**Step 3 Script**

Slide 1: In this presentation, we will be looking at the posting process.

Slide 2: Here, we take the various parts of transactions entered into the journal and put them into their proper account ledgers. All parts of transactions affecting cash go to the cash ledger; all parts affecting A/R go to that ledger and so on. Think about in the Step 1 video where we had a column for cash, one for A/R, one for supplies and one for every account we used.

We post transaction by transaction – don’t do all cash first, then all A/R, etc., After we’ve posted a transaction, we use the PR (post reference) column to let us know we’ve successfully posted the transaction to the proper ledgers. We’ll be using the t-account form of the ledger for this video presentation and others.

If you wish, you can print out the Step 3 working papers and work along with me as we do the posting.

Slide 3: In transaction a, both cash and common stock are affected. We post the 35,000 debit to cash in the cash ledger and the 35,000 credit to stock in that ledger. Whereas in Steps 1 and 2, we had to think about what to increase or decrease or debit or credit, in this step we only need to make certain we put the debits and credits in the right places in the ledgers.

Slide 4: With transaction b, we want to post the debit to prepaid insurance in that ledger and the credit to cash in the cash ledger. If we were using post references, we’d make sure to indicate where the posts went – most companies use account numbers, and we would use those. I am ignoring that for simplicity’s sake.

Slide 5: for transaction c, we need to make sure we need to make sure we put the 3,000 debit to rent expense in the debit column in the rent expense ledger and to put the credit to cash in its proper place in the cash ledger.

Slide 6: In transaction d, we post the debit in the furniture ledger, credit to A/P in that ledger, and another debit to cash in the cash ledger. I’m sure you are seeing now that Cash has the most activity of the other ledgers. Furniture might only have one debit for the life of the furniture…

Slide 7: For this transaction, we’re going to post the debit to cash in the cash ledger and the credit to notes payable in that particular ledger, again making sure we are posting as the journal entry indicates.

Slide 8: For transaction f, we used cash to purchase supplies, so we’re posting the credit to cash in the cash ledger and the debit to supplies in that ledger.

Slide 9: Transaction g requires us to post a debit to cash of 4,500 and the corresponding credit to revenue in the revenue ledger.

Slide 10: Transaction h has us post the debit to rent expense in the rent expense ledger and the reduction to cash in the credit side of the cash ledger.

Slide 11: Transaction i requires us to post a 7,900 debit to the Accounts Receivable ledger and the corresponding credit to revenue in the revenue ledger.

Slide 12: For j, we will post the 3,600 debit in the A/P ledger and a 3,600 credit in the cash ledger. If you look at the cash ledger, we can see that all but one transaction so far has involved cash…

Slide 13: Here, in transaction k, we will post the debit to dividends in the dividends ledger and the credit to cash in that ledger.

Slide 14: Last but not least, we will post a debit to cash of 4,000 and a credit to A/R of 4,000 as a result of transaction l’s journal entry.

Slide 15: Now, we are ready to proceed to Step 4. In this step, we will total the activity in all our ledgers and use the results to prepare the Unadjusted Trial Balance. This is the first of three trial balances we prepare. They are very important ‘checks’ to ensure that everything is accurate and balanced before we move on to subsequent steps.