

BALANCING ACT					
General Journal					
	WEEK	ACCOUNT TITLE AND EXPLANATION	Ref	DEBIT	CREDIT
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
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14					
15					
16					
17					
18					
19					
20					

BALANCING ACT						
General Ledger						
	WEEK	ACCOUNT TITLE AND EXPLANATION	Ref	DEBIT	CREDIT	BALANCE
1		CASH				
2		Opening Balance	101			
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						

LOAN DISBURSEMENT SQUARES (D cards)

1. If \$15,000 in loans was disbursed in the second week of the year, the General Journal entry is as follows:

Week #	Account Title	Ref.	Debit	Credit
2	Loans Outstanding - Current	102	15,000	
2	Cash	101		15,000

2. The calculation of Loan Fees earned is as follows:

<p>LOAN FEES EARNED = Amount of Loan Disbursed x Loan Fee Rate</p> <p>Loan Fees Earned = \$15,000 x 5%</p> <p>Loan Fees Earned = \$750</p>
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The General Journal entry becomes:

Week #	Account Title	Ref.	Debit	Credit
2	Loans Outstanding - Current	102	15,000	
2	Cash	101		15,000
2	Cash	101	750	
2	Loan Fees	403		750

LOAN DISBURSEMENT SQUARES (D cards) continued

3. The calculation of interest earned is as follows:

INTEREST REVENUE = Amount of Loan Disbursed x Interest Rate x
[Number of weeks the loan will be outstanding in the current year]

*Note: In this example, the loan was disbursed in week 2.
Therefore it will be outstanding for 50 weeks this year.*

$$\text{Interest revenue} = (\$15,000 \times 26\% \times 50/52)$$

$$\text{Interest Revenue} = \$3,750$$

DEFERRED REVENUE = Amount of Loan Disbursed x Interest Rate x
[Number of weeks the loan will be outstanding in the next year]

*Note: In this example, the loan was disbursed in week 2 of this year.
Therefore it will be outstanding for 50 weeks this year and will remain
outstanding for 2 weeks next year.*

$$\text{Interest revenue} = (\$15,000 \times 26\% \times 2/52)$$

$$\text{Interest Revenue} = \$150$$

The complete General Journal entry is:

Wk #	Account Title	Ref.	Debit	Credit
2	Loans Outstanding - Current	102	15,000	
2	Cash	101		15,000
2	Cash	101	750	
2	Loan Fees	403		750
2	Cash	101	3,900	
2	Interest Revenue (50/52 weeks)	401		3,750
2	Deferred revenue (2/52 weeks)	201		150

Loan Repayments (R Cards)

Wk #	Account Title	Ref.	Debit	Credit
2	Cash	101	15,000	
2	Loans Outstanding - Current	102		15,000
2	Deferred Revenue (2/52 weeks)	201	150	
2	Interest Revenue (2/52 weeks)	401		150

Accessing a Line of Credit

Wk #	Account Title	Ref.	Debit	Credit
2	Cash	101	15,000	
2	Short-term Debt	202		15,000

TRACING ERRORS IN THE TRIAL BALANCE

1. Is the arithmetic correct?
2. Are items recorded on the 'correct' side?
3. Calculate the difference between the two sides:
 - Is the difference very big?
 - Divide the difference by 2 and check if the resultant figure appears in the Trial Balance and is on the correct side?
 - Is the difference equal to any Ledger Account Balance?
 - Is the difference divisible by 9?
4. Do the totals of the debit and credit General Journal entries agree?
5. Have all Ledger Balances have been transferred to the Trial Balance?
6. Verify all postings.
7. Have all General Journal entries been correctly recorded, including adjustments?