**Transaction #1:**On December 1, 2017, Mr. Donald Gray started Gray Electronic Repair Services by investing $10,000. The journal entry should increase the company's Cash, and increase (establish) the capital account of Mr. Gray; hence:

| **Date 2017** | | **Particulars** | **Debit** | **Credit** |
| --- | --- | --- | --- | --- |
| Dec | 1 | Cash | 10,000.00 |  |
|  |  | Mr. Gray, Capital |  | 10,000.00 |

**Transaction #2:** On December 5, Gray Electronic Repair Services paid registration and licensing fees for the business, $370.

First, we will debit the expense (to increase an expense, you debit it); and then, credit Cash to record the decrease in cash as a result of the payment.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 5 | Taxes and Licenses | 370.00 |  |
|  |  | Cash |  | 370.00 |

**Transaction #3:** On December 6, the company acquired tables, chairs, shelves, and other fixtures for a total of $3,000. The entire amount was paid in cash.

There is an increase in an asset account (Furniture and Fixtures) in exchange for a decrease in another asset (Cash).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 6 | Furniture and Fixtures | 3,000.00 |  |
|  |  | Cash |  | 3,000.00 |

**Transaction #4:** On December 7, the company acquired service equipment for $16,000. The company paid a 50% down payment and the balance will be paid after 60 days.

This will result in a compound journal entry. There is an *increase*in an*asset* account (*debit*Service Equipment, $16,000), a *decrease* in another *asset* (*credit* Cash, $8,000, the amount paid), and an *increase* in a *liability* account (*credit* Accounts Payable, $8,000, the balance to be paid after 60 days).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 7 | Service Equipment | 16,000.00 |  |
|  |  | Cash |  | 8,000.00 |
|  |  | Accounts Payable |  | 8,000.00 |

**Transaction #5:** Also on December 7, Gray Electronic Repair Services purchased service supplies *on account* amounting to $1,500.

The company received supplies thus we will record a debit to increase supplies. By the terms "on account", it means that the amount has not yet been paid; and so, it is recorded as a liability of the company.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 7 | Service Supplies | 1,500.00 |  |
|  |  | Accounts Payable |  | 1,500.00 |
|  |  |  |  |  |

**Transaction #6:** On December 9, the company received $1,900 for services rendered. We will then record an increase in cash (debit the cash account) and increase in income (credit the income account).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 9 | Cash | 1,900.00 |  |
|  |  | Service Revenue |  | 1,900.00 |

**Transaction #7:** On December 12, the company rendered services on account, $4,250.00. As per agreement with the customer, the amount is to be collected after 10 days. Under the *accrual basis of accounting*, income is recorded when earned.

In this transaction, the services have been fully rendered (meaning, we made an income; we just haven't collected it yet.) Hence, we record an increase in income and an increase in a receivable account.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 12 | Accounts Receivable | 4,250.00 |  |
|  |  | Service Revenue |  | 4,250.00 |

**Transaction #8:**On December 14, Mr. Gray invested an additional $3,200.00 into the business. The entry would be similar to what we did in transaction #1, i.e. increase cash and increase the capital account of the owner.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 14 | Cash | 3,200.00 |  |
|  |  | Mr. Gray, Capital |  | 3,200.00 |

**Transaction #9:** Rendered services to a big corporation on December 15. As per agreement, the $3,400 amount due will be collected after 30 days.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 15 | Accounts Receivable | 3,400.00 |  |
|  |  | Service Revenue |  | 3,400.00 |

**Transaction #10:** On December 22, the company collected from the customer in transaction #7. We will record an increase in cash by debiting it. Then, we will credit accounts receivable to decrease it. We are reducing the receivable since it has already been collected.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 17 | Cash | 4,250.00 |  |
|  |  | Accounts Receivable |  | 4,250.00 |

Actually, we simply transferred the amount from receivable to cash in the above entry.

**Transaction #11:** On December 23, the company paid some of its liability in transaction #5 by issuing a check. The company paid $500 of the $1,500 payable.

To record this transaction, we will debit Accounts Payable for $500 to decrease it by the said amount. Then, we will credit cash to decrease it as a result of the payment. The entry would be:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 20 | Accounts Payable | 500.00 |  |
|  |  | Cash |  | 500.00 |

*Accounts payable* would now have a credit balance of $1,000 ($1,500 initial credit in transaction #5 less $500 debit in the above transaction).

**Transaction #12:** On December 25, the owner withdrew cash due to an emergency need. Mr. Gray withdrew $7,000 from the company.

We will decrease Cash since the company paid Mr. Gray $7,000. And, we will record withdrawals by debiting the withdrawal account – *Mr. Gray, Drawings*.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 25 | Mr. Gray, Drawings | 7,000.00 |  |
|  |  | Cash |  | 7,000.00 |

**Transaction # 13:** On December 29, the company paid rent for December, $ 1,500. Again, we will record the expense by debiting it and decrease cash by crediting it.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 29 | Rent Expense | 1,500.00 |  |
|  |  | Cash |  | 1,500.00 |

**Transaction #14:** On December 30, the company acquired a $12,000 short-term bank loan; the entire amount plus a 10% interest is payable after 1 year.

Again, the company received cash so we increase it by debiting Cash. The company now has a liability. We will record it by crediting the liability account – *Loans Payable*.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 30 | Cash | 12,000.00 |  |
|  |  | Loans Payable |  | 12,000.00 |

**Transaction #15:** On December 31, the company paid salaries to its employees, $3,500.

For this transaction, we will record/increase the expense account by debiting it and decrease cash by crediting it. (*Note: This is a simplified entry to present the payment of salaries. In actual practice, different payroll accounting methods are applied.*)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 31 | Salaries Expense | 3,500.00 |  |
|  |  | Cash |  | 3,500.00 |