

Financial Accounting

Chapter 2

The Recording Process

The Account الحساب

Record of increases and decreases in a specific asset, liability, equity, revenue, or expense item.

تسجيل الزيادة والنقصان في معين الأصول والخصوم، وحقوق الملكية والإيرادات، أو بند النفقات.

| Account Name | |
|--------------|--------------|
| Debit / Dr. | Credit / Cr. |
| Left side | Right side |
| | |
| | |

Double-entry system

نظام القيد

المزدوج

Each transaction must affect two or more accounts to keep the basic accounting equation in balance.

كل معاملة يجب أن تؤثر على اثنين أو أكثر من حسابات للحفاظ على المعادلة المحاسبية الأساسية في التوازن

Recording done by debiting at least one account and crediting another.

تسجيل يتم بالقيام بوضع على الأقل حساب مدين وآخر

دائن

DEBITS must equal CREDITS. يجب أن يتساوى المدين والدائن في كل معاملة

? If Debit amounts are greater than Credit amounts, the account will have a debit balance.

إذا كان رصيد المبلغ المدين أكبر من الدائن، سوف يكون رصيد الحساب مدين

| Account Name | |
|--------------|--------------|
| Debit / Dr. | Credit / Cr. |
| | |
| | |
| | |

If Debit amounts are less than Credit amounts, the account will have a credit balance.

إذا كان رصيد المبلغ المدين اقل من الدائن، سوف يكون رصيد الحساب دائن



[illegible]

Normal balance



الرصيد الطبيعي

Normal balance is on the increase side



Dr
Assets

| Debit / Dr. | Credit / Cr. |
|---|---|
|  |  |
| Normal Balance | |



Cr
Liabilities

| Debit / Dr. | Credit / Cr. |
|---|---|
|  |  |
| | Normal Balance |



Cr
Equity

| Debit / Dr. | Credit / Cr. |
|---|---|
|  |  |
| | Normal Balance |



Cr
Share Capital

| Debit / Dr. | Credit / Cr. |
|---|---|
|  |  |
| | Normal Balance |



Cr
Retained Earnings

| Debit / Dr. | Credit / Cr. |
|---|---|
|  |  |
| | Normal Balance |



Cr
Revenue

| Debit / Dr. | Credit / Cr. |
|---|---|
|  |  |
| | Normal Balance |

Dr
Expense

| Debit / Dr. | Credit / Cr. |
|---|---|
|  |  |
| Normal Balance | |

Dr
Dividends

| Debit / Dr. | Credit / Cr. |
|---|---|
|  |  |
| Normal Balance | |

Issuance of share capital and revenues **increase** equity (credit).

Dividends and expenses **decrease** equity (debit).

Normal Balance **Debit** \longrightarrow Asset, expense, dividends .

Normal Balance **Credit** \longrightarrow liabilities, equity, revenue .

Steps in the Recording Process

خطوات عملية التسجيل

1

The Journal اليومية

Book of original entry. الكتاب الأصلي للعملية المدخلة.

Transactions recorded in chronological order. الترتيب الزمني للعمليات.

Contributions to the recording process: المساهمات في عملية التسجيل

Discloses the complete effects of a transaction. تبين الآثار الكاملة للصفقة.

Provides a chronological record of transactions. يوفر السجل الزمني للصفقة.

Helps to prevent or locate errors because the debit and credit amounts can be easily compared. يساعد في منع وتحديد الأخطاء لأن الارصده المدينة والدائنة يمكن مقارنتهم بسهولة.

Journalizing – Entering transaction data in the journal.

إدخال بيانات العملية في دفتر اليومية

On October 1, shareholders' invested \$1,500,000 cash in the corporation in exchange for share of stock.

General Journal

| Date | Account Title | Debit | Credit |
|-----------|---------------|-----------|-----------|
| October 1 | cash | 1,500,000 | |
| | Share capital | | 1,500,000 |

Compound Entries

On November 1, Hosam Company purchases a delivery truck costing \$640,000. It pays \$240,000 cash now and agrees to pay the remaining balance on account.

| Date | Account Title | Debit | Credit |
|------------|------------------|---------|---------|
| November 1 | Equipment | 640,000 | |
| | Cash | | 240,000 |
| | Accounts payable | | 400,000 |

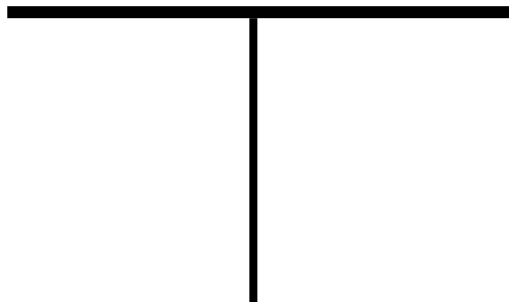
2

دفتر الأستاذ (T.account) The Ledger

General Ledger contains the entire group of accounts maintained by a company.

دفتر الأستاذ العام يحتوي على مجموعة كاملة من الحسابات التي تحتفظ بها الشركة

Debit Account title Credit



Posting – process of transferring amounts from the journal to the ledger accounts. النشر – عملية نقل كميات من اليومية لحسابات دفتر الأستاذ

| | Debit | cash | Credit | |
|--------|-----------|------|---------|------|
| 1/10 | 1,500,000 | | 240,000 | 1/11 |
| balane | 1,260,000 | | | |

3

Trial Balance ميزان المراجعة

trial balance is a list of accounts and their balances at a given time. Its primary purpose is to prove the equality of debits and credits after posting.

ميزان المراجعة هو قائمة الحسابات والأرصدة الخاصة بهم في وقت معين. الغرض الأساسي منه هو إثبات المساواة بين الحركات الدائنة والمدينة بعد نشر.

trial balance does not prove that all transactions have been recorded or that the ledger is correct. لا يثبت أن كل العمليات تم تسجيلها أو انه دفتر الأستاذ صحيح

| | Account Title | Debit | Credit |
|---------------|------------------------|-------|--------|
| asset | cash | xx | |
| | Accounts Receivable | xx | |
| | Prepaid expenses | xx | |
| | equipment | xx | |
| liabilities | Accounts Payable | | xx |
| | Notes Payable | | xx |
| | unearned revenues | | xx |
| Share Capital | Share Capital-Ordinary | | xx |
| | retained earnings | | xx |
| Dividends | Dividends | xx | |
| Revenue | Revenue | | xx |
| | Revenue | | xx |
| Expense | Expense | xx | |
| | Expense | xx | |
| | Expense | xx | |
| | | xxx | xxx |



Debit must equal Credit

يجب أن يتساوى المدين مع الدائن

Example

Transactions for Hosam Company for the month of July are presented : below

- July.**
1. Issued ordinary shares in exchange for \$250,000 cash.
 2. Hired an employee to be paid \$400 per week, payable monthly .
 3. Purchased land costing \$24,000 for cash.
 4. Purchased equipment costing \$12,000 for \$3,000 cash and the remainder balance on credit. (note payable)
 5. Purchased office supplies on account for \$800.
 6. Paid \$1,200 for a one-year insurance policy.
 7. Performed services for customers on account \$5,000.
 8. Received \$4,000 cash for services performed.
 9. Received \$2,000 for services previously performed on account in transaction 7.
 10. Received \$7,000 in advanced for services will performed next month.
 11. Received a bill for \$600 for advertising for the current month.
 12. Paid \$250 cash on account for office supplies purchased in transaction 5.
 13. Paid wages to employees for \$2,500.
 14. Paid dividends of \$1,300.

Instructions

(A) Journalize.

July:

1. Cash 250, -
 Ord. Shares 250, -

2. ~~Salaries Exp 1600~~
 ~~Salaries payable 1600~~
 $400 \times 4 = 1600$
 No entry

3. Land 24,000
 Cash 24,000

4. Equip 12000
 Cash 3000
 N/P 9000

5. Supplies 800
 A/P 800

6. Prepaid Insurance Exp 1200
Cash 1200

7. A/R 5000
Service revenue 5000

8. Cash 4000
Service Revenue 4000

9. Cash 2000
A/R 2000

10. Cash 7000
unearned rev 7000
(next month)

11. Adv. Exp 600
A/P 600

12. A/P 250
cash 250

13. Salaries Exp 2500
Cash 2500

14. Dividend paid 1300
Cash 1300

(B) ledger. post to (T.account)

(C) trial balance

| Date | Account Title | Debit | Credit |
|---------|--------------------------|---------|---------|
| July. 1 | cash | 250,000 | |
| | share capital | | 250,000 |
| 2 | no entry | | |
| 3 | land | 24,000 | |
| | cash | | 24,000 |
| 4 | equipment | 12,000 | |
| | cash | | 3,000 |
| | Note payable | | 9,000 |
| 5 | supplies | 800 | |
| | Accounts payable | | 800 |
| 6 | prepaid insurance | 1,200 | |
| | cash | | 1,200 |
| 7 | Accounts Receivable | 5,000 | |
| | Service Revenue | | 5,000 |
| 8 | cash | 4,000 | |
| | Service Revenue | | 4,000 |
| 9 | cash | 2,000 | |
| | Accounts Receivable | | 2,000 |
| 10 | cash | 7,000 | |
| | Unearned Service Revenue | | 7,000 |
| 11 | Advertising Expense | 600 | |
| | Accounts Payable | | 600 |
| 12 | Accounts payable | 250 | |
| | cash | | 250 |
| 13 | wages Expense | 2,500 | |
| | cash | | 2,500 |
| 14 | Dividends | 1,300 | |
| | cash | | 1,300 |

(A) Journalize

Hosam Kobisy 66505346

(B) ledger

ACCOUNTS RECEIVABLECASH

| | | | |
|------------------|-----------|-------------|------------|
| (7) 5,000 | (9) 2,000 | (1) 250,000 | (3) 24,000 |
| | | (8) 4,000 | (4) 3,000 |
| B.L 3,000 | | (9) 2,000 | (6) 1,200 |

(10)

7,000

250

(12)

2,500 (13)

1,300 (14)

B.L 230,750

SUPPLIES

EQUIPMENT

(4) 12,000

(5) 800

land

prepaid insurance

(6) 1,200

(3) 24,000

Accounts payable

Note payable

(4) 9,000

(12) 250

(5) 800

(11)

600

B.L 1,150

Unearned Service Revenue

Share Capital-Ordinary

(10) 7,000

(1) 250,000

Advertising Expense

Service Revenue

(7) 5,000 600

(11)

(8) 4,000

B.L 9,000

Dividends

wages Expense

(13) 2,500

(14) 1,300

(C) trial balance

| Account Title | Debit | Credit |
|---------------------|---------|--------|
| cash | 230,750 | |
| Accounts Receivable | 3,000 | |
| prepaid insurance | 1,200 | |
| SUPPLIES | 800 | |

| | | |
|---------------------------|---------|---------|
| land | 24,000 | |
| equipment | 12,000 | |
| Accounts Payable | | 1,150 |
| Notes Payable | | 9,000 |
| unearned Service revenues | | 7,000 |
| Share Capital-Ordinary | | 250,000 |
| Dividends | 1,300 | |
| Service Revenue | | 9,000 |
| | | |
| Advertising Expense | 600 | |
| wages Expense | 2,500 | |
| | | |
| | 276,150 | 276,150 |

End of Chapter
(2)

**With my best
wishes**