Journal Entry Exercise

1. Started business with 5,000,000/- in Cash on 1st July 2023.
2. Deposited 1,500,000/- in Bank on 2nd July 2023.
3. Purchased inventory of 750,000 on credit from Mega Mart on 5th July 2023.
4. Purchased inventory of 500,000 from Multi Media on 7th July 2023.
5. Adjusted inventory cost of 250,000 on 8th July 2023.
6. Adjusted inventory cost of 200,000 on 8th July 2023.
7. Sold inventory on credit to Mr. Rehman of 800,000 on 10th July 2023.
8. Sold inventory on cash of 500,000 on 14th July 2023.
9. Incurred office expenses of 45,000 on 16th July 2023.
10. Incurred entertainment expenses of 70,000 on 18th July 2023.
11. Purchased computer for 250,000 on 27th July 2023.
12. Paid salary of 110,000 on 1st August 2023.
13. Paid rent of 35,000 to Mr. Abbas on 2nd August 2023.
14. Adjusted income tax of 177,000 on 2nd August 2023.

Shortcut key: alt h o w column size fix.

Alt w b g = remove gridlines

1. Creating chart of accounts.

Process: 1st I add titles and formatting them.

We link journal entries accounts column to Chart of Accounts Individual accounts through Data Validation.

Now preparing Journal entries.

2. Journal was complete.
   Main concept: <mark>If Asset and expenses increase that would be Debit. If decrease that should be credit.</mark>
   <mark>And opposite if liabilities and income increase that would be credit and if decrease that would be debit.</mark>

3. It's time to create ledger. Creating pivot-table add slicer. Make report.
4. Create trial balance : adding extra two separate column. Example: sub account and balance that would give us advantage.
5. I want exact data that's why I used Vlookup or xlookup
6. In journal I added cost of goods sold 250000 and also 200000
7. I added tax 30% of operating profit.
8. So working on **income statement** sales minus cost of good sold. Then it was gross profit. Gross profit minus expenses it was operating income than. Operating income minus tax it was **net income.**
9. I also entry income statement tax number to journal entries.
10. Balance sheet date start with **AS At** and income statement start with **for the year**.
11. Note that you have to add net income on equity part on balance sheet. Then link with income statement.
12. Note: After completing balance sheet make sure total current assets and current liabilities similar.

Effective Accounting Process Workflow

1. **Creating Chart of Accounts**
   - Add account titles and apply formatting for clarity.
   - Link the **Accounts** column in the journal to individual accounts in the chart of accounts using **Data Validation** for consistency.
2. **Preparing Journal Entries**
   - Enter all transactions systematically.
   - **Key principle:**
     - **Assets & Expenses:** increase → Debit; decrease → Credit
     - **Liabilities & Income:** increase → Credit; decrease → Debit
3. **Creating Ledgers**
   - Use **PivotTables** to summarize ledger accounts.
   - Add **slicers** for easy filtering and report generation.
4. **Preparing Trial Balance**
   - Include extra columns such as **Sub-Account** and **Balance** for better organization and analysis.
   - Ensure totals of **Debits = Credits**.
5. **Using Lookup Functions**
   - Use **VLOOKUP/XLOOKUP** to fetch exact account balances, link data across sheets, and avoid manual errors.
6. **Cost of Goods Sold (COGS)**
   - Record COGS entries: e.g., 250,000 and 200,000.
   - Include these in journal and ledger to calculate gross profit.
7. **Income Tax Adjustment**
   - Calculate **tax as 30% of operating profit** and record in journal.
   - Link this entry to the income statement for accurate net income calculation.
8. **Preparing Income Statement**
   - Include income tax entry in journal for consistency.
9. **Preparing Balance Sheet**
   - Start with "**As At [Date]**" format.
   - Add **Net Income** from the income statement under **Equity**.
   - Ensure **Total Assets = Total Liabilities + Equity**.
10. **Validation & Linking**
    - Cross-check that trial balance, income statement, and balance sheet are all consistent.
    - Link income statement net income to equity automatically for dynamic updates.