Introduction to the Coning Wholesale Project

Be sure to read the Introduction, Accounting Polices and Procedures, and Instructions in the practice set before starting the assignment!

This practice set utilizes four special journals that do not look like those described in the text. Don't let this throw you off. The special journals in the practice set more closely resemble those used in actual practice. There are four special journals and a general journal.

Purchases Journal – record the <u>purchase of anything on account</u> in this journal.

Sales Journal – record all <u>sales on account</u> in this journal.

Cash Receipts Journal – record the receipt of cash (or checks) <u>for any reason</u> in this journal.

Cash Disbursements Journal – record the issue of checks, <u>for any reason</u>, in this journal.

General Journal – record any transaction that does not fit in one of the special journals.

When reviewing a transaction to determine which journal to use, ask yourself these four questions:

Did we purchase anything on account (Purchases Journal)?
Did we sell anything on account (Sales Journal)?
Did we receive cash or checks (Cash Receipts Journal)?
Did we disburse cash or issue a check (Cash Disbursements Journal)?

If the answer is "yes" to any question, enter the transaction in that special journal. If the answer to all four questions is no, then you would record the transaction in the General Journal. For example, the following journal entry would be entered in the General Journal as the answer to the four questions would be "no".

Depreciation Expense	5,000	
Accumulated Depreciation		5,000
Depreciation expense for 2007		

When entering transactions in the General Journal, be sure to give a brief explanation of the transaction and **<u>leave a blank line between journal entries.</u>**

Recording and Posting

When you analyze a transaction, first decide in which journal to enter the transaction. Then review the explanations for the column headings for that journal. Sometimes it is helpful to write out the journal entry for the transaction on a piece of scratch paper and then enter the transaction in one of the special journals or general journal.

Each transaction entered in a special journal is a journal entry so total debits have to equal total credits. For some transactions you may have to use more than one line in the 'Other Accounts" category.

If a special journal has a column for a specific account (see list below), nothing is posted to the General Ledger for that account until the end of the month at which time you post just the total for the account column to that General Ledger account.

Purchases Journal – Accounts Payable Cr. column
Inventory Dr. column

Sales Journal – Accounts Rec. Dr. / Sales Credit column
Post the total of this column as a Dr. to Accounts Receivable and a Cr. to Sales.
COGS Dr. / Inventory Cr. column
Post the total of this column as a Dr. to COGS and a Cr. to Inventory

Cash Receipts Journal – Cash Dr. column
Sales Discounts Dr. column
Accounts Receivable Cr. column

Cash Disbursements Journal – Cash Cr. column
Discounts Lost Dr. column
Accounts Payable Dr. column

At the end of the month total all columns on the special journals and verify that total debits equal total credits before posting account column totals to the General Ledger.

All postings to the General Ledger come from the special journals and the general journal. **Nothing is posted to the General Ledger from the Accounts Payable and Accounts Receivable Subsidiary Ledgers.**

Explanation for Journal Column Headings

Purchases Journal

Date: Enter the date of the month of the transaction (do not enter Jan. unless this is the first transaction for the journal).

Vendor: If we are making a payment on accounts payable, enter the name of vendor. You might write "Accounts Payable" above the word vendor to help you remember.

Invoice Number: Enter the vendor's invoice number.

Terms: Enter the terms such as: 2/10, n/30 or n/30 (which means there is no discount being offered by the vendor) or even EOM (which means the gross amount of the invoice is due at the **e**nd **o**f the **m**onth).

PR: Place a check mark here after you enter the transaction in the Accounts Payable Subsidiary Ledger for this vendor.

Accounts Payable Cr.: Enter the amount of the purchase. Remember it is the company's policy to record vendor purchases net of the discount. See Recording Vendor Invoices Net of Discount shown later.

Inventory Dr.: If we are purchasing inventory enter the amount of the purchase. This should be the same amount as entered in the Accounts Payable Cr. column. **Remember**, whenever we purchase inventory we must enter the purchase on the "Inventory Ledger Cards." The "Inventory Ledger Cards" will be covered later.

Other Account Dr. columns – Used if we are purchasing anything other than inventory.

Account: Enter the general ledger account name for the purchase. For example if we purchase the repair of equipment on account we would enter "Repairs Expense."

PR: Enter the account number. For example we enter "608" for Repairs Expense. These entries in the "Other Account" category must be entered in General Ledger immediately. Post the entry just to the account shown in the PR column. It looks like you are posting a one sided entry but don't worry; it will all work out in the end.
Place a check mark by the account number after you have made the entry to the General Ledger.

Amount: Enter the amount of the purchase which will be the same as the amount we entered in the Accounts Payable Cr. column.

Sales Journal

Date: Enter the date of the month of the transaction.

Customer: Enter the customer's name.

Invoice Number: Enter our invoice number.

PR: Enter a check mark after you have entered the transaction in the Accounts Receivable Subsidiary Ledger for the customer.

Accounts Rec. Dr. / Sales Cr.: Enter the retail amount of the sale.

COGS Dr. / Inventory Cr.: Enter the amount of COGS (cost of goods sold). It will be necessary to determine the COGS for each sale as the company is on a FIFO perpetual inventory system. Also enter the number of units sold on the Inventory Ledger cards.

Cash Receipts Journal

Date: Enter the date of the month of the transaction.

Accounts Receivable Customer: If we are receiving a payment on accounts receivable, enter the customer's name. If not, leave this blank.

PR: Enter a check mark after you have posted the payment in the "Accounts Receivable Subsidiary Ledger" for the customer.

Cash Deposited To Bank: Follow the directions in the "Narrative of Transactions." <u>This amount is not entered in the General Ledger</u>. You will need this information to prepare the bank reconciliation.

Cash Dr.: Enter the amount of cash received.

Sales Discounts Dr.: If a customer pays within the discount period enter the amount of the discount.

Accounts Receivable Cr.: If the money received is for a payment on accounts receivable, enter the gross amount of our invoice to the customer.

Other Accounts Cr.: Used if we are receiving money for any reason other than a payment on accounts receivable. For example, receiving a payment on a note receivable.

Received From: Who we received the money from.

Account: The name of the account we will credit. For example if we Received money owed to us on a note receivable we would Enter "Notes Receivable." Remember Notes Receivable is a different account from "Accounts Receivable."

PR: Enter the account number. For example we enter "107" for "Notes Receivable." **Reference the explanation for PR on the General Ledger.**

After you have posted the entry to the General Ledger, place a check mark to the right of the account number.

Amount: Enter the amount we will credit to the account.

Cash Disbursements Journal

Date: Enter the date of the month of the transaction.

Vendor Payee: If we are making a payment on accounts payable, enter the name of the vendor we are paying. You might write "Accounts Payable" above the word Vendor to help you remember.

PR: Enter a check mark after you have entered the payment in the "Accounts Payable Subsidiary Leger" for that vendor.

Check No.: Enter the number of the check we are issuing.

Cash Cr.: Enter the amount of the check we are issuing.

Discounts Lost Dr.: Enter the amount of the discount we lost by paying the invoice after the discount period. Reference the example of Recording Vendor Invoices Net of Discount shown later.

Accounts Payable Dr.: Enter the amount that we will debit to accounts payable.

Other Accounts Dr.:

Other Payee: Enter the name of the company to whom we are issuing the check.

Account: The name of the account we will debit. For example, if we are paying a utility bill we would enter "Utilities Expense."

PR: Enter the account number of the account we will debit. For example, For "Utilities Expense" enter "609." **Reference the explanation for PR on the General Ledger.**

After you have posted the entry to the General Ledger, place a check mark to the right of the account number.

Amount: Enter the amount we are debiting to the account.

General Journal

Date: Enter Jan. for the first journal entry in each account (if it is not already Entered) and then just the date of the month for the rest of the entries.

Account Titles and Explanation: Enter the names of the accounts you are debiting and crediting. Don't forget a brief description of the transaction.

Post. Ref.: Enter the account numbers you are debiting and crediting. All entries in the General Journal must be entered in the General Ledger **immediately**.

If a journal entry involves "Accounts Receivable" enter the Dr. or Cr. to both the General Ledger and the Accounts Receivable Subsidiary Ledger.

If a journal entry involves "Accounts Payable" enter the Dr. or Cr. to both the General Ledger and the Accounts Payable Subsidiary Ledger.

After you have posted the entry to the General Ledger, and the Accounts Receivable or Accounts Payable Subsidiary Ledger if necessary, place a check mark to the right of the account number.

Debit: Enter the amount you are debiting the account.

Credit: Enter the amount you are crediting the account.

Accounts Receivable Subsidiary Ledger

Date: For the first transaction enter Jan. and then the date of the month of the transaction. For all following transactions just enter the day of the month.

Item: When recording a sale to a customer, enter Coning's invoice number. When recoding a payment from a customer, write "Paid" and the invoice number the customer is paying.

PR: Enter the journal and page number where the entry originated. Use the page number in the upper right corner of the journal. For example, if you are entering an invoice the PR (posting reference) would be S1. Here are the references for each special journal and the general journal:

Purchases Journal – **P** and then the page number
Sales Journal – **S** and then the page number
Cash Receipts Journal – **R** and then the page number
Cash Disbursements Journal – **D** and then the page number
General Journal – **G** and then the page number

Dr.: Enter the amount you are debiting the account.

Cr.: Enter the amount you are crediting the account.

Balance: The balance owed to Coning Wholesale. Compute a new balance after each entry in a customer's account.

Accounts Payable Subsidiary Ledger

Date: Same as Accounts Receivable Subsidiary Ledger.

Item: If recording the purchase from a vendor, enter the vendor's invoice number and the credit terms. If recording a payment to a vendor, enter "Paid" and the invoice number we are paying.

PR: Same as Accounts Receivable Subsidiary Ledger.

Dr.: Same as Accounts Receivable Subsidiary Ledger.

Cr.: Same as Accounts Receivable Subsidiary Ledger.

Balance: Enter the new balance for the vendor after each entry.

Inventory Ledger Cards – You will need the information on the Inventory Ledger Cards to calculate the FIFO cost of each sale.

Date: Enter the date of the purchase, sale or return.

Cost of Goods Sold:

Units Sold: Self explanatory

Unit Cost: Enter the cost per unit sold.

Total Cost: Units Sold X Unit Cost

Purchases and Ending Inventory:

Units Purchased: Self explanatory

Unit Cost: Enter cost per unit purchased.

Total Cost: Units Purchased X Unit Cost
Less: Units Sold X Unit Cost – using the FIFO method.

General Ledger

Date: Enter the date of the transaction.

Item: Leave this area blank unless you are entering an adjusting journal entry (enter AJE and the AJE number – AJE 1) or a closing entry (enter CE).

Post. Ref.: Look at the Accounts Receivable Subsidiary Ledger PR.

Dr.: Enter the amount you are debiting the account.

Cr.: Enter the amount you are crediting the account.

Balance: Enter the new balance for the account after each entry.

Recording Vendor Invoices Net of Discount

Merchandise Inventory is purchased for $1,000 with terms of 3/10, n/30 on 1-1-13

1-1-13	Inventory	970	
	Accounts Payable		970

If paid on 1-8-13 (within the discount period)

1-8-13	Accounts Payable	970	
	Cash		970

If paid on 1-15-13 (after the discount period)

1-15-13	Accounts Payable	970	
	Discounts Lost	30	
	Cash		1,000

CONING WHOLESALE, 10TH Edition

CHECK FIGURES

PURCHASES JOURNAL	
ACCOUNTS PAYABLE	\$11,756
SALES JOURNAL	
ACCOUNTS RECEIVABLE / SALES	19,800
COST OF GOODS SOLD / INVENTORY	9,696
CASH RECEIPTS JOURNAL	
CASH	48,862
CASH DISBURSEMENTS JOURNAL	
CASH	28,965
INVENTORY LEDGER CARD & COST OF GOODS SOLD	
ENDING INVENTORY, 10 UNITS	3,430
GENERAL LEDGER	
CASH BEFORE ADJUSTMENT	33,421
CASH AFTER ADJUSTMENT (& BANK RECONCILIATION)	33,313
R. CONING, CAPITAL BEFORE CLOSING	70,317
R. CONING, CAPITAL AFTER CLOSING	71,963
WORKSHEET	
UNADJUSTED TRIAL BALANCE	102,775
ADJUSTED TRIAL BALANCE	103,341
NET INCOME (& INCOME STATEMENT)	6,746
BALANCE SHEET	
TOTAL ASSETS	78,259
ACCOUNTS RECEIVABLE SCHEDULE	3,500
ACCOUNTS PAYABLE SCHEDULE	6,296
POST-CLOSING TRIAL BALANCE	85,137