

JOURNALING

P R E P A R E D B Y : L U I S M E I N G

OBJECTIVES:

01

Bookkeeping

02

Accounting Phases

03

Business Transaction Analysis

04

Chart of Accounts

05

Debit and Credit Concept

06

Journaling



1.1 Bookkeeping

Bookkeeping

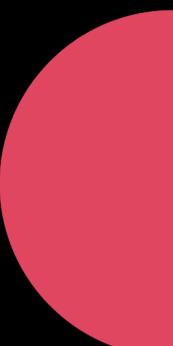


- the process of keeping track of a business's financial transactions

1.2 Journal

Journal

- to record the financial activity of your business

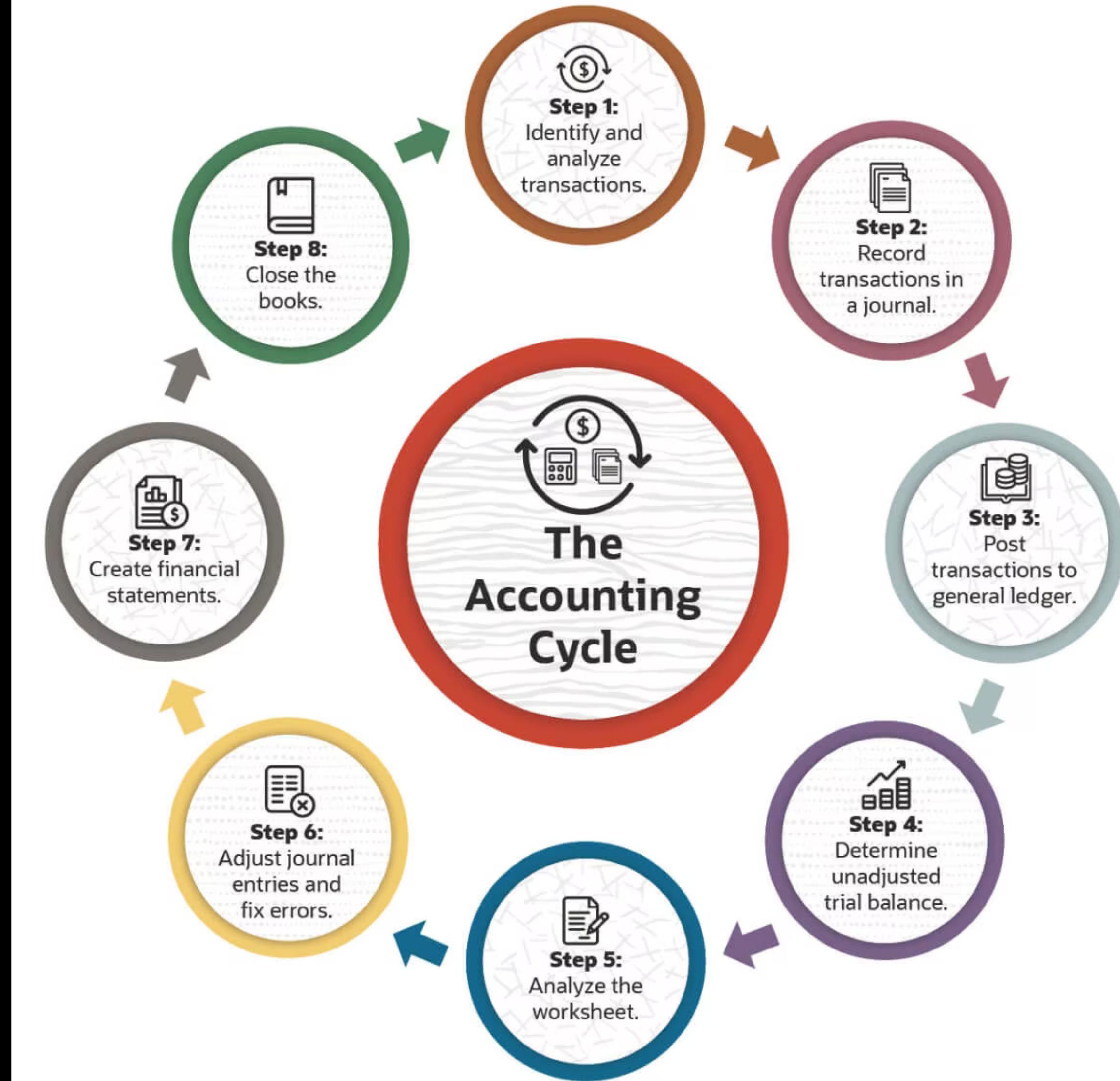


1.3 Ledger

Ledger

- is a date-wise record of all the transactions related to a particular account

2.1 Accounting Phases



3.1 Business Transaction Analysis

Business Transaction Analysis

- may be confusing at first, but as you process more journal entries, you'll begin to understand which accounts you should use for your transactions

3.1 Business Transaction Analysis

Business Transaction Analysis

Assets = Liabilities + Owner's Equity

4.1 Chart of Accounts

Chart of Accounts

Balance Sheet

Account Type	Account Number
Assets	100
Liabilities	200
Owners' Equity	300

Income Statement

Account Type	Account Number
Revenue	400
Expense	500

CHART OF ACCOUNTS

4.2 Expanded Chart of Accounts

100 Assets		400 Revenues	
110	Cash	410	Sales
111	Notes receivable	411	Sales returns and allowances
112	Accounts receivable	412	Sales discount
113	Interest receivable		500 Costs and expenses
115	Merchandise inventory	510	Cost of goods sold
116	Office supplies	520	Sales salaries expense
117	Prepaid insurance	521	Advertising expense
120	Land	522	Depreciation expense - store equipment
123	Store equipment	529	Miscellaneous selling expense
124	Accumulated depreciation - store equipment	530	Office salaries expense
125	Office equipment	531	Rent expense
126	Accumulated depreciation - office equipment	532	Depreciation expense - office equipment
200 Liabilities		533	Insurance expense
210	Accounts payable	534	Office supplies expense
211	Salaries payable	539	Miscellaneous admin. expense
212	Unearned rent		600 Other income
215	Notes payable	610	Rent income
300 Stockholder's equity		611	Interest income
310	Capital stock		700 Other expenses
311	Retained earnings	710	Interest expense
312	Dividends		
313	Income summary		

4.3 Accounts and Statements

**Example Corporation
Balance Sheet
December 31, 2022**

<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets		Current liabilities	
Cash and cash equivalents	\$ 2,200	Short-term loans payable	\$ 5,000
Short-term investments	10,000	Current portion of long-term debt	15,000
Accounts receivable - net	39,500	Accounts payable	20,900
Other receivables	1,000	Accrued compensation and benefits	8,500
Inventory	31,000	Income taxes payable	6,100
Supplies	3,800	Other accrued liabilities	4,000
Prepaid expenses	1,500	Deferred revenues	1,500
Total current assets	<u>89,000</u>	Total current liabilities	<u>61,000</u>
Investments	<u>36,000</u>	Long-term liabilities	
Property, plant & equipment - net		Notes payable	20,000
Land	5,500	Bonds payable	375,000
Land improvements	6,500	Deferred income taxes	25,000
Buildings	180,000	Total long-term liabilities	<u>420,000</u>
Equipment	201,000	Total liabilities	<u>481,000</u>
Less: accumulated depreciation	(56,000)	Commitments and contingencies (see notes)	
Property, plant & equipment - net	<u>337,000</u>		
Intangible assets		<u>STOCKHOLDERS' EQUITY</u>	
Goodwill	105,000	Common stock	110,000
Other intangible assets	200,000	Retained earnings	220,000
Total intangible assets	<u>305,000</u>	Accum other comprehensive income	9,000
Other assets	<u>3,000</u>	Less: Treasury stock	(50,000)
Total assets	<u>\$ 770,000</u>	Total stockholders' equity	<u>289,000</u>
		Total liabilities & stockholders' equity	<u>\$ 770,000</u>

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Sample Corporation
Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities	\$ xxx
Cash flows from investing activities	xxx
Cash flows from financing activities	<u>xxx</u>
Net increase (decrease) in cash	xxx
Cash at the beginning of the year	<u>xxx</u>
Cash at the end of the year	<u>\$ xxx</u>

5.1

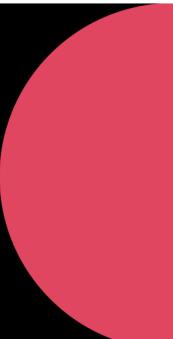
Account Type	Increases Balance	Decreases Balance
Assets: things of value such as cash, accounts receivable, bank accounts, computers, and furniture	Debit	Credit
Liabilities: things you owe including accounts payable and loans	Credit	Debit
Revenue: monies received for products or services during the course of doing business	Credit	Debit
Expenses: the cost of doing business including supplies, rent, payroll expenses, etc.	Debit	Credit
Capital / Owner Equity: represents your ownership or financial interest in the business	Credit	Debit

6.1 Journaling

Journaling



Let's use the following as an example. You visit your local office supply store and purchase paper and pens for your business. The total purchase is \$150.00. Here's how you would prepare your journal entry.



6.1 Journaling

Journaling



Date	#	Account	Debit	Credit
1-15-2020	1	Office Supplies (5001)	\$150	
1-15-2020	1	Cash (1001)(Office supplies purchased for business)		\$150

