



JOURNAL ENTRIES FOR ALL THE ASSETS OF THE BALANCE SHEET

COMPLETE GUIDE



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Accounts Receivable



- ◆ **Transaction 1:**
Sold goods on credit for \$10,000.

Debit (Balance Sheet):
Accounts Receivable \$10,000
Credit (Income Statement):
Sales Revenue \$10,000



- ◆ **Transaction 2:**
Received a payment of \$6,000
for previous credit sales.

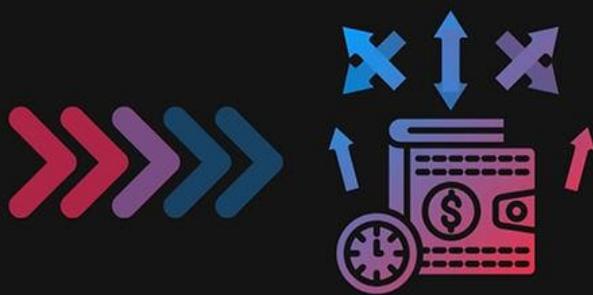
Debit (Balance Sheet):
Cash \$6,000
Credit (Balance Sheet):
Accounts Receivable \$6,000

- ◆ **Transaction 3:**
Wrote off an uncollectible amount of \$500.

Debit (Balance Sheet):
Allowance for Doubtful Accounts \$500
Credit (Balance Sheet):
Accounts Receivable \$500

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Accrued Income

♦ **Transaction 1:**

Accrued \$1,500 of interest income
that hasn't been received yet.

Debit (Balance Sheet):

Accrued Income \$1,500

Credit (Income Statement):

Interest Income \$1,500

♦ **Transaction 2:**

Received the accrued interest of \$1,500.

Debit (Balance Sheet):

Cash \$1,500

Credit (Balance Sheet):

Accrued Income \$1,500

♦ **Transaction 3:**

Adjustment for accrued
income that will not be received.

Debit (Income Statement):

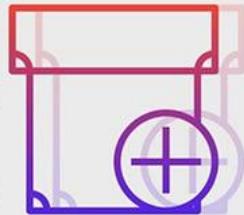
Bad Debt Expense \$1,000

Credit (Balance Sheet):

Accrued Income \$1,000

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Advances to Suppliers



◆ Transaction 1:

Made an advance payment of \$5,000 to a supplier for future inventory.

Debit (Balance Sheet):

Advances to Suppliers \$5,000

Credit (Balance Sheet):

Cash \$5,000

◆ Transaction 2:

Received inventory worth \$3,000 against the advance payment.

Debit (Balance Sheet):

Inventory \$3,000

Credit (Balance Sheet):

Advances to Suppliers \$3,000

◆ Transaction 3:

Wrote off an unreturned advance of \$1,000.

Debit (Income Statement):

Loss on Advances \$1,000

Credit (Balance Sheet):

Advances to Suppliers \$1,000



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Available-for-Sale Securities

♦ **Transaction 1:**
Purchased available-for-sale securities for \$8,000.

Debit (Balance Sheet):
Available-for-Sale Securities \$8,000

Credit (Balance Sheet):
Cash \$8,000

♦ **Transaction 2:**
Recorded an unrealized gain of \$500 on the securities.

Debit (Balance Sheet):
Available-for-Sale Securities \$500

Credit (Equity):
Other Comprehensive Income \$500

♦ **Transaction 3:**
Sold the available-for-sale securities for \$8,500.

Debit (Balance Sheet):
Cash \$8,500

Credit (Balance Sheet):
Available-for-Sale Securities \$8,000

Credit (Income Statement):
Gain on Sale of Securities \$500

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Buildings



◆ **Transaction 1:**
Acquisition of a building with loan for \$100,000.

Debit (Balance Sheet):

Buildings \$100,000

Credit (Balance Sheet):

Bank Loan \$100,000

◆ **Transaction 2:**
Depreciation of the building by \$5,000.

Debit (Income Statement):

Depreciation Expense \$5,000

Credit (Balance Sheet):

Accumulated Depreciation \$5,000

◆ **Transaction 3:**
Sale of a building for \$110,000
that originally cost \$120,000.

Debit (Balance Sheet): Cash \$110,000

Debit (Balance Sheet):

Accumulated Depreciation on Buildings \$120,000

Credit (Balance Sheet):

Buildings \$120,000

Credit (Income Statement):

Loss on Sale of Building \$10,000



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Cash and Cash Equivalents

♦ **Transaction 1:**
Cash sales of products
amounting to \$15,000.

Debit (Balance Sheet):
Cash and Cash Equivalents \$15,000

Credit (Income Statement):
Sales Revenue \$15,000

♦ **Transaction 2:**
Payment of salaries
in cash totaling \$10,000.

Debit (Income Statement):
Salaries Expense \$10,000
Credit (Balance Sheet):
Cash and Cash Equivalents \$10,000

♦ **Transaction 3:**
Purchase of office supplies
in cash for \$2,000.

Debit (Income Statement):
Supplies Expense \$2,000
Credit (Balance Sheet):
Cash and Cash Equivalents \$2,000



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Construction in Progress



- ◆ **Transaction 1:**
Initial investment in construction project of \$50,000.

Debit (Balance Sheet):
Construction in Progress \$50,000
Credit (Balance Sheet):
Cash \$50,000



- ◆ **Transaction 2:**
Additional construction costs incurred totaling \$20,000.

Debit (Balance Sheet):
Construction in Progress \$20,000
Credit (Balance Sheet):
Accounts Payable \$20,000



- ◆ **Transaction 3:**
Capitalization of interest expense of \$5,000 related to construction loan.

Debit (Balance Sheet):
Construction in Progress \$5,000
Credit (Balance Sheet):
Interest Payable \$5,000



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Deferred Tax Assets

♦ **Transaction 1:**

Recognition of deferred tax asset due to temporary difference in revenue recognition.

Debit (Income Statement):

Income Tax Expense \$7,000

Credit (Balance Sheet):

Deferred Tax Assets \$7,000

♦ **Transaction 2:**

Utilization of deferred tax asset to reduce current income taxes payable.

Debit (Balance Sheet):

Deferred Tax Assets \$7,000

Credit (Balance Sheet):

Income Taxes Payable \$7,000

♦ **Transaction 3:**

Write-off of deferred tax asset due to change in tax laws.

Debit (Income Statement):

Deferred Tax Expense \$4,000

Credit (Balance Sheet):

Deferred Tax Assets \$4,000

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Deposits Paid



◆ **Transaction 1:**
Paid a security deposit of \$2,000
for renting an office space.

Debit (Balance Sheet):
Deposits Paid \$2,000
Credit (Balance Sheet):
Cash \$2,000

◆ **Transaction 2:**
Refund of a security deposit after
vacating the rented property.

Debit (Balance Sheet):
Cash \$2,000
Credit (Balance Sheet):
Deposits Paid \$2,000

◆ **Transaction 3:**
Forfeiture of a deposit
due to contract cancellation.

Debit (Balance Sheet):
Loss on Deposit Forfeiture \$1,000
Credit (Balance Sheet):
Deposits Paid \$1,000

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Equipment

◆ **Transaction 1:**

Purchased new equipment for \$20,000 on credit.

Debit (Balance Sheet):

Equipment \$20,000

Credit (Balance Sheet):

Accounts Payable \$20,000



◆ **Transaction 2:**

Depreciation of equipment by \$4,000 for the year.

Debit (Income Statement):

Depreciation Expense \$4,000

Credit (Balance Sheet):

Accumulated Depreciation \$4,000

◆ **Transaction 3:**

Sale of old equipment originally costing \$15,000 (with accumulated depreciation of \$10,000) for \$7,000.

Debit (Balance Sheet): Cash \$7,000

Debit (Balance Sheet): Accumulated Dep. \$10,000

Credit (Balance Sheet): Equipment \$15,000

Credit (Income Statement): Gain on Sale of Eq. \$2,000

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Franchise Rights



♦ **Transaction 1:**
Acquired franchise rights for \$25,000.

Debit (Balance Sheet):
Franchise Rights \$25,000
Credit (Balance Sheet):
Cash \$25,000

♦ **Transaction 2:**
Amortization of franchise rights by \$5,000.

Debit (Income Statement):
Amortization Expense \$5,000
Credit (Balance Sheet):
Accumulated Amortization \$5,000

♦ **Transaction 3:**
Impairment loss recognized
on franchise rights of \$7,000.

Debit (Income Statement):
Impairment Loss \$7,000
Credit (Balance Sheet):
Franchise Rights \$7,000

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Goodwill

♦ Transaction 1:

Recorded goodwill from an acquisition where the purchase price was \$100,000 and the fair value of net assets acquired was \$80,000.

Debit (Balance Sheet):

Various Assets \$80,000

Debit (Balance Sheet):

Goodwill \$20,000

Credit (Balance Sheet):

Cash \$100,000

♦ Transaction 2:

Annual impairment test resulted in an impairment loss of \$5,000 on goodwill.

Debit (Income Statement):

Impairment Loss \$5,000

Credit (Balance Sheet):

Goodwill \$5,000

♦ Transaction 3:

Adjustment of goodwill due to finalized valuation of assets acquired (increase of \$2,000).

Debit (Balance Sheet):

Goodwill \$2,000

Credit (Balance Sheet):

Adjustment to Equity \$2,000

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Intangible Assets



◆ **Transaction 1:**

Acquired a patent for \$10,000 in cash.

Debit (Balance Sheet):

Intangible Assets \$10,000

Credit (Balance Sheet):

Cash \$10,000

◆ **Transaction 2:**

Amortization of intangible assets by \$2,000.

Debit (Income Statement):

Amortization Expense \$2,000

Credit (Balance Sheet):

Accumulated Amortization \$2,000



◆ **Transaction 3:**

Impairment loss recognized on intangible assets of \$1,500.

Debit (Income Statement):

Impairment Loss on Int. Assets \$1,500

Credit (Balance Sheet):

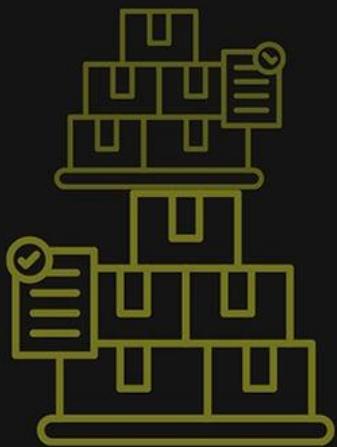
Intangible Assets \$1,500

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Inventory



♦ **Transaction 1:**

Purchased inventory on credit worth \$15,000.

Debit (Balance Sheet):

Inventory \$15,000

Credit (Balance Sheet):

Accounts Payable \$15,000

♦ **Transaction 2:**

Sold inventory costing \$10,000
for \$12,000 in cash.

Debit (Balance Sheet):

Cash \$12,000

Credit (Income Statement):

Revenue \$12,000

Debit (Income Statement):

Cost of Goods Sold \$10,000

Credit (Balance Sheet):

Inventory \$10,000

♦ **Transaction 3:**

Wrote off obsolete inventory worth \$2,000.

Debit (Income Statement):

Loss on Obsolete Inventory \$2,000

Credit (Balance Sheet):

Inventory \$2,000

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Investments in Associates



◆ Transaction 1:

Acquired a 30% interest
in an associate for \$50,000 in cash.

Debit (Balance Sheet):

Investments in Associates \$50,000

Credit (Balance Sheet):

Cash \$50,000

◆ Transaction 2:

Recognizing share in
associate's profit of \$15,000.

Debit (Balance Sheet):

Investments in Associates \$15,000

Credit (Income Statement):

Share of Profit from Associates \$15,000



◆ Transaction 3:

Received dividends from
the associate worth \$5,000.

Debit (Balance Sheet):

Cash \$5,000

Credit (Balance Sheet):

Investments in Associates \$5,000

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Investments in Subsidiaries



◆ Transaction 1:

Purchased 80% of a subsidiary's shares for \$100,000 in cash.

Debit (Balance Sheet):

Investments in Subsidiaries \$100,000

Credit (Balance Sheet):

Cash \$100,000

◆ Transaction 2:

Equity method adjustment for subsidiary's retained earnings of \$20,000.

Debit (Balance Sheet):

Investments in Subsidiaries \$20,000

Credit (Income Statement):

Equity in Earnings of Subsidiaries \$20,000

◆ Transaction 3:

Received dividends from the subsidiary worth \$10,000.

Debit (Balance Sheet):

Cash \$10,000

Credit (Balance Sheet):

Investments in Subsidiaries \$10,000

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Investment Properties



◆ **Transaction 1:**
Purchased a rental property
for \$200,000 in cash.

Debit (Balance Sheet):
Investment Properties \$200,000
Credit (Balance Sheet):
Cash \$200,000

◆ **Transaction 2:**
Recognizing rental income
received in advance of \$5,000.

Debit (Balance Sheet):
Cash \$5,000
Credit (Income Statement):
Rental Income \$5,000

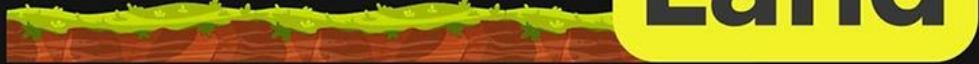


◆ **Transaction 3:**
Depreciation of investment
property by \$10,000.

Debit (Income Statement):
Depreciation Expense \$10,000
Credit (Balance Sheet):
Accumulated Depreciation \$10,000

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Land

◆ **Transaction 1:**
Purchased land for \$100,000 in cash.

Debit (Balance Sheet):
Land \$100,000
Credit (Balance Sheet):
Cash \$100,000

◆ **Transaction 2:**
Sold land that was originally purchased
for \$100,000 for \$150,000 in cash.

Debit (Balance Sheet):
Cash \$150,000
Credit (Balance Sheet):
Land \$100,000
Credit (Income Statement):
Gain on Sale \$50,000

◆ **Transaction 3:**
Exchanged land (originally purchased for
\$100,000) for a building valued at \$120,000.

Debit (Balance Sheet): Buildings \$120,000
Credit (Balance Sheet): Land \$100,000
Credit (Income Statement): Gain \$20,000

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Notes Receivable



◆ **Transaction 1:**

Loaned money to a supplier and received a promissory note for \$50,000.

Debit (Balance Sheet):

Notes Receivable \$50,000

Credit (Balance Sheet):

Cash \$50,000

◆ **Transaction 2:**

Received interest payment of \$2,000 on the note receivable.

Debit (Balance Sheet):

Cash \$2,000

Credit (Income Statement):

Interest Income \$2,000

◆ **Transaction 3:**

Received payment on maturity of the note receivable of \$50,000.

Debit (Balance Sheet):

Cash \$50,000

Credit (Balance Sheet):

Notes Receivable \$50,000

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Patents

♦ **Transaction 1:**
Acquired a patent for \$20,000.

Debit (Balance Sheet):
Patents \$20,000
Credit (Balance Sheet):
Cash \$20,000

♦ **Transaction 2:**
Amortized the patent by \$2,000.

Debit (Income Statement):
Amortization Expense \$2,000
Credit (Balance Sheet):
Accumulated Amortization \$2,000

♦ **Transaction 3:**
Sold a patent (originally acquired for \$20,000, with
\$8,000 accumulated amortization) for \$15,000.

Debit (Balance Sheet): Cash \$15,000
Credit (Balance Sheet): Patents \$20,000
Debit (Balance Sheet): Accum. Amortiz. \$8,000
Credit (Income Statement): Gain \$3,000

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Prepaid Expenses



◆ **Transaction 1:**

Paid \$6,000 in advance for a one-year insurance policy.

Debit (Balance Sheet):

Prepaid Expenses \$6,000

Credit (Balance Sheet):

Cash \$6,000

◆ **Transaction 2:**

Recognized one month of the insurance expense.

Debit (Income Statement):

Insurance Expense \$500

Credit (Balance Sheet):

Prepaid Expenses \$500

◆ **Transaction 3:**

Paid \$12,000 in advance for two years of rent.

Debit (Balance Sheet):

Prepaid Expenses \$12,000

Credit (Balance Sheet):

Cash \$12,000

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Property, Plant, and Equipment (PP&E)



♦ Transaction 1:

Purchased a new machine for manufacturing at a cost of \$50,000.

Debit (Balance Sheet):

Equipment (under PP&E) \$50,000

Credit (Balance Sheet):

Cash \$50,000

♦ Transaction 2:

Recorded annual depreciation on the machine of \$10,000.

Debit (Income Statement):

Depreciation Expense \$10,000

Credit (Balance Sheet):

Accumulated Depreciation \$10,000

♦ Transaction 3:

Sold an old piece of equipment (originally costing \$20,000 with accumulated depreciation of \$15,000) for \$4,000.

Debit (Balance Sheet): Cash \$4,000

Debit (Balance Sheet): Accum. Deprec. \$15,000

Credit (Balance Sheet): Equipment (PP&E) \$20,000

Debit (Income Statement): Loss on Sale \$1,000

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Raw Materials

◆ **Transaction 1:**

Purchased \$30,000 of raw materials on credit.

Debit (Balance Sheet):

Raw Materials \$30,000

Credit (Balance Sheet):

Accounts Payable \$30,000



◆ **Transaction 2:**

Used \$20,000 of raw materials in the production process.

Debit (Balance Sheet):

Work-in-Progress \$20,000

Credit (Balance Sheet):

Raw Materials \$20,000

◆ **Transaction 3:**

Adjusted for inventory shrinkage of \$1,000 in raw materials.

Debit (Income Statement):

Cost of Goods Sold \$1,000

Credit (Balance Sheet):

Raw Materials \$1,000

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Restricted Cash

◆ **Transaction 1:**

Set aside \$10,000 in a separate account for future building repairs.

Debit (Balance Sheet):

Restricted Cash \$10,000

Credit (Balance Sheet):

Cash \$10,000



◆ **Transaction 2:**

Used the restricted cash for the intended building repairs.

Debit (Balance Sheet):

Buildings (under PP&E) \$10,000

Credit (Balance Sheet):

Restricted Cash \$10,000

◆ **Transaction 3:**

Interest earned on restricted cash amounting to \$100.

Debit (Balance Sheet):

Restricted Cash \$100

Credit (Income Statement):

Interest Income \$100

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Right-of-Use Assets

◆ Transaction 1:

Entered into a lease agreement for office space, resulting in a right-of-use asset and lease liability of \$20,000.

Debit (Balance Sheet):

Right-of-Use Assets \$20,000

Credit (Balance Sheet):

Lease Liability \$20,000

◆ Transaction 2:

Recognized one (of 12) month(s) of lease expense.

Debit (Income Statement):

Lease Expense \$1,666.67

Credit (Balance Sheet):

Right-of-Use Assets \$1,666.67

◆ Transaction 3:

Made a monthly lease payment of \$1,700, of which \$1,666.67 was for the lease liability, and the remainder was for interest.

Debit (Balance Sheet):

Lease Liability \$1,666.67

Debit (Income Statement):

Interest Expense \$33.33

Credit (Balance Sheet):

Cash \$1,700



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Securities

◆ **Transaction 1:**
Purchased securities as a
short-term investment for \$30,000.

Debit (Balance Sheet):
Securities \$30,000
Credit (Balance Sheet):
Cash \$30,000



◆ **Transaction 2:**
Received dividends
from the securities amounting to \$500.

Debit (Balance Sheet):
Cash \$500
Credit (Income Statement):
Dividend Income \$500

◆ **Transaction 3:**
Sold the securities for \$32,000,
realizing a gain.

Debit (Balance Sheet): Cash \$32,000
Credit (Balance Sheet): Securities \$30,000
Credit (Income Statement): Gain \$2,000

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Software



◆ **Transaction 1:**

Purchased a software license for \$5,000.

Debit (Balance Sheet):

Software (Intangible Assets) \$5,000

Credit (Balance Sheet):

Cash \$5,000

◆ **Transaction 2:**

Amortized the software over 5 years.

Debit (Income Statement):

Amortization Expense \$1,000

Credit (Balance Sheet):

Accumulated Amortization \$1,000

◆ **Transaction 3:**

Upgraded the software,
capitalizing an additional cost of \$2,000.

Debit (Balance Sheet):

Software \$2,000

Credit (Balance Sheet):

Cash \$2,000

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Trademarks



♦ **Transaction 1:**
Purchased a trademark for \$2,500.

Debit (Balance Sheet):
Trademarks \$2,500
Credit (Balance Sheet):
Cash \$2,500

♦ **Transaction 2:**
Amortized the trademark over 10 years.

Debit (Income Statement):
Amortization Expense \$250
Credit (Balance Sheet):
Accumulated Amortization \$250

♦ **Transaction 3:**
Impaired the trademark,
recognizing an impairment loss due to
a significant decrease in value.

Debit (Income Statement):
Impairment Loss \$1,000
Credit (Balance Sheet):
Trademarks \$1,000

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Unbilled Revenue

◆ **Transaction 1:**

Completed services for a client,
billing to be done next month for \$3,000.

Debit (Balance Sheet):

Unbilled Revenue \$3,000

Credit (Income Statement):

Service Revenue \$3,000

◆ **Transaction 2:**

Billed the client for the services rendered.

Debit (Balance Sheet):

Accounts Receivable \$3,000

Credit (Balance Sheet):

Unbilled Revenue \$3,000

◆ **Transaction 3:**

Adjusted for unearned revenue
initially recorded as unbilled revenue.

Debit (Income Statement):

Service Revenue \$3,000

Credit (Balance Sheet):

Unearned Revenue \$3,000

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Vehicles

◆ **Transaction 1:**
Purchased a vehicle for
company use for \$25,000.

Debit (Balance Sheet):
Vehicles (PP&E) \$25,000
Credit (Balance Sheet):
Cash \$25,000

◆ **Transaction 2:**
Recognized one year's depreciation on
the vehicle, assuming a 5-year useful life.

Debit (Income Statement):
Depreciation Expense \$5,000
Credit (Balance Sheet):
Accumulated Depreciation \$5,000

◆ **Transaction 3:**
Paid for annual vehicle insurance.

Debit (Income Statement):
Insurance Expense \$1,200
Credit (Balance Sheet):
Cash \$1,200

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Work-in-Progress

◆ **Transaction 1:**

Incurred costs for construction work-in-progress of \$50,000.



Debit (Balance Sheet):

Work-in-Progress \$50,000

Credit (Balance Sheet):

Accounts Payable \$50,000

◆ **Transaction 2:**

Billed the client for part of the work completed, amounting to \$20,000.

Debit (Balance Sheet):

Accounts Receivable \$20,000



Credit (Income Statement):

Construction Revenue \$20,000

◆ **Transaction 3:**

Recognized profit on the part of the work completed.

Debit (Income Statement):

Construction Revenue \$5,000

Credit (Income Statement):

Cost of Goods Sold \$5,000

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