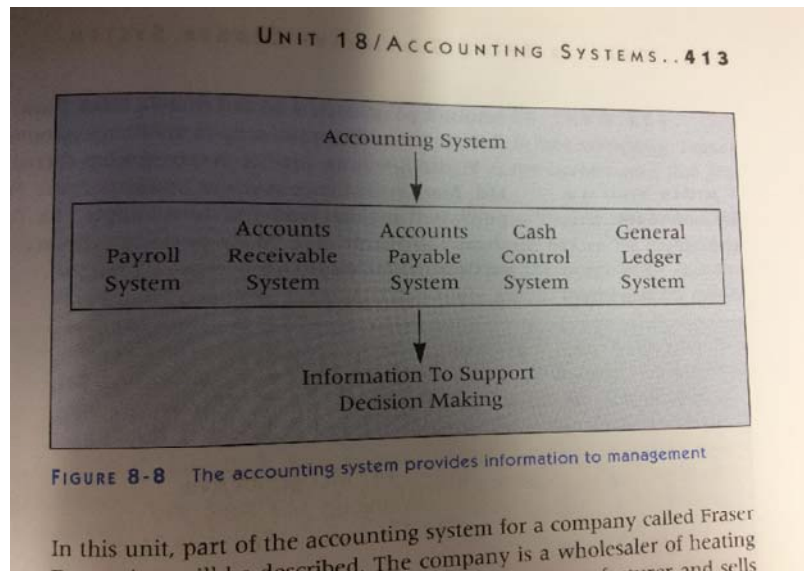


Unit 18 - Accounting Systems

The accounting system for a business consists of all of the activities performed in order to provide the information needed to make business decisions.

- Did we make a profit?
- Should we expand our business?
- Are sales increasing or decreasing?
- How efficient are the employees?
- Which products are most profitable?



Processing Data for the Accounts Payable System

The five tasks listed below make up the accounts payable system

1. Processing purchases invoices
2. Recording purchases invoices
3. Paying creditors
4. Updating creditor's accounts
5. Preparing a schedule of accounts payable

Duties of the Accounts Payable Clerk

A purchase invoice is a bill received from a creditor.

The details on the purchase invoice and purchase order must match.

The five tasks are listed with details on page 415

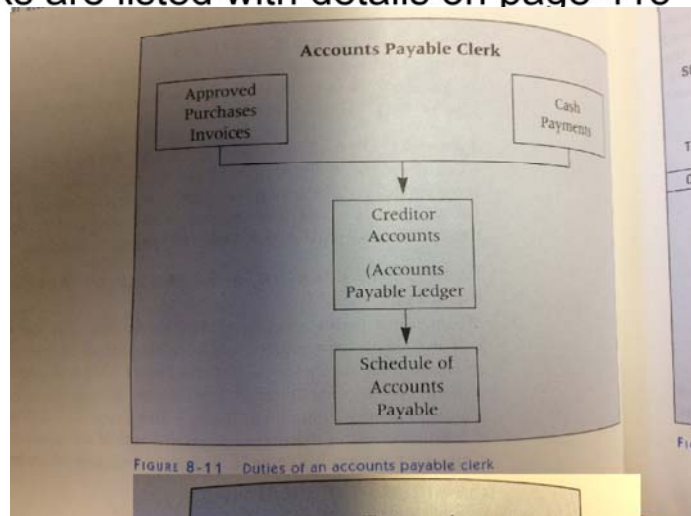


FIGURE 8-11 Duties of an accounts payable clerk.

Fraser Enterprises	
Schedule of Accounts Payable	
February 28, 19--	
Acme Ltd.	\$ 200
Evans Co.	900
Falco Ltd.	400
Mentor Ltd.	500
	<u>\$2 000</u>

FIGURE 8-10 Schedule of Accounts Payable

The accounts payable clerk does not include journalizing the purchases invoices. This is done by the accounting supervisor who journalizes the source documents after the Accounts payable clerk has finished with them. They post information directly into the Accounts Payable Ledger from the invoices and cheque copies. The posting procedure used in this accounting system is known as DIRECT POSTING procedure.

Direct Posting is the recording of information from source documents directly into the subsidiary ledger accounts

Processing Data for the Accounts Receivable System

Four tasks make up the accounts receivable system

Task 1: Processing sales invoices

Task 2: Recording sales invoices

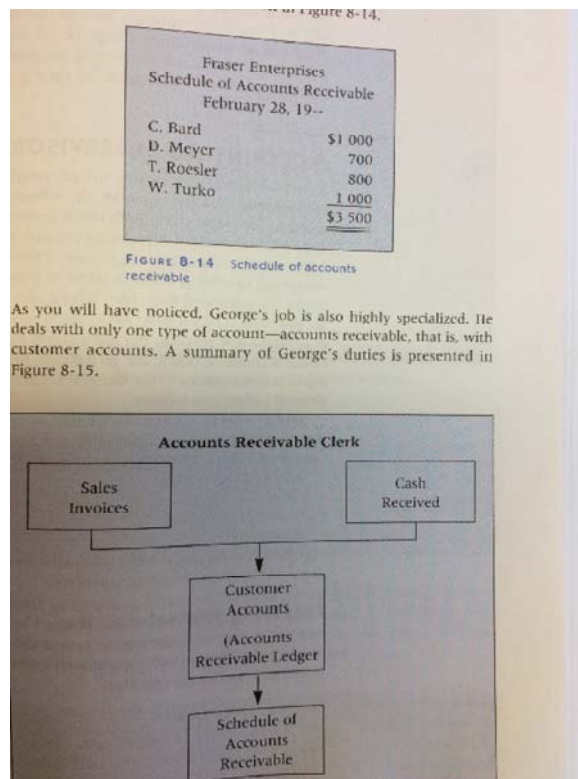
Task 3: Processing cash received from customers

Task 4: Preparing a schedule of accounts receivable.

Duties of the Accounts Receivable Clerk

Cash received decreases customer account balances.

The four tasks are explained with details pg. 418



Computerized System

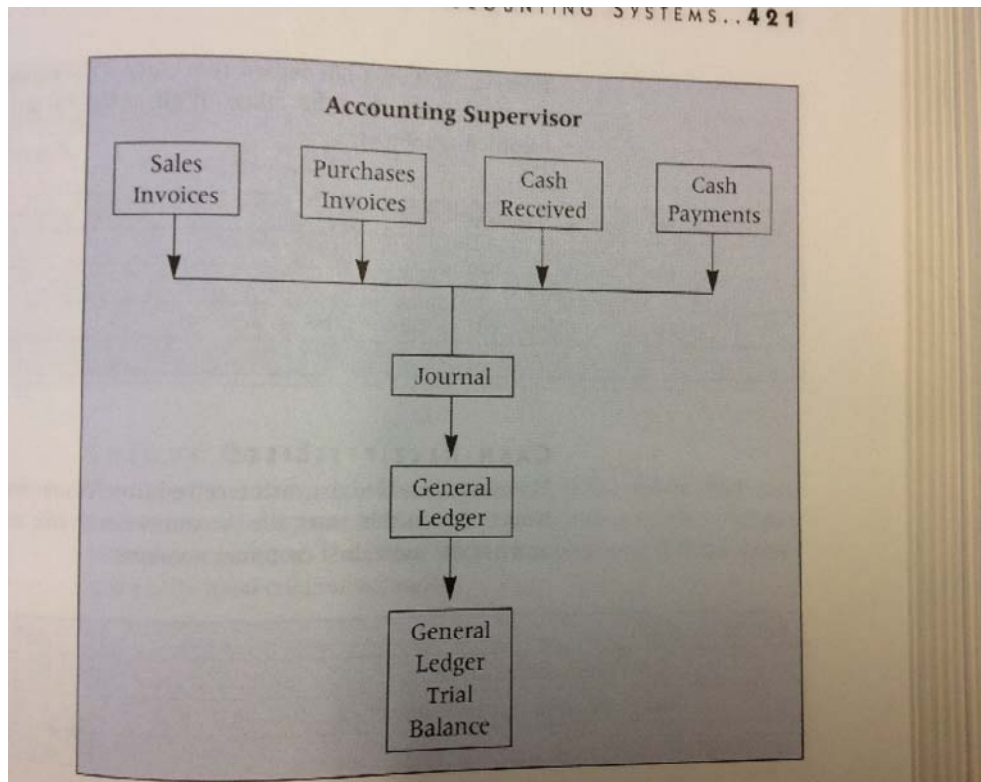
Computerized accounts receivable and accounts payable software packages improve the efficiency of recording transactions which affect the subsidiary ledgers. By completing it by using manual accounting procedures helps you fully understand the process

Accounting Supervisor

The accounts payable and receivable clerks report to the accounting supervisor. This person supervises the work of the accounting clerks, the preparation of journal entries, the posting of journal entries to the General Ledger and the preparation of a General Ledger trial balance.

The Accounting Supervisor is given source documents after they have been posted directly to the Accounts Receivable and Accounts Payable Ledgers. These can be:

- Sales invoices (copies)
- List of cash receipts
- Purchases invoices
- Cheque copies

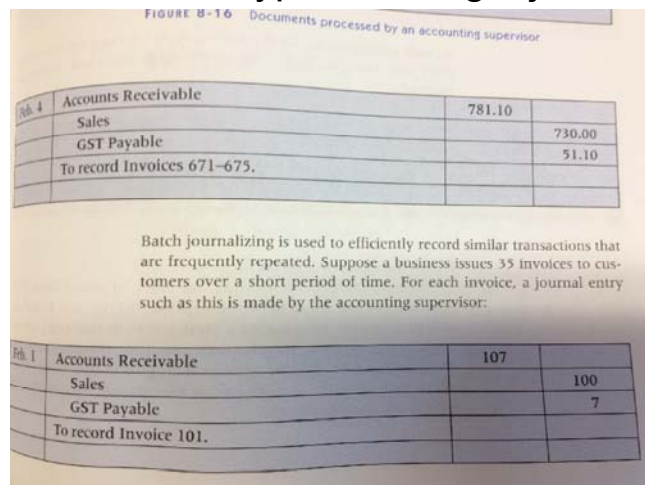


Preparing Journal Entries

Journal Entries are prepared to record the source documents: Sales invoices (copies), List of cash receipts, Purchases invoices & Cheque copies

Sales Invoices

Journalizing batch totals is the recording of the total of a number of source documents on one type in a single journal entry



CHAPTER 18 THE JOURNAL-LEDGER SYSTEM

However, rather than record this entry 35 separate times for each invoice, a total may be taken of all of the invoices and this total recorded as follows:

Feb. 1	Accounts Receivable	4 494	
	Sales		4 200
	GST Payable		294
	To record Invoices 101-135 for sales on account.		

CASH RECEIPTS LISTS
 The entry to record the cash received from customers is shown below. Notice that in this entry the Accounts Receivable account is credited and not the individual customer accounts.

Feb. 4	Cash	550	
	Accounts Receivable		550
	To record cash receipts for Feb. 4.		

As with sales invoices, the accounting supervisor may batch journalize daily cash receipts. This is the entry made when cash receipts are batched:

Feb. 5	Cash	2 200	
	Accounts Receivable		2 200
	To record cash received from customers Feb. 1-5.		

PURCHASES INVOICES
 The accounting supervisor's journal entry to record invoices for

and cash received from customers Feb. 1-5.		2 200
--	--	-------

PURCHASES INVOICES

The accounting supervisor's journal entry to record invoices for Supplies (\$430), Miscellaneous Expense (\$170), and Equipment (\$700) is shown on page 423. Notice that in this entry, several invoices are recorded. This is another example of batch journalizing. Also, the Accounts Payable account is credited instead of the individual creditor accounts. *Can you explain why there are four accounts debited but only one account credited?*

UNIT 18/ACCOUNTING SYSTEMS...

Supplies	430	
Miscellaneous Expense	170	
Equipment	700	
GST Refundable	91	
Accounts Payable		1 391
To record purchases invoices from Western Supply Ltd. (A39871), Nelson Ltd. (71984), and Matheson Equipment (D331).		

CHEQUE COPIES

The entry to record payments to creditors is shown below. The entry records several documents (Cheques 71-73) and is another example of batch journalizing. The Accounts Payable account is debited instead of the individual creditor accounts.

Accounts Payable	1 200	
Cash		1 200
To record Cheques 71-73.		

Posting the Journal

Marni is also responsible for posting the journal entries to the General Ledger. When these entries have been posted to the General Ledger, the Accounts Payable account in the General Ledger has a credit balance of 1 391.

Posting the Journal

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Preparing Other Journal Entries

The accounting supervisor is responsible for journalizing all source documents, not just those involving accounts receivable and accounts payable. Some examples of other journal entries made by Marsi follow.

(1) A \$200 cash sale was made:

Feb. 8	Cash	214	
	Sales		200
	GST Payable		14
	Cash sale.		

(2) The owner invested \$5 000:

Feb. 8	Cash	5 000	
	D. Fraser, Capital		5 000
	Additional investment.		

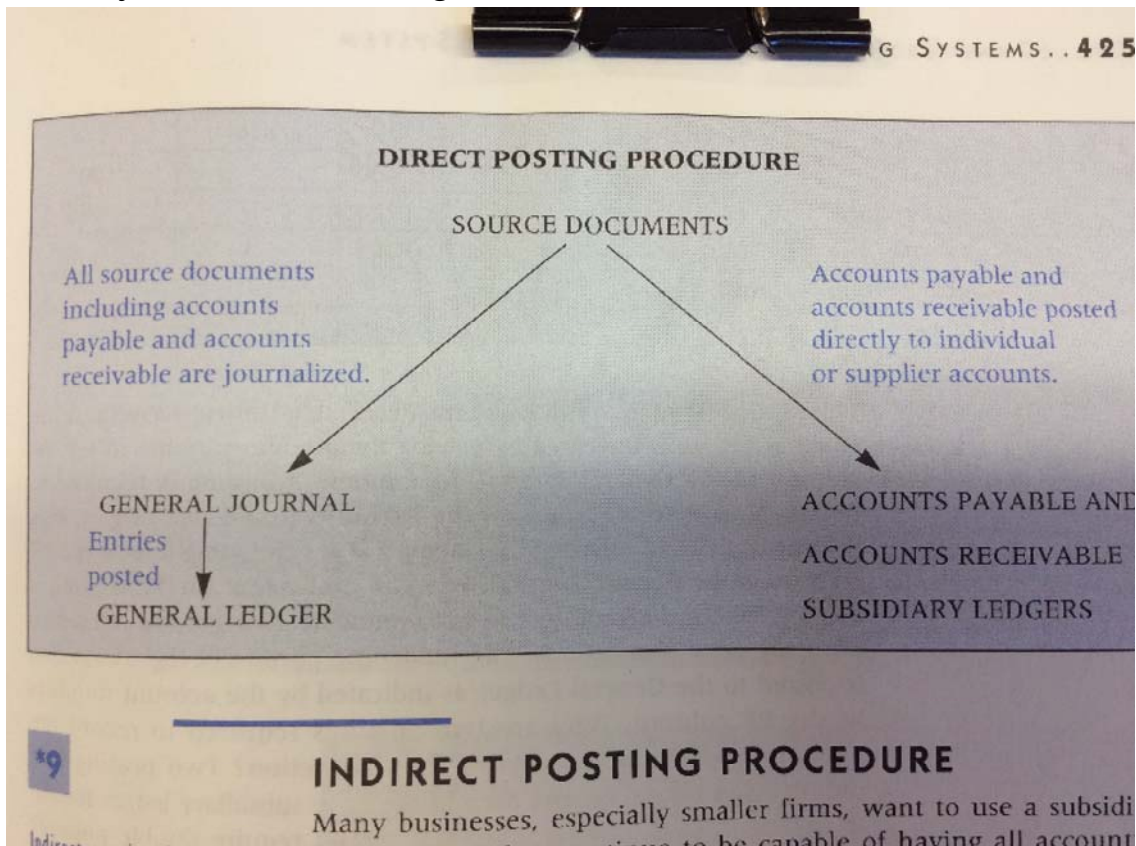
(3) Cheque 74 for \$200 was issued to pay the telephone bill:

Feb. 9	Telephone Expense	186.92	
	GST Refundable	13.08	
	Cash		200
	Cheque 74.		

(4) The owner withdrew \$400 for personal use:

Feb. 15	D. Fraser, Drawings	400	
	Cash		400
	Cheque 75, personal use.		

Summary of Direct Posting Procedure



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Indirect posting is the recording of information from source documents in the General Journal and then posting to both the General Ledger control accounts and the individual subsidiary ledger accounts.

INDIRECT POSTING PROCEDURE

Many businesses, especially smaller firms, want to use a subsidiary ledger system but continue to be capable of having all accounting tasks performed by one accounting clerk. These businesses use an alternative method of posting the subsidiary ledgers. An *indirect posting* procedure allows the accounting clerks to record all source documents in the General Journal and then post to both the General Ledger control accounts and the individual subsidiary ledger accounts. The changes in procedure required to utilize this system are:

Transactions that change the value of Accounts Receivable or Accounts Payable must be double posted.

What is meant by double posting? Examine the journal entry below:

Feb. 4	Accounts Receivable/N. Doresco	226	
	Sales		200
	GST Payable		14
	PST Payable		12
	Invoice 2110 on account.		

Notice that the entry indicates the name of the customer as well as the fact that Accounts Receivable is affected. Why is this required? In the indirect posting system, both the General Ledger and the Accounts Receivable Ledger are posted from the General Journal. Let's examine the posting procedure:

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Feb. 4	Accounts Receivable/N. Doresco	110 ✓	226	
	Sales	400		200
	GST Payable	206		14
	PST Payable	205		12
	Invoice 2110 on account.			

The posting of \$226 to the Accounts Receivable control account in the General Ledger is indicated by placing the account number in the PR column of the General Journal. In addition, a posting is required to the subsidiary ledger. Two postings are required so that the control account and the subsidiary ledger remain in balance. What other transactions would require double posting? Any transactions involving Accounts Payable must be double posted. The following entry illustrates this:

Mar. 27	Purchases	500	100	
	GST Refundable	207	7	
	Accounts Payable/K. El Amid	210 ✓		107
	Purchase Invoice 87717.			

Is a double posting required in the following entry?

Feb. 15	D. Fraser, Drawings	400		
	Cash			400
	Cheque 75, personal use.			

Since this entry does not change the value of a subsidiary ledger account, there is no necessity to double post any portion of the entry.

