

Chapter-2

* Double Entry System

Each transaction must affect two or more accounts to keep the basic accounting equation in balance. In other words, for each transaction, debits must equal credits in the accounts. The equality of debits and credits provides the basis for the double-entry system of recording transactions.

Normal Balance

Assets → Debit
↓
Asset Increases → Debit
Asset Decreases → Credit

Liabilities → Credit
↓
Liabilities Increases → Credit
Liabilities Decreases → Credit

Owner's Capital → Credit

Revenues → Credit

Expenses → Debit

Drawings → Debit

DEBIT CREDIT

Debit	Credit
Expenses	Liabilities
Assets	Revenues
Drawings	Owner's Investment

Journal

Date	Accounts Title	Ref	Debit	Credit
Jan 1, 2019	Cash Dr Owner's Capital Cr		50,000	50,000
Jan 3, 2019	Equipment Dr Accounts Payable Cr Cash Cr		10,000 4,000 6,000	
Jan 5, 2019	Accounts Receivable Dr Service Revenue Cr		500	500
Jan 7, 2019	Salaries Expense Dr Cash Cr		1,000	1,000
Jan 8, 2019	Cash Dr Accounts Receivable Cr		500	500

#5

Unearned Revenue → (Current Liability) Cr.

↳ For service going to be provided in the future
(Advanced Payment)

Ex - Ticket Service, Pre-ordering items

Cash	Dr.	
		Unearned Rev. Cr
This is not a normal entry and is called adjusting entry	{	Unearned Revenue Dr.
		Service Revenue Cr.

Prepaid Expense → (Current Asset) Dr.

Jan 1.	Prepaid Insurance Dr. Cash Cr.	600 600	} For 12 months
Adjusting Entry { Jan 31.	Insurance Expense Dr. Prepaid Insurance Cr.	50 50	

Cash Inflow → Credit

Cash Outflow → Debit

* Ledger → Classifying the accounts based on transactions.

↳ Accounts Payable, Cash,

Equipment.

* Trial Balance → A summarization.

Journal

Date	Accounts	Title	Ref	Debit \$	Credit \$
2010 Sep-1	Cash	Dr.		\$ 20,000	\$ 20,000
	Bob Sample, Capital	Cr.			
Sep-2	Rent Expenses	Dr.		1,000	
	Start Cash	Cr.			
Sep-3	Laundry Equipment	Dr.			25,000
	Cash	Cr.			
	Note Payable	Cr.			10,000
Sep-4	Prepaid Insurance	Dr.			15,000
	Cash	Cr.		1,200	
Sep-10	Advertising Expense	Dr.			1,200
	Cash Accounts Payable	Cr.		200	
(Received bill), Sep-20	Bob Sample, Drawing	Dr.			200
	Cash	Cr.		700	
Sep-30	Cash				700
	Service Revenue	Dr.		6200	
		Cr.			6200

In case of
events not →
a transaction
write this
in journal
only.

This is not a
transaction

AD - 89 LS - H
AS - 89

~~H.W.~~ P 2-1A

Date	Accounts	Title	Ref	Debit	Credit
2010				\$	\$
April-1	Cash	Dr.		40,000	
	C.J. Mendez, Capital	Cr.			40,000
April-4	Land	Dr.		30,000	
	Cash	Cr.			30,000
April-8	Advertising Expense	Dr.		1,800	
	Accounts Payable	Cr.			1,800
April-11	Salaries Expense	Dr.		1,500	
	Cash	Cr.			1,500
April-12	This is not a transaction.				
April-13	Prepaid Insurance	Dr.		1,500	
	Cash	Cr.			1,500
April-17	C. J. Mendez, Drawing	Dr.		1,000	
	Cash	Cr.			1,000
April-20	Cash	Dr.		5,700	
	Admission Revenue	Cr.			5,700
	Unearned Admission Revenue	Dr.			
April-25	Cash	Dr.		2,500	
	Unearned Admission Revenue	Cr.			2,500
April-30	Cash	Dr.		8,900	
	Admission Revenue	Cr.			8,900
April-30	Accounts Payable	Dr.		900	
	Cash	Cr.			900
				<u>93,800</u>	<u>93,800</u>

P2-2A (a)

Date	Accounts Title	Ref	Debit	Credit
2010			\$	\$
May-1	Cash Dr. J. Kent, Capital Cr.	101 301	25,000	25,000
May-2	This is not a transaction			
May-3	Supplies Dr. Accounts Payable Cr.	126 201	2,500	2,500
May-7	Rent Expense Dr. Cash Cr.	729 101	900	900
May-11	Accounts Receivable Dr. Service Revenue Cr.	112 400	2,100	2,100
May-12	Cash Dr. Unearned Revenue Cr.	101 205	3,500	3,500
May-17	Cash Dr. Service Revenue Cr.	101 400	1,200	1,200
May-31	Salaries Expense Dr. Cash Cr.	726 101	2,000	2,000
May-31	Accounts Payable Dr. Cash Cr.	201 101	1,000	1,000
			38,200	38,200

General Ledger

Cash

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
May-1			25,000		25,000
May-7				900	24,100
May-12			3,500		27,600
May-17			1,200		28,800
May-31			2,000		26,800
May-31			1,000		25,800

Accounts Receivable

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
May-11			2,100		2,100

Supplies

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
May-3			2,500		2,500

Accounts Payable

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
May-3				2,500	2,500
May-31			1,000		1,500

Unearned Revenue

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
May-12				3,500	3,500

Jane Kent, Capital

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	
May-11				25,000	25,000

Service Revenue

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	
May-11				2,100	2,100
May-17				1,200	3,300

Salaries Expense

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	
May-31			2,000		2,000

Rent Expense

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	
May-7			900		900

(c)

Jane Kent
Trial Balance
May 31, 2010

Account Title	Debit	Credit
Cash	\$ 25,800	
Accounts Receivable	22,100	
Supplies	2,500	
Accounts Payable		1,500
Unearned Revenue		3,500
Jane Kent, Capital		25,000
Service Revenue		3,300
Salaries Expense	2,000	
Rent Expense	900	
	<u>33,300</u>	<u>33,300</u>

P2-1B

Journal

Date	Accounts Title	Debit	Credit
		\$	\$
2010			
March-1	Cash Dr. B. Schultz, Capital Cr.	20,000	20,000
March-3	Land Dr. Street Building Dr. Equipment Dr. Cash Cr.	12,000 2,000 1,000 15,000	
March-6	Prepaid Insurance Dr. Cash Cr.	600	600
March-5	Advertising Expense Dr. Cash Cr.	700	700
March-10	Equipment Dr. Accounts Payable Cr.	1,050	1,050
March-18	Cash Dr. Golf Revenue Cr.	340	340
March-19	Cash Dr. Unearned Revenue Cr.	1,000	1,000
March-25	B. Schultz, Drawings Dr. Cash Cr.	800	800
March-30	Salaries Expense Dr. Cash Cr.	250	250
March-30	Accounts Payable Dr. Cash Cr.	10,50	10,50
March-31	Cash Dr. Golf Revenue Cr.	200	200
		<u>40,990</u>	<u>40,990</u>

P2-2B (a)

Journal

Date	Accounts Title	Ref	Debit	Credit
			\$	\$
2010				
April 1	Cash Dr. M. Juarez, Capital Cr.		40,000	40,000
April 1	This is not a transaction			
April 2	Rent Expense Dr. Cash Cr.		1,000	1,000
April 3	Supplies Dr. Accounts Payable Cr.		4,000	4,000
April 10	Accounts Receivable Dr. Service Revenue Cr.		5,100	5,100
April 11	Cash Dr. Unearned Revenue Cr.		1,000	1,000
April 20	Cash Dr. Service Revenue Cr.		2,100	2,100
April 30	Salaries Expense Dr. Cash Cr.		2,400	2,400
April 30	Accounts Payable Dr. Cash Cr.		1,600	1,600
			<u>57,200</u>	<u>57,200</u>

General LedgerCash

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-1			40,000		40,000
April-2				1,000	39,000
April-11			1,000		39,000
April-20			2,100		42,100
April-30			2,400		39,700
April-30			1,600		38,100

Accounts Receivable

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-10			5,100		5,100

Supplies

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-3			5,100 4,000 4,000		5,100 4,000 4,000

Accounts Payable

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-3				4,000	4,000
April-30			1,600		2,400

Unearned Revenue

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-11				1,000	1,000

M. Juarez, Capital

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-1			40,000	40,000	40,000

Service Revenue

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-10				5,100	5,100
April-20			2,100		7,200

Salaries Expense

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-30			2,400		2,400

Rent Expense

Date	Explanation	Ref	Debit	Credit	Balance
2010			\$	\$	\$
April-2			1,000		1,000

(c)

M. Juarez

Trial Balance

April 30, 2010

Account Title	Debit	Credit
Cash	\$ 38,100	
Accounts Receivable	5,100	
Supplies	4,000	
Accounts Payable		2,400
Unearned Revenue		1,000
M. Juarez Capital		40,000
Service Revenue		7,200
Salaries Expense	2,400	2,400
Rent Expense	1,000	1,000
	<u>50,600</u>	<u>50,600</u>