

Accounting I

Lesson Plan

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Day/Date:

Topic: Posting to a General Ledger

Unit: Chapter 6

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

- define accounting terms related to posting from a journal to a general ledger.
- identify accounting concepts and practices related to posting from a journal to a general ledger.
- prepare a chart of accounts for a service business organized as a proprietorship.
- post amount from a journal to a general ledger.

II. Materials:

- Textbook
- Workbook
- Transparencies

III. Anticipatory Set:

A journal does not show in one place all the changes in a single account. If only a journal is used, a business must search through all journal pages to find items affecting a single account balance. For this reason, a form is used to summarize in one place all the changes to a single account. A separate form is used for each account.

IV. Learning Activities:

An account form includes:

- **account** and **account no.**
- **date, item, and Post. Ref. columns**
- **debit and credit columns**
- **debit and credit balance columns**

Illustration 6-2, pg. 99

Because the form has columns for the debit and credit balance, it is often referred to as the

Balance-ruled account form. (overhead)

The account balance is figured and recorded as each entry is recorded in the account.

ARRANGING ACCOUNTS IN A GENERAL LEDGER

Ledger - a group of accounts.

General Ledger - a ledger that contains all accounts needed to prepare financial statements.

Account Title - the name given to an account.

Account Number - the number assigned to an account.

Preparing a Chart of Accounts**(Illustration 6-3, pg. 100)**

Chart of Accounts - a list of account titles and numbers showing the location of each account in a ledger.

- Accounts in a general ledger are arranged in the same order as they appear on financial statements.
- The **five** general ledger divisions are:

- | | | |
|-----------------------|--------------------------|--------------------|
| 1) Assets | 3) Owner's Equity | 5) Expenses |
| 2) Liabilities | 4) Revenue | |

Numbering General Ledger Accounts

File maintenance - the procedure for arranging accounts in a general ledger, assigning account numbers, and keeping records current.

- **Three-digit account numbers** are assigned to each account.
 - the first digit of each account number shows the general ledger division.
 - the second two digits indicate the location of each account within a general ledger division.

| | |
|------------|-----------------------|
| 100 | Assets |
| 200 | Liabilities |
| 300 | Owner's Equity |

400 Revenue
500 Expenses

510

General ledger division Location within general ledger division

- Account numbers are normally assigned by 10's so that new accounts can be added easily later. This allows new numbers to be assigned between existing accounts without renumbering all existing accounts.

510 Advertising Expense

520 Insurance Expense

- Unused account numbers are assigned to new accounts.

Add Gasoline Expense to the General Ledger.

- Expense accounts are arranged in alphabetical order in the general ledger.
- The number selected for the new account should leave some unused numbers on either side of it for other accounts that might need to be added.

510 Advertising Expense

515 Gasoline Expense

520 Insurance Expense

- When a new account is added at the end of a ledger division, the next number in a sequence of 10's is used.

580 Water Expense

- As the number of general ledger accounts increases, a business may change to four or more digits.
- When an account is no longer needed, it is removed from the general ledger and the chart of accounts.
 - Once removed, the account number would be available to assigning to another account if the need should arise.

Opening General Ledger Accounts (Illustration 6-5, pg. 103)

Opening an Account - writing an account title and number on the heading of an account.

- 1) Write the **account title** after the word *Account* in the heading.
 - 2) Write the **Account number** after the words *Account No.* in the heading.
- A general ledger account is opened for each account listed on a chart of accounts. Accounts are opened and arranged in a general ledger in the same order as on the chart of accounts.

Assignment:

Be sure you know and understand:

- terms 1 - 5 on pg. 117.
- questions 1 - 7 on pg. 117.
- Drill 6-D1 on pg. 118 in class.
- Problem 6-1 on pg. 119.
- read pages 103 - 116 (Personal Visions in Business).

POSTING FROM A JOURNAL TO A GENERAL LEDGER

Posting - transferring information from a journal entry to a ledger account.

Posting sorts journal entries so that all debits and credits affecting each account are brought together in one place.

- Two rules for posting amounts from a journal:
 - 1) Separate amounts in a journal's general amount columns are posted individually to the account written in the Account Title column.
 - 2) Separate amounts in a journal's special amount columns are not posted individually. Instead, the special amount column totals are posted to the account named in the heading of the special amount column.

Posting Separate Amounts

When an entry in a journal includes an amount in a general amount column and an account title in the Account Title column, the amount is posted individually.

Posting a separate amount from a General Debit column (Illustration 6-6, pg. 104)

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

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

The numbers in the *Post. Ref.* columns of the general ledger account and the journal serve three purposes:

- 1) An entry in an account can be traced to its source in a journal.
- 2) An entry in a journal can be traced to where it was posted in an account.
- 3) If posting is interrupted, the accounting personnel can easily see which entries in the journal still need to be posted. A blank in the *Post. Ref.* column of the journal indicates that posting for that line still needs to be completed.

Therefore, the posting reference is always recorded in the journal as the last step in the posting procedure.

Posting a second amount to an account (Illustration 6-7, pg. 105)

Remember to always post amounts in the ledger from left to right.

Posting a separate amount from a General Credit column (Illustration 6-8, pg. 106)

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

Journal entries that are not posted individually (Illustration 6-9, pg. 107)

Journal entries that are not to be posted individually include forwarding totals and amounts recorded in special amount columns.

To assure that no postings are overlooked, a check mark is placed in the *Post. Ref.* column on page 1 of the journal for the totals carried forward and also on page 2 for the totals brought forward.

Also, check marks are placed in the *Post. Ref.* column of the entries in which both amounts are in special amount columns of Sales Credit, Cash Debit, and Cash Credit.

Instead, the totals of the special amount columns are posted.

FYI, pg. 107

Posting the totals of amount columns

Totals of General Debit and General Credit amount columns

These two columns are not special amount columns because the column headings do not contain the name of an account. The amounts are posted individually to the accounts, therefore, the column totals **are not** posted.

A check mark in parentheses is placed below each general amount column total, which indicates that the totals are not posted.

Posting the total of the Sales Credit column (Illustration 6-10, pg. 108)

The Sales Credit column of a journal is a special amount column with the account title *Sales* in the heading. Only the total is posted.

One amount is posted thus saving time and reducing the possibility for errors to occur, which increases accuracy.

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

Posting the total of the Cash Debit column (Illustration 6-11, pg. 110)

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

Posting the total of the Cash Credit column (Illustration 6-12, pg. 111)

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

FYI, pgs. 110 & 111

Journal page with posting completed

(Illustration 6-13, pg. 112)

General Ledger with posting completed

(Illustration 6-14, pgs. 112 - 115)

SUMMARY OF POSTING TO A GENERAL LEDGER

(Illustration 6-15, pg. 116)

Seven steps are followed in posting an amount from a journal to a general ledger account:

- 1) The **date** is written in the *Date* column of the account.
- 2) The **journal page number** is written in the *Post. Ref.* column of the account.
- 3) The **amount** is written in the *Debit* or *Credit* amount column of the account.
- 4) A **new account balance** is calculated and recorded in the *Balance Debit* or *Balance Credit* column of the account.
- 5) An **account number** is placed in the *Post. Ref.* column of the journal to show to which account a separate amount on that line has been posted. The account number is written in the journal **as the last step** in the posting procedure.
- 6) **Check marks** are placed in **parentheses** below **general amount columns** of the journal to show that the totals of these columns *are not posted*.
- 7) **Account numbers** are placed in **parentheses** below **special amount column** total of the journal to show that these column totals have been posted.

Assignment:

Be sure you know and understand:

- **accounting term 6, pg. 117.**
- **questions 8-15, pg. 117.**
- **Drills 6-D2, pg. 119 in class.**
- **Cases 1 and 2, pg. 117 in class.**
- **Problems 6-2, pg. 119 & 6-M, pg. 120.**

V. Closure:

To review for test do Study Guide 6 and Problem 6-M.

VI. Evaluation of Student Learning:

Students will be evaluated using Problem 6-M, and Chapter 6 test.

Reference List

Ross, K.E., Hanson, R.D., Gilbertson, C.B., Lehman, M.W., & Swanson, R.M., (1995). Century 21 Accounting: First-Year Course (6th ed.). Cincinnati: South-Western Publishing Co.

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