction data of individual creditors.

In each of these subsidiary ledgers, companies usually arrange individual accounts in alphabetical order.

A general ledger account summarizes the detailed data from a subsidiary ledger. For example, the detailed data from the accounts receivable subsidiary ledger are summarized in Accounts Receivable in the general ledger. The general ledger account that summarizes subsidiary ledger data is called a control account. Illustration F-1 presents an overview of the relationship of subsidiary ledgers to the general ledger. In Illustration F-1, the general ledger control accounts are:

- Cash
- Accounts Receivable
- Accounts Payable
- Common Stock
- Customer A
- Customer B
- Customer C
- Creditor X
- Creditor Y
- Creditor Z

Illustration F-1
Relationship of general ledger and subsidiary ledgers
accounts and subsidiary ledger accounts are in green. Note that Cash and Common Stock in this illustration are not control accounts because there are no subsidiary ledger accounts related to these accounts.

At the end of an accounting period, each general ledger control account balance must equal the composite balance of the individual accounts in the related subsidiary ledger. For example, the balance in Accounts Payable in Illustration F-1 must equal the total of the subsidiary balances of Creditors X + Y + Z.

**Subsidiary Ledger Example**

Illustration F-2 lists sales and collection transactions for Pujols Enterprises.

<table>
<thead>
<tr>
<th>Date</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 10</td>
<td>Aaron Co.</td>
<td>6,000</td>
<td></td>
<td>6,000</td>
</tr>
<tr>
<td>12</td>
<td>Branden Inc.</td>
<td>3,000</td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>20</td>
<td>Caron Co.</td>
<td>3,000</td>
<td></td>
<td>3,000</td>
</tr>
</tbody>
</table>

Credit Sales

<table>
<thead>
<tr>
<th>Date</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 19</td>
<td>Aaron Co.</td>
<td>$4,000</td>
<td></td>
<td>$4,000</td>
</tr>
<tr>
<td>21</td>
<td>Branden Inc.</td>
<td>3,000</td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>29</td>
<td>Caron Co.</td>
<td>1,000</td>
<td></td>
<td>1,000</td>
</tr>
</tbody>
</table>

Collections on Account

Illustration F-3 provides an example of a control account and subsidiary ledger based on these transactions. (Due to space considerations, the explanation column in these accounts is not shown in this and subsequent illustrations.)

Illustration F-3 provides an example of a control account and subsidiary ledger based on these transactions. (Due to space considerations, the explanation column in these accounts is not shown in this and subsequent illustrations.)
Pujols can reconcile the total debits ($12,000) and credits ($8,000) in Accounts Receivable in the general ledger to the detailed debits and credits in the subsidiary accounts. Also, the balance of $4,000 in the control account agrees with the total of the balances in the individual accounts (Aaron Co. $2,000 + Branden Inc. $0 + Caron Co. $2,000) in the subsidiary ledger.

As Illustration F-3 shows, companies make monthly postings to the control accounts in the general ledger. This practice allows them to prepare monthly financial statements. Companies post to the individual accounts in the subsidiary ledger daily. Daily posting ensures that account information is current. This enables the company to monitor credit limits, bill customers, and answer inquiries from customers about their account balances.

**Advantages of Subsidiary Ledgers**

Subsidiary ledgers have several advantages:

1. **They show in a single account transactions affecting one customer or one creditor**, thus providing up-to-date information on specific account balances.
2. **They free the general ledger of excessive details.** As a result, a trial balance of the general ledger does not contain vast numbers of individual account balances.
3. **They help locate errors in individual accounts** by reducing the number of accounts in one ledger and by using control accounts.
4. **They make possible a division of labor in posting.** One employee can post to the general ledger while someone else posts to the subsidiary ledgers.

**DO IT!**

**Subsidiary Ledgers**

Presented below is information related to Sims Company for its first month of operations. Determine the balances that appear in the accounts payable subsidiary ledger. What Accounts Payable balance appears in the general ledger at the end of January?

<table>
<thead>
<tr>
<th>Credit Purchases</th>
<th>Cash Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Devon Co. $11,000</td>
<td>Devon Co. $7,000</td>
</tr>
<tr>
<td>Shelby Co. $7,000</td>
<td>Shelby Co. $2,000</td>
</tr>
<tr>
<td>Taylor Co. $14,000</td>
<td>Taylor Co. $9,000</td>
</tr>
</tbody>
</table>

**Action Plan**

- Subtract cash paid from credit purchases to determine the balances in the accounts payable subsidiary ledger.
- Sum the individual balances to determine the Accounts Payable balance.

**Solution**

Subsidiary ledger balances:

- Devon Co. $4,000 ($11,000 – $7,000)
- Shelby Co. $5,000 ($7,000 – $2,000)
- Taylor Co. $5,000 ($14,000 – $9,000)

General ledger Accounts Payable balance: $14,000 ($4,000 + $5,000 + $5,000)

Related exercise material: **BEF-1, BEF-2, EF-1, EF-4, EF-5, and DO IT F-1.**
Expanding the Journal—Special Journals

So far you have learned to journalize transactions in a two-column general journal and post each entry to the general ledger. This procedure is satisfactory in only very small companies. To expedite journalizing and posting, most companies use special journals in addition to the general journal.

Companies use special journals to record similar types of transactions. Examples are all sales of merchandise on account, or all cash receipts. The types of transactions that occur frequently in a company determine what special journals the company uses. Most merchandising companies record daily transactions using the journals shown in Illustration F-4.

Illustration F-4
Use of special journals and the general journal

If a transaction cannot be recorded in a special journal, the company records it in the general journal. For example, if a company had special journals for only the four types of transactions listed above, it would record purchase returns and allowances in the general journal. Similarly, correcting, adjusting, and closing entries are recorded in the general journal. In some situations, companies might use special journals other than those listed above. For example, when sales returns and allowances are frequent, a company might use a special journal to record these transactions.

Special journals permit greater division of labor because several people can record entries in different journals at the same time. For example, one employee may journalize all cash receipts, and another may journalize all credit sales. Also, the use of special journals reduces the time needed to complete the posting process. With special journals, companies may post some accounts monthly, instead of daily, as we will illustrate later in this appendix. On the following pages, we discuss the four special journals shown in Illustration F-4.

Sales Journal

In the sales journal, companies record sales of merchandise on account. Cash sales of merchandise go in the cash receipts journal. Credit sales of assets other than merchandise go in the general journal.

JOURNALIZING CREDIT SALES

To demonstrate use of a sales journal, we will use data for Karns Wholesale Supply, which uses a perpetual inventory system. Under this system, each entry in the
sales journal results in one entry at selling price and another entry at cost. The entry at selling price is a debit to Accounts Receivable (a control account) and a credit of equal amount to Sales Revenue. The entry at cost is a debit to Cost of Goods Sold and a credit of equal amount to Inventory (a control account). Using a sales journal with two amount columns, the company can show on only one line a sales transaction at both selling price and cost. Illustration F-5 shows this two-column sales journal of Karns Wholesale Supply, using assumed credit sales transactions (for sales invoices 101–107).

![Illustration F-5](https://example.com/illustration)

Note several points: Unlike the general journal, an explanation is not required for each entry in a special journal. Also, use of prenumbered invoices ensures that all invoices are journalized. Finally, the reference (Ref.) column is not used in journalizing. It is used in posting the sales journal, as explained next.

**POSTING THE SALES JOURNAL**

Companies make daily postings from the sales journal to the individual accounts receivable in the subsidiary ledger. Posting to the general ledger is done monthly. Illustration F-6 (page F-6) shows both the daily and monthly postings.

A check mark (✓) is inserted in the reference posting column to indicate that the daily posting to the customer's account has been made. If the subsidiary ledger accounts were numbered, the account number would be entered in place of the check mark. At the end of the month, Karns posts the column totals of the sales journal to the general ledger. Here, the column totals are as follows. From the selling-price column, a debit of $90,230 to Accounts Receivable (account No. 112), and a credit of $90,230 to Sales Revenue (account No. 401). From the cost column, a debit of $62,190 to Cost of Goods Sold (account No. 505), and a credit of $62,190 to Inventory (account No. 120). Karns inserts the account numbers below the column totals to indicate that the postings have been made. In both the general ledger and subsidiary ledger accounts, the reference S1 indicates that the posting came from page 1 of the sales journal.
Illustration F-6
Posting the sales journal

The company posts individual amounts to the subsidiary ledger daily.

At the end of the accounting period, the company posts totals to the general ledger.

The subsidiary ledger is separate from the general ledger. Accounts Receivable is a control account.

1The normal balance for Inventory is a debit. But, because of the sequence in which we have posted the special journals, with the sales journals first, the credits to Inventory are posted before the debits. This posting sequence explains the credit balance in Inventory, which exists only until the other journals are posted.
PROVING THE LEDGERS
The next step is to “prove” the ledgers. To do so, Karns must determine two things: (1) The total of the general ledger debit balances must equal the total of the general ledger credit balances. (2) The sum of the subsidiary ledger balances must equal the balance in the control account. Illustration F-7 shows the proof of the postings from the sales journal to the general and subsidiary ledger.

ADVANTAGES OF THE SALES JOURNAL
Use of a special journal to record sales on account has several advantages. First, the one-line entry for each sales transaction saves time. In the sales journal, it is not necessary to write out the four account titles for each transaction. Second, only totals, rather than individual entries, are posted to the general ledger. This saves posting time and reduces the possibilities of posting errors. Finally, a division of labor results because one individual can take responsibility for the sales journal.

Cash Receipts Journal
In the cash receipts journal, companies record all receipts of cash. The most common types of cash receipts are cash sales of merchandise and collections of accounts receivable. Many other possibilities exist, such as receipt of money from bank loans and cash proceeds from disposal of equipment. A one- or two-column cash receipts journal would not have space enough for all possible cash receipt transactions. Therefore, companies use a multi-column cash receipts journal.

Generally, a cash receipts journal includes the following columns: debit columns for Cash and Sales Discounts, and credit columns for Accounts Receivable, Sales Revenue, and “Other Accounts.” Companies use the “Other Accounts” category when the cash receipt does not involve a cash sale or a collection of accounts receivable. Under a perpetual inventory system, each sales entry also is accompanied by an entry that debits Cost of Goods Sold and credits Inventory for the cost of the merchandise sold. Illustration F-8 (page F-8) shows a six-column cash receipts journal.
### Journalizing and posting the cash receipts journal

#### Illustration F-8

**CASH RECEIPTS JOURNAL**

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Credited</th>
<th>Ref.</th>
<th>Cash Dr.</th>
<th>Sales Discounts Dr.</th>
<th>Accounts Receivable Cr.</th>
<th>Sales Revenue Cr.</th>
<th>Other Accounts Cr.</th>
<th>Cost of Goods Sold Dr. Inventory Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May 1</td>
<td>Common Stock</td>
<td>311</td>
<td>5,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td>1,900</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Abbot Sisters</td>
<td>✓</td>
<td>10,388</td>
<td>212</td>
<td>10,600</td>
<td></td>
<td></td>
<td>1,240</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td>2,600</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,690</td>
</tr>
<tr>
<td>17</td>
<td>Babson Co.</td>
<td>✓</td>
<td>11,123</td>
<td>227</td>
<td>11,350</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Notes Payable</td>
<td></td>
<td>6,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,000</td>
</tr>
<tr>
<td>23</td>
<td>Carson Bros.</td>
<td>✓</td>
<td>7,644</td>
<td>156</td>
<td></td>
<td></td>
<td></td>
<td>7,800</td>
</tr>
<tr>
<td>28</td>
<td>Deli Co.</td>
<td>✓</td>
<td>7,114</td>
<td>186</td>
<td></td>
<td></td>
<td></td>
<td>5,150</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>53,789</td>
<td>781</td>
<td>29,050</td>
<td>4,500</td>
<td>11,000</td>
<td>2,930</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(101)</td>
<td>(414)</td>
<td>(112)</td>
<td>(401)</td>
<td></td>
<td>(505)(126)</td>
</tr>
</tbody>
</table>

The company posts individual amounts to the subsidiary ledger daily.

#### Accounts Receivable Subsidiary Ledger

- **Abbot Sisters**
  - Date: May 1, Ref: 311, Debit: 10,600, Credit: 10,600
  - Date: May 10, Ref: CR1, Debit: 10,600

- **Babson Co.**
  - Date: May 7, Ref: SI, Debit: 11,350, Credit: 11,350
  - Date: May 17, Ref: CR1, Debit: 11,350
  - Date: May 27, Ref: SI, Debit: 14,570, Credit: 14,570

- **Carson Bros.**
  - Date: May 14, Ref: SI, Debit: 7,800, Credit: 7,800
  - Date: May 23, Ref: CR1, Debit: 7,800

- **Deli Co.**
  - Date: May 19, Ref: SI, Debit: 9,300, Credit: 9,300
  - Date: May 24, Ref: SI, Debit: 21,210, Credit: 30,510
  - Date: May 28, Ref: CR1, Debit: 9,300, Credit: 21,210

The subsidiary ledger is separate from the general ledger.

#### General Ledger

- **Cash No. 101**
  - Date: May 31, Ref: CR1, Debit: 53,769, Credit: 53,769

- **Accounts Receivable No. 112**
  - Date: May 31, Ref: SI, Debit: 90,230, Credit: 90,230
  - Date: May 31, Ref: CR1, Debit: 39,050, Credit: 31,180

- **Inventory No. 120**
  - Date: May 31, Ref: SI, Debit: 62,190, Credit: 62,190
  - Date: May 31, Ref: CR1, Debit: 2,930, Credit: 65,120

- **Notes Payable No. 200**
  - Date: May 22, Ref: CR1, Debit: 6,000, Credit: 6,000

- **Common Stock No. 311**
  - Date: May 1, Ref: CR1, Debit: 5,000, Credit: 5,000

- **Sales Revenue No. 401**
  - Date: May 1, Ref: CR1, Debit: 90,230, Credit: 90,230
  - Date: May 31, Ref: CR1, Debit: 4,200, Credit: 94,730

- **Sales Discounts No. 414**
  - Date: May 31, Ref: CR1, Debit: 781, Credit: 781

- **Cost of Goods Sold No. 505**
  - Date: May 31, Ref: SI, Debit: 62,190, Credit: 62,190
  - Date: May 31, Ref: CR1, Debit: 2,930, Credit: 65,120

At the end of the accounting period, the company posts totals to the general ledger.

The subsidiary ledger is a control account.
Companies may use additional credit columns if these columns significantly reduce postings to a specific account. For example, a loan company, such as Household International, receives thousands of cash collections from customers. Using separate credit columns for Loans Receivable and Interest Revenue, rather than the Other Accounts credit column, would reduce postings.

**JOURNALIZING CASH RECEIPTS TRANSACTIONS**

To illustrate the journalizing of cash receipts transactions, we will continue with the May transactions of Karns Wholesale Supply. Collections from customers relate to the entries recorded in the sales journal in Illustration F-5. The entries in the cash receipts journal are based on the following cash receipts.

May 1  Stockholders invested $5,000 in the business.
   7  Cash sales of merchandise total $1,900 (cost, $1,240).
   10 Received a check for $10,388 from Abbot Sisters in payment of invoice No. 101 for $10,600 less a 2% discount.
   12 Cash sales of merchandise total $2,600 (cost, $1,690).
   17 Received a check for $11,123 from Babson Co. in payment of invoice No. 102 for $11,350 less a 2% discount.
   22 Received cash by signing a note for $6,000.
   23 Received a check for $7,644 from Carson Bros. in full for invoice No. 103 for $7,800 less a 2% discount.
   28 Received a check for $9,114 from Deli Co. in full for invoice No. 104 for $9,300 less a 2% discount.

Further information about the columns in the cash receipts journal is listed below.

**Debit Columns:**

1. **Cash.** Karns enters in this column the amount of cash actually received in each transaction. The column total indicates the total cash receipts for the month.

2. **Sales Discounts.** Karns includes a Sales Discounts column in its cash receipts journal. By doing so, it does not need to enter sales discount items in the general journal. As a result, the cash receipts journal shows on one line the collection of an account receivable within the discount period.

**Credit Columns:**

3. **Accounts Receivable.** Karns uses the Accounts Receivable column to record cash collections on account. The amount entered here is the amount to be credited to the individual customer’s account.

4. **Sales Revenue.** The Sales Revenue column records all cash sales of merchandise. Cash sales of other assets (plant assets, for example) are not reported in this column.

5. **Other Accounts.** Karns uses the Other Accounts column whenever the credit is other than to Accounts Receivable or Sales Revenue. For example, in the first entry, Karns enters $5,000 as a credit to Common Stock. This column is often referred to as the sundry accounts column.

**Debit and Credit Column:**

6. **Cost of Goods Sold and Inventory.** This column records debits to Cost of Goods Sold and credits to Inventory.

   In a multi-column journal, generally only one line is needed for each entry. Debit and credit amounts for each line must be equal. When Karns journalizes the collection from Abbot Sisters on May 10, for example, three amounts are indicated. Note also that the Account Credited column identifies both general ledger and subsidiary ledger account titles. General ledger accounts are illustrated in the May 1
and May 22 entries. A subsidiary account is illustrated in the May 10 entry for the collection from Abbot Sisters.

When Karns has finished journalizing a multi-column journal, it totals the amount columns and compares the totals to prove the equality of debits and credits. Illustration F-9 shows the proof of the equality of Karns’s cash receipts journal.

Totaling the columns of a journal and proving the equality of the totals is called **footing** and **crossfooting** a journal.

**POSTING THE CASH RECEIPTS JOURNAL**

Posting a multi-column journal (Illustration F-8, page F-8) involves the following steps.

1. **At the end of the month**, the company posts all column totals, except for the Other Accounts total, to the account title(s) specified in the column heading (such as Cash or Accounts Receivable). The company then enters account numbers below the column totals to show that they have been posted. For example, Karns has posted cash to account No. 101, accounts receivable to account No. 112, inventory to account No. 120, sales revenue to account No. 401, sales discounts to account No. 414, and cost of goods sold to account No. 505.

2. The company **separately posts the individual amounts comprising the Other Accounts total** to the general ledger accounts specified in the Account Credited column. See, for example, the credit posting to Common Stock. The total amount of this column has not been posted. The symbol (X) is inserted below the total to this column to indicate that the amount has not been posted.

3. The individual amounts in a column, posted in total to a control account (Accounts Receivable, in this case), are posted **daily to the subsidiary ledger** account specified in the Account Credited column. See, for example, the credit posting of $10,600 to Abbot Sisters.

The symbol **CR** used in both the subsidiary and general ledgers, identifies postings from the cash receipts journal.

**PROVING THE LEDGERS**

After posting of the cash receipts journal is completed, Karns proves the ledgers. As shown in Illustration F-10, the general ledger totals agree. Also, the sum of the subsidiary ledger balances equals the control account balance.
Purchases Journal

In the purchases journal, companies record all purchases of merchandise on account. Each entry in this journal results in a debit to Inventory and a credit to Accounts Payable. For example, consider the following credit purchase transactions for Karns Wholesale Supply in Illustration F-11.

<table>
<thead>
<tr>
<th>Date</th>
<th>Supplier</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/6</td>
<td>Jasper Manufacturing Inc.</td>
<td>$11,000</td>
</tr>
<tr>
<td>5/10</td>
<td>Eaton and Howe Inc.</td>
<td>7,200</td>
</tr>
<tr>
<td>5/14</td>
<td>Fabor and Son</td>
<td>6,900</td>
</tr>
<tr>
<td>5/19</td>
<td>Jasper Manufacturing Inc.</td>
<td>17,500</td>
</tr>
<tr>
<td>5/26</td>
<td>Fabor and Son</td>
<td>8,700</td>
</tr>
<tr>
<td>5/29</td>
<td>Eaton and Howe Inc.</td>
<td>12,600</td>
</tr>
</tbody>
</table>

Illustration F-12 (page F-12) shows the purchases journal for Karns based on these transactions. When using a one-column purchases journal (as in Illustration F-12), a company cannot journalize other types of purchases on account or cash purchases in it. For example, using the purchases journal shown in Illustration F-12, Karns would have to record credit purchases of equipment or supplies in the general journal. Likewise, all cash purchases would be entered in the cash payments journal. As illustrated later, companies that make numerous credit purchases for items other than merchandise often expand the purchases journal to a multi-column format. (See Illustration F-14 on page F-13.)

JOURNALIZING CREDIT PURCHASES OF MERCHANDISE

The journalizing procedure is similar to that for a sales journal. Companies make entries in the purchases journal from purchase invoices. In contrast to the sales journal, the purchases journal may not have an invoice number column because invoices received from different suppliers will not be in numerical sequence. To ensure that they record all purchase invoices, some companies consecutively number each invoice upon receipt and then use an internal document number column in the purchases journal.
Helpful Hint  
Postings to subsidiary ledger accounts are done daily because it is often necessary to know a current balance for the subsidiary accounts.  

**POSTING THE PURCHASES JOURNAL**  
The procedures for posting the purchases journal are similar to those for the sales journal. In this case, Karns makes daily postings to the accounts payable ledger; it makes monthly postings to Inventory and Accounts Payable in the general ledger. In both ledgers, Karns uses P1 in the reference column to show that the postings are from page 1 of the purchases journal.
Proof of the equality of the postings from the purchases journal to both ledgers is shown in Illustration F-13.

### Illustration F-13
Proving the equality of the purchases journal

### Helpful Hint
A single-column purchases journal needs only to be footed to prove the equality of debits and credits.

### Illustration F-14
Multi-column purchases journal

### Expanding the Purchases Journal
As noted earlier, some companies expand the purchases journal to include all types of purchases on account. Instead of one column for Inventory and Accounts Payable, they use a multi-column format. This format usually includes a credit column for Accounts Payable and debit columns for purchases of Inventory, Office Supplies, Store Supplies, and Other Accounts. Illustration F-14 shows a multi-column purchases journal for Hanover Co. The posting procedures are similar to those shown earlier for posting the cash receipts journal.

#### Postings to General Ledger
- Inventory (debit) $63,900
- Accounts Payable (credit) $63,900

#### Credit Postings to Accounts Payable Ledger
- Eaton and Howe Inc. $19,800
- Fabor and Son $15,600
- Jasper Manufacturing Inc. $28,500
- Total $63,900

#### Cash Payments Journal
In a cash payments (cash disbursements) journal, companies record all disbursements of cash. Entries are made from prenumbered checks. Because companies make cash payments for various purposes, the cash payments journal has multiple columns. Illustration F-15 (page F-14) shows a four-column journal.

#### Journalizing Cash Payments Transactions
The procedures for journalizing transactions in this journal are similar to those for the cash receipts journal. Karns records each transaction on one line, and for each line there must be equal debit and credit amounts. The entries in the cash
Illustration F-15
Journalizing and posting the cash payments journal
payments journal in Illustration F-15 are based on the following transactions for Karns Wholesale Supply.

May 1 Issued check No. 101 for $1,200 for the annual premium on a fire insurance policy.
3 Issued check No. 102 for $100 in payment of freight when terms were FOB shipping point.
8 Issued check No. 103 for $4,400 for the purchase of merchandise.
10 Sent check No. 104 for $10,780 to Jasper Manufacturing Inc. in payment of May 6 invoice for $11,000 less a 2% discount.
19 Mailed check No. 105 for $6,984 to Eaton and Howe Inc. in payment of May 10 invoice for $7,200 less a 3% discount.
23 Sent check No. 106 for $6,831 to Fabor and Son in payment of May 14 invoice for $6,900 less a 1% discount.
28 Sent check No. 107 for $17,150 to Jasper Manufacturing Inc. in payment of May 19 invoice for $17,500 less a 2% discount.
30 Issued check No. 108 for $500 to stockholders as a dividend.

Note that whenever Karns enters an amount in the Other Accounts column, it must identify a specific general ledger account in the Account Debited column. The entries for checks No. 101, 102, 103, and 108 illustrate this situation. Similarly, Karns must identify a subsidiary account in the Account Debited column whenever it enters an amount in the Accounts Payable column. See, for example, the entry for check No. 104.

After Karns journalizes the cash payments journal, it totals the columns. The totals are then balanced to prove the equality of debits and credits.

**POSTING THE CASH PAYMENTS JOURNAL**

The procedures for posting the cash payments journal are similar to those for the cash receipts journal. Karns posts the amounts recorded in the Accounts Payable column individually to the subsidiary ledger and in total to the control account. It posts Inventory and Cash only in total at the end of the month. Transactions in the Other Accounts column are posted individually to the appropriate account(s) affected. The company does not post totals for the Other Accounts column.

Illustration F-15 shows the posting of the cash payments journal. Note that Karns uses the symbol CP as the posting reference. After postings are completed, the company proves the equality of the debit and credit balances in the general ledger. In addition, the control account balances should agree with the subsidiary ledger total balance. Illustration F-16 shows the agreement of these balances.
Effects of Special Journals on the General Journal

Special journals for sales, purchases, and cash substantially reduce the number of entries that companies make in the general journal. Only transactions that cannot be entered in a special journal are recorded in the general journal. For example, a company may use the general journal to record such transactions as granting of credit to a customer for a sales return or allowance, granting of credit from a supplier for purchases returned, acceptance of a note receivable from a customer, and purchase of equipment by issuing a note payable. Also, correcting, adjusting, and closing entries are made in the general journal.

The general journal has columns for date, account title and explanation, reference, and debit and credit amounts. When control and subsidiary accounts are not involved, the procedures for journalizing and posting of transactions are the same as those described in earlier chapters. When control and subsidiary accounts are involved, companies make two changes from the earlier procedures:

1. In journalizing, they identify both the control and the subsidiary accounts.
2. In posting, there must be a dual posting: once to the control account and once to the subsidiary account.

Illustration F-17

Journalizing and posting the general journal
To illustrate, assume that on May 31, Karns Wholesale Supply returns $500 of merchandise for credit to Fabor and Son. Illustration F-17 shows the entry in the general journal and the posting of the entry. Note that if Karns receives cash instead of credit on this return, then it would record the transaction in the cash receipts journal.

Note that the general journal indicates two accounts (Accounts Payable, and Fabor and Son) for the debit, and two postings (“201/✔”) in the reference column. One debit is posted to the control account and another debit to the creditor’s account in the subsidiary ledger.

Swisher Company had the following transactions during March.

1. Collected cash on account from Oakland Company.
2. Purchased equipment by signing a note payable.
3. Sold merchandise on account.
4. Purchased merchandise on account.
5. Paid $2,400 for a 2-year insurance policy.

Identify the journal in which each of the transactions above is recorded.

**Solution**

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Journal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Collected cash on account from</td>
</tr>
<tr>
<td></td>
<td>Oakland Company.</td>
</tr>
<tr>
<td>2.</td>
<td>Purchased equipment by signing</td>
</tr>
<tr>
<td></td>
<td>a note payable.</td>
</tr>
<tr>
<td>3.</td>
<td>Sold merchandise on account.</td>
</tr>
<tr>
<td>4.</td>
<td>Purchased merchandise on account</td>
</tr>
<tr>
<td>5.</td>
<td>Paid $2,400 for a 2-year</td>
</tr>
<tr>
<td></td>
<td>insurance policy.</td>
</tr>
</tbody>
</table>

Cash receipts journal

General journal

Sales journal

Purchases journal

Cash payments journal

Related exercise material: BEF-3, BEF-4, BEF-5, BEF-6, EF-8, EF-9, EF-10, and F-2.

Cassandra Wilson Company uses a six-column cash receipts journal with the following columns:

**Action Plan**

- Record all cash receipts in the cash receipts journal.
- Understand that the “account credited” indicates items are posted individually to the subsidiary ledger or to the general ledger.
- Record cash sales in the cash receipts journal—not in the sales journal.
- Understand that the total debits must equal the total credits.

Cash receipts transactions for the month of July 2014 are as follows.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Journal</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Cash sales total $5,800 (cost, $3,480).</td>
<td>Cash receipts journal</td>
</tr>
<tr>
<td>5</td>
<td>Received a check for $6,370 from Jeltz Company in payment of an invoice</td>
<td>Cash receipts journal</td>
</tr>
<tr>
<td></td>
<td>dated June 26 for $6,500, terms 2/10, n/30.</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Stockholders made an additional investment of $5,000 in cash in exchange</td>
<td>Cash receipts journal</td>
</tr>
<tr>
<td></td>
<td>for common stock.</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Cash sales total $12,519 (cost, $7,511).</td>
<td>Cash receipts journal</td>
</tr>
<tr>
<td>12</td>
<td>Received a check for $7,275 from R. Eliot &amp; Co. in payment of a $7,500</td>
<td>Cash receipts journal</td>
</tr>
<tr>
<td></td>
<td>invoice dated July 3, terms 3/10, n/30.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Received a customer advance of $700 cash for future sales.</td>
<td>Cash receipts journal</td>
</tr>
<tr>
<td>20</td>
<td>Cash sales total $15,472 (cost, $9,283).</td>
<td>Cash receipts journal</td>
</tr>
</tbody>
</table>
1 Describe the nature and purpose of a subsidiary ledger.
A subsidiary ledger is a group of accounts with a common characteristic. It facilitates the recording process by freeing the general ledger from details of individual balances.

2 Explain how companies use special journals in journalizing.
Companies use special journals to group similar types of transactions. In a special journal, generally only one line is used to record a complete transaction.

3 Indicate how companies post a multi-column journal.
In posting a multi-column journal:

(a) Companies post all column totals except for the Other Accounts column once at the end of the month to the account title specified in the column heading.
(b) Companies do not post the total of the Other Accounts column. Instead, the individual amounts comprising the total are posted separately to the general ledger accounts specified in the Account Credited (Debited) column.
(c) The individual amounts in a column posted in total to a control account are posted daily to the subsidiary ledger accounts specified in the Account Credited (Debited) column.

Instructions
(a) Journalize the transactions in the cash receipts journal.
(b) Contrast the posting of the Accounts Receivable and Other Accounts columns.

Solution to Comprehensive DO IT!

(a) Cassandra Wilson Company
Cash Receipts Journal CR1

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Credited</th>
<th>Cash Discounts</th>
<th>Accounts Receivable</th>
<th>Sales Revenue</th>
<th>Other Accounts</th>
<th>Cost of Goods Sold Dr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7/3</td>
<td>Jeltz Company</td>
<td>5,800</td>
<td>130</td>
<td>6,500</td>
<td>5,800</td>
<td>3,480</td>
</tr>
<tr>
<td>5</td>
<td>Common Stock</td>
<td>6,370</td>
<td>500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>R. Eliot &amp; Co.</td>
<td>12,519</td>
<td>12,519</td>
<td>7,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Unearned Sales Revenue</td>
<td>7,275</td>
<td>225</td>
<td>7,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>700</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Beck Company</td>
<td>15,472</td>
<td>15,472</td>
<td>10,596</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Other Accounts</td>
<td>5,880</td>
<td>120</td>
<td>6,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Interest Revenue</td>
<td>17,660</td>
<td>200</td>
<td>17,660</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>67,876</td>
<td>475</td>
<td>20,000</td>
<td>51,451</td>
<td>5,900</td>
</tr>
</tbody>
</table>

(b) The Accounts Receivable column total is posted as a credit to Accounts Receivable. The individual amounts are credited to the customers’ accounts identified in the Account Credited column, which are maintained in the accounts receivable subsidiary ledger.

The amounts in the Other Accounts column are posted individually. They are credited to the account titles identified in the Account Credited column.
**SELF-TEST QUESTIONS**

*Answers are on page F-38.*

1. Which of the following is *incorrect* concerning subsidiary ledgers?
   (a) The purchases ledger is a common subsidiary ledger for creditor accounts.
   (b) The accounts receivable ledger is a subsidiary ledger.
   (c) A subsidiary ledger is a group of accounts with a common characteristic.
   (d) An advantage of the subsidiary ledger is that it permits a division of labor in posting.

2. A sales journal will be used for:

<table>
<thead>
<tr>
<th>Credit</th>
<th>Cash</th>
<th>Sales Discounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Sales</td>
<td>Sales</td>
</tr>
<tr>
<td>(a) no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>(b) yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>(c) yes</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>(d) yes</td>
<td>yes</td>
<td>no</td>
</tr>
</tbody>
</table>

3. Which of the following statements is *correct*?
   (a) The sales discount column is included in the cash receipts journal.
   (b) The purchases journal records all purchases of merchandise whether for cash or on account.
   (c) The cash receipts journal records sales on account.
   (d) Merchandise returned by the buyer is recorded by the seller in the purchases journal.

4. Which of the following is *incorrect* concerning the posting of the cash receipts journal?
   (a) The total of the Other Accounts column is not posted.
   (b) All column totals except the total for the Other Accounts column are posted once at the end of the month to the account title(s) specified in the column heading.

5. Postings from the purchases journal to the subsidiary ledger are generally made:
   (a) yearly.  (c) weekly.
   (b) monthly.  (d) daily.

6. Which statement is *incorrect* regarding the general journal?
   (a) Only transactions that cannot be entered in a special journal are recorded in the general journal.
   (b) Dual postings are always required in the general journal.
   (c) The general journal may be used to record acceptance of a note receivable in payment of an account receivable.
   (d) Correcting, adjusting, and closing entries are made in the general journal.

7. When companies use special journals:
   (a) they record all purchase transactions in the purchases journal.
   (b) they record all cash received, except from cash sales, in the cash receipts journal.
   (c) they record all cash disbursements in the cash payments journal.
   (d) a general journal is not necessary.

8. If a customer returns goods for credit, the selling company normally makes an entry in the:
   (a) cash payments journal.  (c) general journal.
   (b) sales journal.  (d) cash receipts journal.
Appendix F
Subsidiary Ledgers and Special Journals

QUESTIONS

1. What are the advantages of using subsidiary ledgers?
2. (a) When do companies normally post to (1) the subsidiary accounts and (2) the general ledger control accounts? (b) Describe the relationship between a control account and a subsidiary ledger.
3. Identify and explain the four special journals discussed in this appendix. List an advantage of using each of these journals rather than using only a general journal.
4. Burguet Company uses special journals. It recorded in a sales journal a sale made on account to P. Starch for $435. A few days later, P. Starch returns $70 worth of merchandise for credit. Where should Burguet Company record the sales return? Why?
5. A $500 purchase of merchandise on account from Hsu Company was properly recorded in the purchases journal. When posted, however, the amount recorded in the subsidiary ledger was $50. How might this error be discovered?
6. Why would special journals used in different businesses not be identical in format? What type of business would maintain a cash receipts journal but not include a column for accounts receivable?
7. The cash and the accounts receivable columns in the cash receipts journal were mistakenly over-added by $4,000 at the end of the month. (a) Will the customers’ ledger agree with the Accounts Receivable control account? (b) Assuming no other errors, will the trial balance totals be equal?
8. One column total of a special journal is posted at month-end to only two general ledger accounts. One of these two accounts is Accounts Receivable. What is the name of this special journal? What is the other general ledger account to which that same month-end total is posted?
9. In what journal would the following transactions be recorded? (Assume that a two-column sales journal and a single-column purchases journal are used.)
   (a) Recording of depreciation expense for the year.
   (b) Credit given to a customer for merchandise purchased on credit and returned.
   (c) Sales of merchandise for cash.
   (d) Sales of merchandise on account.
   (e) Collection of cash on account from a customer.
   (f) Purchase of office supplies on account.
10. In what journal would the following transactions be recorded? (Assume that a two-column sales journal and a single-column purchases journal are used.)
    (a) Cash received from signing a note payable.
    (b) Investment of cash by stockholders.
    (c) Closing of the expense accounts at the end of the year.
    (d) Purchase of merchandise on account.
    (e) Credit received for merchandise purchased and returned to supplier.
    (f) Payment of cash on account due a supplier.
11. What transactions might be included in a multi-column purchases journal that would not be included in a single-column purchases journal?
12. Give an example of a transaction in the general journal that causes an entry to be posted twice (i.e., to two accounts), one in the general ledger, the other in the subsidiary ledger. Does this affect the debit/credit equality of the general ledger?
13. Give some examples of appropriate general journal transactions for an organization using special journals.

BRIEF EXERCISES

BEF-1 Presented below is information related to Cortes Company for its first month of operations. Identify the balances that appear in the accounts receivable subsidiary ledger and the accounts receivable balance that appears in the general ledger at the end of January.

<table>
<thead>
<tr>
<th>Credit Sales</th>
<th>Cash Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 7 Austin Co.</td>
<td>$10,000</td>
</tr>
<tr>
<td>15 Diaz Co.</td>
<td>7,000</td>
</tr>
<tr>
<td>23 Nichols Co.</td>
<td>9,000</td>
</tr>
</tbody>
</table>

Identify subsidiary ledger balances.
(LO 1)

BEF-2 Identify in what ledger (general or subsidiary) each of the following accounts is shown.

(a) Rent Expense.
(b) Accounts Receivable—Nguyen.
(c) Notes Payable.
(d) Accounts Payable—Weeden.

Identify subsidiary ledger accounts.
(LO 1)

BEF-3 Identify the journal in which each of the following transactions is recorded.

(a) Cash sales.
(b) Payment of cash dividends.
(c) Cash purchase of land.
(d) Credit sales.
(e) Purchase of merchandise on account.
(f) Receipt of cash for services performed.

Identify special journals.
(LO 2)
**BEF-4** Indicate whether each of the following debits and credits is included in the cash receipts journal. (Use “Yes” or “No” to answer this question.)

(a) Debit to Sales Revenue.  
(b) Credit to Inventory.  
(c) Credit to Accounts Receivable.  
(d) Debit to Accounts Payable.

**BEF-5** Lazar Co. uses special journals and a general journal. Identify the journal in which each of the following transactions is recorded.

(a) Purchased equipment on account.  
(b) Purchased merchandise on account.  
(c) Paid utility expense in cash.  
(d) Sold merchandise on account.

**BEF-6** Identify the special journal(s) in which the following column headings appear.

(a) Sales Discounts Dr.  
(b) Accounts Receivable Cr.  
(c) Cash Dr.  
(d) Sales Revenue Cr.  
(e) Inventory Dr.

**BEF-7** Serrato Computer Components Inc. uses a multi-column cash receipts journal. Indicate which column(s) is/are posted only in total, only daily, or both in total and daily.

(a) Accounts Receivable.  
(b) Sales Discounts.  
(c) Cash.  
(d) Other Accounts.

---

**DO IT! REVIEW**

**DO IT! F-1** Presented below is information related to Koniar Company for its first month of operations. Determine the balances that appear in the accounts payable subsidiary ledger. What Accounts Payable balance appears in the general ledger at the end of January?

<table>
<thead>
<tr>
<th>Credit Purchases</th>
<th>Cash Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 6 Gorst Company</td>
<td>$9,000</td>
</tr>
<tr>
<td>Jan. 10 Maddox Company</td>
<td>12,000</td>
</tr>
<tr>
<td>Jan. 23 Tian Company</td>
<td>10,000</td>
</tr>
<tr>
<td>Jan. 11 Gorst Company</td>
<td>$5,700</td>
</tr>
<tr>
<td>Jan. 16 Maddox Company</td>
<td>12,000</td>
</tr>
<tr>
<td>Jan. 29 Tian Company</td>
<td>7,700</td>
</tr>
</tbody>
</table>

**DO IT! F-2** Ligare Company had the following transactions during April.

1. Sold merchandise on account.
2. Purchased merchandise on account.
3. Collected cash from a sale to Estes Company.
4. Recorded accrued interest on a note payable.
5. Paid $2,000 for supplies.

Identify the journal in which each of the transactions above is recorded.

**EXERCISES**

**EF-1** Kimani Company uses both special journals and a general journal as described in this appendix. On June 30, after all monthly postings had been completed, the Accounts Receivable control account in the general ledger had a debit balance of $314,000; the Accounts Payable control account had a credit balance of $77,000.

The July transactions recorded in the special journals are summarized below. No entries affecting accounts receivable and accounts payable were recorded in the general journal for July.

| Sales journal | Total sales $161,400 |
| Purchases journal | Total purchases $54,100 |
| Cash receipts journal | Accounts receivable column total $131,000 |
| Cash payments journal | Accounts payable column total $47,500 |

Identify entries to cash receipts journal.  
Identify transactions for special journals.  
Determine subsidiary and general ledger balances.  
Identify special journals.  
Determine control account balances, and explain posting of special journals.
Appendix F  Subsidiary Ledgers and Special Journals

Instructions
(a) What is the balance of the Accounts Receivable control account after the monthly postings on July 31?
(b) What is the balance of the Accounts Payable control account after the monthly postings on July 31?
(c) To what account(s) is the column total of $161,400 in the sales journal posted?
(d) To what account(s) is the accounts receivable column total of $131,000 in the cash receipts journal posted?

Presented below is the subsidiary accounts receivable account of Mailee Long.

Instructions
Write a memo to Erica Henes, chief financial officer, that explains each transaction.

On September 1, the balance of the Accounts Receivable control account in the general ledger of Thone Company was $10,960. The customers’ subsidiary ledger contained account balances as follows: Zeyen $1,440, Lahr $2,640, Bohn $2,060, and Cao $4,820. At the end of September, the various journals contained the following information.

Sales journal: Sales to Cao $800; to Zeyen $1,260; to Han $1,330; to Bohn $1,260.
Cash receipts journal: Cash received from Bohn $1,310; from Cao $2,300; from Han $380; from Lahr $1,800; from Zeyen $1,240.
General journal: An allowance is granted to Cao $185.

Instructions
(a) Set up control and subsidiary accounts and enter the beginning balances. Do not construct the journals.
(b) Post the various journals. Post the items as individual items or as totals, whichever would be the appropriate procedure. (No sales discounts given.)
(c) Prepare a list of customers and prove the agreement of the controlling account with the subsidiary ledger at September 30, 2014.

Bill Mellen Company has a balance in its Accounts Receivable control account of $10,200 on January 1, 2014. The subsidiary ledger contains three accounts: Burris Company, balance $4,000; Uhlig Company, balance $2,500; and Lopata Company. During January, the following receivable-related transactions occurred.

Instructions
(a) What is the January 1 balance in the Lopata Company subsidiary account?
(b) What is the January 31 balance in the control account?
(c) Compute the balances in the subsidiary accounts at the end of the month.
(d) Which January transaction would not be recorded in a special journal?

Chia Vang Company has a balance in its Accounts Payable control account of $8,250 on January 1, 2014. The subsidiary ledger contains three accounts: Tym Company, balance $3,000; Keyes Company, balance $1,875; and Byrne Company. During January, the following receivable-related transactions occurred.

Instructions
(a) What is the January 1 balance in the Lopata Company subsidiary account?
(b) What is the January 31 balance in the control account?
(c) Compute the balances in the subsidiary accounts at the end of the month.
(d) Which January transaction would not be recorded in a special journal?
Instructions
(a) What is the January 1 balance in the Byrne Company subsidiary account?
(b) What is the January 31 balance in the control account?
(c) Compute the balances in the subsidiary accounts at the end of the month.
(d) Which January transaction would not be recorded in a special journal?

EF-6 Pashak Company uses special journals and a general journal. The following transactions occurred during September 2014.

Sept.  2  Sold merchandise on account to J. Witten, invoice no. 101, $780, terms n/30. The cost of the merchandise sold was $420.
         10  Purchased merchandise on account from H. Gilles $600, terms 2/10, n/30.
         12  Purchased office equipment on account from Y. Kojima $6,500.
         21  Sold merchandise on account to K. Morgan, invoice no. 102 for $800, terms 2/10, n/30. The cost of the merchandise sold was $480.
         25  Purchased merchandise on account from G. Harvey $835, terms n/30.
         27  Sold merchandise to D. Schaff for $700 cash. The cost of the merchandise sold was $400.

Instructions
(a) Prepare a sales journal (see Illustration F-6) and a single-column purchases journal (see Illustration F-12). (Use page 1 for each journal.)
(b) Record the transaction(s) for September that should be journalized in the sales journal and the purchases journal.

EF-7 Newell Co. uses special journals and a general journal. The following transactions occurred during May 2014.

May   1  M. Newell invested $48,000 cash in the business in exchange for common stock.
         2  Sold merchandise to A. Belton for $6,340 cash. The cost of the merchandise sold was $4,200.
         3  Purchased merchandise for $7,200 from E. Reed using check no. 101.
         14  Paid salary to M. Hunt $700 by issuing check no. 102.
         16  Sold merchandise on account to S. Spies for $900, terms n/30. The cost of the merchandise sold was $630.
         22  A check of $9,000 is received from N. Eggert in full for invoice 101; no discount given.

Instructions
(a) Prepare a multi-column cash receipts journal (see Illustration F-8) and a multi-column cash payments journal (see Illustration F-15). (Use page 1 for each journal.)
(b) Record the transaction(s) for May that should be journalized in the cash receipts journal and cash payments journal.

EF-8 Cosey Company uses the columnar cash journals illustrated in the textbook. In April, the following selected cash transactions occurred.

1. Made a refund to a customer for the return of damaged goods.
2. Received collection from customer within the 3% discount period.
3. Purchased merchandise for cash.
4. Paid a creditor within the 3% discount period.
5. Received collection from customer after the 3% discount period had expired.
6. Paid freight on merchandise purchased.
7. Paid cash for office equipment.
8. Received cash refund from supplier for merchandise returned.
10. Made cash sales.

Instructions
Indicate (a) the journal, and (b) the columns in the journal that should be used in recording each transaction.

EF-9 Moncado Company has the following selected transactions during March.
Mar.  2  Purchased equipment costing $9,400 from Aleksic Company on account.
         5  Received credit of $410 from Dumont Company for merchandise damaged in shipment to Moncado.
7 Issued credit of $390 to Gavin Company for merchandise the customer returned. The returned merchandise had a cost of $240.

Moncado Company uses a one-column purchases journal, a sales journal, the columnar cash journals used in the text, and a general journal.

**Instructions**
(a) Journalize the transactions in the general journal.
(b) In a brief memo to the president of Moncado Company, explain the postings to the control and subsidiary accounts from each type of journal.

**EF-10** Below are some typical transactions incurred by Khiani Company.

1. Payment of creditors on account.
2. Return of merchandise sold for credit.
3. Collection on account from customers.
5. Sale of merchandise on account.
7. Received credit for merchandise purchased on credit.
8. Sales discount taken on goods sold.
9. Payment of employee wages.
10. Payment of cash dividend to stockholders.
11. Depreciation on building.
12. Purchase of office supplies for cash.
13. Purchase of merchandise on account.

**Instructions**
For each transaction, indicate whether it would normally be recorded in a cash receipts journal, cash payments journal, sales journal, single-column purchases journal, or general journal.

**EF-11** The general ledger of Saxena Company contained the following Accounts Payable control account (in T-account form). Also shown is the related subsidiary ledger.

<table>
<thead>
<tr>
<th>GENERAL LEDGER</th>
<th>ACCOUNTS PAYABLE LEDGER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>Lawlor Robillard</td>
</tr>
<tr>
<td>Feb. 15</td>
<td>Feb. 1</td>
</tr>
<tr>
<td>General journal</td>
<td>Balance</td>
</tr>
<tr>
<td>?</td>
<td>1,400</td>
</tr>
<tr>
<td>28</td>
<td>5</td>
</tr>
<tr>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>28</td>
<td>11</td>
</tr>
<tr>
<td>Purchases</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>13,400</td>
</tr>
<tr>
<td>Feb. 28</td>
<td>Balance</td>
</tr>
<tr>
<td></td>
<td>9,800</td>
</tr>
<tr>
<td>Lawlor</td>
<td>Feb. 28</td>
</tr>
<tr>
<td>Robillard</td>
<td>Feb. 28</td>
</tr>
<tr>
<td>Tilev</td>
<td>Feb. 28</td>
</tr>
</tbody>
</table>

**Instructions**
(a) Indicate the missing posting reference and amount in the control account, and the missing ending balance in the subsidiary ledger.
(b) Indicate the amounts in the control account that were dual-posted (i.e., posted to the control account and the subsidiary accounts).
EF-12 Selected accounts from the ledgers of Masud Company at July 31 showed the following. Prepare purchases and general journals. (LO 1, 2)

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 15</td>
<td>G1</td>
<td>600</td>
<td>600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>G1</td>
<td>380</td>
<td>220</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>G1</td>
<td>200</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>P1</td>
<td>8,500</td>
<td>8,520</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GENERAL LEDGER

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1</td>
<td>G1</td>
<td>3,900</td>
<td>3,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>G1</td>
<td>600</td>
<td>4,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>G1</td>
<td>380</td>
<td>4,120</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>G1</td>
<td>200</td>
<td>3,920</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>P1</td>
<td>8,500</td>
<td>12,420</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ACCOUNTS PAYABLE LEDGER

Alaska Equipment Co.

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1</td>
<td>G1</td>
<td>3,900</td>
<td>3,900</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dakota Co.

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 3</td>
<td>P1</td>
<td>2,400</td>
<td>2,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>P1</td>
<td>700</td>
<td>3,100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Georgia Corp

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 17</td>
<td>P1</td>
<td>1,400</td>
<td>1,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>G1</td>
<td>380</td>
<td>1,020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>P1</td>
<td>1,600</td>
<td>2,620</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Montana Co.

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 12</td>
<td>P1</td>
<td>500</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>P1</td>
<td>600</td>
<td>1,100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Oklahoma Inc.

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 15</td>
<td>G1</td>
<td>600</td>
<td>600</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Instructions
From the data prepare:
(a) The single-column purchases journal for July.
(b) The general journal entries for July.

EF-13 Schara Products uses both special journals and a general journal as described in this appendix. Schara also posts customers’ accounts in the accounts receivable subsidiary ledger. The postings for the most recent month are included in the subsidiary T-accounts below. Determine correct posting amount to control account. (LO 3)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Christel</td>
<td></td>
<td>Lei</td>
</tr>
<tr>
<td>Bal.</td>
<td>340</td>
<td>250</td>
</tr>
<tr>
<td></td>
<td>280</td>
<td></td>
</tr>
<tr>
<td>Epping</td>
<td></td>
<td>Rivera</td>
</tr>
<tr>
<td>Bal.</td>
<td>–0–</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td>145</td>
<td></td>
</tr>
</tbody>
</table>

Instructions
Determine the correct amount of the end-of-month posting from the sales journal to the Accounts Receivable control account.
EF-14 Selected account balances for Satina Company at January 1, 2014, are presented below.

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$19,000</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$22,000</td>
</tr>
<tr>
<td>Cash</td>
<td>$17,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>$13,500</td>
</tr>
</tbody>
</table>

Satina’s sales journal for January shows a total of $100,000 in the selling price column, and its one-column purchases journal for January shows a total of $72,000.

The column totals in Satina’s cash receipts journal are Cash Dr. $64,000; Sales Discounts Dr. $1,100; Accounts Receivable Cr. $48,000; Sales Revenue Cr. $6,000; and Other Accounts Cr. $11,100.

The column totals in Satina’s cash payments journal for January are Cash Cr. $55,000; Inventory Cr. $1,000; Accounts Payable Dr. $46,000; and Other Accounts Dr. $10,000. Satina’s total cost of goods sold for January is $63,600.

Accounts Payable, Accounts Receivable, Cash, Inventory, and Sales Revenue are not involved in the “Other Accounts” column in either the cash receipts or cash payments journal, and are not involved in any general journal entries.

Instructions
Compute the January 31 balance for Satina in the following accounts.
(a) Accounts Payable.
(b) Accounts Receivable.
(c) Cash.
(d) Inventory.
(e) Sales Revenue.

EXERCISES: SET B

Visit the book’s companion website, at www.wiley.com/college/weygandt, and choose the Student Companion site to access Exercises Set B.

PROBLEMS: SET A

Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.

PF-1A Nordeen Company’s chart of accounts includes the following selected accounts.

<table>
<thead>
<tr>
<th>Account</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>101</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>112</td>
</tr>
<tr>
<td>Inventory</td>
<td>120</td>
</tr>
<tr>
<td>Common Stock</td>
<td>311</td>
</tr>
<tr>
<td>Sales Revenue</td>
<td>401</td>
</tr>
<tr>
<td>Sales Discounts</td>
<td>414</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>505</td>
</tr>
</tbody>
</table>

On April 1, the accounts receivable ledger of Nordeen Company showed the following balances: Siem $1,550, Milkie $1,200, Jury Co. $2,900, and Afzal $1,800. The April transactions involving the receipt of cash were as follows.

Apr.  1  Stockholders invested $7,200 additional cash in the business, in exchange for common stock.
   4  Received check for payment of account from Afzal less 2% cash discount.
   5  Received check for $990 in payment of invoice no. 307 from Jury Co.
   8  Made cash sales of merchandise totaling $7,845. The cost of the merchandise sold was $4,347.
  10  Received check for $600 in payment of invoice no. 309 from Siem.
  11  Received cash refund from a supplier for damaged merchandise $680.
  23  Received check for $1,500 in payment of invoice no. 310 from Jury Co.
  29  Received check for payment of account from Milkie.
Instructions
(a) Journalize the transactions above in a six-column cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr. Foot and crossfoot the journal.
(b) Insert the beginning balances in the Accounts Receivable control and subsidiary accounts, and post the April transactions to these accounts.
(c) Prove the agreement of the control account and subsidiary account balances.

PF-2A Gatske Company's chart of accounts includes the following selected accounts.
101 Cash 201 Accounts Payable
120 Inventory 332 Cash Dividends
130 Prepaid Insurance 505 Cost of Goods Sold
157 Equipment

On October 1, the accounts payable ledger of Gatske Company showed the following balances: Deavers Company $2,700, Greer Co. $2,500, May Co. $2,100, and Snell Company $3,700. The October transactions involving the payment of cash were as follows.
Oct. 1 Purchased merchandise, check no. 63, $300.
3 Purchased equipment, check no. 64, $1,200.
5 Paid Deavers Company balance due of $2,700, less 2% discount, check no. 65, $2,646.
10 Purchased merchandise, check no. 66, $2,250.
15 Paid May Co. balance due of $2,100, check no. 67.
16 Paid cash dividend of $400, check no. 68.
19 Paid Greer Co. in full for invoice no. 610, $1,800 less 2% cash discount, check no. 69, $1,764.
29 Paid Snell Company in full for invoice no. 264, $2,500, check no. 70.

Instructions
(a) Journalize the transactions above in a four-column cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr. Foot and crossfoot the journal.
(b) Insert the beginning balances in the Accounts Payable control and subsidiary accounts, and post the October transactions to these accounts.
(c) Prove the agreement of the control account and the subsidiary account balances.

PF-3A The chart of accounts of Domingo Company includes the following selected accounts.
112 Accounts Receivable 401 Sales Revenue
120 Inventory 412 Sales Returns and Allowances
126 Supplies 505 Cost of Goods Sold
157 Equipment 610 Advertising Expense
201 Accounts Payable

In July, the following selected transactions were completed. All purchases and sales were on account. The cost of all merchandise sold was 70% of the sales price.
July 1 Purchased merchandise from Chad Company $7,600.
2 Received freight bill from Pegasus Shipping on Chad purchase $400.
3 Made sales to Effron Company $1,300 and to Pitas Bros. $2,000.
5 Purchased merchandise from Kivlin Company $3,200.
8 Received credit on merchandise returned to Kivlin Company $300.
13 Purchased store supplies from Bowe Supply $910.
15 Purchased merchandise from Chad Company $3,600 and from Goran Company $3,300.
16 Made sales to Felber Company $3,450 and to Pitas Bros. $1,570.
18 Received bill for advertising from Wei Advertisements $600.
21 Made sales to Effron Company $310 and to Musky Company $2,800.
22 Granted allowance to Effron Company for merchandise damaged in shipment $65.
24 Purchased merchandise from Kivlin Company $3,000.
26 Purchased equipment from Bowe Supply $900.
28 Received freight bill from Pegasus Shipping on Kivlin purchase of July 24, $380.
30 Made sales to Felber Company $5,600.
(a) Purchases journal—
Accounts Payable $23,890
Sales journal—
Sales revenue column total $17,030
(c) Accounts Receivable $16,965
Accounts Payable $23,590

Journalize transactions in special journals.
(LO 1, 2, 3)

Instructions
(a) Journalize the transactions above in a purchases journal, a sales journal, and a general journal. The purchases journal should have the following column headings: Date, Account Credited (Debited), Ref., Accounts Payable Cr., Inventory Dr., and Other Accounts Dr.
(b) Post to both the general and subsidiary ledger accounts. (Assume that all accounts have zero beginning balances.)
(c) Prove the agreement of the control and subsidiary accounts.

PF-4A

Selected accounts from the chart of accounts of Valdez Company are shown below.

101 Cash 401 Sales
112 Accounts Receivable 412 Sales Returns and Allowances
120 Inventory 414 Sales Discounts
126 Supplies 505 Cost of Goods Sold
157 Equipment 726 Salaries and Wages Expense
201 Accounts Payable

The cost of all merchandise sold was 60% of the sales price. During January, Valdez completed the following transactions.

Jan. 3 Purchased merchandise on account from Pirkov Co. $10,000.
4 Purchased supplies for cash $80.
4 Sold merchandise on account to Hull $5,600, invoice no. 371, terms 1/10, n/30.
5 Returned $300 worth of damaged goods purchased on account from Pirkov Co. on January 3.
6 Made cash sales for the week totaling $3,750.
8 Purchased merchandise on account from Dubois Co. $4,500.
9 Sold merchandise on account to Phelan Corp. $6,400, invoice no. 372, terms 1/10, n/30.
11 Purchased merchandise on account from Akers Co. $3,700.
13 Paid in full Pirkov Co. on account less a 2% discount.
13 Made cash sales for the week totaling $6,260.
15 Received payment from Phelan Corp. for invoice no. 372.
15 Paid semi-monthly salaries of $14,300 to employees.
17 Received payment from Hull for invoice no. 371.
17 Sold merchandise on account to Mayr Co. $1,200, invoice no. 373, terms 1/10, n/30.
19 Purchased equipment on account from Barb Corp. $5,500.
20 Cash sales for the week totaled $3,200.
20 Paid in full Dubois Co. on account less a 2% discount.
23 Purchased merchandise on account from Pirkov Co. $7,800.
24 Purchased merchandise on account from Fifer Corp. $5,100.
27 Made cash sales for the week totaling $4,230.
30 Received payment from Mayr Co. for invoice no. 373.
31 Paid semi-monthly salaries of $14,300 to employees.
31 Sold merchandise on account to Hull $9,330, invoice no. 374, terms 1/10, n/30.

Valdez Company uses the following journals.
1. Sales journal.
2. Single-column purchases journal.
3. Cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr.
4. Cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr.
5. General journal.

Instructions
Using the selected accounts provided:
(a) Record the January transactions in the appropriate journal noted.
(b) Foot and crossfoot all special journals.
(c) Show how postings would be made by placing ledger account numbers and checkmarks as needed in the journals. (Actual posting to ledger accounts is not required.)
Presented below are the purchases and cash payments journals for Rosalez Co. for its first month of operations.

**PURCHASES JOURNAL**

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Credited</th>
<th>Ref.</th>
<th>Inventory Dr.</th>
<th>Accounts Payable Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 4</td>
<td>T. Cigale</td>
<td></td>
<td>6,500</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>K. Emmons</td>
<td></td>
<td>8,100</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>M. Huang</td>
<td></td>
<td>5,920</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>D. Talbert</td>
<td></td>
<td>15,300</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>G. Young</td>
<td></td>
<td>7,900</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>43,720</td>
<td></td>
</tr>
</tbody>
</table>

**CASH PAYMENTS JOURNAL**

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Debited</th>
<th>Ref.</th>
<th>Other Accounts Dr.</th>
<th>Accounts Payable Dr.</th>
<th>Inventory Cr.</th>
<th>Cash Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 4</td>
<td>Supplies</td>
<td>600</td>
<td></td>
<td>600</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>K. Emmons</td>
<td></td>
<td>8,100</td>
<td>81</td>
<td>8,019</td>
<td>6,000</td>
</tr>
<tr>
<td>11</td>
<td>Prepaid Rent</td>
<td>6,000</td>
<td>6,500</td>
<td>153</td>
<td>15,147</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>T. Cigale</td>
<td></td>
<td>6,500</td>
<td>15,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Cash Dividends</td>
<td>2,500</td>
<td>15,300</td>
<td>234</td>
<td>38,766</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>D. Talbert</td>
<td></td>
<td>15,300</td>
<td>234</td>
<td>38,766</td>
<td></td>
</tr>
</tbody>
</table>

In addition, the following transactions have not been journalized for July. The cost of all merchandise sold was 65% of the sales price.

- **July 1** A. Rosalez invested $80,000 in cash in exchange for common stock.
- **July 6** Sold merchandise on account to Dorfner Co. $6,600 terms 1/10, n/30.
- **July 7** Made cash sales totaling $6,300.
- **July 8** Sold merchandise on account to Bonilha $3,600, terms 1/10, n/30.
- **July 10** Sold merchandise on account to L. Ortiz $4,900, terms 1/10, n/30.
- **July 13** Received payment in full from Bonilha.
- **July 16** Received payment in full from L. Ortiz.
- **July 20** Received payment in full from Dorfner Co.
- **July 21** Sold merchandise on account to M. Putzi $5,000, terms 1/10, n/30.
- **July 29** Returned damaged goods to T. Cigale and received cash refund of $450.

**Instructions**

(a) Open the following accounts in the general ledger:

- 101 Cash
- 112 Accounts Receivable
- 120 Inventory
- 127 Supplies
- 131 Prepaid Rent
- 201 Accounts Payable
- 311 Common Stock
- 332 Cash Dividends
- 401 Sales Revenue
- 414 Sales Discounts
- 505 Cost of Goods Sold
- 631 Supplies Expense
- 729 Rent Expense

(b) Journalize the transactions that have not been journalized in the sales journal, the cash receipts journal (see Illustration F-8), and the general journal.

(c) Post to the accounts receivable and accounts payable subsidiary ledgers. Follow the sequence of transactions as shown in the problem.

(d) Post the individual entries and totals to the general ledger.

(e) Prepare a trial balance at July 31, 2014.

(f) Determine whether the subsidiary ledgers agree with the control accounts in the general ledger.
(g) The following adjustments at the end of July are necessary.
(1) A count of supplies indicates that $170 is still on hand.
(2) Recognize rent expense for July, $500.
Prepare the necessary entries in the general journal. Post the entries to the general ledger.

(h) Totals $120,220
Journalize in special journals; post; prepare a trial balance.

PF-6A The post-closing trial balance for Amland Co. is as follows.

Amland Co.
Post-Closing Trial Balance
December 31, 2013

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash $ 41,500</td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable 15,000</td>
<td></td>
</tr>
<tr>
<td>Notes Receivable 45,000</td>
<td></td>
</tr>
<tr>
<td>Inventory 20,000</td>
<td></td>
</tr>
<tr>
<td>Equipment 7,500</td>
<td>$    1,500</td>
</tr>
<tr>
<td>Accounts Payable 43,000</td>
<td></td>
</tr>
<tr>
<td>Common Stock 84,500</td>
<td></td>
</tr>
<tr>
<td><strong>$129,000</strong></td>
<td><strong>$129,000</strong></td>
</tr>
</tbody>
</table>

The subsidiary ledgers contain the following information: (1) accounts receivable—M. Barajas $2,500, J. Clare $7,500, and E. Divine $5,000; (2) accounts payable—B. Forrest $10,000, L. Gold $18,000, and A. Qazi $15,000. The cost of all merchandise sold was 60% of the sales price.

The transactions for January 2014 are as follows.

Jan. 3 Sell merchandise to T. Payton $4,600, terms 2/10, n/30.
5 Purchase merchandise from P. Yang $2,800, terms 2/10, n/30.
7 Receive a check from E. Divine $3,500.
11 Pay freight on merchandise purchased $300.
12 Pay rent of $1,000 for January.
13 Receive payment in full from T. Payton.
14 Post all entries to the subsidiary ledgers. Issued credit of $300 to M. Barajas for returned merchandise.
15 Send A. Qazi a check for $14,850 in full payment of account, discount $150.
17 Purchase merchandise from E. Monty $1,600, terms 2/10, n/30.
18 Pay sales salaries of $2,500 and office salaries $2,000.
20 Give L. Gold a 60-day note for $18,000 in full payment of account payable.
23 Total cash sales amount to $9,100.
24 Post all entries to the subsidiary ledgers. Sell merchandise on account to J. Clare $7,400, terms 1/10, n/30.
27 Send P. Yang a check for $950.
29 Receive payment on a note of $37,000 from W. Lague.
30 Post all entries to the subsidiary ledgers. Return merchandise of $300 to E. Monty for credit.

Instructions
(a) Open general and subsidiary ledger accounts for the following.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>101 Cash</td>
<td>311 Common Stock</td>
</tr>
<tr>
<td>112 Accounts Receivable</td>
<td>401 Sales Revenue</td>
</tr>
<tr>
<td>115 Notes Receivable</td>
<td>412 Sales Returns and Allowances</td>
</tr>
<tr>
<td>120 Inventory</td>
<td>414 Sales Discounts</td>
</tr>
<tr>
<td>157 Equipment</td>
<td>505 Cost of Goods Sold</td>
</tr>
<tr>
<td>158 Accumulated Depreciation—Equipment</td>
<td>726 Salaries and Wages Expense</td>
</tr>
<tr>
<td>200 Notes Payable</td>
<td>729 Rent Expense</td>
</tr>
</tbody>
</table>

(b) Record the January transactions in a sales journal, a single-column purchases journal, a cash receipts journal (see Illustration F-8), a cash payments journal (see Illustration F-15), and a general journal.
(c) Post the appropriate amounts to the general ledger.
(d) Prepare a trial balance at January 31, 2014.
(e) Determine whether the subsidiary ledgers agree with controlling accounts in the general ledger.

**PROBLEMS: SET B**

**PF-1B** Caspari Company’s chart of accounts includes the following selected accounts.

- 101 Cash
- 112 Accounts Receivable
- 120 Inventory
- 311 Common Stock
- 401 Sales Revenue
- 414 Sales Discounts
- 505 Cost of Goods Sold

On June 1, the accounts receivable ledger of Caspari Company showed the following balances: Detwiler & Son $2,500, Flores Co. $1,900, Glaimo Bros. $1,600, and Loomis Co. $1,500. The June transactions involving the receipt of cash were as follows.

1. June 1 Stockholders invested $12,000 additional cash in the business, in exchange for common stock.
2. June 3 Received check in full from Loomis Co. less 2% cash discount.
3. June 6 Received check in full from Flores Co. less 2% cash discount.
4. June 7 Made cash sales of merchandise totaling $7,220. The cost of the merchandise sold was $4,800.
5. June 9 Received check in full from Detwiler & Son less 2% cash discount.
6. June 11 Received cash refund from a supplier for damaged merchandise $320.
7. June 15 Made cash sales of merchandise totaling $4,500. The cost of the merchandise sold was $3,000.
8. June 20 Received check in full from Glaimo Bros. $1,600.

**Instructions**

(a) Journalize the transactions above in a six-column cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr. Foot and crossfoot the journal.

(b) Insert the beginning balances in the Accounts Receivable control and subsidiary accounts, and post the June transactions to these accounts.

(c) Prove the agreement of the control account and subsidiary account balances.

**PF-2B** Grypp Company’s chart of accounts includes the following selected accounts.

- 101 Cash
- 120 Inventory
- 130 Prepaid Insurance
- 157 Equipment
- 201 Accounts Payable
- 332 Cash Dividends

On November 1, the accounts payable ledger of Grypp Company showed the following balances: C. Holt & Co. $4,500, O. Kroll $2,350, K. Radaj $1,000, and Weber Bros. $1,500. The November transactions involving the payment of cash were as follows.

1. Nov. 1 Purchased merchandise, check no. 11, $1,190.
2. Nov. 3 Purchased store equipment, check no. 12, $1,700.
3. Nov. 5 Paid Weber Bros. balance due of $1,500, less 2% discount, check no. 13, $1,470.
4. Nov. 11 Purchased merchandise, check no. 14, $2,000.
5. Nov. 15 Paid K. Radaj balance due of $1,000, less 3% discount, check no. 15, $970.
6. Nov. 16 Paid cash dividend of $500, check no. 16.
7. Nov. 19 Paid O. Kroll in full for invoice no. 1245, $1,200 less 1% discount, check no. 17, $1,188.
8. Nov. 25 Paid premium due on one-year insurance policy, check no. 18, $3,000.

**Instructions**

(a) Journalize the transactions above in a four-column cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr. Foot and crossfoot the journal.
(b) Insert the beginning balances in the Accounts Payable control and subsidiary accounts, and post the November transactions to these accounts.

(c) Prove the agreement of the control account and the subsidiary account balances.

**PF-3B** The chart of accounts of Ervin Company includes the following selected accounts.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>120</td>
<td>Inventory</td>
</tr>
<tr>
<td>126</td>
<td>Supplies</td>
</tr>
<tr>
<td>157</td>
<td>Equipment</td>
</tr>
<tr>
<td>201</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>401</td>
<td>Sales Revenue</td>
</tr>
<tr>
<td>412</td>
<td>Sales Returns and Allowances</td>
</tr>
<tr>
<td>505</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>610</td>
<td>Advertising Expense</td>
</tr>
</tbody>
</table>

In May, the following selected transactions were completed. All purchases and sales were on account except as indicated. The cost of all merchandise sold was 65% of the sales price.

May
2  Purchased merchandise from Yan Company $7,100.
3  Received freight bill from Porter Freight on Yan purchase $360.
5  Made sales to Eder Company $2,200, Dixon Bros. $2,700, and Lamb Company $1,500.
8  Purchased merchandise from Quirk Company $8,000 and Zamora Company $8,700.
10 Received credit on merchandise returned to Zamora Company $500.
15 Purchased supplies from Rizio Supply $900.
16 Purchased merchandise from Yan Company $4,500, and Quirk Company $7,200.
17 Returned supplies to Rizio Supply, receiving credit $100. (Hint: Credit Supplies.)
18 Received freight bills on May 16 purchases from Porter Freight $500.
20 Returned merchandise to Yan Company receiving credit $300.
23 Made sales to Dixon Bros. $1,900 and to Lamb Company $3,600.
25 Received bill for advertising from Anshus Advertising $900.
26 Granted allowance to Lamb Company for merchandise damaged in shipment $240.
28 Purchased equipment from Rizio Supply $500.

**Instructions**

(a) Journalize the transactions above in a purchases journal, a sales journal, and a general journal. The purchases journal should have the following column headings: Date, Account Credited (Debited), Ref., Accounts Payable Cr., Inventory Dr., and Other Accounts Dr.

(b) Post to both the general and subsidiary ledger accounts. (Assume that all accounts have zero beginning balances.)

(c) Prove the agreement of the control and subsidiary accounts.

**PF-4B** Selected accounts from the chart of accounts of Linvik Company are shown below.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>Cash</td>
</tr>
<tr>
<td>112</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>120</td>
<td>Inventory</td>
</tr>
<tr>
<td>126</td>
<td>Supplies</td>
</tr>
<tr>
<td>140</td>
<td>Land</td>
</tr>
<tr>
<td>145</td>
<td>Buildings</td>
</tr>
<tr>
<td>201</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>401</td>
<td>Sales Payable</td>
</tr>
<tr>
<td>414</td>
<td>Sales Discounts</td>
</tr>
<tr>
<td>505</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>610</td>
<td>Advertising Expense</td>
</tr>
</tbody>
</table>

The cost of all merchandise sold was 70% of the sales price. During October, Linvik Company completed the following transactions.

Oct. 2  Purchased merchandise on account from Cutler Company $13,500.
4  Sold merchandise on account to Ebert Co. $7,700, invoice no. 204, terms 2/10, n/30.
5  Purchased supplies for cash $80.
7  Made cash sales for the week totaling $8,800.
9  Paid in full the amount owed Cutler Company less a 2% discount.
10 Purchased merchandise on account from Frinzi Corp. $3,500.
12 Received payment from Ebert Co. for invoice no. 204.
13 Returned $210 worth of damaged goods purchased on account from Frinzi Corp. on October 10.
14 Made cash sales for the week totaling $8,180.
16 Sold a parcel of land for $27,000 cash, the land’s original cost.
17 Sold merchandise on account to B. Reblin & Co. $5,350, invoice no. 205, terms 2/10, n/30.
18 Purchased merchandise for cash $2,450.
21 Made cash sales for the week totaling $8,200.
23 Paid in full the amount owed Frinzi Corp. for the goods kept (no discount).
25 Purchased supplies on account from Lewis Co. $310.
25 Sold merchandise on account to Marco Corp. $5,220, invoice no. 206, terms 2/10, n/30.
25 Received payment from B. Reblin & Co. for invoice no. 205.
26 Purchased for cash a small parcel of land and a building on the land to use as a storage facility. The total cost of $35,000 was allocated $21,000 to the land and $14,000 to the building.
27 Purchased merchandise on account from Lisa Co. $8,500.
28 Made cash sales for the week totaling $7,540.
30 Purchased merchandise on account from Cutler Company $14,000.
30 Paid advertising bill for the month from the Gazette, $400.
30 Sold merchandise on account to B. Reblin & Co. $4,760, invoice no. 207, terms 2/10, n/30.

Linvik Company uses the following journals.
1. Sales journal.
2. Single-column purchases journal.
3. Cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr.
4. Cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr.
5. General journal.

Instructions
Using the selected accounts provided:

(a) Record the October transactions in the appropriate journals.
(b) Foot and crossfoot all special journals.
(c) Show how postings would be made by placing ledger account numbers and check marks as needed in the journals. (Actual posting to ledger accounts is not required.)

PF-5B Presented below are the sales and cash receipts journals for Wesley Co. for its first month of operations.

### SALES JOURNAL

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Debited</th>
<th>Account Receivable Dr.</th>
<th>Sales Revenue Cr.</th>
<th>Cost of Goods Sold Dr.</th>
<th>Inventory Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 3</td>
<td>S. Armour</td>
<td>5,500</td>
<td>3,630</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>M. Barajas</td>
<td>6,500</td>
<td>4,290</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>V. Ciatti</td>
<td>8,400</td>
<td>5,544</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>A. Dobbs</td>
<td>7,000</td>
<td>4,620</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>27,400</td>
<td>18,084</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### CASH RECEIPTS JOURNAL

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Credited</th>
<th>Cash Dr.</th>
<th>Sales Discounts Dr.</th>
<th>Accounts Receivable Cr.</th>
<th>Sales Revenue Cr.</th>
<th>Other Accounts Cr.</th>
<th>Cost of Goods Sold Dr.</th>
<th>Inventory Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 1</td>
<td>Common Stock</td>
<td>30,000</td>
<td></td>
<td></td>
<td>5,400</td>
<td>30,000</td>
<td></td>
<td>3,564</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>5,400</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>S. Armour</td>
<td>5,445</td>
<td>55</td>
<td>5,500</td>
<td></td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Inventory</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>M. Barajas</td>
<td>6,500</td>
<td></td>
<td></td>
<td>6,500</td>
<td>30,150</td>
<td></td>
<td>3,564</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>47,495</td>
<td>55</td>
<td></td>
<td>5,400</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In addition, the following transactions have not been journalized for February 2014.

Feb. 2 Purchased merchandise on account from T. Valentine $4,600, terms 3/10, n/30.
7 Purchased merchandise on account from B. Kucera for $30,000, terms 1/10, n/30.
9 Paid cash of $1,120 for purchase of supplies.
12 Paid $4,462 to T. Valentine in payment for $4,600 invoice, less 3% discount.
15 Purchased equipment for $7,000 cash.
16 Purchased merchandise on account from E. Nicks $2,400, terms 2/10, n/30.
17 Paid $29,700 to B. Kucera in payment of $30,000 invoice, less 1% discount.
20 Paid cash dividend of $1,100.
21 Purchased merchandise on account from D. Hachey for $7,800, terms 1/10, n/30.
28 Paid $2,400 to E. Nicks in payment of $2,400 invoice.

Instructions
(a) Open the following accounts in the general ledger:

<table>
<thead>
<tr>
<th>Account Num.</th>
<th>Account Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>Cash</td>
</tr>
<tr>
<td>112</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>120</td>
<td>Inventory</td>
</tr>
<tr>
<td>125</td>
<td>Supplies</td>
</tr>
<tr>
<td>157</td>
<td>Equipment</td>
</tr>
<tr>
<td>158</td>
<td>Accumulated Depreciation—Equipment</td>
</tr>
<tr>
<td>201</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>311</td>
<td>Common Stock</td>
</tr>
<tr>
<td>320</td>
<td>Retained Earnings</td>
</tr>
<tr>
<td>332</td>
<td>Cash Dividends</td>
</tr>
<tr>
<td>401</td>
<td>Sales Revenue</td>
</tr>
<tr>
<td>414</td>
<td>Sales Discounts</td>
</tr>
<tr>
<td>505</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>631</td>
<td>Supplies Expense</td>
</tr>
<tr>
<td>711</td>
<td>Depreciation Expense</td>
</tr>
</tbody>
</table>

(b) Journalize the transactions that have not been journalized in a one-column purchases journal and the cash payments journal (see Illustration F-15).

Cash payments journal—
Cash, Cr. $45,782

(b) Purchases journal total
$44,800

(c) Post to the accounts receivable and accounts payable subsidiary ledgers. Follow the sequence of transactions as shown in the problem.

(d) Post the individual entries and totals to the general ledger.

(e) Totals $70,600

(f) Accounts Receivable $15,400
Accounts Payable $7,800

(g) The following adjustments at the end of February are necessary.
(1) A count of supplies indicates that $300 is still on hand.
(2) Depreciation on equipment for February is $160.
Prepare the adjusting entries and then post the adjusting entries to the general ledger.

(h) Prepare an adjusted trial balance at February 28, 2014.

PROBLEMS: SET C

Visit the book’s companion website, at www.wiley.com/college/weygandt, and choose the Student Companion site to access Problem Set C.

COMPREHENSIVE PROBLEM

CPF-1 Zweifel Company has the following opening account balances in its general and subsidiary ledgers on January 1 and uses the periodic inventory system. All accounts have normal debit and credit balances.

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Account Title</th>
<th>January 1 Opening Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>Cash</td>
<td>$32,750</td>
</tr>
<tr>
<td>112</td>
<td>Accounts Receivable</td>
<td>13,000</td>
</tr>
<tr>
<td>115</td>
<td>Notes Receivable</td>
<td>42,000</td>
</tr>
<tr>
<td>120</td>
<td>Inventory</td>
<td>20,000</td>
</tr>
<tr>
<td>125</td>
<td>Supplies</td>
<td>1,000</td>
</tr>
<tr>
<td>130</td>
<td>Prepaid Insurance</td>
<td>2,000</td>
</tr>
<tr>
<td>157</td>
<td>Equipment</td>
<td>6,450</td>
</tr>
<tr>
<td>158</td>
<td>Accumulated Depreciation—Equip.</td>
<td>1,500</td>
</tr>
<tr>
<td>201</td>
<td>Accounts Payable</td>
<td>35,000</td>
</tr>
<tr>
<td>311</td>
<td>Common Stock</td>
<td>70,000</td>
</tr>
<tr>
<td>320</td>
<td>Retained Earnings</td>
<td>10,700</td>
</tr>
</tbody>
</table>
In addition, the following transactions have not been journalized for January 2014.

Jan.  3  Sell merchandise on account to W. Rayms $3,600, invoice no. 510, and M. Fischer $1,800, invoice no. 511.
  5  Purchase merchandise on account from K. Zapfel $3,000 and J. Liotta $2,400.
  7  Receive checks for $4,000 from L. Longhini and $2,000 from M. Hall.
  8  Pay freight on merchandise purchased $180.
  9  Send checks to O. Kitson for $9,000 and L. Quinn for $11,000.
 10  Issue credit of $240 to M. Fischer for merchandise returned.
 11  Summary cash sales total $15,500.
 12  Sell merchandise on account to G. Dukes for $1,900, invoice no. 512, and to L. Longhini $900, invoice no. 513.
     Post all entries to the subsidiary ledgers.
 13  Pay rent of $1,000 for January.
 14  Receive payment in full from W. Rayms and M. Fischer.
 15  Pay cash dividend of $650.
 16  Purchase merchandise on account from L. Quinn for $15,000, from O. Kitson for $13,900, and from K. Zapfel for $1,500.
 17  Pay $400 cash for office supplies.
 18  Return $200 of merchandise to O. Kitson and receive credit.
 20  Summary cash sales total $17,750.
 21  Issue $15,000 note to D. Markoff in payment of balance due.
 21  Receive payment in full from L. Longhini.
 22  Sell merchandise on account to W. Rayms for $3,700, invoice no. 514, and to G. Dukes for $800, invoice no. 515.
 23  Send checks to L. Quinn and O. Kitson in full payment.
 25  Sell merchandise on account to M. Hall for $3,500, invoice no. 516, and to M. Fischer for $6,100, invoice no. 517.
 27  Purchase merchandise on account from L. Quinn for $12,500, from J. Liotta $1,200, and from K. Zapfel for $2,800.
 28  Pay $200 cash for office supplies.
 31  Summary cash sales total $22,920.
 31  Pay sales salaries of $4,300 and office salaries of $3,100.

Instructions
(a) Record the January transactions in the appropriate journal—sales, purchases, cash receipts, cash payments, and general.
(b) Post the journals to the general and subsidiary ledgers. Add and number new accounts in an orderly fashion as needed.
(c) Prepare a trial balance at January 31, 2014, using a worksheet. Complete the worksheet using the following additional information.
(1) Office supplies at January 31 total $580.
(2) Insurance coverage expires on October 31, 2014.
(3) Annual depreciation on the equipment is $1,500.
(4) Interest of $30 has accrued on the note payable.
(5) Inventory at January 31 is $12,600.
(d) Prepare a multiple-step income statement and a retained earnings statement for January and a classified balance sheet at the end of January.
(e) Prepare and post the adjusting and closing entries.
(f) Prepare a post-closing trial balance, and determine whether the subsidiary ledgers agree with the control accounts in the general ledger.
Bryant Co. uses a perpetual inventory system and both an accounts receivable and an accounts payable subsidiary ledger. Balances related to both the general ledger and the subsidiary ledger for Bryant are indicated in the working papers. Presented below are a series of transactions for Bryant Co. for the month of January. Credit sales terms are 2/10, n/30. The cost of all merchandise sold was 60% of the sales price.

Jan.  3  Sell merchandise on account to K. Rai $2,200, invoice no. 510, and to J. Fieber $1,800, invoice no. 511.
  5  Purchase merchandise from D. Vang $5,000 and W. Lachey $2,700, terms n/30.
  7  Receive checks from A. Nakar $4,000 and S. Grady $2,000 after discount period has lapsed.
  8  Pay freight on merchandise purchased $310.
  9  Send checks to T. Joosten for $9,000 less 2% cash discount, and to I. Maida for $11,000 less 1% cash discount.
  9  Issue credit of $400 to J. Fieber for merchandise returned.
 10  Summary daily cash sales total $15,500.
 11  Sell merchandise on account to C. Dunlap $1,600, invoice no. 512, and to A. Nakar $900, invoice no. 513.
 12  Pay rent of $850 for January.
 13  Receive payment in full from K. Rai and J. Fieber less cash discounts.
 14  Pay an $800 cash dividend.
 15  Send checks to I. Maida and T. Joosten in full payment less cash discounts.
 16  Purchase merchandise from I. Maida $18,000, terms 3/10, n/30; T. Joosten $14,200, terms 2/10, n/30; and D. Vang $1,500, terms n/30.
 17  Pay $400 cash for office supplies.
 18  Return $200 of merchandise to T. Joosten and receive credit.
 20  Summary daily cash sales total $20,100.
 21  Issue $15,000 note, maturing in 90 days, to A. Mangrich in payment of balance due.
 21  Receive payment in full from A. Nakar less cash discount.
 22  Sell merchandise on account to K. Rai $2,700, invoice no. 514, and to C. Dunlap $1,300, invoice no. 515.
 22  Post all entries to the subsidiary ledgers.
 23  Send checks to I. Maida and T. Joosten in full payment less cash discounts.
 25  Sell merchandise on account to S. Grady $3,500, invoice no. 516, and to J. Fieber $6,100, invoice no. 517.
 27  Purchase merchandise from I. Maida $14,500, terms 1/10, n/30; W. Lachey $1,200, terms n/30; and D. Vang $5,400, terms n/30.
 27  Post all entries to the subsidiary ledgers.
 28  Pay $200 cash for office supplies.
 31  Summary daily cash sales total $19,600.
 31  Pay sales salaries $4,300 and office salaries $3,200.

Instructions
(a) Record the January transactions in a sales journal, a single-column purchases journal, a cash receipts journal as shown on page F-8, a cash payments journal as shown on page F-14, and a two-column general journal.
(b) Post the journals to the general ledger.
(c) Prepare a trial balance at January 31, 2014, in the trial balance columns of the worksheet. Complete the worksheet using the following additional information.
(1) Office supplies at January 31 total $900.
(2) Insurance coverage expires on August 31, 2014.
(3) Annual depreciation on the equipment is $1,500.
(4) Interest of $50 has accrued on the note payable.
(d) Prepare a multiple-step income statement and a retained earnings statement for January and a
classified balance sheet at the end of January.
(e) Prepare and post adjusting and closing entries.
(f) Prepare a post-closing trial balance, and determine whether the subsidiary ledgers agree with
the control accounts in the general ledger.

Real-World Focus

**BYPF-2** Intuit provides some of the leading accounting software packages. Information related to
its products are found at its website.

*Address:* [http://quickbooks.intuit.com](http://quickbooks.intuit.com), or go to [www.wiley.com/college/weygandt](http://www.wiley.com/college/weygandt)

*Instructions*
Look under product and services for the product QuickBooks Premier for Accountants. Be ready to
discuss its new features with the class.

Critical Thinking

Decision-Making Across the Organization

**BYPF-3** Hojan & Clark is a wholesaler of small appliances and parts. Hojan & Clark is operated
by two owners, Mark Hojan and Laura Clark. In addition, the company has one employee, a repair
specialist, who is on a fixed salary. Revenues are earned through the sale of appliances to retailers
(approximately 75% of total revenues), appliance parts to do-it-yourselfers (10%), and the repair of
appliances brought to the store (15%). Appliance sales are made on both a credit and cash basis.
Customers are billed on prenumbered sales invoices. Credit terms are always net/30 days. All parts
sales and repair work are cash only.

Merchandise is purchased on account from the manufacturers of both the appliances and the
parts. Practically all suppliers offer cash discounts for prompt payments, and it is company policy
to take all discounts. Most cash payments are made by check. Checks are most frequently issued to
suppliers, to trucking companies for freight on merchandise purchases, and to newspapers, radio,
and TV stations for advertising. All advertising bills are paid as received. Mark and Laura each
make a monthly drawing in cash for personal living expenses. The salaried repairman is paid twice
monthly. Hojan & Clark currently has a manual accounting system.

*Instructions*
With the class divided into groups, answer the following.
(a) Identify the special journals that Hojan & Clark should have in its manual system. List the
column headings appropriate for each of the special journals.
(b) What control and subsidiary accounts should be included in Hojan & Clark manual system? Why?

Communication Activity

**BYPF-4** Joan Dorosz, a classmate, has a part-time bookkeeping job. She is concerned about the
inefficiencies in journalizing and posting transactions. Scott Hogle is the owner of the company
where Joan works. In response to numerous complaints from Joan and others, Scott hired two
additional bookkeepers a month ago. However, the inefficiencies have continued at an even higher
rate. The accounting information system for the company has only a general journal and a general
ledger. Scott refuses to install an electronic accounting system.
Instructions
Now that Joan is an expert in manual accounting information systems, she decides to send a letter to Scott Hogle explaining (1) why the additional personnel did not help and (2) what changes should be made to improve the efficiency of the accounting department. Write the letter that you think Joan should send.

Ethics Case

BYPF-5 Romberg Products Company operates three divisions, each with its own manufacturing plant and marketing/sales force. The corporate headquarters and central accounting office are in Romberg, and the plants are in Freeport, Rockport, and Bayport, all within 50 miles of Romberg. Corporate management treats each division as an independent profit center and encourages competition among them. They each have similar but different product lines. As a competitive incentive, bonuses are awarded each year to the employees of the fastest growing and most profitable division.

Enrique Cepeda is the manager of Romberg’s centralized computer accounting operation that enters the sales transactions and maintains the accounts receivable for all three divisions. Enrique came up in the accounting ranks from the Bayport division where his wife, several relatives, and many friends still work.

As sales documents are entered into the computer, the originating division is identified by code. Most sales documents (95%) are coded, but some (5%) are not coded or are coded incorrectly. As the manager, Enrique has instructed the data-entry personnel to assign the Bayport code to all uncoded and incorrectly coded sales documents. This is done he says, “in order to expedite processing and to keep the computer files current since they are updated daily.” All receivables and cash collections for all three divisions are handled by Romberg as one subsidiary accounts receivable ledger.

Instructions
(a) Who are the stakeholders in this situation?
(b) What are the ethical issues in this case?
(c) How might the system be improved to prevent this situation?

Answers to Self-Test Questions
1. a  2. c  3. a  4. c  5. d  6. b  7. c  8. c