

Accounting Information Systems

The Accounting Cycle

1. The chart of accounts (a listing of all accounts used by an entity)
2. Journal entries (recordings of transactions)
3. Journal entries get posted to the general ledger (t-accounts)
4. The trial balance – listing of all account balances
5. Financial statement preparation.

The T-Account

ACCOUNTS RECEIVABLE	
DEBIT	Credit

The Super-T Worksheet

Assets		BALANCE SHEET		Liabilities and Shareholders' Equity			
Cash							
+	-	+	-	-	+	-	+
		+	-	-	+	-	+
Expenses		INCOME STATEMENT		Revenues			
+	-	+	-	-	+	-	+

Example

Transaction: you start up a new business and invest \$10,000 of your own money and receive 1,000 shares of the company's stock in return.



ICP 2-1

The Morrissey Company was formed on April 25, 20x5 and is scheduled to open for business on May 1, 20x5. The following transactions took place between April 25 and April 30:

1. The shareholder invested \$30,000 in the company and received 2,000 shares in return.
2. A two-year bank loan in the amount of \$100,000 was taken out.
3. The shareholder's brother made a 6-month loan to the company of \$40,000.
4. Equipment costing \$90,000 was purchased for cash.
5. A one-year insurance policy was purchased at a cost of \$1,200. The policy takes effect on May 1, 20x5.
6. Inventory costing \$60,000 was purchased. All of it was purchased on account except for \$10,000 which was paid for in cash.
7. The company signed a one-year lease for office space starting on May 1, 20x5 and paid the first and last month's rent. The monthly rent is \$2,500.
8. Furniture costing \$15,000 was purchased on account.
9. The company received \$10,000 as an advance from a customer. The work for this customer will be done in May 20x5.
10. Paid \$1,500 for advertising to be run in the newspaper on May 2, 20x5.
11. Invested \$50,000 of cash in short-term investments.

Required -

- a. Write journal entries to record each of the above transaction.
- b. Post the journal entries to t-accounts.
- c. Prepare a trial balance as at April 30, 20x5.
- d. Prepare a Statement of Financial Position as at April 30, 20x5.