Chapter 4 – Posting to a General Ledger

Account Form

- Once transactions have been journalized, they must be posted (transferred) into accounts in a ledger to make it easier to find balances.
- A journal is a permanent record of the debit and credit parts of each transaction with transactions recorded in chronological order. A journal, however, does not show all changes in a single account.

4-1 Preparing a Chart of Accounts

- T-Accounts and Account Forms
  - An account form is based on a T-Account and includes debit and credit sections.
  - It also has a place to record the balance. We keep a running balance in accounts.
  - The form that TechKnow uses has a space for a Debit Balance and one for a Credit Balance. This is called the Balance-Ruled Account Form.

- Ledger – a group of accounts
- General Ledger – a ledger containing all accounts needed to prepare financial statements
- Account Number – the number assigned to an account
- Chart of Accounts – a list of account titles and the 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
- TechKnow’s Chart of Accounts has five general ledger divisions: Assets, Liabilities, Owners Equity, Revenue, and Expenses
- File Maintenance – the procedure for arranging accounts in a general ledger, assigning account number, and keeping records current
  - TechKnow assigns a three-digit account number to each account.
  - First digit shows the general ledger division in which the account is located. Assets are the 100s, Liabilities are the 200s, etc.
  - The second two digits indicate the location of each account within a general ledger division. The 50 in supplies indicates that the account is located between account number 140 and account number 160.
  - TechKnow initially assigns account numbers by 10s so that new accounts can be added easily. There are nine unused numbers between each account on TechKnow’s Chart of Accounts. New accounts can be added without renumbering everything. Try to keep all expense accounts in alphabetical order. If, alphabetically, the account would come at the end of the expense division, assign the next unused number.
- Many businesses use four or more digits in their numbering systems
- Opening an account – writing an account title and number on the heading of an account form
  - A general ledger account is opened for each account listed on the chart of accounts
  - Accounts are opened and arranged in a general ledger in the same order as on the chart of accounts.
Use the following steps to open accounts:
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

4-2 Posting Separate Amounts from a Journal to a General Ledger

- Posting from the General Columns
- **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 found 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, but rather the totals are posted to the account named in the heading of the special amount columns

**Posting a Separate Amount from a General Debit or General Credit Column**

- For most journal entries, at least one separate amount is posted individually to a general ledger account. When an entry in a journal includes an amount in a general amount column, the amount is posted individually
- 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
- **Steps in posting an amount from General Debit or General Credit column:**
  1. Write the Date in the Date Column of the correct account. Remember to include the year and month on the first line
  2. Write the journal page number in the Post Ref. Column of the account. Post Ref. is the abbreviation for Posting Reference
  3. Write the debit or credit amount in the debit or credit amount column
  4. Write the new account balance in the Balance Debit or Balance Credit column
  5. Return to the journal and write the account number in the Post Ref. column of the journal
- When posting a second amount to an account, remember to add or subtract the amount from the previous balance to get a new balance. You always keep a running balance in the ledger.

4-3 Posting Column Totals from a Journal to a General Ledger

**Posting Column Totals**

Journal entries that are not posted separately

- Check marks in the **Post. Ref.** column of the journal indicates that no SEPARATE AMOUNTS are posted INDIVIDUALLY.
  - Instead the TOTALS of the special amount columns are posted.
- Check marks under general debit and general credit columns indicate that the TOTALS for those columns are NOT posted.
- **Steps for posting the total of the Sales Credit column:**
  - Write the date
- Write the journal page number in Post. Ref. column
- Write the column total in the Credit amount column
- Write the new account balance in the Balance Credit column
- Return to the Journal page and write the account number in parentheses below the Sales Credit column
  - Indicating that you have POSTED
- **Steps for posting the total of the Cash Debit column:**
  - Write the date
  - Write the journal page number in Post. Ref. column
  - Write the column total in the Debit amount column
  - Write the new account balance in the Balance Debit column
  - Return to the Journal page and write the account number in parentheses below the Cash Debit column
- **Steps for posting the total of the Cash Credit column:**
  - Write the date
  - Write the journal page number in Post. Ref. column
  - Write the column total in the Credit amount column
  - Write the new account balance in the Balance Debit column
  - Return to the Journal page and write the account number in parentheses below the Cash Credit column

- **REMEMBER:** When the **debits** in an account exceed the credits, the account balance is a **debit**.
  Whenever the **credits** in an account exceed the debits, the account balance is a **credit**.

**4-4 Completed Accounting Forms and Making Correcting Entries**

- Simple errors may be corrected as we learned in Chapter 3
- If, however, a transaction may have been improperly journalized and posted to the ledger, the incorrect journal entry should be corrected with an additional journal entry. This is called a **Correcting Entry**