



## Applying Deposits Using T-Accounts

The following is an illustration, using T-accounts, of the General Ledger interface steps resulting from the application of a customer's deposit to the account, the updating of the final bill, resulting in a credit balance and, finally, the refund check for the remaining balance.

1. The customer has a \$50.00 deposit and no outstanding balance.

Cash in Bank (Operating Account)	Cash in Bank (Security Deposits)
	(1)      50.00
Accounts Receivable	Customer Deposits
	50.00    (1)
Refunds Payable	Water Sales



## Applying Deposits Using T-Accounts

2. The customer's account is closed and the deposit is applied to his account, debiting Cash in Bank (Operating Account) and Customer Deposits and crediting Cash in Bank (Security Deposits) and Accounts Receivable.

<b>Cash in Bank (Operating Account)</b>		<b>Cash in Bank (Security Deposits)</b>	
(2)	50.00	(1) 50.00	50.00 (2)
<b>Accounts Receivable</b>		<b>Customer Deposits</b>	
	50.00 (2)	(2) 50.00	50.00 (1)
<b>Refunds Payable</b>		<b>Water Sales</b>	



## Applying Deposits Using T-Accounts

3. The customer's final bill of \$30.00 is updated to his account, debiting Accounts Receivable and crediting Water Sales. This leaves the customer with a \$20.00 credit balance to be refunded.

<b>Cash in Bank (Operating Account)</b>		<b>Cash in Bank (Security Deposits)</b>	
(2)	50.00	(1) 50.00	50.00 (2)
<b>Accounts Receivable</b>		<b>Customer Deposits</b>	
(3)	30.00	(2) 50.00	50.00 (1)
<b>Refunds Payable</b>		<b>Water Sales</b>	
			30.00 (3)



## Applying Deposits Using T-Accounts

4. The Refund Check adjustment is updated on the Utility Billing side, debiting Accounts Receivable and crediting Refunds Payable.

Cash in Bank (Operating Account)		Cash in Bank (Security Deposits)	
(2)	50.00	(1) 50.00	50.00 (2)

  

Accounts Receivable		Customer Deposits	
(3)	30.00	(2) 50.00	50.00 (1)
(4)	20.00		

  

Refunds Payable		Water Sales	
			30.00 (3)



## Applying Deposits Using T-Accounts

5. The Refund Check is updated on the Accounts Payable side, debiting Refunds Payable and crediting Cash in Bank (Operating Account).

Cash in Bank (Operating Account)		Cash in Bank (Security Deposits)	
		(1) 50.00	
(2) 50.00			50.00 (2)
	20.00 (5)		
Accounts Receivable		Customer Deposits	
			50.00 (1)
	50.00 (2)	(2) 50.00	
(3) 30.00			
(4) 20.00			
Refunds Payable		Water Sales	
			30.00 (3)
	20.00 (4)		
(5) 20.00			

6. The net result is:

- A. Cash in Bank (Security Deposits) is cleared.
- B. Accounts Receivable is cleared.
- C. Customer Deposits is cleared.
- D. Refunds Payable is cleared.
- E. Cash in Bank (Operating Account) is increased by \$30.00 (the amount of the customer's final bill).
- F. Water Sales is increased by \$30.00 (the amount of the customer's final bill).