

## CHAPTER 11 – POSTING TO GENERAL AND SUBSIDIARY LEDGERS

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

### **11-1 Ledgers and Controlling Accounts**

- A. General Ledger – See Page 231 for Hobby Shack's general ledger chart of accounts.
- B. Additional ledgers – because of Hobby Shack's size and the number and type of transactions, they also use additional ledgers in its accounting system.
  - 1. ***Subsidiary ledger*** – A ledger that is summarized in a single general ledger account.
    - a. ***Accounts payable ledger*** – a subsidiary ledger containing only accounts for vendors from whom items are purchased on account. Example of form is on page 300
    - b. ***Accounts receivable ledger*** – a subsidiary ledger containing only accounts for charge customers.
  - 2. Total amounts are summarized in a single general ledger account—Accounts Payable for vendors and Accounts Receivable for charge customers.
  - 3. ***Controlling account*** – An account in a general ledger that summarizes all accounts in a subsidiary ledger.

### **Posting to an Accounts Payable Ledger**

#### II. Accounts Payable ledger and general ledger controlling account

- A. Hobby Shack, just like most businesses, assigns a vendor number to each account in the accounts payable ledger;
  - 1. Hobby Shack assigns three digit numbers.
  - 2. The first digit identifies the division in which the controlling account appears in the general ledger. The next two digits show each accounts' location within a subsidiary ledger, going alphabetically.
  - 3. Because numbers are assigned by 10s, there's room for new accounts to be added, using the middle number when adding them.
  - 4. The total of all vendor account balances in the accounts payable ledger equals the balance of the controlling account, Accounts Payable.
- B. Hobby Shack, like many businesses, uses a three column account form—Debit, Credit, and Credit Balance.
- C. To open a new account (see page 300):
  - 1. Write the vendors name in the heading of the ledger account—the vendor name is obtained from the first purchase invoice received.
  - 2. Write the vendor number on the heading of the ledger account—this is assigned using the three-digit numbering system.
  - 3. Some businesses also record the vendor's address on the ledger form.

- D. In order to keep the balances in the accounts up to date, the individual amounts in the Accounts Payable columns of the journal are posted frequently. The total of the Accounts Payable columns is posted to the general ledger at the end of each month.
- E. Starting a new page in the accounts payable ledger – when all lines have been used, a new page is prepared. The vendor name, vendor number, and account balance are recorded on the new page.
- F. Posting from a purchases journal to an accounts payable ledger
  - Each entry in the purchases journal affects the account of the vendor named in the Account Credited column.
  - The amount on each line of a purchases journal is posed as a credit to a vendor account in the accounts payable ledger.
  - Hobby Shack posts frequently to the accounts payable ledger
  - Posting frequently keeps each vendor account balance up to date
- G. Posting from a cash payments journal to an accounts payable ledger
  - Each entry in the Accounts Payable Debit column of a cash payments journal affects a vendor account
  - Individual amounts in the Accounts Payable Debit column are posted frequently to the proper vendor account in the accounts payable ledger.
  - Posting frequently keeps each vendor account balance up to date
- H. Posting Credit and Debit Entries from a General Journal to an Accounts Payable Ledger  
See page 303 for examples
- I. Completed Accounts Payable Ledger – see page 304
- J. Proving the Accounts Payable Ledger
  - A controlling account balance in a general ledger must equal the sum of all account balances in a subsidiary ledger.
  - Hobby Shack proves subsidiary ledgers at the end of each month
  - A listing of vendor accounts, account balances, and total amount due all vendors is called a Schedule of Accounts Payable
  - The schedule is prepared after all entries in a journal are posted

## **11-2 Posting to an Accounts Receivable Ledger**

### IV. Accounts Receivable ledger and general ledger controlling account

- A. Hobby Shack, just like most businesses, assigns a customer number to each account in the accounts receivable ledger;
  1. Hobby Shack assigns three digit numbers.
  2. The first digit identifies the division in which the controlling account appears in the general ledger. The next two digits show each account's location within a subsidiary ledger, going alphabetically.
  3. Because numbers are assigned by 10s, there's room for new accounts to be added, using the middle number when adding them.
  4. The total of all customer account balances in the accounts receivable ledger equals the balance of the controlling account, Accounts Receivable.

- B. Hobby Shack, like many businesses, uses a three column account form—Debit, Credit, and Debit Balance.
- C. To open a new account - same as Accounts Payable Ledger
  1. Write the customer's name in the heading of the ledger account—the customer name is obtained from the first sales invoice we prepare for that customer.
  2. Write the customer number on the heading of the ledger account—this is assigned using the three-digit numbering system.
  3. Some businesses also record the customer's address on the ledger form.
- D. In order to keep the balances in the accounts up to date, the individual amounts in the Accounts Receivable columns of the journal are posted frequently. The total of the Accounts Receivable columns is posted to the general ledger at the end of each month.
- E. Posting an entry to an accounts receivable ledger – see Pages 309-311.
- F. Completed Accounts Receivable Ledger – see Page 312.
- G. Proving the Accounts Receivable Ledger
  - A controlling account balance in a general ledger must equal the sum of all account balances in a subsidiary ledger.
  - Hobby Shack proves subsidiary ledgers at the end of each month
  - A listing of customer accounts, account balances, and total amount due from all customers is called a Schedule of Accounts Receivable
  - The schedule is prepared after all entries in a journal are posted

### **11-3 Posting from Journals to a General Ledger**

#### Posting to a General Ledger

- C. Daily general ledger account balances are usually not necessary; balances of general ledger accounts are needed only when financial statements are prepared.
- D. Posting from a journal to a general ledger can be done periodically through a month, with the number of transactions determining how often to post.
- E. Posting must always be done at the end of a month.
- F. Amounts recorded in the general amount columns of the journal are posted individually to the general ledger accounts.
- G. Posting individual amounts from the General Debit and General Credit columns to the general ledger
- H. Posting column totals to the general ledger
- I. After all individual items have been posted, a check mark is placed in parentheses below the General Debit and General Credit column totals to show that the totals are not posted
- J. When all lines of a general ledger account form have been used, a new page must be started

### **11-4 Posting Special Journal totals to a General Ledger**

- A. Posting each special amount column from a sales journal  
Accounts Receivable Debit, Sales Credit, and Sales Tax Payable Credit
- B. Posting the total of a purchases journal to the two general ledger accounts  
Purchases Debit and Accounts Payable Credit
- C. Posting special amount column totals of a cash receipts journal  
(Accounts Receivable Credit, Sales Credit, Sales Tax Payable Credit, Sales Discount Debit and Cash Debit)
- D. Posting special amount column totals of a cash payments journal  
(Accounts Payable Debit, Purchases Discount Credit, and Cash Credit)

### **11-5 Correction Errors in Subsidiary Ledger Accounts**

- A. Errors may be made in recording amounts in subsidiary ledgers that do not affect the general ledger controlling account
  - Example: a sale on account may be recorded to the wrong customer in the sales journal
  - The column total posted from the sales journal to the general ledger is correct
  - The Accts. Receivable account shows the correct balance – **but** – two of the customer accounts in the accounts receivable ledger show incorrect balances
- B. The correcting entry in the general journal involves **only** subsidiary ledger accounts (the customers affected accounts only)
- C. First make the correcting entry to the account that is incorrectly entered (***this would be a credit***)  
Then make the correct entry to the account/customer that should be charged for the purchase (***this would be a debit entry to increase that customers accounts receivable***)
- D. The source document for correcting entries are **memorandums**  
Example on page 327 – 328
- E. The steps for posting a journal entry to correct customer's accounts are the same as posting other transactions to subsidiary ledgers **except** a diagonal line is not needed in the Post. Ref column to separate the references to the general ledger and subsidiary ledger account.
- F. The transaction does not affect a general ledger account; only reference to the subsidiary ledger account is entered in the Post. Ref. column of the general journal.