POSTING TO THE GENERAL LEDGER

The first step is to total the columns of the Cash Receipts Journal (CRJ) and Cash Payments Journal (CPJ). Notice that we do not total the Analysis of Receipts column in the CRJ. This column is only used to show the amount of cash the business has on hand before it is banked.

Using Folio References

It is now time to discuss the folio references in more detail. At the simplest level, we separate the General Ledger accounts into 2 types of accounts, the Balance Sheet accounts and the Nominal Accounts.

Balance Sheet accounts include the Equity Accounts (e.g. Capital), the Asset Accounts (e.g. Land and building, vehicles, equipment, Trading stock, Bank etc.) and the Liabilities (Loans, Bank overdraft). The folio number of these accounts starts with the letter 'B'.
Nominal accounts include the income accounts (e.g. Sales, Rent income, Commission income.) and expense accounts (e.g. rent expense, Stationery, Wages and salaries etc.). The folio number of these accounts starts with the letter 'N'.

Cash Receipts Journal of Malengeza General Dealer
March 2019   Fol. CRJ1

Doc	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Cost of sales	Sundry accounts		
								Amount	Fol.	Details
001	1	Lindiwe Dube			50 000			50 000	B1	Capital
CRR	8	Sales		4 800	4 800	4 800	4 000			
002	14	Meriam Gaubepe		200				200	N4	Rent income
CRR		Sales		7 200	7 400	7 200	6 000			
CRR	29	Sales		12 000	12 000	12 000	10 000			
				-	74 200	24 000	20 000	50 200		
					B5	N1	N2			

Cash Payments Journal of Malengeza General Dealer
March 2019   Fol. CPJ1

| Doc	Day	Name of payee	Fol.	Bank	Trading stock	Equipment	Wages	Sundry accounts		
								Amount	Fol.	Details
001	3	Moonlight Distributors		3 500		3 500				
002	4	PS Wholesalers		9 600	9 600					
003	5	Star Traders		4 800		4 800				
004	7	Cash		600			300	300	B6	Cash float
005		Rowland Packers		200				200	N4	Packing materials
006	10	Petra Stores		6 200	6 200					
007	12	SN Suppliers		280				280	N5	Stationery
008	15	Cash		300			300			
009	19	Telkom		560				560	N6	Telephone
010	22	Star Papers		420				420	N7	Advertising
011	25	Palatse Distributors		8 900	8 900					
012	27	Lindiwe Dube		500				500	B2	Drawings
013	29	Dumela Primary School		400				400	N8	Donations
				36 260	24 700	8 300	600	2 660		
				B5	B4	B3	N3			

Transferring the Totals to the General Ledger

Common mistakes are as follows;

1. **Posting to the wrong side i.e. posting a debit amount to the credit side of an account in the general ledger.**
2. **Transposing figures as you post 1.e post R870 as R780.**

3. **Failing to post the journal entry completely i.e. missing an item because you did not tick off every item as you go.**
4. **Making arithmetic errors in calculating new account balances.**
5. **Posting to the wrong account (this is not an error that will no show up when you do your trial balance)**

When do I know which accounts needs to be credited and debited en when?
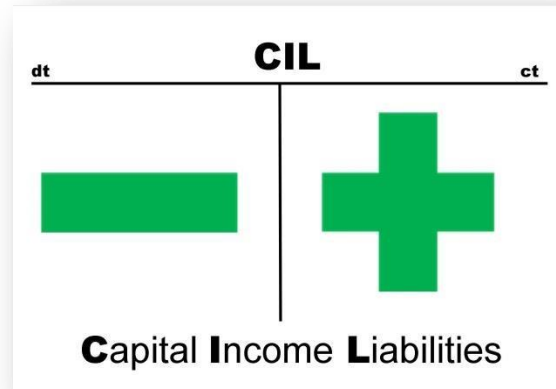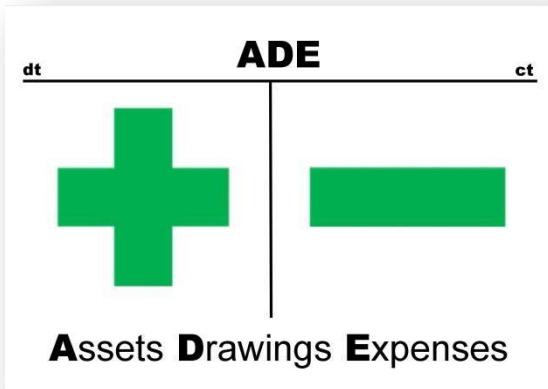
Assets, Drawings and Expenses
increase on the **debit side**
decreases on the **credit side**

Capital, Income and Liabilities
increase on the **credit side** and
and **decreases** on the **debit side**

Posting the Bank Column to the General Ledger

The first column that is posted to the General Ledger is the bank column of the Cash Receipts Journal. The total of the Bank Column is R74 200. Because Cash is an asset, and assets increase on the debit side, you will post the Total Receipts amount to the Bank Account of the General Ledger on the Debit side. Notice how the folio number CRJ1 (Cash Receipt Journal page 1) is entered. This tells the reader where to go to see the details of the Total Receipts for the month.

Instead of writing each Contra-account into the details column, we just write Total Receipts or Miscellaneous Accounts. This phrase indicates that more than one contra-account is credited

The column that is posted to the General Ledger is the bank column of the Cash Payments Journal. The total of the Bank Column is R36 260. Because Cash is an asset, and assets decreases on the credit side, you will post the Total Payments amount to the Bank Account of the General Ledger on the Credit side. Notice how the folio number CRJ1 (Cash Payments Journal page 1) is entered. This tells the reader where to go to see the details of the Total Payments for the month.

Instead of writing each Contra-account into the details column, we just write Total Payments or Miscellaneous Accounts. This phrase indicates that more than one contra-account is credited.

A note about the dates

Totals of the Cash Receipts Journal are entered into the General Ledger using the last day of the month. The Sundry Accounts are entered into the General Ledger using the date that the transaction took place.

Bank

Bank | | | | | | | | **B5** | | |

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
March 2019	31	Total receipts	Crj1	74 200	00	March 2019	31	Total payments	Cpj 1	36 260	00
								Balance	c/d	37 940	00
				74 200						74 200	00
April 2019	1	Balance	b/d	37 940							

Posting the Analysis Columns to the General Ledger

After the bank account is posted to the General Ledger, you will post the Analysis Columns. In our example, the only **TWO** analysis columns, "Sales and Cost of Sales". The Sales column has the total of R24 000. Because Income increases owner's equity (when sales increases, Owner's Equity increases) we will then credit the Sales column in the General Ledger.

 If you don't understand why Income is credited, bank was debited with a total amount including that from sales and therefore sales must credited.

The **Double entry rule (contra account)** - It means that for every debit there should be a credit and for every credit there should be a debit. **So, in other words** if you write on the debit side of one account, you should write on the credit side of an account that is also being effected.
Double entry Principle says if one account is debited, the other must be credited or vice versa with same amount.

Since the Contra-Account is the Bank Account, we will write "Bank" under the details. The folio number will be CRJ1 because the details of the Sales is seen in the Cash Receipts Journal page 1.

You will do this for all the analysis columns in the Cash Receipts Journal except the Cost of sales.

Why exclude the Cost of Sales?

It is a non-cash column, meaning no money has been received but used to track the movement of trading stock from the possession of the business.

NB: Cost of Sale is a non-cash item account. We keep records of cash sales of stock movement continuously and for the purpose of this lesson.

The account is totalled at the end of a month to get the total monetary value of stock sold thereby enable us to workout the value of stock on hand.

Sales

Sales | | | | | | | | **N1** | | |

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						March 2019	31	Bank	Crj 1	24 000	00

Cost of sales N2

Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
March 2019	3 1	Trading stock	Crj 1	20 000	00					

Trading stock B4

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
March 2019	31	Bank	Cpj1	24 700	00	March 2019	31	Cost of sales	Crj1	20 000	00
								Balance	c/d	4 700	00
				24 700						24 700	
March 2019	1	Balance	b/d	4 700	00						
May 2019	31	Bank	Cpj1	8 200	00						

Equipment

Equipment B3

Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
May 2019	31	Bank	Cpj1	8 300						

Wages N3

Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
May 2019	31	Bank	Cpj1	600	00					

Posting the Sundry Accounts to the General Ledger

Each entry into the sundry accounts' column of the CRJ and CPJ will be posted to the General Ledger as a individual entries. In the CRJ there is the Capital contribution and Rent income in our example, we will only transfer the Capital contribution entry to the General Ledger. As with the

Income, the Capital contribution increases Owner's Equity, therefore we will Credit the amount.

Rent income N4

Cash Float B5

Packing material N5

Stationery N6

Telephone N7

Advertising N8

Drawings B2

Donations N9

Steps to posting the Cash receipts journal and Cash payments journal to the General Ledger

Step 1: Total the columns of the Cash Receipts Journal.

Step 2: Write in the Folio numbers of the general ledger accounts that you are posting the totals to.

Step 3: Transfer the totals of the bank column to the General Ledger accounts.

Step 4: Transfer the totals of the Analysis Columns to the General Ledger accounts.

Step 5: Transfer the sundry account entries to the General Ledger accounts.

Step 6: Balance/Nominal accounts) the accounts.

Equipment