

PENANG SANGAM HIGH SCHOOL

P.O BOX 44, RAKIRAKI

LESSON NOTES WEEK 10

Subject: Commercial Studies

Year: 10

Strand: 2

Sub Strand: 2.3 - The Accounting Process

Content Learning Outcome: - Use double entry concept to post to ledger accounts

- Post, balance the ledger accounts using T form
- Prepare fixed asset ledger account from transactions using T form.

Lesson Notes (copy in content learning outcome, notes and activities in your note book)

- ✓ Ledger accounts follow the extended accounting equation rule.

$$\begin{array}{c} A + E + D \\ \uparrow \text{DR} \\ \downarrow \text{CR} \end{array} = \begin{array}{c} L + P + R \\ \uparrow \text{CR} \\ \downarrow \text{DR} \end{array}$$

- ✓ **DR** entries in the journal/ analysis chart are posted to **DR** side in the ledger.
CR entries in the journal/ analysis chart is posted to **CR** side in the ledger
- ✓ **Given the transactions, first identify the accounts affected or separately prepare an analysis chart.** Since we are preparing Fixed Asset Ledger Account, we will record the opposite account affected into the ledger with the debtor amount.
 - **Same side posting- meaning**
- ✓ If **Fixed Asset account is DR**, you will record the **opposite account name on the DR side** of the ledger account with the **amount for Fixed Asset**.
- ✓ If **Fixed Asset account is CR**, you will record the **opposite account name on the CR side** of the ledger account with the **amount for Fixed Asset**.

T Account Format

Account Title	
Debits Left	Credits Right

Illustrative Examples:

Note: The total of the side [DR/CR] which is more will be recorded on both sides on the same line. Bal c/d and Bal b/f is the difference between the total which is more [\$45 000 DR] minus Total which is less [\$16 000 CR]. Record Bal c/d on the side which is less and should be above the total. Record Bal b/f on the side which is more and should be below the total.

Example: Fixed Asset Ledger
Account (FA)

Mar 1. Opening Balances:

Van \$15 000

2. Bought van on credit VV Motors

\$10 000. < Van A + DR
VV Motors L + CR

7. Sold van on cash \$7 000 < Cash
Van

12. Bought van on cash \$20 000 < Van
Cash

26. Sold van to Remy \$9 000 < Remy A + DR
Van A - CR

Required: Prepare Van Ledger
Account in T-form

↑ Buy	Van (FA)	↓ Sell
Mar opening Balance	\$ 15 000	Mar 7 cash 7 000
2. VV Motors	10 000	26. Remy 9 000
12. cash	20 000	31. Bal c/d 29 000
	<u>45 000</u>	<u>45 000</u>
April 1. Bal b/f	29 000	

Class Activity: XY Ltd has the following ledger account balances on 1st Jan 2019.

Jan 1: (Opening Balances) Table \$6000

Furniture \$8000

2: Bought furniture from Creative Ltd \$2000

4: Sold table on cash \$1200

7: Bought table on credit from KK Dealers \$2300

19: Sold furniture for cash \$4000

22: Sold table to Jone on credit \$4000

26: Bought furniture on cash \$1000

29: Sold furniture to Mere \$300

Required: Prepare ledger accounts in T- form for:

- Table
- Furniture