THE ACCOUNTING CYCLE

JOURNALIZING

Journalizing is the process of recording a transaction in the journal after it has been recognized and measured. In journalizing transactions, the double-entry system is used. In this case, two or more accounts are affected by each transaction. It follows that for every debit, a corresponding credit is made. The total debits should equal total credits for every transaction. In this way, the equality of the accounting equation is maintained.

Rules for Debit and Credit

You debit to show:	You credit to show:
Increase in assets	Decrease in assets
Decrease in liabilities	Increase in liabilities
Decrease in owner's equity	Increase in owner's equity
-Owner's withdrawal	-Initial investment
-Expenses	-Revenue/income

Rules for Debit and Credit

You debit to show:	You credit to show:
Increase in assets	Decrease in assets
Decrease in liabilities	Increase in liabilities
Decrease in owner's equity	Increase in owner's equity
-Owner's withdrawal	-Initial investment
-Expenses	-Revenue/income

Journalizing Transactions:

Jerome Garcia started a new business and completed these transactions for August 2021:

Aug. 1 Garcia invested PHP48,000 cash in the business.

1 Rented office space and paid PHP800 cash for the August rent.

3 Purchased repair equipment for PHP22,000 by paying PHP12,000 cash and agreed to pay the balance in 3 months.

5 Purchased repair supplies by paying PHP1,500 cash.

6 Completed repair work and immediately collected PHP420 cash for the work.

8 Purchased PHP1,350 of repair equipment on credit.

15 Completed repair work on credit in the amount of PHP8,000.

18 Purchased PHP700 worth of repair supplies on credit.

20 Paid cash for the repair equipment purchased on August 8.

24 Billed a client PHP2,400 for work completed; the balance is due in 30 days.

28 Received PHP5,000 cash for the work completed on August 15.

30 Paid the assistant's salary of PHP1,100 cash for the month.

Aug. 1 Garcia invested PHP48,000 cash in the business.

GENERAL JOURNAL

Page _1_

Date		Particulars	P.R.	Debit	Credit
Aug.	1	Cash		4 8 0 0 0	
		J. Garcia Capital			4 8 0 0 0
		To record initial investment of J. Garcia.			

Aug 1 Rented office space and paid PHP800 cash for the August rent.

GENERAL JOURNAL

Page _1_

Date		Particulars	P.R.	Debit	Credit
Aug.	1	Cash		₱ 4 8 0 0 0	
		J. Garcia Capital			₱ 4 8 0 0 0
		To record initial investment of J. Garcia.			
	1	Rent Expense		8 0 0	
		Cash			8 0 0
		To record payment of rent for the month			

Aug. 3 Purchased repair equipment for PHP22,000 by paying PHP12,000 cash and agreed to pay the balance in 3 months.

3	Repair Equipment			2 2 0 0 0			
	Cash					1 2 0 0 0
	Accounts Payable					1 0 0 0 0
	To record purchase of equipment					

Aug. 5 Purchased repair supplies by paying PHP1,500 cash.

5	Repair Supplies			1 5 0 0			
	Cash					1 5 0 0
	To record purchase of repair supplies					

Aug. 6 Completed repair work and immediately collected PHP420 cash for the work.

6	Cash				4 2 0			
	Repair Services Income						4 2 0
	To record payment received for services rendered						

Aug. 8 Purchased PHP1,350 of repair equipment on credit.

8	Repair Equipment				1 3 5 0			
	Accounts Payable						1 3 5 0
	To record repair equipment purchased on credit						

Aug. 15 Completed repair work on credit in the amount of PHP8,000.

15	Accounts Receivable		8 0 0 0		
	Repair Services Income			8 0 0 0
	To record services rendered on account.			

Aug. 18 Purchased PHP700 worth of repair supplies on credit.

18	Repair Supplies		7 0 0		
	Accounts Payable			7 0 0
	To record repair supplies bought on credit.			

Aug. 20 Paid cash for the repair equipment purchased on August 8.

20	Accounts Payable			1 3 5 0		
	Cash					1 3 5 0
	To record payment for equipment purchased on					
	credit dated August 8, 2021					

Aug. 24 Billed a client PHP2,400 for work completed; the balance is due in 30 days.

24	Accounts Receivable			2 4 0 0		
	Repair Services Income					2 4 0 0
	To record services rendered on account					

Aug. 28 Received PHP5,000 cash for the work completed on August 15.

	28	Cash					5 0 0 0				
		Accounts Receivable								5 0 0 0	
		To record payment for services rendered on									
		account dated August 15.									

Aug. 30 Paid the assistant's salary of PHP1,100 cash for the month.

	30	Salary Expense					1 1 0 0				
		Cash								1 1 0 0	
		To record payment for assistant's salary.									

T-Accounts

Account Name: Cash

Date		Debit					Date			Credit			
Aug.	1	₱	4	8	0	0	0	Aug	1			8	0	0
	6			4	2	0		3		1	2	0	0	0
	28			5	0	0	0	5			1	5	0	0
								20			1	3	5	0
								30			1	1	0	0
Total			5	3	4	2	0			1	6	7	5	0
Balance			3	6	6	7	0							

T-Accounts

Account Name: J. Garcia Capital

Date	Debit	Date		Credit
		Aug 1	₱	48 000
Total			₱	48 000
Balance			₱	**48 000**

T-Accounts

Account Name: Rent Expense				
Date	**Debit**	**Date**	**Credit**	
Aug. 1	₱ 8 0 0			
Total	₱ 8 0 0			
Balance	₱ 8 0 0			

T-Accounts

Account Name: Repair Equipment									
Date		Debit					Date		Credit
Aug.	3	₱	2	2	0	0	0	₱	
	8			1	3	5	0		
Total		₱	2	3	3	5	0	₱	
Balance		₱	2	3	3	5	0		

T-Accounts

Account Name: Accounts Payable

Date		Debit					Date		Credit				
Aug.	20	₱		1	3	5	0	Aug	3	₱	1	0	0	0	0
								8			1	3	5	0
								18				7	0	0
Total		₱		1	3	5	0			₱	1	2	0	5	0
Balance										₱	1	0	7	0	0

T-Accounts

Account Name: Repair Supplies

Date		Debit					Date		Credit			
Aug.	5	₱		1	5	0	0		₱			
	18				7	0	0					
Total		₱		2	2	0	0		₱			
Balance		₱		2	2	0	0		₱			

T-Accounts

Account Name: Repair Services Income

Date	Debit	Date		Credit
		Aug 6	₱	4 2 0
		15		8 0 0 0
		24		2 4 0 0
Total			₱	1 0 8 2 0
Balance			₱	1 0 8 2 0

T-Accounts

Account Name: Accounts Receivable

Date		Debit					Date		Credit			
Aug.	15	₱			8	0	0	0	Aug	28	5	0	0	0
	24				2	4	0	0						
Total		₱	1	0	4	0	0			5	0	0	0
Balance		₱		5	4	0	0						

T-Accounts

Account Name: Salary Expense

Date		Debit					Date		Credit
Aug.	30	₱		1	1	0	0		
Total		₱		1	1	0	0		
Balance		₱		1	1	0	0		

Trial Balance

J. Garcia Repair Services		
Trial Balance		
as of August 31, 2022		
Accounts	Debit	Credit
Cash	36,670.00	
Accounts Receivable	5,400.00	
Repair Supplies	2,200.00	
Repair Equipment	23,350.00	
Accounts Payable		10,700.00
J. Garcia Capital		48,000.00
Repair Services Income		10,820.00
Rent Expense	800.00	
Salary Expense	1,100.00	
Total	**69,520.00**	**69,520.00**

Closing Entries

Date		Particulars	P.R.	Debit					Credit			
Aug.	30	Repair Services Income		1	0	8	2	0				
		Rent Expense								8	0	0
		Salary Expense							1	1	0	0
		Income Summary							8	9	2	0
		To close nominal accounts										
		Income Summary			8	9	2	0				
		J. Garcia Capital							8	9	2	0
		To record net increase in capital for 2022										

Closing Entries

Date		Particulars	P.R.	Debit	Credit
Aug.	31	Repair Services Income		1 0 8 2 0	
		Income Summary			1 0 8 2 0
		To close income accounts for the period			
		Income Summary		1 9 0 0	
		Rent Expense			8 0 0
		Salary Expense			1 1 0 0
		To close expense accounts for the period			

Note: this is another way of closing journal entry assuming that the business uses fiscal year and its accounting period ends on August 31, 2022

Closing Entries

Date		Particulars	P.R.	Debit	Credit
Aug.	31	Income Summary		8 9 2 0	
		J. Garcia Capital			8 9 2 0
		To record net increase in capital for the period			

Note: this is another way of closing journal entry assuming that the business uses fiscal year and its accounting period ends on August 31, 2022

Account balances after closing journal entries

Account Name: Rent Expense

Date		Debit			Date		Credit		
Aug.	1	₱	8 0 0		Aug	31	₱	8 0 0	
Total		₱	8 0 0				₱	8 0 0	
Balance		₱	0						

Account Name: Salary Expense

Date		Debit			Date		Credit		
Aug.	30	₱	1 1 0 0		Aug	31		1 1 0 0	
Total		₱	1 1 0 0				₱	1 1 0 0	
Balance		₱	0						

Account Name: Repair Services Income

Date		Debit			Date		Credit		
Aug.	31	₱	1 0 8 2 0		Aug	6	₱	4 2 0	
						15		8 0 0 0	
						24		2 4 0 0	
Total		₱	1 0 8 2 0				₱	1 0 8 2 0	
Balance							₱	0	

Account balances after closing journal entries

Account Name: Income Summary

Date			Debit					Date			Credit				
Aug.	31	₱			1	9	0	0	Aug	31	₱		1	0	8	2	0
					8	9	2	0								
Total		₱		1	0	8	2	0					1	0	8	2	0
Balance		₱						0								

Account Name: J. Garcia Capital

Date			Debit					Date			Credit				
									Aug	1	₱		4	8	0	0	0
										31				8	9	2	0
Total											₱		5	6	9	2	0
Balance											₱		5	6	9	2	0

POST CLOSING TRIAL BALANCE

J. Garcia Repair Services		
Post Closing Trial Balance		
as of August 31, 2022		
Accounts	Debit	Credit
Cash	36,670.00	
Accounts Receivable	5,400.00	
Repair Supplies	2,200.00	
Repair Equipment	23,350.00	
Accounts Payable		10,700.00
J. Garcia Capital		56,920.00
Repair Services Income		-
Rent Expense	-	
Salary Expense	-	
Total	**67,620.00**	**67,620.00**