

PENANG SANGAM HIGH SCHOOL
P.O BOX 44, RAKIRAKI
LESSON NOTES –WEEK 8

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 debtors ledger account from transactions using T form.

Lesson Notes:

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

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 [\$3800 DR] minus Total which is less [\$520 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 : Debtor/Accounts Receivable ^③ ↑ one more

Ledger (current Asset)

Jan 1 : Opening Balances :

Debtor (Tom) - \$ 3000

2. Credit sales to Tom \$ 100

4. charged interest to Tom \$ 40

6. Tom returned damaged goods \$ 20

8. Tom paid his account \$ 200

9. Sold table to Tom on credit \$ 400

10. Tom paid his account \$ 300 less \$ 20 discount allowed.

11. charged freight to Tom \$ 60

12. cheque received from Tom becomes dishonoured \$ 200.

Required: Prepare Ledger Account for Tom

Tom (Debtor) ↓ one less	
Jan 1. opening Balance	\$ 3000
2. Sales	100
4. Interest	40
6. Table	400
11. Freight	60
12. Dishonoured cheque	200
31. Bal c/d	3280
	3800

Solution

* Bal c/d and Bal b/f is

Class Activity

Debtor's Ledger Account

XX Ltd has the following opening balances on 1st January 2020.

Jan 1: Accounts receivable Opening Balance - Ken \$700 and Max \$300

2: Credit sales to Max \$200

3: Ken paid his account \$150

5: Max returned damaged goods \$60

7: Credit sales to Ken \$250

9: Charged interest to Max \$40

11: Ken paid his account \$400 and was allowed \$50 discount

12: Charged freight to Max \$60

14: Max paid his account \$200 less \$30 discount allowed

16: Ken paid by cheque \$100

20: Ken's cheque of \$100 was declared dishonoured.

22: Credit sales to Ken \$30

Required: Prepare Ledger Accounts for Ken and Max in T-form.

Note: They are two different debtors so separately prepare their ledger accounts similar to Tom's ledger account.