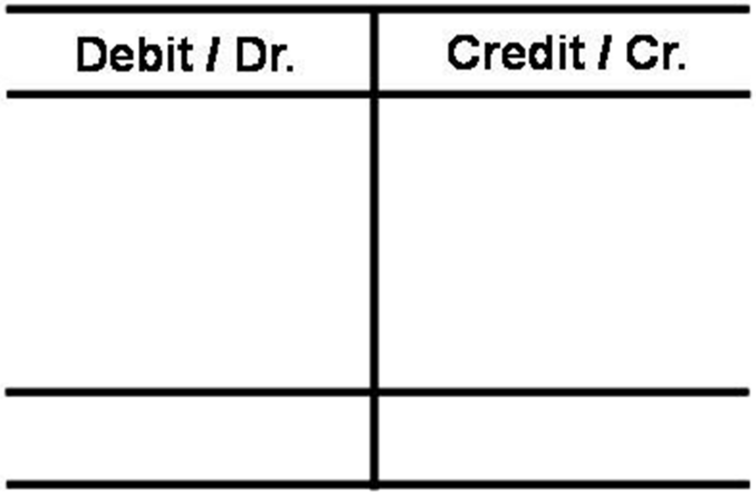
Chapter 4

Accounting Entry Cycle

8 steps of the accounting cycle include the following:

1. Transaction Analysis
2. Recoding Transactions in General Journal
3. Posting
4. Preparing Trial Balance
5. Adjusting Accounts
6. Preparing Working Papers
7. Closing Accounts
8. Preparing Financial Statements

Debit and Credit



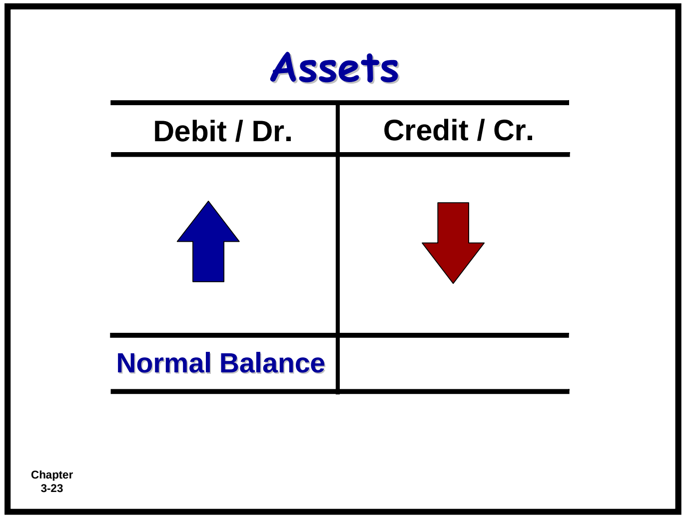
- Recording done by debiting at least one account and crediting another.
- In double-entry bookkeeping,
- debit is used for increases in asset and expense transactions
- credit is used for increases in a liability, income (gain) or equity transaction.
- DEBITS must equal CREDITS.

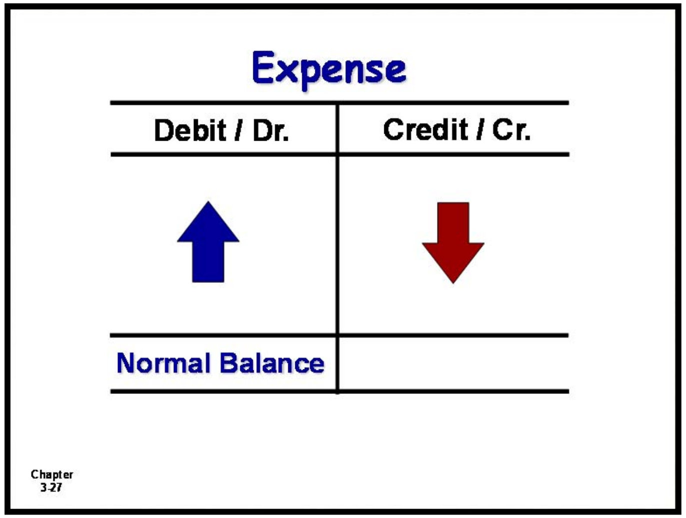
Debit and Credit

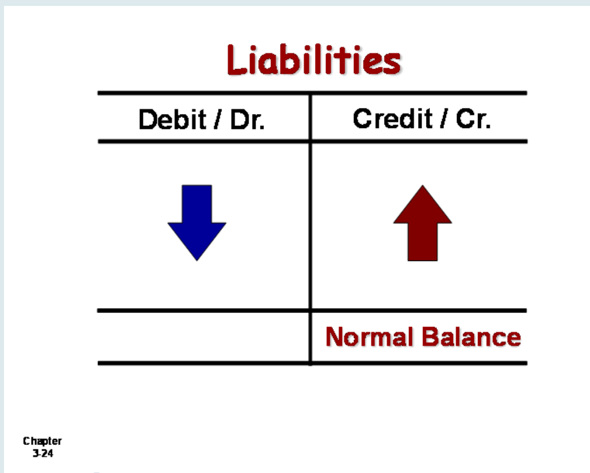
ACCOUNT	INCREASED BY	DECREASED BY
Assets	Debit	Credit
Expenses	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit

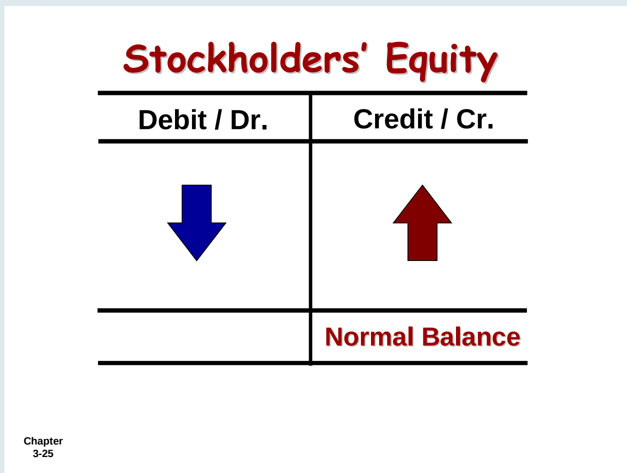
PATRIOT

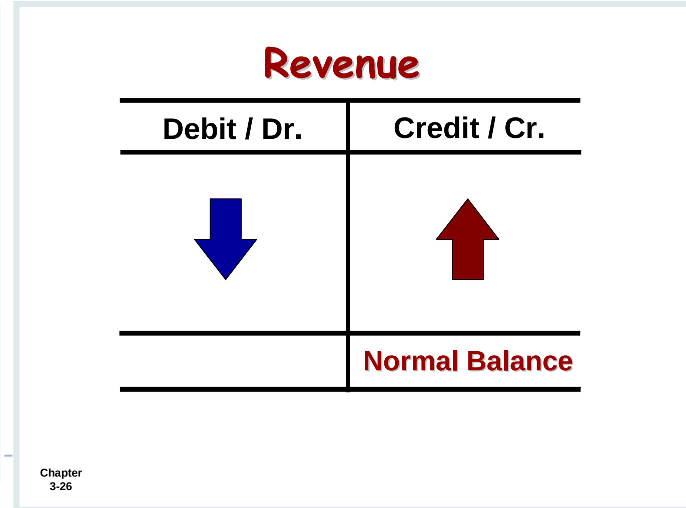
Double-Entry Accounting











Journal Entry for Accounts Payable:

In order to pay for an expense on credit, the related expense or asset account will be debited, and the payable account will be credited.

Account Name	Debit ($)	Credit ($)
Asset or Expense Account	$ 2,000.00	
Cash		$ 2,000.00

Journal Entry for Sales:

Whenever a company makes a sale on credit, the corresponding journal entry will make a debit to accounts receivable and a credit to the sales account.

Account Name	Debit ($)	Credit ($)
Accounts Receivable	$ 10,000.00	
Sales		$ 10,000.00

Practical Journal Entries

Date	Account Name	Debit ($)	Credit ($)
2-Aug	Office Supplies	$ 4,000.00	
	Cash		$ 4,000.00
Purchase of office supplies worth $4,000			
5-Aug	Purchase	$ 7,000.00	
	Cash		$ 2,000.00
	Accounts Payable		$ 5,000.00
Purchase of goods from Screens R Us worth $7,000 paid for with $2,000 in cash and $5,000 in credit.			
12-Aug	Cash	$ 10,000.00	
	Accounts Receivable	$ 5,000.00	
	Sales		$ 15,000.00
Sales of goods to Macro Computing worth $15,000 paid for with $10,000 in cash and $5,000 on credit			
20-Aug	Bank Loan Payable	$ 3,000.00	
	Cash		$ 3,000.00
Payment for bank loan worth $3,000.			
25-Aug	Accounts Payable	$ 1,000.00	
	Cash		$ 1,000.00
Payment of $1,000 to Screens R Us for earlier purchase made on credit			
28-Aug	Cash	$ 5,000.00	
	Acounts Receivable		$ 5,000.00
Payment of $5,000 received from Macro Computing for earlier sales made on credit			
30-Aug	Payroll Expense	$ 2,000.00	
	Payroll Tax	$ 300.00	
	Cash		$ 2,300.00
Paid employees $2,300 in wages			

Example: Practical Journal Entries

Big Office Inc. started business on January 1st, 2021, with initial capital of 30,000 shares of common stock at $3 each.During the company's first month of business, it performed the following transactions:

•Received Capital worth $90,000.

•Paid $2,000 for the first month's rent.

•Paid $10,000 for the following five months of rent.

•Purchase $20,000 worth of furniture at a 5% trade discount.

•Purchase $12,500 worth of office supplies on credit.

•Received $30,000 for services rendered to customers.

•Payment of balance for $12,500 worth of office supplies purchased on January 6th.

Practical Journal Entries

•Purchase of $20,000 worth of equipment with $10,000 in cash and $10,000 in notes payable.

•Provided $45,000 in services to customers on credit.

•Received $12,500 from customers for the services rendered on January 13th.

•Purchased office supplies worth $1,250.

•Customers paid $32,500 to cover the remaining balance for services rendered on January 13th.

Practical Journal Entries

•Paid $348 in utilities expenses.

•Paid $2,900 for miscellaneous expenses accrued during the month of January.

•Paid $30,200 in wages to employees.

Practical Journal Entries

Date	Account Name	Debit ($)	Credit ($)
1-Jan	Cash	$ 90,000.00	
	Common Stock		$ 90,000.00
Received Capital worth $90,000			
1-Jan	Rent	$ 2,000.00	
	Cash		$ 2,000.00
Paid $2,000 for the first month's rent			
1-Jan	Prepaid Rent	$ 10,000.00	
	Cash		$ 10,000.00
Paid $10,000 for the following five months of rent.			
4-Jan	Furniture	$ 20,000.00	
	Trade Discount		$ 1,000.00
	Cash		19000
Purchase $20,000 worth of furniture at a 5% trade discount.			
6-Jan	Office Supplies	$ 12,500.00	
	Accounts Payable		$ 12,500.00
Purchase $12,500 worth of office supplies on credit.			
8-Jan	Cash	$ 30,000.00	
	Revenue from Services		$ 30,000.00
Received $30,000 for services rendered to customers.			
9-Jan	Accounts Payable	$ 12,500.00	
	Cash		$ 12,500.00
Payment of balance for $12,500 worth of office supplies purchased on January 6th			

Practical Journal Entries

12-Jan	Equipment	$ 20,000.00	
	Cash		$ 10,000.00
	Notes Payable		$ 10,000.00
Purchase of $20,000 worth of equipment with $10,000 in cash and $10,000 in notes payable.			
13-Jan	Accounts Receivable	$ 45,000.00	
	Services from Revenue		$ 45,000.00
Provided $45,000 in services to customers on credit			
18-Jan	Cash	$ 12,500.00	
	Accounts Receivable		$ 12,500.00
Received $12,500 from customers for the services rendered on January 13th			
20-Jan	Office Supplies	$ 1,250.00	
	Cash		$ 1,250.00
Purchased office supplies worth $1,250.			
22-Jan	Cash	$ 32,500.00	
	Accounts Receivable		$ 32,500.00
Customers paid $32,500 to cover the remaining balance for services rendered on January 13th.			
24-Jan	Electrical Expense	$ 560.00	
	Cash		$ 560.00
Paid $560 in electrical expenses			
28-Jan	Utilities Expense	$ 348.00	
	Cash		$ 348.00
Paid $348 in utilities expenses			
30-Jan	Miscellaneous Expense	$ 2,900.00	
	Cash		$ 2,900.00
Paid $2,900 for miscellaneous expenses accrued during the month of January			
30-Jan	Wages Expense	$ 30,000.00	
	Payroll Tax	$ 200.00	
	Cash		$ 30,200.00
Paid $30,200 in wages to employees			

Chart of accounts

501-1111100000 - Cash In Bank Bangkok Bk THB	35110 - PAID IN CAPITAL - CP.GROUP
501-1111600000 - Petty Cash Suring	35120 - PAID IN CAPITAL - THE HEIL
501-1111300100 - Cash in bank HSBC 001-257823-981	35130 - PIAD IN CAPITAL - A&D CORP.
501-1111300101 - Cash in bank Bangkok Bk 301-4-72181-9	36110 - LEGAL RESERVE
501-1323000002 - WIP Inv Mtls-General Accou	36111 - OTHER RESERVE
501-1333050003 - FG Inv Transit 3	36120 - RETAINED EARNING - BEGINNING
501-1323000004 - WIP Inv Mtls-General Accou	36130 - CURRENT YEAR PROFIT/LOSS
501-1412000000 - Prepaid Other	41010 - GROSS SALES - ALUMINUM PETROLEUM
501-1421000004 - VAT Tax Receivable	41020 - GROSS SALES - POWERLINK
501-1421000021 - Other AR -VAT Goods & Services	41030 - GROSS SALES - ALUMINUM SUPER JET BULK
501-1421000022 - Other AR -Non US Import Duty	41040 - GROSS SALES - SCRAP
501-1540000000 - Deposits	41050 - SALES - REGID
501-1590000000 - Assets Purchased	52030 - SEMINAR AND TRAINING EXPENSE
501-1611000000 - PPE Cost-Land	52040 - INLAND TRAVELLING EXPENSE
501-1612000000 - PPE Cost-Buildings	52041 - OVERSEAS TRAVELLING EXPENSE
501-1615000000 - PPE Cost-Machinery & Equip	52042 - MOTOR VEHICLE-GASOLINE AND GAS
501-1617000000 - PPE Cost-CIP Construction in process	52043 - CAR REPAIR EXPENSE
501-1711000000 - Goodwill	52049 - OTHER MOTOR VEHICLE EXPENSE
501-1625500000 - Acc Depn-Furniture & Fixtu	52050 - OFFICE RENT
501-1913013800 - I/C Other SL Underwear	52051 - FACTORY RENT
501-2112000000 - Notes Payable NonUS	52052 - WAREHOUSE RENT
501-2121100000 - AP-Manual Invoice Accrual-Domestic	52053 - MACHIINERY RENT
501-2126010000 - Acc PR & Sal-Non Exempt	52054 - CAR RENT EXPENSE
501-2126020000 - Acc PR & Sal-Hourly	52059 - OTHER RENT