

Penang Sangam High School

Commercial Studies-Year 9

Strand 2: Business Information System 1

Sub-strand/the Accounting Process

Week 21

Greetings students

We will continue with our coverage. Topic: The Accounting process/Ledger Accounts

Achievement Indicators:

- ❖ 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.

Ledger Accounts

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

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 [\$12 920 CR] minus Total which is less [\$9 540 DR]. 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 : Creditor (Accounts Payable Ledger (current Liability))		Required: Prepare Ledger Account for Micky.	
Feb 1 : Opening Balance Creditor (Micky) - \$1400		Solution ↓ owe less micky (creditor) ↑ owe more	
2. credit purchase from micky \$440	← Purchase micky	Feb. 3. Purchase 40	Feb. 1. opening Balance 1400
3. Returned faulty goods to micky \$40.	← Purchases Ret micky	Return 40	2. Purchase 440
5. Paid micky \$500 less \$30 discount received.	← Cash micky	Cash 470	9. Freight 80
9. Micky charged freight \$80.	← Dis rec Freight micky	Discount received 30	12. Vehicle 11000
12. Bought vehicle on credit from micky \$11 000.	← Vehicle micky	14. Cash 9 000	
14. Paid micky \$9 000	← Cash micky	Bal c/d 3 380	
		12 920	12 920
			Mar. Bal b/f 3380

Class Activity: Creditor's Ledger Account

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

Jan 1: Opening balances for Accounts Payable – Tom \$820 and Jerry \$910

- 2: Credit purchase from Tom \$300
- 3: Paid Jerry \$200
- 4: Returned damaged goods to Tom \$70
- 6: Bought goods on credit from Jerry \$200
- 7: Jerry charged for freight \$80
- 10: Paid Tom \$500 less \$20 discount received.
- 12: Bought table on credit from Jerry \$320.
- 16: Paid Jerry \$100 and received \$10 discount.
- 19: Tom charged interest \$90

Required: Prepare ledger accounts for Tom and Jerry in T- form.

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