Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chapter 1

Recording Departmental Purchases & Cash Payments

# Section 1.1: Using Accounting Principles and Records

## Accounting Equation

* **asset** –
* **liability** –
* **equities** –
* **owners’ equity** –
* **stockholders’ equity** –
* **accounting equation** –
* *Unit of Measurement* (summarize) –
* **source documents** –
* *Objective Evidence* –

## General Journal

* **double-entry accounting** –
* **journal** –
* **special journal** –   
  + **Purchases Journal** –
  + **Cash Payments Journal** –
  + **Sales Journal** –
  + **Cash Receipts Journal** –
  + **General Journal** –

## Normal Balances of Accounts

* **account** –

Label each t account below with the following: *Debit*, *Credit*, *Normal* *Balance*, *Increase*, and *Decrease*.

**Assets = Liabilities + Owners’ Equity**

Any Asset Any Liability Stockholders’ Equity

Any Revenue

Any Expense

## Ledgers

* **ledger** –
* **general ledger** –
* **subsidiary ledger** –
* **controlling account** –

**Subsidiary Ledgers Controlling Accounts**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## General and Subsidiary Ledger File Management

* **file maintenance** –

# Work Together 1.1

## Determining the normal balance, increase, and decrease sides for accounts

*For each of the accounts below, complete the following.*

1. In parentheses to the right side of the account title, identify the account as *asset*, *liability*, *owners’* *equity*, *revenue*, or *expense*.
2. Label the *debit* and *credit* sides.
3. Label each side the T account using the labels *Normal* *Balance*, *Increase* *Side*, or *Decrease* *Side*.

Lee Enterprises

Prepaid Insurance Advertising Expense (an account payable)

Nguyen Entertainment

Capital Stock Merchandise Inventory (an account payable)

Sales Cash

# Section 1.2: Journalizing and Posting Purchases and Purchases Returns

## Departmental Accounting System

* **departmental accounting system** –
* **merchandising business** –

## Journalizing Purchases on Account

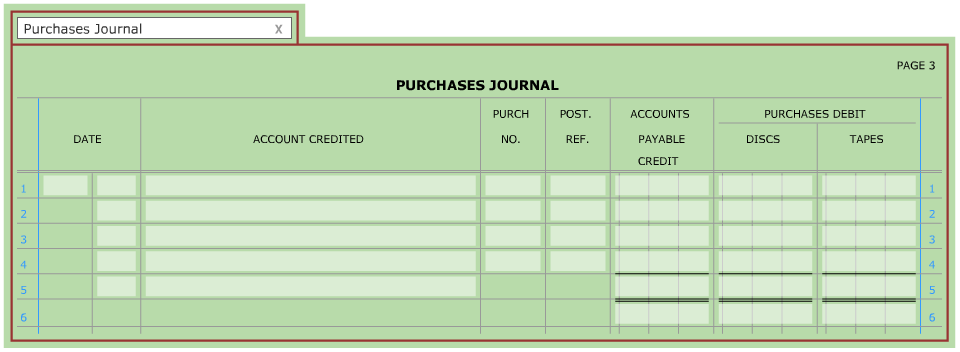
**Sample Problem (Work Together 1.2)**

*City Music has two departments: Discs and Tapes. A purchases journal is provided. Journalize each transaction. Source document is abbreviated as follows: purchase invoice, P.*

March 1 Purchased tapes on account from Raymond Wholesalers, $1,350. P283.

2 Purchased discs on account from Artex Music, $965. P284.

18 Purchased tapes on account from Quality Tapes, $268. P285.

 23 Purchased tapes on account from Castle Records and Tapes, $993. P286.

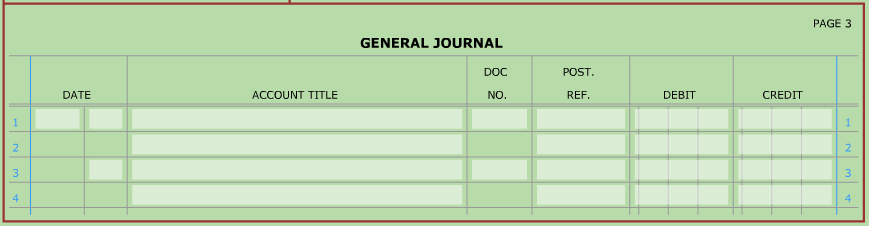
## Journalizing Purchases Returns and Allowances

* **debit memorandum** –
* **contra account** –

**Sample Problem, continued (Work Together 1.2)**

*City Music has two departments: Discs and Tapes. A general journal is provided. Journalize each transaction. Source document is abbreviated as follows: debit memorandum, DM.*

March 5 Returned discs to Dade, Inc., $165, from P280. DM36.

 6 Received an allowance on tapes from Raymond Wholesalers, $100, from P283. DM37.

## Posting from a Purchases Journal

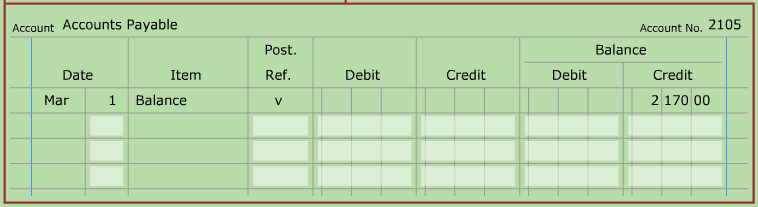
* **posting** –

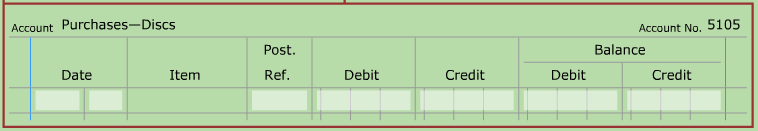
**Sample Problem, continued (Work Together 1.2)**

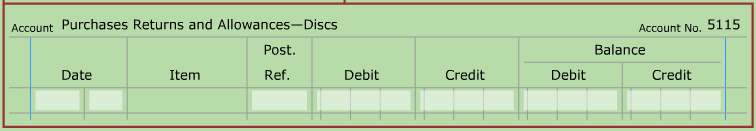
*City Music has two departments: Discs and Tapes. A partial general ledger and accounts payable ledger are provided. The balances are recorded as of March 1 of the current year. Use the purchases journal and general journal from the previous page.*

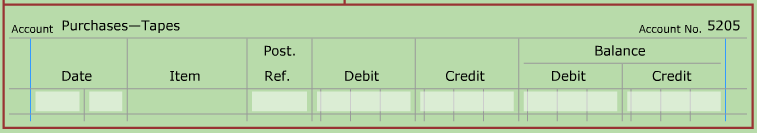
1. Post the items that are to be posted individually from the purchases journal.
2. Post from the general journal.
3. Prove and rule the purchases journal. Post the totals.

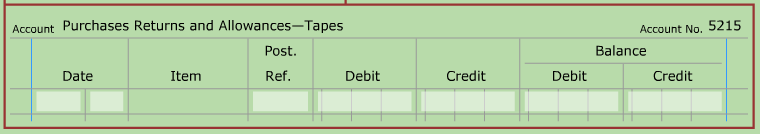
**General Ledger**



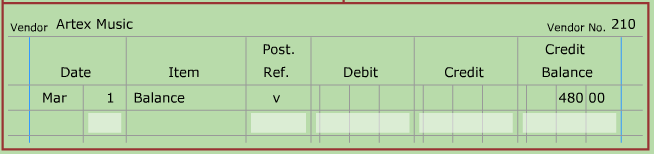


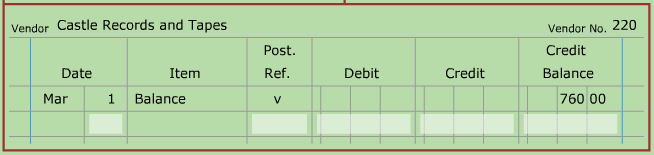


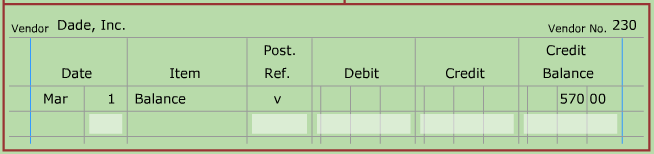


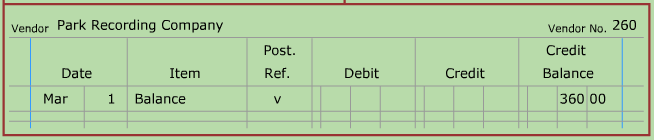


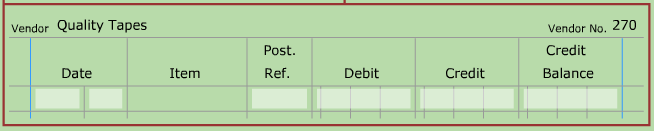
**Accounts Payable Ledger**

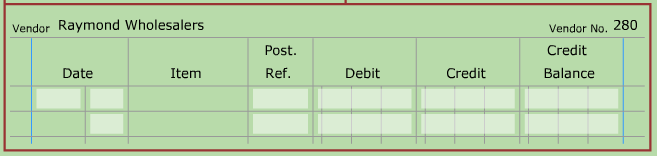












# Section 1.3: Journalizing and Posting Cash Payments

## Departmental Cash Payments

* **cash discount** –
* **purchases discount** –

## Recording Entries in a Cash Payment Journal (pg. 21)

**Sample Problem (Work Together 1.3 - *modified*)**

*Village Music Center has two departments: Guitars and Keyboards. Page 17 of a cash payments journal is provided. Source documents are as follows: check, C; debit memorandum, DM; and purchase invoice, P.*

Sept. 5 Paid cash on account for guitars from Peninsula Guitar covering P358 for $1,150; no discount. C241.

7 Paid cash for administrative supplies, $120. C242.

## Journalizing a Purchases Discount (pg. 19)

**Sample Problem, continued (Work Together 1. 3 - *modified*)**

*Continue to use the cash payments journal started above.*

Sept. 9 Paid cash on account for keyboards from Magic Keyboard covering P361 for $1,800, less 2% discount. C243.

## Taking a Discount after a Purchase Return (pg. 20)

**Sample Problem, continued (Work Together 1. 3 - *modified*)**

*Continue to use the cash payments journal started above.*

Sept. 16 Paid cash on account for keyboards from Magic Keyboard covering P360 for $2,210, less DM53 for $210, and less 2% discount. C244. (use the calculation area below to help prepare this transaction)

*Amount owed on invoice:*

Purchase Invoice - Purchases Return = Purchase Invoice

Amount (P360) (DM53) Amount after Return

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ - \_\_\_\_\_\_\_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Purchases discount:*

Purchase Invoice x Purchases Discount = Purchases

Amount after Return Rate Discount

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ x \_\_\_\_\_\_\_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Amount owed on invoice:*

Purchase Invoice - Purchases = Total Amount

Amount after Return Discount Due

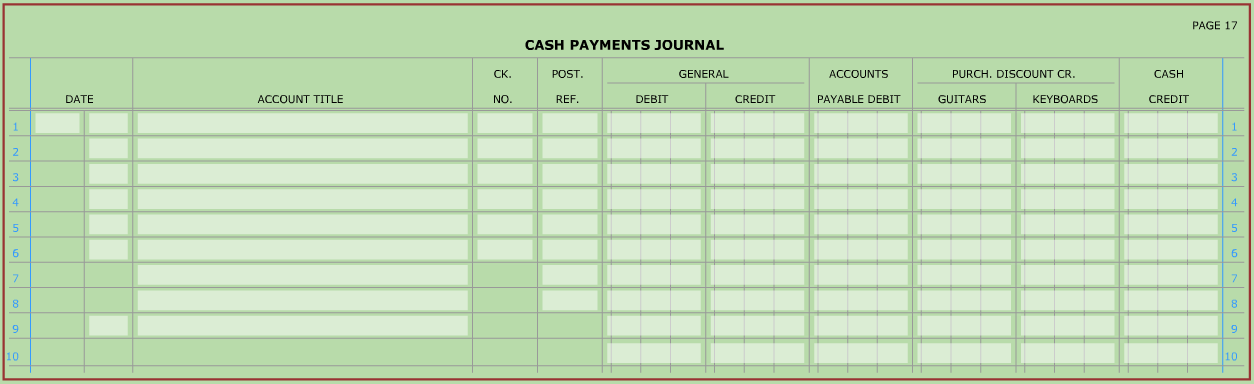
\_\_\_\_\_\_\_\_\_\_\_\_\_\_ - \_\_\_\_\_\_\_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_\_\_\_\_

## Cash Payment to Replenish Petty Cash (pg. 22)

* **petty cash** –

**Sample Problem, continued (Work Together 1. 3 - *modified*)**

*Continue to use the cash payments journal started above.*

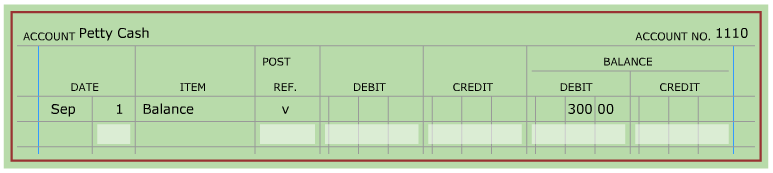
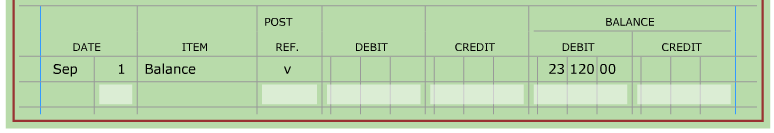
Sept. 30 Paid cash to replenish the petty cash fund, $64: administrative supplies, $15; advertising expense, $22, miscellaneous expense, $27. C245.

## Posting from a Cash Payments Journal (pg. 23)

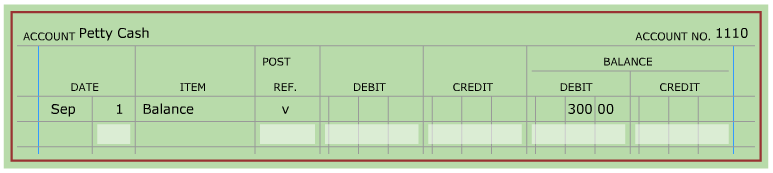
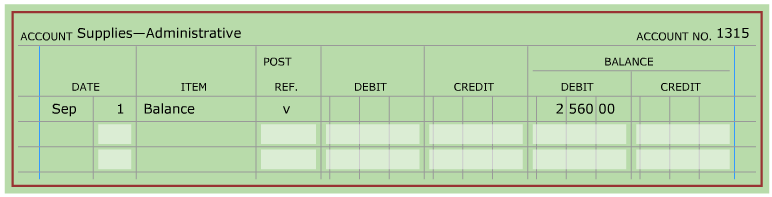
*Continue to use the cash payments journal started above. A partial general ledger and an accounts payable ledger are provided.*

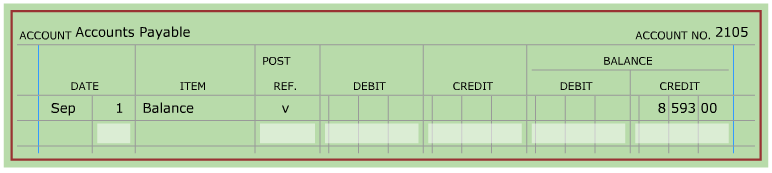
1. Post items that are to be posted individually.
2. Prove and rule the cash payments journal. Post the totals.

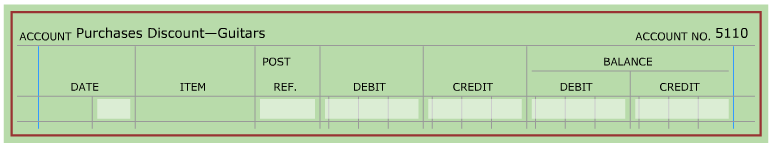
**General Ledger**

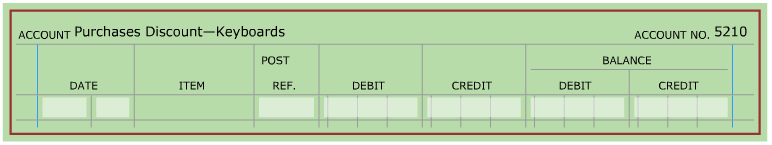


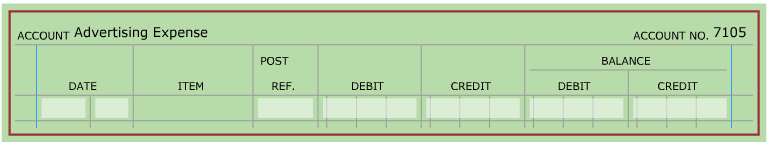
1105

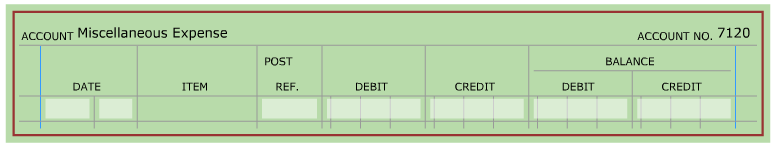












**Accounts Payable Ledger**

