

FINANCE AT A GLANCE

From the journal to the ledgers

Lesson 51

We now resume our walk through the accounting cycle. In this lesson, we shall input the data from the journal into the ledgers. This process is called *posting*. Observe how each of the journal entries that we created in Lesson 45 gets posted in the ledgers. Since we are dealing with a start-up business, all of its ledgers have a zero beginning balance as of the start of the business. As transactions are posted into the ledgers, the entries pile up, as in the case of Cash, which as of January 25, has accumulated entries dated January 3, 7, 12 and 25.

Journal

Date	Description	Post Ref.	Debit	Credit
Jan. 3, 2010	Cash	1.01	900,000	
	Capital stock	3.01		500,000
	Long-term debt	2.04		400,000
	<i>Initial investment and borrowing to launch the business.</i>			
Jan. 7, 2010	Fixed assets	1.05	250,000	
	Cash	1.01		250,000
	<i>Purchase of office equipment for cash.</i>			

Ledgers

1.01 Cash

	Debit	Credit
Beginning bal	0	
Jan. 3, 2010	900,000	

3.01 Capital stock

	Debit	Credit
Beginning bal		0
Jan. 3, 2010		500,000

2.04 Long-term debt

	Debit	Credit
Beginning bal		0
Jan. 3, 2010		400,000

1.05 Fixed assets

	Debit	Credit
Beginning bal	0	
Jan. 7, 2010	250,000	

1.01 Cash

	Debit	Credit
Beginning bal		0
Jan. 3, 2010		900,000
Jan. 7, 2010	250,000	

Jan. 12, 2010	Inventories	1.03	100,000	
	Cash	1.01		50,000
	Accounts payables	2.01		50,000
	<i>Purchase of merchandise, of which half is paid with cash upfront.</i>			

1.03 Inventories		1.01 Cash	
	Debit	Credit	
Beginning bal	0		Beginning bal
Jan. 12, 2010	100,000		Jan. 3, 2010
			250,000
			50,000
			Jan. 7, 2010
			Jan. 12, 2010
2.01 Accounts payables			
	Debit	Credit	
		0	Beginning bal
		50,000	Jan. 12, 2010

Jan. 18, 2010	Accounts receivables	1.02	50,000	
	Sales	4.01		50,000
	Cost of goods sold	5.01	35,000	
	Inventories	1.03		35,000
	<i>Sale of merchandise worth \$35,000 for \$50,000 on credit.</i>			

1.02 Accounts receivables		4.01 Sales	
	Debit	Credit	
Beginning bal	0		Beginning bal
Jan. 18, 2010	50,000		Jan. 18, 2010
			50,000
5.01 Cost of goods sold		1.03 Inventories	
	Debit	Credit	
Beginning bal	0		Beginning bal
Jan. 18, 2010	35,000		Jan. 12, 2010
			100,000
			35,000
			Jan. 18, 2010

Jan. 25, 2010	Salaries	5.05	5,000	
	Sales and marketing expenses	5.07	2,500	
	Cash	1.01		7,500
	<i>Settlement of salaries and marketing expenses for the month.</i>			

5.05 Salaries		1.01 Cash	
	<i>Debit</i>	<i>Credit</i>	
Beginning bal	0		Beginning bal
Jan. 25, 2010	5,000		Jan. 3, 2010
			250,000
			50,000
			7,500
			Jan. 7, 2010
			Jan. 12, 2010
			Jan. 25, 2010

5.07 Sales and marketing expenses	
Beginning bal	0
Jan. 25, 2010	2,500

Jan. 31, 2010	Rent	5.06	2,000	
	Accrued liabilities	2.02		2,000
	<i>Accrual of rent for the month.</i>			

5.06 Rent		2.02 Accrued liabilities	
	<i>Debit</i>	<i>Credit</i>	
Beginning bal	0		Beginning bal
Jan. 31, 2010	2,000		2,000
			Jan. 31, 2010

In the next lesson, we shall continue with our walk through the accounting cycle.