

SOLUTIONS**Learning Goal 25****Multiple Choice**

1. c. It should show the ledger account number to which the debit or credit was posted.
2. b
3. b
4. c
5. a
6. d. The reference column in the *ledger* will contain the page number of the journal to show where the information came from, and the reference column in the *journal* will contain the ledger account number to show where the information was posted.
7. c. Balances are only found in ledger accounts. The journal shows changes caused by transactions.

Discussion Questions and Brief Exercises for Learning Goals 23–25

1. A ledger is the book (or computer file) that contains the individual ledger accounts. The ledger that we are studying here is called the “general ledger” because it contains all the accounts. There are also specialized ledgers that contain only selected accounts (sometimes called “sub-ledgers”). Ledger information is organized by account.
2. A journal is where transaction information is first recorded in an accounting system. For that reason, a journal is sometimes called the “book of original entry.” The transaction information is recorded chronologically (by date of occurrence).
3. The essential difference is that a journal arranges information by transaction, and a ledger arranges the same information by account. The advantage of a journal is that any entire transaction can be easily located and examined. The advantage of a ledger is that any account can be easily located and examined. Each account in the ledger shows the history of all the increases and decreases in the account and the balance of the account.
4. A debit is a left-side entry, and a credit is a right-side entry (in a journal or an account). A debit balance is left-side balance in an account. A credit balance is a right-side balance in an account.
5. No, the rules for increasing and decreasing accounts are independent from the use of the words “debit” and “credit.” “Debit” and “credit” is just terminology to refer to left and right.
6. Not correct. “Double-entry accounting” means an accounting system based on an equation, so recording a transaction requires that at least two items must change to keep the equation in balance.
7. They are both wrong. The words debit and credit only mean left and right. They have no other meaning. This is a common mistake.
8. Julia—relax, you are making this too complicated! Debit and credit only mean left and right, they do not mean increase or decrease, or anything else. However, it a common mistake for beginning students to confuse the words debit and credit with the rules for increasing and decreasing the accounts. The rules for increasing and decreasing accounts are completely separate from using the words debit and credit. Learn the rules first, then you can start using “debit” and “credit” to describe the “left” and “right” changes in the accounts.

SOLUTIONS**Learning Goal 25, continued**

9. The following is the sequence of events:
- Analyze the transaction. Use T accounts if necessary to visualize the transaction.
 - Record the transaction in the journal (“journalize”).
 - Transfer the information from the journal into the ledger (“posting”).
10. a. The date is the date of the transaction.
b. In each journal entry, debits are recorded before all credits. (There is no required order within the debits and credits.)
c. In the account column, on the same line as the number entered, write the **exact name** of the account.
d. No, an entry is not made in the “Post. Ref.” column until the amount has been posted into a ledger account.
e. You should always check to make sure that the total dollar amount of debits equals the total of the credits.
11. Refer to the posting reference column. The entry here identifies the page of journal where the transaction that contains the affected account is located.
12. An entry is made in the “Post. Ref.” (posting reference) column for each item posted into the ledger.
13. A chart of accounts is a listing of all accounts in the ledger, with their account numbers. The accounts are assigned numbers in a logical sequence. Usually the asset accounts are assigned the lowest sequence of numbers (such as 100 sequence), then liabilities receive the next sequence (such as 200 sequence), then the owner’s capital account and drawing account, and then revenue and expense accounts. The particular types of accounts that are created will depend on the kind of business transactions for each particular business. There is no uniform or standard chart of accounts. The chart of accounts can usually be found at the front of a ledger.
14. Yes, this could be done. The problem is that the chronological listing of the complete transactions in the journal would be lost. This very valuable information is often needed to explain changes in the accounts.

SOLUTIONS**Learning Goal 25, continued****Reinforcement Problems****LG 25-1.**

Date	Account Titles and Explanation	Post. Ref.	Debit	Credit
5	Accounts Receivable	105	5	
	Security Service Revenue	401		5
	Security services for Shadow Company			
6	Accounts Payable	201	3	
	Cash	101		3
	Payment on Accounts Payable—London Company			
7	Prepaid Insurance	115	10	
	Cash	101		10
	Prepaid Old Bailey Insurance Company—liability insurance coverage until September 30			
7	Cash	101	15	
	Security Service Revenue	401		15
	Security services for T & P Company			
8	Unearned Revenue	210	3	
	Security Service Revenue	401		3
	Performed part of the services for the customer who paid in advance on June 3			

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SOLUTIONS

Learning Goal 25, continued

LG 25-1, *continued*

CASH			ACCOUNT NO. 101		
Date	Explanation	Post. Ref.	Debit	Credit	Balance
2017					
June 1		J1	20		20
3		J1	7		27
6		J1		3	24
7		J1		10	14
7		J1	15		29

ACCOUNTS RECEIVABLE			ACCOUNT NO. 105		
Date	Explanation	Post. Ref.	Debit	Credit	Balance
2017					
June 5		J1	5		5

PREPAID INSURANCE			ACCOUNT NO. 115		
Date	Explanation	Post. Ref.	Debit	Credit	Balance
2017					
June 7		J1	10		10

ACCOUNTS PAYABLE			ACCOUNT NO. 201		
Date	Explanation	Post. Ref.	Debit	Credit	Balance
2017					
June 2		J1		25	25
6		J1	3		22

SOLUTIONS

Learning Goal 25, continued

LG 25-1, *continued*

UNEARNED REVENUE			ACCOUNT NO. 210		
Date	Explanation	Post. Ref.	Debit	Credit	Balance
2017					
June 3		J1		7	7
8		J1	3		4

SECURITY SERVICE REVENUE			ACCOUNT NO. 401		
Date	Explanation	Post. Ref.	Debit	Credit	Balance
2017					
June 5		J1		5	5
7		J1		15	20
8		J1		3	23

Did you remember to:

- write the date of the transaction in the ledger account?
 - update the balance in the ledger account after each posting?
 - record the journal page number in the ledger account?
 - record the ledger account number in the “Post. Ref.” column *in the journal* after you posted each account?
-

SOLUTIONS

Learning Goal 25, continued

LG 25-2.

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Date	Account	Post. Ref.	Dr.	Cr.
2017				
June				
1	Cash	101	25,000	
	David Washington, Capital	302		25,000
2	Supplies	120	500	
	Furniture	150	2,700	
	Accounts Payable	202		3,200
3	Cash	101	15,000	
	Notes Payable	220		15,000
5	Cash	101	2,250	
	Service Revenue	401		2,250
6	Cleaning Expense	535	150	
	Cash	101		150
8	Computer Equipment	160	7,000	
	Cash	101		3,000
	Notes Payable	220		4,000
10	Cash	101	5,000	
	Unearned Revenue	230		5,000

Reminder: Remember that an account number is not written into the “Post. Ref.” column until after the transaction amount is *actually posted into the ledger account*.

SOLUTIONS**Learning Goal 25, continued****LG 25-2, continued**

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Date	Account	Post. Ref.	Dr.	Cr.
12	Accounts Receivable	110	2,500	
	Service Revenue	401		2,500
15	Wages Expense	510	1,120	
	Cash	101		1,120
15	Accounts Payable	202	1,000	
	Cash	101		1,000
15	Rent Expense	515	1,500	
	Cash	101		1,500
18	Advertising Expense	525	800	
	Accounts Payable	202		800
22	Accounts Receivable	110	750	
	Service Revenue	401		750
25	Cash	101	1,000	
	Accounts Receivable	110		1,000
28	Maintenance Expense	530	500	
	Accounts Payable	202		500
30	Interest Expense	550	500	
	Notes Payable	220	250	
	Cash	101		750
30	Withdrawals	310	2,000	
	Cash	101		2,000

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SOLUTIONS

Learning Goal 25, continued

LG 25-2, continued

Ledger

Date	Explanation	Post. Ref.	Account: Cash		No. <u>101</u>
			Debit	Credit	Balance
2017					
June 1		J8	25,000		25,000
3		J8	15,000		40,000
5		J8	2,250		42,250
6		J8		150	42,100
8		J8		3,000	39,100
10		J8	5,000		44,100
15		J9		1,120	42,980
15		J9		1,000	41,980
15		J9		1,500	40,480
25		J9	1,000		41,480
30		J9		750	40,730
30				2,000	38,730

Date	Explanation	Post. Ref.	Account: Accounts Receivable		No. <u>110</u>
			Debit	Credit	Balance
2017					
June 12		J9	2,500		2,500
22		J9	750		3,250
25		J9		1,000	2,250

SOLUTIONS

Learning Goal 25, continued

LG 25-2, *continued*

Date	Explanation	Post. Ref.	Account: Supplies		No. <u>120</u>
			Debit	Credit	Balance
2017					
June 2		J8	500		500

Date	Explanation	Post. Ref.	Account: Furniture		No. <u>150</u>
			Debit	Credit	Balance
2017					
June 1		J8	2,700		2,700

Date	Explanation	Post. Ref.	Account: Computer Equipment		No. <u>160</u>
			Debit	Credit	Balance
2017					
June 8		J8	7,000		7,000

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SOLUTIONS

Learning Goal 25, continued

LG 25-2, continued

Date	Explanation	Post. Ref.	Account: Accounts Payable		No. <u>202</u>
			Debit	Credit	Balance
2017					
June 2		J8		3,200	3,200
15		J9	1,000		2,200
18		J9		800	3,000
28		J9		500	3,500

Date	Explanation	Post. Ref.	Account: Notes Payable		No. <u>220</u>
			Debit	Credit	Balance
2017					
June 3		J8		15,000	15,000
8		J8		4,000	19,000
30		J9	250		18,750

Date	Explanation	Post. Ref.	Account: Unearned Revenue		No. <u>230</u>
			Debit	Credit	Balance
2017					
June 10		J8		5,000	5,000

SOLUTIONS

Learning Goal 25, continued

LG 25-2, continued

Date	Explanation	Post. Ref.	Account: D. Washington, Capital		No. <u>302</u>
			Debit	Credit	
2017					
June 1		J8		25,000	25,000

Date	Explanation	Post. Ref.	Account: D. Washington, Withdrawals		No. <u>310</u>
			Debit	Credit	
2017					
June 30		J9	2,000		2,000

Date	Explanation	Post. Ref.	Account: Service Revenue		No. <u>401</u>
			Debit	Credit	
2017					
June 5		J8		2,250	2,250
12		J9		2,500	4,750
22		J9		750	5,500

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SOLUTIONS

Learning Goal 25, continued

LG 25-2, continued

Date	Explanation	Post. Ref.	Account: Wages Expense		No. <u>510</u>
			Debit	Credit	Balance
2017					
June 15		J9	1,120		1,120

Date	Explanation	Post. Ref.	Account: Rent Expense		No. <u>515</u>
			Debit	Credit	Balance
2017					
June 15		J9	1,500		1,500

Date	Explanation	Post. Ref.	Account: Advertising Expense		No. <u>525</u>
			Debit	Credit	Balance
2017					
June 18		J9	800		800

SOLUTIONS

Learning Goal 25, continued

LG 25-2, *continued*

Date	Explanation	Post. Ref.	Account: Maintenance Expense		No. <u>530</u>
			Debit	Credit	Balance
2017					
June 28		J9	500		500

Date	Explanation	Post. Ref.	Account: Cleaning Expense		No. <u>535</u>
			Debit	Credit	Balance
2017					
June 6		J8	150		150

Date	Explanation	Post. Ref.	Account: Interest Expense		No. <u>550</u>
			Debit	Credit	Balance
2017					
June 30		J9	500		500

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SOLUTIONS**Learning Goal 25, continued****LG 25-3.**

Journal Page 1

Date	Account	Post. Ref.	Dr.	Cr.
2017				
Sept. 2	Cash	103	100,000	
	Office Equipment	170	10,000	
	John Covina, Capital	305		110,000
2	Prepaid Insurance	150	6,000	
	Cash	103		6,000
3	Cash	103	2,000	
	Accounts Receivable	110	5,500	
	Service Revenue	410		7,500
7	Office Supplies	120	1,000	
	Accounts Payable	203		1,000
12	Tools	180	7,800	
	Electrical Supplies	125	4,200	
	Cash	103		5,000
	Notes Payable	250		7,000
14	Cash	103	3,000	
	Accounts Receivable	110		3,000
15	Accounts Receivable	110	6,100	
	Service Revenue	410		6,100
16	Utilities Expense	540	315	
	Auto and Gas Expense	520	190	
	Accounts Payable	203		505
17	Office Supplies	120	390	
	Cash	103		390

SOLUTIONS**Learning Goal 25, continued****LG 25-3, continued**

Journal Page 2

Date	Account	Post. Ref.	Dr.	Cr.
2017				
Sept. 22	Rent Expense	505	2,200	
	Cash	103		2,200
23	Cash	103	12,000	
	Unearned Revenue	210		12,000
24	Accounts Payable	203	720	
	Cash	103		720
27	John Covina, Withdrawals	310	2,000	
	Cash	103		2,000
29	Office Supplies Expense	545	175	
	Electrical Supplies Expense	550	2,900	
	Office Supplies	120		175
	Electrical Supplies	125		2,900
30	Wages Expense	510	4,100	
	Wages Payable	215		4,100
30	Insurance Expense	530	500	
	Prepaid Insurance	150		500
30	Unearned Revenue	210	5,000	
	Service Revenue	410		5,000

Reminder: Remember that an account number is not written into the "Post. Ref." column until after the transaction amount is *actually posted into the ledger account*.

SOLUTIONS

Learning Goal 25, continued

LG 25-3, continued

Ledger

Date	Explanation	Post. Ref.	Account: Cash		No. <u>103</u>
			Debit	Credit	
2017					
Sept. 2		J1	100,000		100,000
2		J1		6,000	94,000
3		J1	2,000		96,000
12		J1		5,000	91,000
14		J1	3,000		94,000
17		J1		390	93,610
22		J2		2,200	91,410
23		J2	12,000		103,410
24		J2		720	102,690
27		J2		2,000	100,690

Date	Explanation	Post. Ref.	Account: Accounts Receivable		No. <u>110</u>
			Debit	Credit	
2017					
Sept. 3		J1	5,500		5,500
14		J1		3,000	2,500
15		J1	6,100		8,600

SOLUTIONS

Learning Goal 25, continued

LG 25-3, continued

Date	Explanation	Post. Ref.	Account: Office Supplies		No. <u>120</u>
			Debit	Credit	Balance
2017					
Sept. 7		J1	1,000		1,000
17		J1	390		1,390
29		J2		175	1,215

Date	Explanation	Post. Ref.	Account: Electrical Supplies		No. <u>125</u>
			Debit	Credit	Balance
2017					
Sept. 12		J1	4,200		4,200
29		J2		2,900	1,300

Date	Explanation	Post. Ref.	Account: Prepaid Insurance		No. <u>150</u>
			Debit	Credit	Balance
2017					
Sept. 2		J1	6,000		6,000
30		J2		500	5,500

SOLUTIONS

Learning Goal 25, continued

LG 25-3, continued

Date	Explanation	Post. Ref.	Account: Office Equipment		No. <u>170</u>
			Debit	Credit	Balance
2017					
Sept. 2		J1	10,000		10,000

Date	Explanation	Post. Ref.	Account: Tools		No. <u>180</u>
			Debit	Credit	Balance
2017					
Sept. 12		J1	7,800		7,800

Date	Explanation	Post. Ref.	Account: Accounts Payable		No. <u>203</u>
			Debit	Credit	Balance
2017					
Sept. 7		J1		1,000	1,000
16		J1		505	1,505
24		J2	720		785

SOLUTIONS

Learning Goal 25, continued

LG 25-3, *continued*

Date	Explanation	Post. Ref.	Account: Unearned Revenue		No. <u>210</u>
			Debit	Credit	Balance
2017					
Sept. 23		J2		12,000	12,000
30		J2	5,000		7,000

Date	Explanation	Post. Ref.	Account: Wages Payable		No. <u>215</u>
			Debit	Credit	Balance
2017					
Sept. 30		J2		4,100	4,100

Date	Explanation	Post. Ref.	Account: Notes Payable		No. <u>250</u>
			Debit	Credit	Balance
2017					
Sept. 14		J1		7,000	7,000

SOLUTIONS

Learning Goal 25, continued

LG 25-3, continued

Date	Explanation	Post. Ref.	Account: J. Covina, Capital		No. <u>305</u>
			Debit	Credit	
2017					
Sept. 2		J1		110,000	110,000

Date	Explanation	Post. Ref.	Account: J. Covina, Withdrawals		No. <u>310</u>
			Debit	Credit	
2017					
Sept. 27		J2	2,000		2,000

Date	Explanation	Post. Ref.	Account: Service Revenue		No. <u>410</u>
			Debit	Credit	
2017					
Sept. 3		J1		7,500	7,500
15		J1		6,100	13,600
30		J2		5,000	18,600

SOLUTIONS

Learning Goal 25, continued

LG 25-3, *continued*

Date	Explanation	Post. Ref.	Account: Rent Expense		No. <u>505</u>
			Debit	Credit	Balance
2017					
Sept. 22		J2	2,200		2,200

Date	Explanation	Post. Ref.	Account: Wages Expense		No. <u>510</u>
			Debit	Credit	Balance
2017					
Sept. 30		J2	4,100		4,100

Date	Explanation	Post. Ref.	Account: Auto & Gas Expense		No. <u>520</u>
			Debit	Credit	Balance
2017					
Sept. 16		J1	190		190

SOLUTIONS

Learning Goal 25, continued

LG 25-3, continued

Date	Explanation	Post. Ref.	Account: Insurance Expense		No. <u>530</u>
			Debit	Credit	
2017					
Sept. 30		J2	500		500

Date	Explanation	Post. Ref.	Account: Utilities Expense		No. <u>540</u>
			Debit	Credit	
2017					
Sept. 16		J1	315		315

Date	Explanation	Post. Ref.	Account: Office Supplies Expense		No. <u>545</u>
			Debit	Credit	
2017					
Sept. 29		J2	175		175

SOLUTIONS

Learning Goal 25, continued

LG 25-3, continued

Date	Explanation	Post. Ref.	Account: Electrical Supplies Expense		No. 550
			Debit	Credit	
2017					
Sept. 29		J2	2,900		2,900

LG 25-4.

Journal Page 1

Date	Account	Post. Ref.	Dr.	Cr.
2017				
June 2	Cash	101	25,000	
	Office Supplies	115	800	
	Office Furniture	180	4,000	
	R. Markstein, Capital	303		29,800
2	Prepaid Insurance	150	3,000	
	Prepaid Travel	155	1,800	
	Cash	101		4,800
3	Legal and Accounting Expense	536	2,500	
	Accounts Payable	205		2,500
3	Cash	101	1,000	
	Accounts Receivable	108	4,200	
	Consulting Revenue	405		5,200
7	Office Supplies	115	930	
	Accounts Payable	205		930

SOLUTIONS**Learning Goal 25, continued****LG 25-4, continued**Journal Page 1, *continued*

Date	Account	Post. Ref.	Dr.	Cr.
2017				
June 9	Office Equipment	170	12,000	
	Cash	101		8,000
	Notes Payable	280		4,000
14	Cash	101	2,500	
	Accounts Receivable	108		2,500
16	Utilities Expense	524	420	
	Internet Expense	544	700	
	Accounts Payable	205		1,120
17	Rent Expense	502	2,750	
	Cash	101		2,750

Journal Page 2

Date	Account	Post. Ref.	Dr.	Cr.
2017				
June 21	Cash	101	4,000	
	Unearned Revenue	210		4,000
24	Accounts Payable	205	925	
	Cash	101		925
25	R. Markstein, Withdrawals	304	1,000	
	Cash	101		1,000
27	Accounts Receivable	108	5,000	
	Consulting Revenue	405		5,000
29	Office Supplies Expense	528	245	
	Office Supplies	115		245

SOLUTIONS

Learning Goal 25, continued

LG 25-4, continued

Journal Page 2, continued

Date	Account	Post. Ref.	Dr.	Cr.
2017				
June 30	Wages Expense	508	3,800	
	Wages Payable	220		3,800
30	Insurance Expense	516	250	
	Prepaid Insurance	150		250
30	Unearned Revenue	210	750	
	Consulting Revenue	405		750

Reminder: Remember that an account number is not written into the “Post. Ref.” column until after the transaction amount is *actually posted into the ledger account*.

Ledger

Date	Explanation	Post. Ref.	Account: Cash		No. <u>101</u> Balance
			Debit	Credit	
2017					
June 2		J1	25,000		25,000
2		J1		4,800	20,200
3		J1	1,000		21,200
9		J1		8,000	13,200
14		J1	2,500		15,700
17		J1		2,750	12,950
21		J2	4,000		16,950
24		J2		925	16,025
25		J2		1,000	15,025

SOLUTIONS

Learning Goal 25, continued

LG 25-4, continued

Date	Explanation	Post. Ref.	Account: Accounts Receivable		No. <u>108</u>
			Debit	Credit	
2017					
June 3		J1	4,200		4,200
14		J1		2,500	1,700
27		J2	5,000		6,700

Date	Explanation	Post. Ref.	Account: Office Supplies		No. <u>115</u>
			Debit	Credit	
2017					
June 2		J1	800		800
7		J1	930		1,730
29		J2		245	1,485

Date	Explanation	Post. Ref.	Account: Prepaid Insurance		No. <u>150</u>
			Debit	Credit	
2017					
June 2		J1	3,000		3,000
30		J2		250	2,750

SOLUTIONS

Learning Goal 25, continued

LG 25-4, *continued*

Date	Explanation	Post. Ref.	Account: Prepaid Travel		No. <u>155</u>
			Debit	Credit	Balance
2017					
June 2		J1	1,800		1,800

Date	Explanation	Post. Ref.	Account: Office Equipment		No. <u>170</u>
			Debit	Credit	Balance
2017					
June 9		J1	12,000		12,000

Date	Explanation	Post. Ref.	Account: Office Furniture		No. <u>180</u>
			Debit	Credit	Balance
2017					
June 2		J1	4,000		4,000

SOLUTIONS

Learning Goal 25, continued

LG 25-4, continued

Date	Explanation	Post. Ref.	Account: Accounts Payable		No. <u>205</u>
			Debit	Credit	
2017					
June 3		J1		2,500	2,500
7		J1		930	3,430
16		J1		1,120	4,550
24		J2	925		3,625

Date	Explanation	Post. Ref.	Account: Unearned Revenue		No. <u>210</u>
			Debit	Credit	
2017					
June 21		J2		4,000	4,000
30		J2	750		3,250

Date	Explanation	Post. Ref.	Account: Wages Payable		No. <u>220</u>
			Debit	Credit	
2017					
June 30		J2		3,800	3,800

SOLUTIONS

Learning Goal 25, continued

LG 25-4, continued

Date	Explanation	Post. Ref.	Account: Notes Payable		No. <u>280</u>
			Debit	Credit	Balance
2017					
June 9		J1		4,000	4,000

Date	Explanation	Post. Ref.	Account: R. Markstein, Capital		No. <u>303</u>
			Debit	Credit	Balance
2017					
June 2		J1		29,800	29,800

Date	Explanation	Post. Ref.	Account: R. Markstein, Withdrawals		No. <u>304</u>
			Debit	Credit	Balance
2017					
June 25		J2	1,000		1,000

SOLUTIONS

Learning Goal 25, continued

LG 25-4, *continued*

Date	Explanation	Post. Ref.	Account: Insurance Expense		No. <u>516</u>
			Debit	Credit	Balance
2017					
June 30		J2	250		250

Date	Explanation	Post. Ref.	Account: Utilities Expense		No. <u>524</u>
			Debit	Credit	Balance
2017					
June 16		J1	420		420

Date	Explanation	Post. Ref.	Account: Office Supplies Expense		No. <u>528</u>
			Debit	Credit	Balance
2017					
June 29		J2	245		245

SOLUTIONS

Learning Goal 25, continued

LG 25-4, continued

Date	Explanation	Post. Ref.	Account: Legal and Acct. Expense		No. <u>536</u>
			Debit	Credit	
2017					
June 3		J1	2,500		2,500

Date	Explanation	Post. Ref.	Account: Internet Expense		No. <u>544</u>
			Debit	Credit	
2017					
June 16		J1	700		700