A(+debit) (-credit) =l+oe(credit) –(debit) (Steps :1st General Journal, 2nd Ledger, 3rd Trial Balance, 4th Financial Statements)

**Q) Tania started her consulting business in June 2017. During the first month of its operations, the company engaged in following transactions:**

|  |  |
| --- | --- |
| **Jun 1** | **Invested $45,000 cash, to start business. Cash+(dr), Capital +(cr)** |
| **2** | **An amount of $2,400 was paid as rent for the next 3 months. Cash -(cr), Prepaid Rent+ (dr) (Prepaid Rent is Asset and not expense)** |
| **3** | **Paid $2,000 cash on the purchase of equipment costing $5,000. The remaining amount was recognized as a one year note payable with interest rate of 9%. Equipment + 5000(dr), Cash2000- (cr) Note payable3000+ (cr)** |
| **4** | **Purchased office supplies costing $600 on account. Supplies + (dr), Accounts Payable + (cr)** |
| **8** | **Provided services of $ 8000 to its customers and received $5,500 in cash. Revenue+ 8000(cr), Cash + 5500(dr), Accounts Receivable+2500(dr)** |
| **10** | **Paid the accounts payable on the office supplies purchased on June 4. Cash -600(cr), Accounts Payable –600(dr)** |
| **15** | **Received the amount due on June 8th Cash2500 + (dr), Accounts Receivable –2500 (cr)** |
| **22** | **Withdrew $800. Cash - (cr), Drawings (dr)** |
| **25** | **Customers provided $3000 advance for services to be provided later Cash+ (dr), Unearned Revenue+ (cr) (unearned revenue is a liability)** |
| **30** | **Paid $1000 salaries, $200 advertising, $ 300 utilities Cash -1500(cr), Salaries expense 1000(dr), Advertising expense200 (dr), Utlities expense300 (dr)** |

**Required:**

**(a)** Journalize the transactions.

**(b)** Prepare the ledger and Trial Balance.

**General Journal**

**For the month of June 2017(Here you will write date)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Account Title** | **Ref** | **Debit ($)** | **Credit ($)** |
| **Jun 1** | **Cash**  **Capital**  **(Invested cash in the business)** |  | **45000** | **45000** |
| **Jun 2** | **Prepaid Rent**  **Cash**  **(Paid rent in advance for three months)** |  | **2400** | **2400** |
| **Jun 3** | **Equipment**  **Cash**  **Notes Payable**  **(Equipment purchased, partial amount due on notes payable)** |  | **5000** | **2000**  **3000** |
| **Jun 4** | **Supplies**  **Accounts Payable**  **(Supplies purchased on account)** |  | **600** | **600** |
| **Jun 8** | **Cash**  **Accounts Receivable**  **Revenue**  **(Service provided, customer paid partially)** |  | **5500**  **2500** | **8000** |
| **Jun 10** | **Accounts Payable**  **Cash**  **(paid amount due)** |  | **600** | **600** |
| **Jun 15** | **Cash**  **Accounts Receivable**  **(Received due amount from customers)** |  | **2500** | **2500** |
| **Jun 22** | **Drawings**  **Cash**  **(Owner withdrew for personal use)** |  | **800** | **800** |
| **Jun 25** | **Cash**  **Unearned Revenue**  **(customer paid advance)** |  | **3000** | **3000** |
| **Jun 30** | **Salaries Expense**  **Advertising Expense**  **Utilities Expense**  **Cash**  **(Expenses paid)** |  | **1000**  **200**  **300** | **1500** |
|  | **Total** |  | **$69,400** | **$69,400** |

**Some highlights for you to remember:**

* **Remember Debits always comes first. So complete all accounts which are debit and then go for credit**
* **Remember the format of debit and credit**
* **Enter debit amount in debit column and credit amount in credit column**
* **If Asset increases it is debit if it decreases it is credit**
* **If Liabilities increase it is credit if it decreases it is debit**
* **Owners Capital is credit, Revenue is credit, Drawings is debit ,Expense is debit**

**Ledger for cash Ledger for Capital**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| June1 |  | 45000 |  | 45000 dr |
| 2 |  |  | 2400 | 42600 dr |
| 3 |  |  | 2000 | 40600 dr |
| 8 |  | 5500 |  | 46100 dr |
| 10 |  |  | 600 | 45500 dr |
| 15  22  25  30 |  | 2500  3000 | 800  1500 | 48000 dr  47200 dr  50200 dr  48700 dr |
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| Date | Explanation | Debit | Credit | Balance |
| June 1 |  |  | 45000 | 45000cr |
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**Ledger for Prepaid Rent Ledger for Equipment**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| June 2 |  | 2400 |  | 2400 dr |
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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| June 3 |  | 5000 |  | 5000 dr |
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**Ledger for Notes Payable**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| June 3 |  |  | 3000 | 3000 cr |
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**Ledger for Supplies**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| June 4 |  | 600 |  | 600 dr |
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**Ledger for Accounts Payable**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| June 4  10 |  | 600 | 600 | 600 cr  0 cr |
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**Ledger for Accounts Receivable**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| june8  june15 |  | 2500 | 2500 | 2500 dr  0 dr |
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**Ledger for Revenue**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| June 8 |  |  | 8000 | 8000 cr |
|  |  |  |  |  |
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**Ledger For Drawings**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| June 22 |  | 800 |  | 800 dr |
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**Ledger For Unearned Revenue**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| Jun 25 |  |  | 3000 | 3000 cr |
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**Ledger For Salaries Expense**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| Jun 30 |  | 1000 |  | 1000 dr |
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**Ledger for Advertising Expense Ledger for Utillities Expense**

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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| Jun 30 |  | 200 |  | 200 dr |
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| --- | --- | --- | --- | --- |
| Date | Explanation | Debit | Credit | Balance |
| Jun 30 |  | 300 |  | 300 dr |
|  |  |  |  |  |
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**Tanya (name of the company)**

**Trial Balance**

**For the month ended June 2017 (date)**

|  |  |  |  |
| --- | --- | --- | --- |
| **SL** | **Account Name** | **Debit** | **Credit** |
| **1** | **Cash** | **48700** |  |
| **2** | **Capital** |  | **45000** |
| **3** | **Prepaid Rent** | **2400** |  |
| **4** | **Equipment** | **5000** |  |
| **5** | **Notes payable** |  | **3000** |
| **6** | **Supplies** | **600** |  |
| **7** | **Accounts Payable** |  | **0** |
| **8** | **Accounts Receivable** | **0** |  |
| **9** | **Revenue** |  | **8000** |
| **10** | **Drawings** | **800** |  |
| **11** | **Unearned Revenue** |  | **3000** |
| **12** | **Salaries Expense** | **1000** |  |
| **13** | **Advertising Expense** | **200** |  |
| **14** | **Utilities Expense** | **300** |  |
|  |  |  |  |
|  | **Total** | **59,000** | **59,000** |
|  |  |  |  |