

weygandt  
kimmel  
kieso  
team for success

**Coby Harmon**  
University of California, Santa Barbara  
Westmont College

# ACCOUNTING PRINCIPLES

TWELFTH EDITION

WILEY

# 7

## Accounting Information Systems

### Learning Objectives

1

Explain the basic concepts of an accounting information system.

2

Describe the nature and purpose of a subsidiary ledger.

3

Record transactions in special journals.

## Explain the basic concepts of an accounting information system.

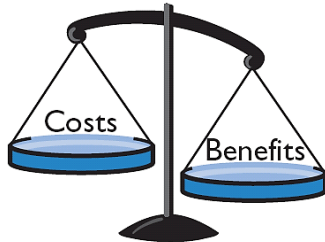
**Accounting information system (AIS)** collects and processes transaction data and communicates financial information to decision makers.

Includes:

- ◆ All steps in the accounting cycle.
- ◆ Documents that provide evidence of transactions.
- ◆ Manual or computerized accounting system.

# Basic Concepts of AIS

---

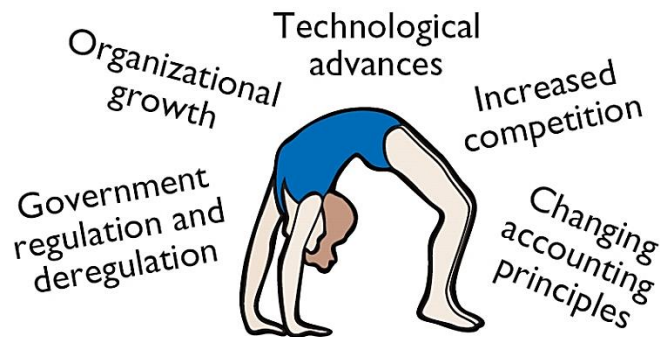


**Cost Effectiveness** - Benefits must outweigh the costs.

**Illustration 7-1**  
Principles of an efficient and effective accounting information system.



**Useful Output**



**Flexibility** - The system should be sufficiently flexible to meet the resulting changes in the demands made upon it.

# Computerized Accounting Systems

---

- ◆ **Software programs** (functions include sales, purchases, receivables, payables, cash receipts and disbursements, and payroll).
- ◆ **Generate financial statements.**
- ◆ **Advantages:**
  - ▶ Typically enter data only once.
  - ▶ Many human errors are eliminated.
  - ▶ More timely information.

# Computerized Accounting Systems

---

## ◆ CHOOSING A SOFTWARE PACKAGE

## ◆ ENTRY-LEVEL SOFTWARE

- ▶ Easy data access and report preparation
- ▶ Audit trail
- ▶ Internal control
- ▶ Customization
- ▶ Network Compatibility

## ◆ ENTERPRISE RESOURCE PLANNING SYSTEMS

### **ETHICS NOTE**

Entire books and movies have used cyber attacks as a major theme. Most programmers would agree that ensuring cyber security is the most difficult and time-consuming phase of their jobs.

# Ethics Insight

## Curbing Fraudulent Activity with Software

The Sarbanes-Oxley Act (SOX) requires that companies demonstrate that they have adequate controls in place to detect significant fraudulent behavior by employees. The SOX requirements have created a huge market for software that can monitor and trace every recorded transaction and adjusting entry. This enables companies to pinpoint who used the accounting system and when they used it. These systems also require “electronic signatures” by employees for all significant transactions. Such signatures verify that employees have followed all required procedures, and that all actions are properly authorized. One firm that specializes in compliance software had 10 clients prior to SOX and 250 after SOX. Note that small businesses have no standards like SOX and often do not have the resources to implement a fraud-prevention system. As a result, small businesses lose nearly \$630 billion to fraud each year. To address this problem, more sophisticated software is being designed for small business fraud prevention.

*Sources:* W. M. Bulkeley and C. Forelle, “Anti-Crime Program: How Corporate Scandals Gave Tech Firms a New Business Line,” *Wall Street Journal* (December 9, 2005), p. A1; and “New Software Fights Small Business Fraud,” *FOX Business* (August 9, 2013).

Why might this software help reduce fraudulent activity by employees? (Go to WileyPLUS for this answer and additional questions.)

# Manual Accounting Systems

---

- ◆ **Perform each step** in the accounting cycle **by hand**.
- ◆ Satisfactory with a **low volume of transactions**.
- ◆ **Must understand** manual accounting systems to understand computerized accounting systems.



**Indicate whether the following statements are true or false.**

1. An accounting information system collects and processes transaction data and communicates financial information to decision-makers.
2. A company typically enters data only once in a manual accounting system.
3. Enterprise resource planning (ERP) systems are typically used by companies with revenues of less than \$5 million and up to 20 employees.

**True****False****False**

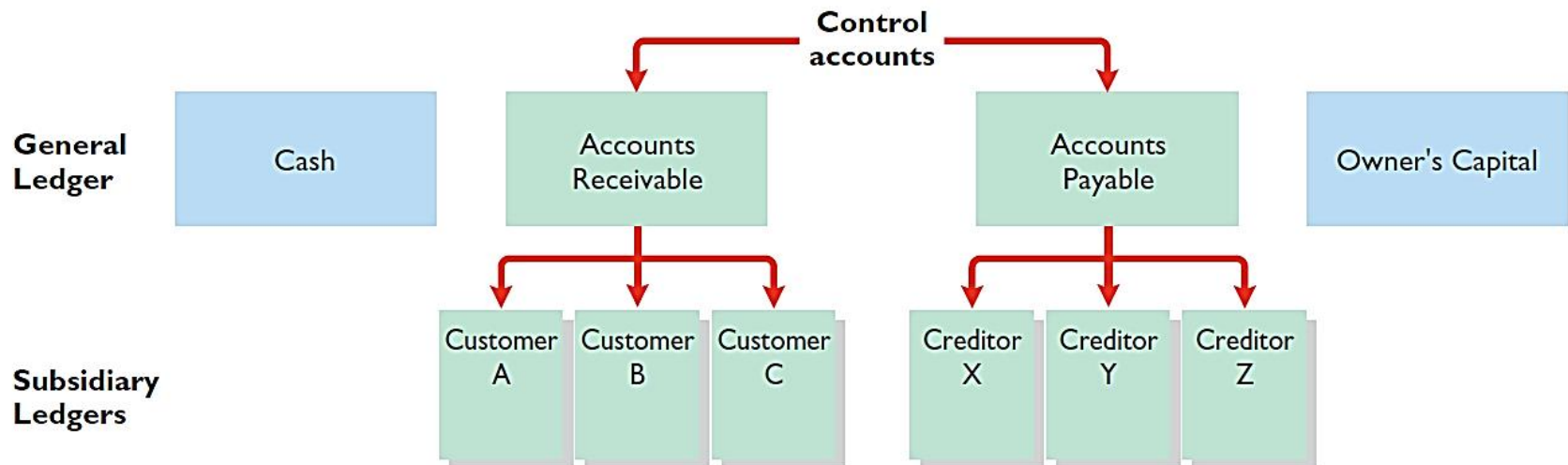
## Describe the nature and purpose of a subsidiary ledger.

Used to keep track of individual balances.

Two common subsidiary ledgers are:

1. **Accounts receivable** (customers')
2. **Accounts payable** (creditors')

Illustration 7-2  
Relationship of general ledger and subsidiary ledgers



# Subsidiary Ledger Example

Illustration 7-4  
Relationship of general  
and subsidiary ledgers

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER					GENERAL LEDGER				
<b>Aaron Co.</b>					<b>Accounts Receivable No. 112</b>				
Date	Ref.	Debit	Credit	Balance	Date	Ref.	Debit	Credit	Balance
2017					2017				
Jan 10		6,000		6,000	Jan 31		12,000		12,000
19			4,000	2,000	31			8,000	4,000
<b>Branden Inc.</b>									
Date	Ref.	Debit	Credit	Balance					
2017									
Jan 12		3,000		3,000					
21			3,000	-----					
<b>Caron Co.</b>									
Date	Ref.	Debit	Credit	Balance					
2017									
Jan 20		3,000		3,000					
29			1,000	2,000					

The subsidiary ledger is separate from the general ledger.

Accounts Receivable is a control account.

# Advantages of Subsidiary Ledgers

---

1. Show in a single account transactions affecting one customer or one creditor.
2. Free the general ledger of excessive details.
3. Help locate errors in individual accounts.
4. Make possible a division of labor.

# Accounting Across the Organization

**"I'm John Smith, a.k.a. 13695071642"**

Rather than relying on customer or creditor names in a subsidiary ledger, a computerized system expands the account number of the control account in a prespecified manner. For example, if the control account Accounts Receivable was numbered 10010, the first account in the accounts receivable subsidiary ledger might be numbered 10010–0001. Most systems allow inquiries about specific accounts in the subsidiary ledger (by account number) or about the control account. With the latter, the system would automatically total all the subsidiary accounts whenever an inquiry to the control account was made.

Why use numbers to identify names in a computerized system? (Go to WileyPLUS for this answer and additional questions.)

**DO IT!****2**

## Subsidiary Ledgers

Presented is information related to Sims Co. for its first month of operations. Determine the balances in the accounts payable subsidiary ledger. What is the Accounts Payable balance in the general ledger at the end of January?

<b>Credit Purchases</b>				<b>Cash Paid</b>			
Jan. 5	Devon Co.	\$11,000		Jan. 9	Devon Co.	\$7,000	
11	Shelby Co.	7,000		14	Shelby Co.	2,000	
22	Taylor Co.	14,000		27	Taylor Co.	9,000	

### Solution

Subsidiary ledger balances:

Devon Co.:

Shelby Co.:

Taylor Co.:

General ledger Accounts Payable balance:

## Record transactions in special journals.

Used to record similar types of transactions.

Illustration 7-5  
Use of special journals  
and the general journal

### Sales Journal

Used for:  
All sales of  
merchandise  
on account

### Cash Receipts Journal

Used for:  
All cash received  
(including cash  
sales)

### Purchases Journal

Used for:  
All purchases  
of merchandise  
on account

### Cash Payments Journal

Used for:  
All cash paid  
(including cash  
purchases)

### General Journal

Used for:  
Transactions that  
cannot be entered  
in a special journal,  
including correcting,  
adjusting, and  
closing entries

If a transaction cannot be recorded in a special journal, the company records it in the general journal.

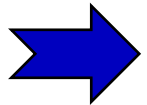
# Special Journals

---

## Question

Each of the following is a subsidiary ledger except the:

- a. accounts receivable ledger.
- b. accounts payable ledger.
- c. customer's ledger.



d. general ledger.



# Sales Journal

## JOURNALIZING CREDIT SALES

**Illustration 7-6**  
Journalizing the sales  
journal—perpetual  
inventory system

SALES JOURNAL					SI
Date	Account Debited	Invoice No.	Ref.	Accts. Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
2017					
May 3	Abbot Sisters	101		10,600	6,360
7	Babson Co.	102		11,350	7,370
14	Carson Bros.	103		7,800	5,070
19	Deli Co.	104		9,300	6,510
21	Abbot Sisters	105		15,400	10,780
24	Deli Co.	106		21,210	15,900
27	Babson Co.	107		14,570	10,200
				<u>90,230</u>	<u>62,190</u>

**Perpetual inventory system**, one entry at **selling price** in **Sales Journal** results in a debit to Accounts Receivable and a credit to Sales. Another entry **at cost** results in a debit to Cost of Goods Sold and a credit to Inventory.

# POSTING THE SALES JOURNAL

Illustration 7-7

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER				
Abbot Sisters				
Date	Ref.	Debit	Credit	Balance
2017				
May 3	SI	10,600		10,600
21	SI	15,400		26,000
Babson Co.				
Date	Ref.	Debit	Credit	Balance
2017				
May 7	SI	11,350		11,350
27	SI	14,570		25,920
Carson Bros.				
Date	Ref.	Debit	Credit	Balance
2017				
May 14	SI	7,800		7,800
Deli Co.				
Date	Ref.	Debit	Credit	Balance
2017				
May 19	SI	9,300		9,300
24	SI	21,210		30,510

SALES JOURNAL					
Date	Account Debited	Invoice No.	Ref.	Accts. Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
2017					
May 3	Abbot Sisters	101	✓	10,600	6,360
7	Babson Co.	102	✓	11,350	7,370
14	Carson Bros.	103	✓	7,800	5,070
19	Deli Co.	104	✓	9,300	6,510
21	Abbot Sisters	105	✓	15,400	10,780
24	Deli Co.	106	✓	21,210	15,900
27	Babson Co.	107	✓	14,570	10,200
				<u>90,230</u>	<u>62,190</u>
				(112) / (401)	(505) / (120)

Companies make daily postings from the sales journal to the individual accounts receivable in the subsidiary ledger.

# POSTING THE SALES JOURNAL

Illustration 7-7

GENERAL LEDGER				
Accounts Receivable No. 112				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	SI	90,230		90,230
Inventory No. 120				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	SI		62,190	62,190 <sup>1</sup>
Sales Revenue No. 401				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	SI		90,230	90,230
Cost of Goods Sold No. 505				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	SI	62,190		62,190

SALES JOURNAL					
Date	Account Debited	Invoice No.	Ref.	Accts. Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
2017					
May 3	Abbot Sisters	101	✓	10,600	6,360
7	Babson Co.	102	✓	11,350	7,370
14	Carson Bros.	103	✓	7,800	5,070
19	Deli Co.	104	✓	9,300	6,510
21	Abbot Sisters	105	✓	15,400	10,780
24	Deli Co.	106	✓	21,210	15,900
27	Babson Co.	107	✓	14,570	10,200
				<u>90,230</u>	<u>62,190</u>
				(112) / (401)	(505) / (120)

Posting to the general ledger is done monthly.

# PROVING THE LEDGERS

Illustration 7-8

Postings to General Ledger		Debit Postings to the Accounts Receivable Subsidiary Ledger	
<u>General Ledger</u>		<u>Subsidiary Ledger</u>	
<u>Credits</u>			
Inventory	\$62,190	Abbot Sisters	\$26,000
Sales Revenue	90,230	Babson Co.	25,920
	<u>\$152,420</u>	Carson Bros.	7,800
<u>Debits</u>		Deli Co.	<u>30,510</u>
Accounts Receivable	\$90,230		<u>\$90,230</u>
Cost of Goods Sold	62,190		
	<u>\$152,420</u>		

# ADVANTAGES OF SALES JOURNAL

---

- ◆ One-line entry for each sales transaction saves time.
- ◆ Only totals, rather than individual entries, are posted to the general ledger.
- ◆ A division of labor results.

# Cash Receipts Journal

Illustration 7-9  
Journalizing and posting  
the cash receipts journal

CASH RECEIPTS JOURNAL								CRI <input type="checkbox"/>
Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
2017								
May 1	Owner's Capital	301	5,000				5,000	
7			1,900			1,900		1,240
10	Abbot Sisters	✓	10,388	212	10,600			
12			2,600			2,600		1,690
17	Babson Co.	✓	11,123	227	11,350			
22	Notes Payable	200	6,000				6,000	
23	Carson Bros.	✓	7,644	156	7,800			
28	Deli Co.	✓	<u>9,114</u>	<u>186</u>	<u>9,300</u>			
			<u>53,769</u>	<u>781</u>	<u>39,050</u>	<u>4,500</u>	<u>11,000</u>	<u>2,930</u>
			(101)	(414)	(112)	(401)	(x)	(505)/(120)

In the cash receipts journal, companies record all receipts of cash.

# Posting

Not all of the subsidiary or general ledger accounts are shown on the illustration to the right. See Illustration 7-9 for the complete illustration.

CASH RECEIPTS JOURNAL								
Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
2017								
May 1	Owner's Capital	301	5,000				5,000	
7			1,900			1,900		1,240
10	Abbot Sisters	✓	10,388	212	10,600			
12			2,600			2,600		1,690
17	Babson Co.	✓	11,123	227	11,350			
22	Notes Payable	200	6,000				6,000	
23	Carson Bros.	✓	7,644	156	7,800			
28	Deli Co.	✓	9,114	186	9,300			
			<u>53,769</u>	<u>781</u>	<u>39,050</u>	<u>4,500</u>	<u>11,000</u>	<u>2,930</u>
			(101)	(414)	(112)	(401)	(x)	(505)/(120)

The company posts individual amounts to the subsidiary ledger daily.

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER				
Abbot Sisters				
Date	Ref.	Debit	Credit	Balance
2017				
May 3	SI	10,600		10,600
10	CRI		10,600	-----
21	SI	15,400		15,400

Babson Co.				
Date	Ref.	Debit	Credit	Balance
2017				
May 7	SI	11,350		11,350
17	CRI		11,350	-----
27	SI	14,570		14,570

At the end of the accounting period, the company posts totals to the general ledger.

GENERAL LEDGER				
Cash No. 101				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	CRI	53,769		53,769

Accounts Receivable No. 112				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	SI	90,230		90,230
31	CRI		39,050	51,180

Inventory No. 120				
Date	Ref.	Debit	Credit	Balance
2017				

Illustration 7-9  
Journalizing and posting the cash receipts journal



# PROVING THE LEDGERS

<u>Accounts Receivable Subsidiary Ledger</u>		<u>General Ledger</u>	
		<u>Debits</u>	
Abbot Sisters	\$15,400	Cash	\$53,769
Babson Co.	14,570	Accounts Receivable	51,180
Deli Co.	21,210	Sales Discounts	781
	<u>21,210</u>	Cost of Goods Sold	<u>65,120</u>
	<u><u>\$51,180</u></u>		<u>\$170,850</u>
		<u>Credits</u>	
		Notes Payable	\$ 6,000
		Owner's Capital	5,000
		Sales Revenue	94,730
		Inventory	<u>65,120</u>
			<u>\$170,850</u>

**Illustration 7-11**

Proving the ledgers after posting the sales  
and the cash receipts journals



# Special Journals

---

## Question

Cash sales of merchandise are recorded in the

a. cash payments journal.

 b. cash receipts journal.

c. general journal.

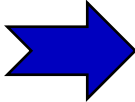
d. sales journal.

# Special Journals

---

## Question

Which of the following is not one of the credit columns in the cash receipts journal:

- a. Other accounts
-  b. Accounts payable
- c. Accounts receivable
- d. Sales

# Purchases Journal

Illustration 7-13  
Journalizing and posting  
the purchases journal

## ACCOUNTS PAYABLE SUBSIDIARY LEDGER

### Eaton and Howe Inc.

Date	Ref.	Debit	Credit	Balance
2017				
May 10	PI		7,200	7,200
29	PI		12,600	19,800

### Fabor and Son

Date	Ref.	Debit	Credit	Balance
2017				
May 14	PI		6,900	6,900
26	PI		8,700	15,600

### Jasper Manufacturing Inc.

Date	Ref.	Debit	Credit	Balance
2017				
May 6	PI		11,000	11,000
19	PI		17,500	28,500

## PURCHASES JOURNAL

Date	Account Credited	Terms	Ref.	Inventory Dr.	Accounts Payable Cr.
2017					
May 6	Jasper Manufacturing Inc.	2/10, n/30	✓		11,000
10	Eaton and Howe Inc.	3/10, n/30	✓		7,200
14	Fabor and Son	1/10, n/30	✓		6,900
19	Jasper Manufacturing Inc.	2/10, n/30	✓		17,500
26	Fabor and Son	1/10, n/30	✓		8,700
29	Eaton and Howe Inc.	3/10, n/30	✓		12,600
					<u>63,900</u>
					(120)/(201)

Daily postings are made from the purchases journal to the accounts payable subsidiary ledger.

# Purchases Journal

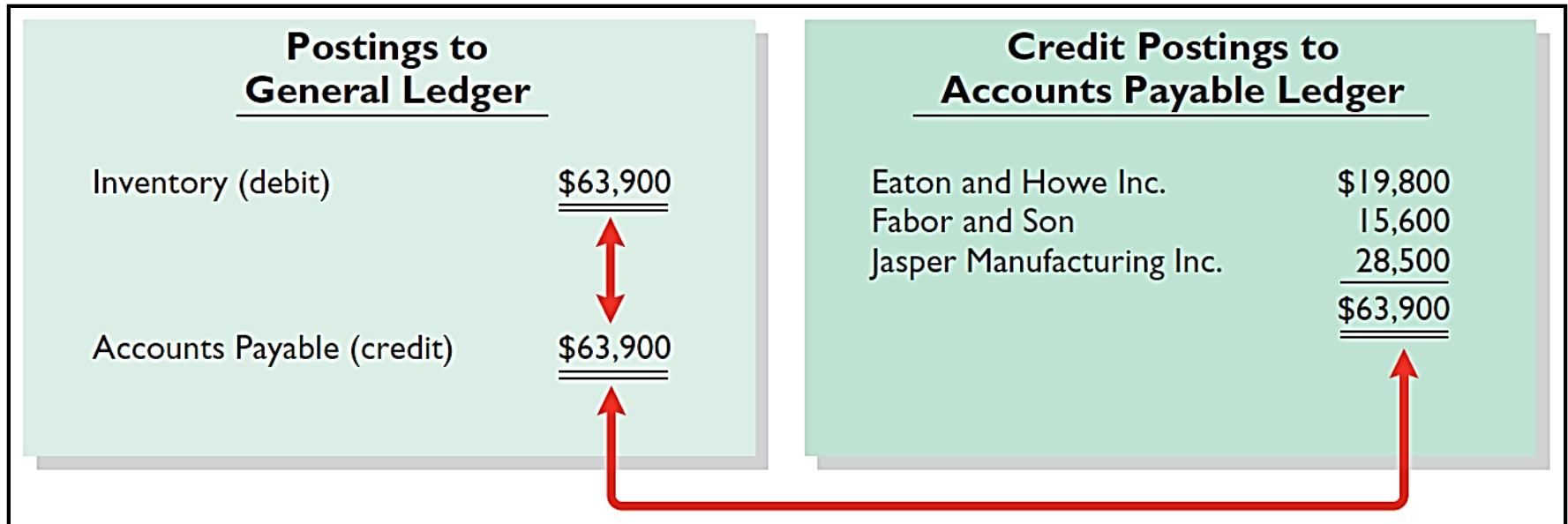
Illustration 7-13  
Journalizing and posting  
the purchases journal

GENERAL LEDGER				
Inventory No. 120				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	SI		62,190	62,190
31	CRI		2,930	65,120
31	PI	63,900		1,220
Accounts Payable No. 201				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	PI		63,900	63,900

PURCHASES JOURNAL				
Date	Account Credited	Terms	Ref.	Inventory Dr. Accounts Payable Cr.
2017				
May 6	Jasper Manufacturing Inc.	2/10, n/30	✓	11,000
10	Eaton and Howe Inc.	3/10, n/30	✓	7,200
14	Fabor and Son	1/10, n/30	✓	6,900
19	Jasper Manufacturing Inc.	2/10, n/30	✓	17,500
26	Fabor and Son	1/10, n/30	✓	8,700
29	Eaton and Howe Inc.	3/10, n/30	✓	12,600
				<u>63,900</u>
				(120)/(201)

At the end of the accounting period, the company posts totals to the general ledger.

# PROVING THE LEDGERS



**Illustration 7-14**

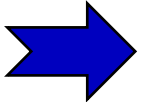
Proving the equality of the purchases journal

# Special Journals

---

## Question

All of the following are advantages of using subsidiary ledgers except they:

- a. show transactions affecting one customer or one creditor in a single account.
- b. free the general ledger of excessive details.
-  c. eliminate errors in individual accounts.
- d. make possible a division of labor.

# Cash Payments Journal

Illustration 7-16  
Journalizing and posting  
the cash payments journal

## CASH PAYMENTS JOURNAL

CPI 

Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
2017							
May 1	101	Prepaid Insurance	130	1,200			1,200
3	102	Inventory	120	100			100
8	103	Inventory	120	4,400			4,400
10	104	Jasper Manuf. Inc.	✓		11,000	220	10,780
19	105	Eaton & Howe Inc.	✓		7,200	216	6,984
23	106	Fabor and Son	✓		6,900	69	6,831
28	107	Jasper Manuf. Inc.	✓		17,500	350	17,150
30	108	Owner's Drawings	306	<u>500</u>			<u>500</u>
				<u>6,200</u>	<u>42,600</u>	<u>855</u>	<u>47,945</u>
				(x)	(201)	(120)	(101)

In a cash payments (cash disbursements) journal, companies record all disbursements of cash.

# Cash Payments Journal

Illustration 7-16

## CASH PAYMENTS JOURNAL

CPI

Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
2017							
May 1	101	Prepaid Insurance	130	1,200			1,200
3	102	Inventory	120	100			100
8	103	Inventory	120	4,400			4,400
10	104	Jasper Manuf. Inc.	✓		11,000	220	10,780
19	105	Eaton & Howe Inc.	✓		7,200	216	6,984
23	106	Fabor and Son	✓		6,900	69	6,831
28	107	Jasper Manuf. Inc.	✓		17,500	350	17,150
30	108	Owner's Drawings	306	500			500
				<u>6,200</u>	<u>42,600</u>	<u>855</u>	<u>47,945</u>
				(x)	(201)	(120)	(101)

### ACCOUNTS PAYABLE SUBSIDIARY LEDGER

#### Eaton and Howe Inc.

Date	Ref.	Debit	Credit	Balance
2017				
May 10	PI		7,200	7,200
19	CPI	7,200		-----
29	PI		12,600	12,600

#### Fabor and Son

Date	Ref.	Debit	Credit	Balance
2017				
May 14	PI		6,900	6,900
23	CPI	6,900		-----
26	PI		8,700	8,700

#### Jasper Manufacturing Inc.

Date	Ref.	Debit	Credit	Balance
2017				
May 6	PI		11,000	11,000
10	CPI	11,000		-----
19	PI		17,500	17,500
28	CPI	17,500		-----



# Cash Payments Journal

GENERAL LEDGER				
Cash No. 101				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	CRI	53,769		53,769
31	CPI		47,945	5,824
Inventory No. 120				
Date	Ref.	Debit	Credit	Balance
2017				
May 3	CPI	100		100
8	CPI	4,400		4,500
31	SI		62,190	57,690
31	CRI		2,930	60,620
31	PI	63,900		3,280
31	CPI		855	2,425
Prepaid Insurance No. 130				
Date	Ref.	Debit	Credit	Balance
2017				
May 1	CPI	1,200		1,200
Accounts Payable No. 201				
Date	Ref.	Debit	Credit	Balance
2017				
May 31	PI		63,900	63,900
31	CPI	42,600		21,300
Owner's Drawings No. 306				
Date	Ref.	Debit	Credit	Balance
2017				
May 30	CPI	500		500

CASH PAYMENTS JOURNAL							
Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
2017							
May 1	101	Prepaid Insurance	130	1,200			1,200
3	102	Inventory	120	100			100
8	103	Inventory	120	4,400			4,400
10	104	Jasper Manuf. Inc.	✓		11,000	220	10,780
19	105	Eaton & Howe Inc.	✓		7,200	216	6,984
23	106	Fabor and Son	✓		6,900	69	6,831
28	107	Jasper Manuf. Inc.	✓		17,500	350	17,150
30	108	Owner's Drawings	306	500			500
				6,200	42,600	855	47,945
				(x)	(201)	(120)	(101)

Illustration 7-16

# PROVING THE LEDGERS

## Accounts Payable Subsidiary Ledger

Eaton and Howe Inc.	\$12,600
Fabor and Son	8,700
	<u>\$21,300</u>

## General Ledger

### Debits

Cash	\$ 5,824
Accounts Receivable	51,180
Inventory	2,425
Prepaid Insurance	1,200
Owner's Drawings	500
Sales Discounts	781
Cost of Goods Sold	<u>65,120</u>
	<u>\$127,030</u>

### Credits

Notes Payable	\$ 6,000
Accounts Payable	21,300
Owner's Capital	5,000
Sales Revenue	<u>94,730</u>
	<u>\$127,030</u>

### Illustration 7-17

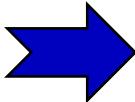
Proving the ledgers after postings from the sales, cash receipts, purchases, and cash payments journals

# Special Journals

---

## Question

Credit purchases of equipment or supplies other than merchandise are recorded in the:

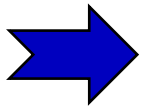
- a. cash payments journal.
- b. cash receipts journal.
-  c. general journal.
- d. purchases journal.

# Special Journals

---

## Question

Cash payments of merchandise are recorded in the:

- 
- a. cash payments journal.
  - b. cash receipts journal.
  - c. general journal.
  - d. purchases journal.

# Effects of Special Journals on General Journal

---

- ◆ Special journals substantially **reduce the number of entries** that companies make in the general journal.
- ◆ Only **transactions that cannot be entered** in a special journal are recorded in the general journal.
- ◆ Also, **correcting, adjusting, and closing entries** are made in the general journal.

# GENERAL JOURNAL

GI

Date	Account Title and Explanation	Ref.	Debit	Credit
2017				
May 31	Accounts Payable—Fabor and Son	201/✓	500	
	Inventory	120		500
	(Received credit for returned goods)			

## ACCOUNTS PAYABLE SUBSIDIARY LEDGER

### Fabor and Son

Date	Ref.	Debit	Credit	Balance
2017				
May 14	PI		6,900	6,900
23	CPI	6,900		-----
26	PI		8,700	8,700
31	GI	500		8,200

## GENERAL LEDGER

### Inventory

No. 120

Date	Ref.	Debit	Credit	Balance
2017				
May 31	GI		500	500

### Accounts Payable

No. 201

Date	Ref.	Debit	Credit	Balance
2017				
May 31	PI		63,900	63,900
31	CPI	42,600		21,300
31	GI	500		20,800

Illustration 7-18

Journalizing and posting the general journal

**DO IT!**

**3**

## Special Journals

Swisher Company had the following transactions during March.

1. Collected cash on account from Oakland Company.
2. Purchased equipment by signing a note payable.
3. Sold merchandise on account.
4. Purchased merchandise on account.
5. Paid \$2,400 for a 2-year insurance policy.



**Cash  
Receipts  
Journal**

Identify the journal in which each of the transactions above is recorded.

**DO IT!**

**3**

## Special Journals

Swisher Company had the following transactions during March.

1. Collected cash on account from Oakland Company.
2. Purchased equipment by signing a note payable.
3. Sold merchandise on account.
4. Purchased merchandise on account.
5. Paid \$2,400 for a 2-year insurance policy.



**General  
Journal**

Identify the journal in which each of the transactions above is recorded.



**DO IT!**

**3**

## Special Journals

Swisher Company had the following transactions during March.

1. Collected cash on account from Oakland Company.
2. Purchased equipment by signing a note payable.
3. Sold merchandise on account.
4. Purchased merchandise on account.
5. Paid \$2,400 for a 2-year insurance policy.



**Sales  
Journal**

Identify the journal in which each of the transactions above is recorded.

**DO IT!**

**3**

## Special Journals

Swisher Company had the following transactions during March.

1. Collected cash on account from Oakland Company.
2. Purchased equipment by signing a note payable.
3. Sold merchandise on account.
4. Purchased merchandise on account.
5. Paid \$2,400 for a 2-year insurance policy.



**Purchases  
Journal**

Identify the journal in which each of the transactions above is recorded.

**DO IT!**

**3**

## Special Journals

Swisher Company had the following transactions during March.

1. Collected cash on account from Oakland Company.
2. Purchased equipment by signing a note payable.
3. Sold merchandise on account.
4. Purchased merchandise on account.
5. Paid \$2,400 for a 2-year insurance policy. →

**Cash  
Payments  
Journal**

Identify the journal in which each of the transactions above is recorded.



# A Look at IFRS

## LEARNING OBJECTIVE

4

Compare accounting information systems under GAAP and IFRS.

## Relevant Facts

### Similarities

- ◆ The basic concepts related to an accounting information system are the same under GAAP and IFRS.
- ◆ The use of subsidiary ledgers and control accounts, as well as the system used for recording transactions, are the same under GAAP and IFRS.



# A Look at IFRS

## Relevant Facts

### Differences

- ◆ Many companies will be going through a substantial conversion process to switch from their current reporting standards to IFRS.
- ◆ Upon first-time adoption of IFRS, a company must present at least one year of comparative information under IFRS.



# A Look at IFRS

## Looking to the Future

The basic recording process shown in this textbook is followed by companies around the globe. It is unlikely to change in the future. The definitional structure of assets, liabilities, equity, revenues, and expenses may change over time as the IASB and FASB evaluate their overall conceptual framework for establishing accounting standards. In addition, high-quality international accounting requires both high-quality accounting standards and high-quality auditing. Similar to the convergence of GAAP and IFRS, there is a movement to improve international auditing standards.

# Copyright

---

“Copyright © 2015 John Wiley & Sons, Inc. All rights reserved. Reproduction or translation of this work beyond that permitted in Section 117 of the 1976 United States Copyright Act without the express written permission of the copyright owner is unlawful. Request for further information should be addressed to the Permissions Department, John Wiley & Sons, Inc. The purchaser may make back-up copies for his/her own use only and not for distribution or resale. The Publisher assumes no responsibility for errors, omissions, or damages, caused by the use of these programs or from the use of the information contained herein.”