

# **Processing Accounting Data**

## **Study Unit 5(A)**

Study Unit 5: Processing Accounting Data

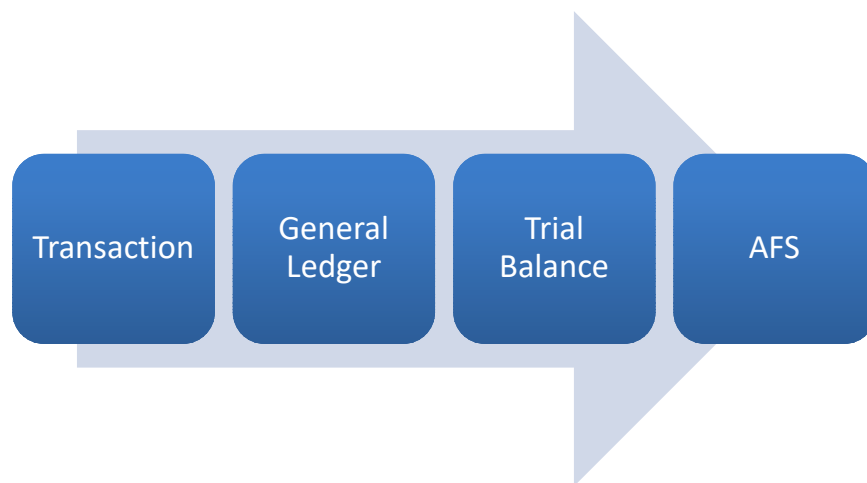
### **The Accounting Process so far...**

## What is the Accounting Process?

- Remember the definition of Accounting?
  - Orderly and systematic recording of the monetary values of the economic transactions of an entity; the reporting on the results of those transactions and the provision of the information in financial statements, whose information is used as a basis for decision-making by the users of the information

(Study Unit 1)

## What have we covered so far?



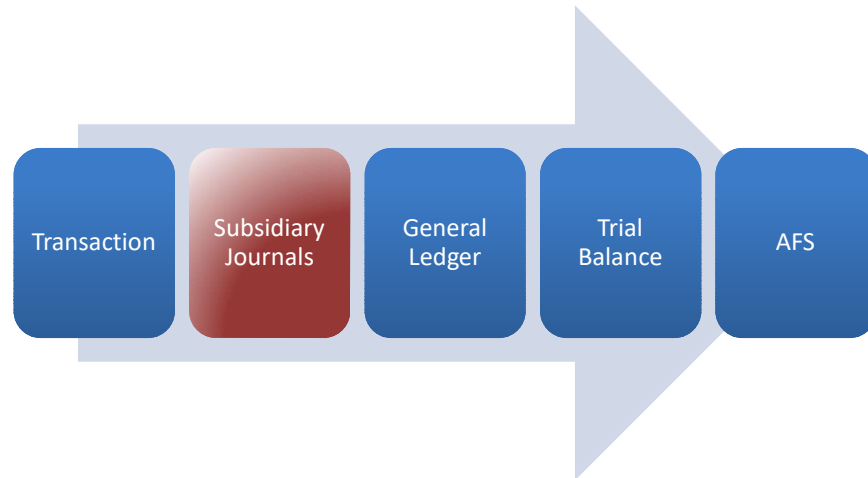
## There's more?!

- The large volume of transactions, and various types of transactions mean the General Ledger would be enormous!
- We NEVER post transactions directly to the General Ledger
- We use subsidiary journals (books of first entry) to capture the transactions

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## **Subsidiary Journals**

## Subsidiary Journals



## Subsidiary Journals

- Every transaction is journalised before being posted to the General Ledger
- Each transaction will have a 'source document'
  - Sales are recorded on Sales Invoices or Cash Register Rolls
  - Purchases are recorded from Purchase Invoices
- Transactions of the same kind are grouped and captured in the same subsidiary journal

## Types of Subsidiary Journals

- Cash Receipts Journal (CRJ)
- Cash Payments Journal (CPJ)
- Sales Journal
- Sales Returns Journal
- Purchases Journal
- Purchases Returns Journal
- General Journal

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## **General Journal Entries**

## Transaction = Journal

- Every transaction should be journalised before being posted to the GL
  - This means that we must be able to identify the debits and credits for each transaction
- Theoretically, every transaction can be journalised using the General Journal

## General Journal Entries

Date	Details	Fol	Debit	Credit
	Account to be debited			
	Account to be credited			
	<i>Narration</i>			

## Example: General Journal

- 3 August - Purchased a vehicle from Ace Dealers for the business for R86 000, paid out of the bank account

J1

Date	Details	Fol	Debit	Credit
3 Aug	Vehicle	B1	86 000	
	Bank	B2		86 000
	<i>Purchased vehicle from Ace Dealers</i>			

## Example: Posting to GL

Dr	Vehicle				B1		Cr	
Date	Details	Fol	Amount		Date	Details	Fol	Amount
3 Aug	Bank	J1	86 000					
Dr			Bank				B2	Cr
Date	Details	Fol	Amount		Date	Details	Fol	Amount
					3 Aug	Vehicle	J1	86 000

## A General Journal for every transaction?

- Judging by the example, we'd have a GJ for every single transaction
  - EVERY Sale; EVERY Purchase
- The volumes of transactions makes this impossible to achieve, and very inefficient
- Solution?

**Cash Receipts Journal; Cash Payments Journal; Sales Journal;  
Purchases Journal**

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## **Cash Receipts Journal (CRJ)**



# Why do we use it?

- Check out the infographic on the CRJ

Visualise why we need a CRJ and the types of transactions it will record

**CASH RECEIPTS JOURNAL**

What do we use it for?

The entity receives cash...

Accountant must record how much cash has been received and where it came from...

... and deposit the cash into the bank account

Make sure that you can keep track of money received, by recording it before depositing it

Date	Details	Debits	Credits	Balance	
1	Capital	15,000	-	15,000	
7	Loan	5,000	-	10,000	
10	Sales - DEF Inc.	10,500	10,500	-	
18	Mrs. Crabapple	5,300	-	5,300	
20	Mr. Rodriguez	1,400	-	1,400	
25	Mr. Chen	700	-	700	
<b>Total</b>		<b>37,900</b>	<b>10,500</b>	<b>7,400</b>	<b>20,000</b>

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## **Cash Receipts Journal (CRJ) – Why we use it**

### **Why do we use it?**

- Watch the video on the CRJ and note the following
  - Where the cash can come from and the source documents (CRR / Rec)
  - The need to record what's deposited in the bank account
  - The format of the CRJ

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## **Fussy Pet Foods: Class Example (CRJ & GL)**

### **Fussy Pet Foods: CRJ**

- Download the handouts for Fussy Pet Foods– We'll use this to create the CRJ from the case study
- Use the blank CRJ formats I've provided to attempt these yourself

You need to learn to write these out yourself, the structure, the time and the detail can be challenging

## Class Example: GL

- Use the blank GL format I've given you to post the CRJ to the GL

Follow my processes in the video, it helps you to get comfortable with how to work between the two (CRJ and GL)

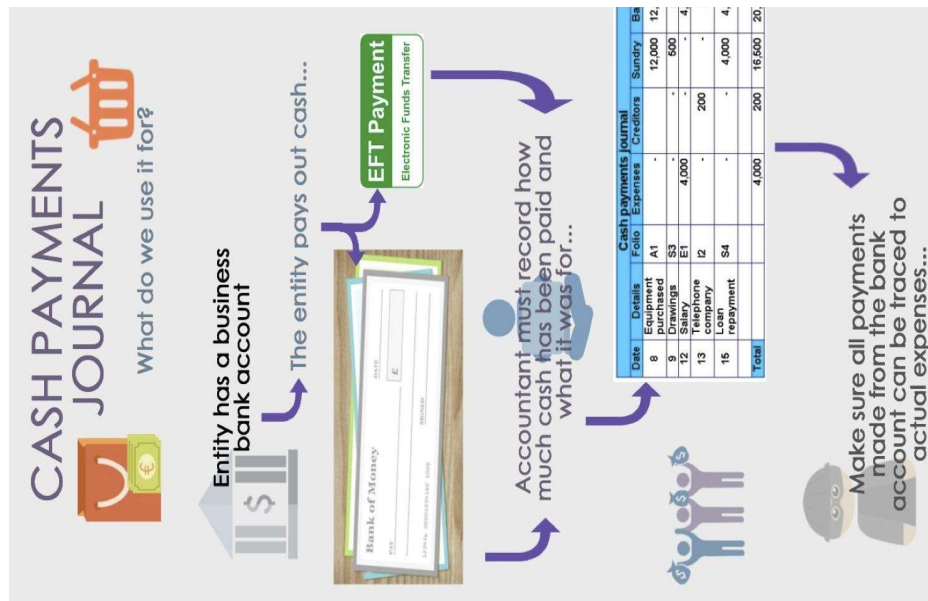
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## **The Cash Payments Journal (CPJ)**

# Why do we use it?

- Check out the infographic on the CPJ

Visualise why we need a CPJ and the types of transactions it will record



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## **The Cash Payments Journal (CPJ) – Why we use it**

### **Why do we use it?**

- Watch the video on the CPJ and note the following
  - Where the cash can come from and the source documents
  - The need to record what's been paid from the account
  - The format of the CPJ

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## **Fussy Pet Foods (CPJ & GL) – Class Example**

### **Class Example: CPJ**

- Download the handouts for Fussy Pet Foods– We'll use this to create the CPJ from the case study
- Use the blank CPJ formats I've provided to attempt these yourself

You need to learn to write these out yourself, the structure, the time and the detail can be challenging

## **Class Example: GL**

- Use the blank GL format I've given you to post the CPJ to the GL.

Follow my processes in the video, it helps you to get comfortable with how to work between the two (CPJ and GL)