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

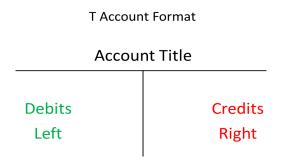
- Post, balance the ledger accounts using T form
- Prepare <u>purchases ledger account</u> from transactions using T form.

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

 \checkmark Ledger accounts follow the extended accounting equation rule.

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

- 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.



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.

(Expense) Note will not	Required	: Prep	pare Purchase
have opening Balance. Purcha	ET DR.	Ledger a	count in T-form
Jan 1. Cash purchase \$1000	↑ Purchase ↓		
3. credit purchase from CC Ltd	Jan 1. cash	\$ [@00_	Jan 5. Drawings 200
\$ 500 < hurchase	3. CC Ltd	500	
5. Owner took goods for own	n. cash	400	1
use \$200 < Aurchase	10. VV Ltd	6 00	31. Bal 4d 2300
7. Bought goods on cash \$400 (c	25 h		
10. Bought goods on credit from		2 500	2 502
VV Ltd \$600 < Purchase	Feb Bal	2300	
VV 6HA	plt		

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

<u>Required:</u> Prepare Purchase ledger account in T- form