

PENANG SANGAM HIGH SCHOOL

P.O BOX 44, RAKIRAKI

LESSON NOTES WEEK 11

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 purchases 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 Purchases Ledger Account, we will record the opposite account affected into the ledger with Purchases amount.
 - **Same side posting- meaning**
- ✓ If **Purchase account is DR**, you will record the **opposite account name on the DR side** of the ledger account with the **amount for Purchase**.
- ✓ If **Purchase account is CR**, you will record the **opposite account name on the CR side** of the ledger account with the **amount for Purchase**.

T Account Format

| Account Title | |
|----------------|------------------|
| Debits Left | Credits Right |

Illustrative Example:

- ✓ Expense ledger accounts will not have opening balance
- ✓ **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 [\$2 500 DR] minus Total which is less [\$200 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: Purchase Ledger Account | | Required: Prepare Purchase Ledger account in T-form | |
|---|-------------------|---|---------------------|
| (Expense) ⇒ Note will not have opening Balance. | | E + DR - CR | |
| Jan 1. cash purchase \$1000 | Purchase cash ↑ | Jan 1. cash 1000 | Jan 5. Drawings 200 |
| 3. credit purchase from CC Ltd \$500 | Purchase CC Ltd | 3. CC Ltd 500 | |
| 5. Owner took goods for own use \$200 | Drawings Purchase | 7. cash 400 | |
| 7. Bought goods on cash \$400 | Purchase cash | 10. vv Ltd 600 | 31. Bal c/d 2300 |
| 10. Bought goods on credit from vv Ltd \$600 | Purchase vv Ltd | 2500 | 2500 |
| | | Feb Bal b/f 2300 | |

Class Activity: XY Ltd has the following transactions for the month of March 2020.

March 2: Cash purchase \$500

6: Credit purchase from PP Ltd \$600

7: Bought goods on cash \$300

10: Owner took goods for own use \$100

12: Bought goods on credit from TT Ltd \$400

Required: Prepare Purchase ledger account in T- form