

PENANG SANGAM HIGH SCHOOL
P.O BOX 44, RAKIRAKI
LESSON NOTES –WEEK 7

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 cash ledger accounts from transactions using T form.

Lesson Notes (Copy the sub-strand, content learning outcome and notes in your note book)

- ✓ Ledger is a record of all accounts of a business. It is prepared using Double Entry Concept whereby for every transaction two or more accounts are affected: one debit entry and the other corresponding credit entry.
- ✓ Third step in the accounting cycle is to post the journal entries into the ledger.
- ✓ As learnt in Year 9 that the extended accounting equation is $[A + E + D = L + P + R]$ **so any ledger account prepared will either be A, E, D, L or R account.**
- ✓ **A, L and P** will have opening balances where **E and R** will not have opening balances
- ✓ **Note:** 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 is 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 Cash Ledger Account, we will record the opposite account affected into the ledger with the cash amount.
 - **Same side posting- meaning**
- ✓ If **Cash account is DR**, you will record the **opposite account name on the DR side** of the ledger account with the **amount for cash**
- ✓ If **Cash account is CR**, you will record the **opposite account name on the CR side** of the ledger account with the **amount for cash**.

T Account Format

Account Title	
Debits Left	Credits Right

Illustrative Example:

Cash Ledger [Current Asset]

Example: Cash Ledger (Current Asset)
 Jan 1 Opening Balance:

	↑ Rec	Solution	↓ Pay
		Cash	
Jan 1 Opening Balance	7 000	7 000	
2 - Cash Sales \$ 200	200	200	3 - Purchase 400
3 - Cash purchases \$ 400	500	500	6 - Creditor 300
5 - Debtor paid \$ 500	150	150	10 - wages 100
6 - Paid to creditors \$ 300	8 000	8 000	11 - Drawings 50
8 - Received dividends \$ 150	200	200	13 - Table 250
10 - Paid wages \$ 100	2 000	2 000	21 - Creditor 90
11 - Owner took \$ 50 for own use			25 - Loan repayment 500
13 - Bought table for cash \$ 250			
15 - Sold table for cash \$ 8 000			
20 - Debtor paid \$ 200 and was allowed \$ 20 discount.	18 050	18 050	
21 - Paid creditor \$ 100 less \$ 10 discount received.	Bal b/f 16 360	Bal c/d 16 360	
22 - Took Loan \$ 2 000			
25 - Repaid Loan \$ 500			

Required: Prepare cash Ledger in T-form

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 [\$18050 DR] minus Total which is less [\$1690 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.

Class Activity:

Cash Ledger Account

The following transactions took place in Remy Superfoods Ltd for the month of January 2020:

- Jan 1: Opening cash account balance \$10 000
- 2: Cash sales \$720
- 4: Paid wages \$940
- 6: Repaid loan to bank \$500
- 7: Jerry a debtor paid his account \$300 less \$10 discount.
- 9: Received interest \$420
- 12: Paid TT.Ltd \$400 and received \$20 discount
- 14: Sold vehicle on cash \$14 000

Required: Using the above information, prepare Cash Ledger Account in T form.