



Business Virtual Learning

HS/Accounting 1

Topic: Subsidiary Ledgers - Accounts Payable

May 18, 2020



Accounting 1: Accounts Payable Ledgers

Objectives:

1. Identify the differences between a sole proprietorship and a corporation.
2. Explain the difference between a subsidiary ledger and a controlling account.

Instructions:

Read the slides, answer questions as they are presented.



Accounting 1: Accounts Payable Ledgers

Sole Proprietorship and Service Business

The **sole proprietorship** is the simplest business form under which one can operate a business. The **sole proprietorship** is not a legal entity. It simply refers to a person who owns the business and is personally responsible for its debts.

A commercial enterprise that provides work performed in an expert manner by an individual or team for the benefit of its customers. The typical **service business** provides intangible products, such as accounting, banking, consulting, cleaning, landscaping, education, insurance, treatment, and transportation services.

****This is the type of business we deal with in the first 8 chapters****



Accounting 1: Accounts Payable Ledgers

Corporation and Merchandising Business

Corporation. A form of **business** operation that declares the **business** as a separate, legal entity guided by a group of officers known as the board of directors. A **corporate** structure is perhaps the most advantageous way to start a **business** because the **corporation** exists as a separate entity.

A **merchandising business**, sometimes called merchandisers, is one of the most common types of businesses we interact with daily. It is a business that purchases finished products and resells them to consumers. Think of the last time you went shopping for food, household items, or personal supplies.



Accounting 1: Accounts Payable Ledgers

Questions:

1. In your own words, explain the difference between a sole proprietorship and a corporation.
2. In your own words, explain the difference between a service business and a merchandising business.



Accounting 1: Accounts Payable Ledgers

Vendors & Subsidiary Ledgers

A vendor is a business from which merchandise, supplies or other assets are purchased. Many times a merchandising business has credit accounts set up with vendors that allow them to purchase merchandise and pay at a later date.

To keep track of these purchases and what is owed to each specific vendor, merchandising businesses typically use subledgers (also called subsidiary ledgers) that list each vendor and show what is owed to them on any particular date. Because of this the way a merchandising business records the purchase transactions is a little different from how a service business records them.



Accounting 1: Accounts Payable Ledgers

Subsidiary Ledger and Controlling Accounts:

You know that *Accounts Payable* is a liability and shows what is *owed* to others. Since we are now purchasing merchandise on a regular basis from vendors, we are going to have multiple *accounts payable* accounts and we are going to put them in their own *ledger*.

The *Accounts Payable ledger* is a subledger to the general ledger account *Accounts Payable*. Basically the accounts payable account in the general ledger should, at all times, equal the balances of all vendor accounts in the accounts payable subledger added together. The general ledger account *Accounts Payable* is the *controlling account* to the subledger.

Accounting 1: Accounts Payable Ledgers

Accounts Payable Control

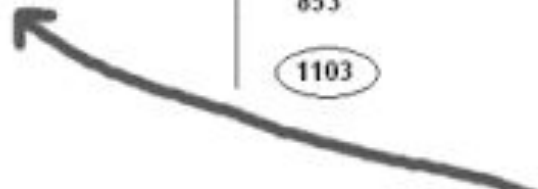
100	500
150	600
50	1000
25	800
20	500
950	800
256	1200
	950
	150
	100
	560
	853

1551	8013
	6462

Accounts Payable Subsidiary Ledger

A/P - Apple Auto		A/P - Active Cleaners		A/P - Careful Supplies	
100	500	25	600		1000
	400		575		1000
A/P - Birds Hardware		A/P - Connors Electrical		A/P - BC Hydro	
150	800		500	256	800
	100		560		544
	750		1060		
A/P - Home Depot		A/P - Office Equipment co.		A/P - BC Tel.	
950	1200	50	950	20	150
	853		900		130
	1103				

Total Balance in Subsidiary = 6,462





Accounting 1: Accounts Payable Ledgers

The main difference between the general ledger form and the Accounts Payable ledger for is that the AP ledger only has 1 balance column because vendor accounts always have either a credit balance or a 0 balance. There is no need for a debit balance column.

ACCOUNT: Accts. Payable					ACCOUNT NO. 2110	
DATE	ITEM	POST REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
May 7		1		900.00		900.00
15		1	500.00			400.00

VENDOR: ABC Corporation					ACCOUNT NO. 210	
DATE	ITEM	POST REF.	DEBIT	CREDIT	CREDIT BALANCE	



Accounting 1: Accounts Payable Ledgers

Questions:

1. What is a vendor?
2. What is the relationship between a subsidiary ledger and the controlling account in the general ledger?
3. Why is it necessary to keep track of the individual amounts owed to each vendor?
4. What is the main difference between the general ledger form and the accounts payable ledger form?
5. Why is there not a debit balance column on the accounts payable ledger form?