

## CHAPTER 5 GENERAL LEDGER AND INVENTORY

In Chapter 5 your students learn how to use the General Ledger Chart of Accounts. This chapter provides your students with an explanation of how to set up their own company. When a new company is set up, the following steps need to be taken: set up a chart of accounts and enter any necessary balances or budget amounts.

PCA comes with over 75 sample companies on their Charts of Accounts. You can set up your own Chart of Accounts from scratch or select one of the sample companies' Charts of Accounts.

This chapter also shows your students how to use Peachtree's Inventory system.

**SOFTWARE OBJECTIVES:** In Chapter 5, your students will use the software to:

1. Restore data from Exercise 4-2.
2. Enter a new account in the Chart of Accounts.
3. Enter a budget amount for an account.
4. Make a General Journal entry to transfer funds.
5. Display the General Ledger Trial Balance.
6. Set up an Inventory Item.
7. Record an inventory adjustment.
8. Make two backups: backup Chapter 5 data; and backup Exercise 5-2.<sup>1</sup>

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<sup>1</sup>Refer to the chart on page 2 - IMK for backing up data.

**WEB OBJECTIVES:** In Chapter 5, your students will do these Internet activities:

1. Use their Internet browser to go to the book's website.
2. Complete the Internet activity for Ask Jeeves.
3. Complete the steps shown for this activity.

**PCA TIPS, CHAPTER 5**

- Peachtree uses a perpetual inventory system. See textbook page 172 for a review of how Peachtree journalizes the purchase and sale of inventory items.

**LECTURE OUTLINE FOR CHAPTER 5: GENERAL LEDGER AND INVENTORY**

- A. Software Objectives, page 153
- B. Web Objectives, page 153
- C. Chart of Accounts, pages 154-155
- D. Getting Started, pages 156-159
- E. General Journal, pages 160-163
- F. Setting Up an Inventory Item, pages 163-164
  - 1. Inventory Types, pages 164-167
  - 2. Inventory Default Accounts, pages 167-168
- G. Inventory and Purchases, pages 168-169
- H. Inventory and Sales, pages 169-172
- I. Inventory Adjustments, pages 173-174
- J. Backing Up Chapter 5 Data, page 174

- K. Internet Activity, page 174
- L. Summary and Review, page 175
  - 1. Going to the Net, page 175
  - 2. Multiple Choice Questions, pages 176-178
  - 3. Exercise 5-1, page 179
  - 4. Exercise 5-2, page 179
  - 5. Chapter 5 Index, page 180

**ANSWERS TO GOING TO THE NET**

- 1. The article says that no single definition will apply to the term Accounting Firm in the next millennium.
- 2. AccountantsWorld.com will always be relevant to the changing needs of the accounting profession.

**ANSWERS TO MULTIPLE-CHOICE QUESTIONS**

- 1. d (Perpetual inventory)
- 2. c (Account No. 10500, Money-Market Fund)
- 3. a (Chart of Accounts)
- 4. c (\$1,000)
- 5. a (\$4,000)
- 6. e (All of the above)
- 7. d (Both a. and b.)
- 8. d (Stock item)
- 9. b (Debit Inventory; Credit Accounts Payable/Vendor)
- 10. b (Debit Accounts Receivable/Customer; Credit Sales; Credit Sales Tax Payable; Debit Product Cost; Credit Inventory)





**SOLUTION TO EXERCISE 5-2 (1)**

<b>Bellwether Garden Supply General Ledger Trial Balance As of Mar 31, 2007</b>			
Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.			
Account ID	Account Description	Debit Amt	Credit Amt
10000	Petty Cash	200.00	
10100	Cash on Hand	1,850.45	
10200	Regular Checking Account	7,946.52	
10300	Payroll Checking Account	13,122.27	
10400	Savings Account	22,500.00	
10500	Money Market Fund	4,000.00	
11000	Accounts Receivable	157,936.97	
11400	Other Receivables	7,681.84	
11500	Allowance for Doubtful Acc		5,000.00
12000	Inventory	14,722.36	
14000	Prepaid Expenses	14,221.30	
14100	Employee Advances	3,000.65	
14200	Notes Receivable-Current	11,000.00	
14700	Other Current Assets	120.00	
15000	Furniture and Fixtures	62,769.25	
15100	Equipment	38,738.33	
15200	Vehicles	86,273.40	
15300	Other Depreciable Property	6,200.96	
15500	Buildings	185,500.00	
15600	Building Improvements	26,500.00	
17000	Accum. Depreciation-Furnit		54,680.57
17100	Accum. Depreciation-Equip		33,138.11
17200	Accum. Depreciation-Vehicl		51,585.26
17300	Accum. Depreciation-Other		3,788.84
17500	Accum. Depreciation-Buildi		34,483.97
17600	Accum. Depreciation-Bldg I		4,926.28
19000	Deposits	15,000.00	
19100	Organization Costs	4,995.10	
19150	Accum Amortiz - Organiz C		2,000.00
19200	Notes Receivable- Noncurr	5,004.90	
19900	Other Noncurrent Assets	3,333.00	
20000	Accounts Payable		80,027.06
23000	Accrued Expenses		3,022.55
23100	Sales Tax Payable		17,540.21
23200	Wages Payable		2,320.30
23300	401 K Deductions Payable		2,409.55
23350	Health Insurance Payable	530.64	
23400	Federal Payroll Taxes Paya		41,790.49
23500	FUTA Tax Payable		258.20
23600	State Payroll Taxes Payabl		6,852.90
23700	SUTA Tax Payable		658.67
23800	Local Payroll Taxes Payabl		113.25
23900	Income Taxes Payable		11,045.75
24000	Other Taxes Payable		2,590.15
24100	Current Portion Long-Term		5,167.00
24300	Contracts Payable- Current		2,000.00
24700	Other Current Liabilities	96.00	
27000	Notes Payable-Noncurrent		4,000.00
39003	Common Stock		5,000.00
39004	Paid-in Capital		100,000.00
39005	Retained Earnings		189,037.60
40000	Sales		175.00
40000-AV	Sales - Aviary		50,198.16
40000-BK	Sales - Books		7,293.10
40000-EQ	Sales - Equipment		57,842.72
40000-FF	Sales - Food/Fert		5,204.15
40000-FU	Sales - Furniture		15,000.00
40000-HT	Sales - Hand Tools		7,058.12
40000-LS	Sales - Landscape Services		16,977.53
40000-MI	Sales - Miscellaneous		45.00
40000-NU	Sales - Nursery		65,042.56
40000-PO	Sales - Pots		9,469.51
40000-SE	Sales - Seeds		8,661.39
40000-SO	Sales - Soil		9,082.55
41000	Other Income		25,600.00
49000	Sales Discounts	154.62	

**SOLUTION TO EXERCISE 5-2 (1) (Concluded)**

<b>Bellwether Garden Supply General Ledger Trial Balance As of Mar 31, 2007</b>			
Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.			
Account ID	Account Description	Debit Amt	Credit Amt
50000	Product Cost		68.50
50000-AV	Product Cost - Aviary	20,355.75	
50000-BK	Product Cost - Books	2,361.37	
50000-EQ	Product Cost - Equipment	23,173.10	
50000-FF	Product Cost - Food/Fert	2,060.04	
50000-HT	Product Cost - Hand Tools	2,813.85	
50000-PO	Product Cost - Pots	2,621.45	
50000-SE	Product Cost - Seeds	3,450.65	
50000-SO	Product Cost - Soil	4,048.47	
57000-NU	Direct Labor - Nursery	3,062.50	
57200	Materials Cost	1,397.45	
57200-NU	Materials Cost - Nursery	9,139.00	
57300-LS	Subcontractors - Landscapi	335.50	
57500	Freight	50.00	
60000	Advertising Expense	1,325.00	
61000	Auto Expenses	274.56	
62000	Bank Charges	18.00	
64000	Depreciation Expense	8,394.00	
68500	Legal and Professional Exp	510.00	
69000	Licenses Expense	150.00	
70000	Maintenance Expense	75.00	
71000	Office Expense	479.89	
72000	Payroll Tax Exp	15,768.12	
74000	Rent or Lease Expense	1,100.00	
74500	Repairs Expense	3,694.00	
75500	Supplies Expense	2,628.17	
77000	Utilities Expense	303.45	
77500	Wages Expense	137,712.33	
89000	Other Expense	464.90	
89500	Purchase Disc- Expense lte		10.11
	<b>Total:</b>	<b>941,165.11</b>	<b>941,165.11</b>