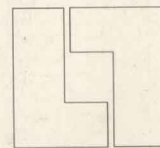


London and Company II

First Year Course Second Edition

Dr. Emma Jo Spiegelberg

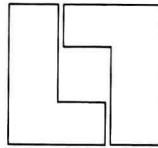
*A Comprehensive Accounting
Simulation Using Special Journals
and Covering a Closely Held
Merchandising Corporation*



**LONDON &
COMPANY II**

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*First Year Course
Second Edition*



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*A Comprehensive Accounting
Simulation Using Special Journals
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Dr. Emma Jo Spiegelberg

*Laramie Senior High School
Laramie, Wyoming*

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CONTENTS

Procedures Manual	1
Source Documents	
Journalizing	
Posting	
Banking Activities	
Reporting Other Income and Expenses on the Income Statement	
Filing	
Getting Started	
Completing the Audit Test	
Source Documents	7
Checkbook	87
Deposit Slips and Credit Card Sales Forms	105
Journals	113
General Ledger	123
Accounts Receivable Ledger	145
Accounts Payable Ledger	153
Accounting Stationery	159
Audit Test	173
Chart of Accounts	Inside Back Cover

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Procedures Manual

You work for an agency that supplies accounting personnel for temporary assignments with companies whose regular employees are on vacation or leaves of absence. Your assignments vary in length from two weeks to six months. Because you are a temporary employee, you must follow precisely the accounting procedures of each company for which you work.

Your latest assignment is as the general accounting clerk for London & Company, a retail jewelry store located in Dallas, Texas. London & Company is organized as a privately held corporation. Robert (Bob) King owns all the stock and manages the store. He will be your supervisor for the five-week assignment.

You will begin your assignment at London & Company on April 29. The business transactions through April 26 were recorded and posted by the permanent accounting clerk, Jan Hunt. You will be responsible for completing the accounting tasks for London & Company through May 31, the end of the current fiscal year.

On the job, you will analyze source documents, journalize business transactions, and post transactions to the general ledger and the subsidiary ledgers. You will write checks to pay bills, prepare deposit slips, and reconcile the bank statement. You will also be responsible for the end-of-the-fiscal-period work.

The student text-workbook contains the following sections.

1. **Instructions and Source Documents.** This section, which you are now reading, contains all general instructions for completing the simulation. It also contains the source documents

for the last two days of April and for the entire month of May.

2. **Checkbook.** The checkbook section contains 36 checks and check stubs, 8 checking account deposit slips, and 8 bank card deposit slips for London & Company's checking account. The checking account balance as of April 29 appears on check stub 422.
3. **General Ledger.** This section contains all of the opened general ledger accounts for London & Company. A chart of accounts is also provided.
4. **Accounts Receivable Ledger/Accounts Payable Ledger.** This section contains the opened accounts for all of London & Company's charge customers and creditors. A "divider" page before each subsidiary ledger lists the names and addresses of all charge customers or all creditors.
5. **Accounting Stationery.** This section contains the special journals and the general journal used by London & Company. The transactions and balances already recorded in the journals were prepared by the regular accounting clerk. All of the transactions that took place through April 26 were also posted by the regular accounting clerk. This section also contains the accounting stationery needed to complete the end-of-month and end-of-fiscal-period work (work sheet and report forms).
6. **File Envelopes.** These six envelopes located on the inside back cover will be used to store the source documents you process and the accounting papers you prepare.

Source Documents

The source documents that you will analyze and handle for London & Company are found on pages 7–85 of this book. These source documents include: sales slips, cash and bank card sales reports, receipts and checks, suppliers' invoices, debit and credit memorandums, bills and statements, petty cash requisitions, salary and payroll tax expense reports, and interoffice memorandums.

Each document has a number printed in its upper right corner. This number is for identification purposes only. Do *not* use this number as the source document number for a journal entry. Use the number printed on the form itself for the journal entry.

Sales Slips

Bob King or a sales clerk prepares a sales slip whenever a charge customer buys merchandise on account. The original of the sales slip is given to the customer. The copy of the sales slip

serves as the source document for the journal entry to record the transaction. Use the date shown on the sales slip as the date for the journal entry.

London & Company offers a cash discount of 2% to certain of its charge customers. The credit terms for each sale are indicated on the sales slip.

Sales taxes are not charged on sales to other retail businesses or to government agencies, such as schools.

After journalizing the sale on account, file the sales slip in the file envelope marked "Sales Slips."

Cash and Bank Card Sales Reports

At the end of each week and on the last day of each month, Bob King prepares a report of cash and bank card sales. This document details the total amount received, including sales taxes, for the week's cash sales and bank card sales.

Use the data on the report of cash and bank card sales to prepare the journal entries. (Journalize the cash sales and bank card sales separately.) Use the last day covered by the report as the date for the journal entry. The cash register tape number is listed at the bottom of the report.

After recording the journal entries, use the deposit information on the form to prepare a checking account deposit slip and a bank card deposit slip. On the checking account deposit slip, also list any checks received during the week from charge customers. Additional information about preparing the weekly deposit slips can be found on pages 4–5 of this booklet.

After preparing the deposit slips, file the report of cash and bank card sales in the file envelope labeled “Office File,” in chronological order.

Receipts and Checks

When a check is received from a charge customer, a receipt is immediately prepared. When you receive a receipt and check, first endorse the check using a restrictive endorsement. Then journalize the transaction, using the information recorded on the receipt.

After recording the transaction, place the endorsed check and receipt in the file envelope labeled “Incoming Checks” until you are ready to prepare a deposit slip.

Credit Memorandums

A sales clerk prepares a credit memorandum when a charge customer returns merchandise purchased on account. The original is given to the customer and the copy is used as the source document for the journal entry. Use the date entered on the credit memorandum as the date for the journal entry.

After recording the transaction, attach the credit memorandum to the corresponding sales slip. File the sales slip and attached credit memorandum in the Sales Slips file envelope. If there is no corresponding sales slip, file the credit memorandum in the back of the Sales Slips file envelope.

Suppliers’ Invoices

You will process two types of invoices: (1) incoming invoices that must be journalized and (2) previously recorded invoices that are now ready to be paid. Both types of invoices have been stamped with the date that they were received by London & Company. Read the following information carefully to make sure you understand the difference between the two types of invoices and how each type should be processed.

Incoming Invoices. London & Company receives invoices from those suppliers from whom it purchases items on account (merchandise, supplies, equipment). When an invoice is received at London & Company, a “processing stamp” is placed on the invoice in the lower left corner. Purchases not made on account (for cash) do not require the use of the processing stamp on the invoice. Before journalizing the incoming invoice, complete the processing stamp by doing the following:

1. Verify all extensions and the total of the invoice. (The quantities have already been verified by Bob King.) Place check marks beside correct amounts in the Total column. If you discover an error in the extensions, draw a line through the incorrect amount and write in the correct amount.
2. Determine the due date of the invoice according to the credit terms. It is London & Company’s policy to take advantage of all discounts offered by suppliers. Record the due date on the first line of the processing stamp on each invoice.
If the due date of an invoice falls on a Saturday, Sunday, or holiday (such as Memorial Day), the invoice must be paid on the previous Friday. The calendars at the bottom of the page show the dates on which Saturdays, Sundays, and holidays occur during April, May, and June.
3. Calculate the amount of the discount, if any, and the net amount of the invoice. Record the discount and net amount on the second and third lines of the processing stamp.

After recording the information on the processing stamp, journalize the transaction. Then place the invoice in the file envelope marked “Unpaid Invoices.” File the invoices in this envelope according to their *due dates*, with the earliest due date at the front of the envelope.

APRIL						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

MAY						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

JUNE						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

Be sure to check this envelope each day during April and May for invoices that must be paid. You will not be given specific instructions to pay the invoices that are filed in this envelope. It is your responsibility to remove any invoice that must be paid from this envelope and to prepare a check.

Invoices Being Paid. Some invoices you will process have already been recorded in the purchases journal. These invoices were received before April 29; have been verified; and have the due date, discount, and net amount already recorded on the processing stamp. You must now process these invoices for payment.

All invoices received by London & Company are paid on the due date listed on the processing stamp. Complete the check stub and prepare the check for Bob King's signature. Record the check number on the last line of the processing stamp.

Place the paid invoice in the file envelope labeled "Paid Invoices." Place the check in the file envelope marked "Outgoing Papers." Use the information on the check stub to journalize the cash payment.

Debit Memorandums

A debit memorandum is prepared whenever merchandise London & Company purchased on account is returned to the supplier. The original of the debit memorandum is sent to the supplier. The copy of the debit memorandum is the source document for the journal entry. Use the date on the debit memorandum as the date for the journal entry.

After recording the transaction, attach the debit memorandum to the corresponding supplier invoice. (The number of the invoice is listed on the debit memorandum, just below the date.) It may be necessary to recalculate the discount and net amount. If so, draw a line through the previous amounts, and write in the new amounts. File the invoice and attached debit memorandum in the appropriate file envelope. If there is no corresponding invoice, file the debit memorandum in the Paid Invoices file envelope, by company name.

Bills and Statements

London & Company also receives bills and statements from companies that provide various goods and services, such as utilities, repairs, maintenance service, or advertising. These bills are usually payable upon receipt.

Bob King approves these bills for payment and may also indicate to which account they should be charged. Incoming bills and statements are also stamped with the date that they were received by London & Company.

When you receive a bill or statement for payment, prepare the check. Write the number of the check in the lower left corner of

the bill. Place the paid bill in the Office File envelope. Place the check in the Outgoing Papers file envelope. Use the information on the check stub to journalize the transaction in the cash payments journal.

Petty Cash Requisitions

London & Company maintains a petty cash fund from which small, incidental cash payments are made. Melinda Johnson is responsible for the petty cash fund. When the cash in the fund becomes low, Melinda will reconcile the petty cash fund and prepare a petty cash requisition to replenish the petty cash fund.

When you receive a petty cash requisition, prepare a check, payable to "Petty Cashier—M. Johnson," for the total amount listed on the requisition. Enter the check number on the petty cash requisition. Use the data on the petty cash requisition to record the entry in the cash payments journal.

After completing the journal entry, file the petty cash requisition in the Office File envelope. Place the check in the Outgoing Papers envelope.

Salary and Payroll Tax Expense Reports

Employees at London & Company are paid twice a month. A separate checking account is used to pay employees' wages and salaries. At the end of each pay period, a check is written on London & Company's regular checking account to transfer funds to the payroll checking account.

The salary and payroll tax expense report is prepared at the end of each pay period to summarize the payroll data. The report lists the gross earnings, deductions, and net pay. It also lists the employer's payroll taxes for the pay period.

When you receive this report, prepare a check to transfer funds to the payroll account. Make the check payable to "Payroll." Use the information on the report to prepare the journal entry for the wages and salaries (in the cash payments journal) and for the employer's payroll taxes (in the general journal).

After journalizing the transactions, file the report in the Office File envelope. Place the check in the Outgoing Papers envelope.

Interoffice Memorandums

Bob King will send you interoffice memorandums about payments that must be made or accounting tasks that must be completed. When a journal entry is necessary, use the number printed on the memorandum as the source document number.

After you have recorded the transaction or completed the accounting task, file the memorandum in the Office File envelope in numerical order.

Filing

Six envelopes located on the inside of the back cover have been provided in which to file the source documents and business papers you process. Follow these guidelines to file the items.

1. **Sales Slips.** File London & Company's copies of all sales slips for merchandise sold on account in this envelope. File the sales slips within the envelope in numerical order, with the lowest number in the front of the envelope.

Credit memorandums are also filed in this envelope. Attach the credit memorandum to the sales slip to which it applies. If there is no corresponding sales slip, file the credit memorandum in the back of the envelope.

2. **Incoming Checks.** Use this envelope to store all checks received from charge customers until you are ready to deposit them.
3. **Unpaid Invoices.** This envelope serves as London & Company's tickler file. File the invoices in this envelope by their due dates, with the earliest date toward the front of the envelope. *Remember to check the invoices in this envelope daily for those that must be paid.*

4. **Paid Invoices.** Use this envelope to store all invoices that have been paid. File the invoices in the envelope first by company name and then by invoice number, with the lowest number toward the front of the envelope.

Debit memorandums are also filed in this envelope. Attach the debit memorandum to the invoice to which it applies. If there is no corresponding invoice, file the debit memorandum by company name.

5. **Outgoing Papers.** Use this envelope to store all documents that will be sent outside the business, such as deposit slips and endorsed checks that are being deposited and checks that have been written in payment of bills and invoices.
6. **Office File.** Use this envelope to file all business papers and documents that cannot be filed elsewhere: cash and bank card sales reports, salary and payroll tax expense reports, bills and statements, interoffice memorandums, and bank statements. File the items in this envelope first by type of document and then by document number.

Getting Started

You are now ready to begin. Be sure to read all instructions carefully, particularly any that have been written on the source documents. Remember to use the current year and the

stamped date or the date of the document as the date for any journal entry.

Completing the Audit Test

After you have completed the simulation activities, remove the Audit Test, which appears on the last two pages of this book. Use your completed documents to answer the ques-

tions on the audit test. When you have completed the audit test, turn it in to your teacher, along with the completed simulation materials.

SECURITY
LOCK & KEY CO.
203 Dustin Dr.
Dallas, TX 75214

*Approved. Charge to
Repairs & Maintenance
expense. - BK*

STATEMENT OF ACCOUNT

Date: April 26, 199-
Terms: Payable on receipt

To: London & Company
Highland Park Mall
Dallas, TX 75239

Rec'd Apr. 29

DATE	DESCRIPTION	CHARGES	PAYMENTS	BALANCE
Apr. 24	Repairs to locks	\$50.75		\$50.75
PAY LAST AMOUNT SHOWN IN BALANCE COLUMN				

NO. 735

DATE: *April 29, 199-*Received from: *Kelly Corporation*

Sales Slip	Check No.	Amount	Discount	Amount Received
480	618	\$4,987.50	\$99.75	\$4,887.75

Explanation:

Received by *Bob King*

Kelly Corporation
330 North Ewing Avenue
Dallas, TX 75203

No. 618
32-762
1110

PAY TO THE
ORDER OF *London & Co.*

April 26 19 *9-* \$ *4,887.75*

Four thousand eight hundred eighty-seven and ⁷⁵/₁₀₀ DOLLARS

FOR USE IN BUSINESS SIMULATION

First Bank of Dallas
Dallas, Texas 75204

For *Sales slip 480 less \$99.75 disc.* *Pauline Westbrook*

⑆ 11110 07623⑆ 306 54 675⑆ 618

Monzel Bros., Inc. 195 Mill Street North Jackson, MS 39201		INVOICE 1527	
To: <div style="border: 1px solid black; padding: 5px; display: inline-block;"> London & Company Highland Park Mall Dallas, TX 75239 </div>		<i>Rec'd Apr. 29</i> Date: April 23, 199- Order No.: 606 Shipped By: Air Express Terms: 2/15, n/30	


Quantity	Item	Unit Price	Total
2	Gold Ladies' Rings D0513L	\$ 125.00	\$ 250.00
1	Gold Men's Ring D0507M	210.00	210.00
<div style="border: 1px solid black; padding: 5px;"> Due Date: _____ Discount: _____ Net Amount: _____ Check No.: _____ </div>			\$ 460.00


ARJ Association of Retail Jewelers 100 Vermona Drive Dallas, TX 75214		<i>Rec'd 4/29</i>
To: <div style="border: 1px solid black; padding: 5px; display: inline-block;"> London & Company Highland Park Mall Dallas, TX 75239 </div>		Date: April 25, 199- Terms: Payable on receipt

DESCRIPTION	AMOUNT DUE
Subscription to newsletter <i>Charge to Miscellaneous Expense. BK</i>	\$31.67


Custom Jewelers 416 Lexington Avenue New York, NY 10017		INVOICE 3486	
To London & Company Highland Park Mall Dallas, TX 75239 		<i>Rec'd 4/29</i> Date: April 22, 199- Order No.: 605 Shipped By: Air Chief Terms: 2/10, n/30	

Quantity	Item	Unit Price	Total
1	Class Ring #G24309	\$ 189.85	\$ 189.85
1	Class Ring #G24198	\$ 146.00	146.00
<div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> Due Date: _____ Discount: _____ Net Amount: _____ Check No.: _____ </div>			\$ 335.85

 LONDON & COMPANY II Highland Park Mall Dallas, TX 75239 (214) 555-7502		No. 482	
Date: April 29, 199-		Sold To James Wacker 600 North Beach Street Seagoville, TX 75159	
Clerk	Cash	Charge x	Terms n/30
Qty.	Description	Unit Price	Amount
1	Diamond Solitaire Ring yg	6,945.00	\$6,945 00
Thank You!		Subtotal	\$6,945 00
		Sales Tax	572 96
		Total	\$7,517 96

 Regency Jewelry Corp. 700 Morley Avenue Freeport, NY 11520		INVOICE 7251	
To <div style="border: 1px solid black; padding: 5px; display: inline-block;"> London & Company Highland Park Mall Dallas, TX 75239 </div>		<i>Rec'd 4/29</i> Date: 4/23 Order No.: 604 Shipped By: Air Terms: 2/10, n/30	

Quantity	Item	Unit Price	Total
3	Gold Rope Chains—20" J4894	657.50	1,972.50
	<div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> Due Date: _____ Discount: _____ Net Amount: _____ Check No.: _____ </div>		1,972.50

<h2 style="margin: 0;">DEBIT MEMORANDUM</h2> <div style="text-align: center; margin: 10px 0;">  LONDON & COMPANY II Highland Park Mall Dallas, TX 75239 </div> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%;"> TO: Monzel Brothers, Inc. 195 Mill Street North Jackson, MS 39201 </div> <div style="width: 45%; text-align: right;"> No. 43 Date: April 30, 199- Invoice No.: 1527 </div> </div>			
QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
1	Gold Men's Ring D0507M Wrong Style	\$210.00	\$210.00

