

FOR NON ACCOUNTANTS

ACCOUNTING

THE RECORDING
PROCESS



ACCOUNTING

“FINANCIAL INFORMATION SYSTEM”

Accounting is an information system that provides financial reports to users about economic activities of a business.



ACCOUNTING CYCLE

Step by step procedure to identify, record, and summarize financial transactions.

- Covers one month period.
- Continue every month until business is closed.



STEP 2: JOURNALIZING



JOURNALIZING

Recording transactions in a journal

Journal: A record of financial transactions in order by date

GENERAL JOURNAL

Page 1

JOURNALIZING

Journal Entry: Record of a transaction in a journal

- A transaction affects at least two accounts
- **Double-entry bookkeeping** is a system where every business transaction is recorded in two accounts – one as a debit and the other as a credit – to keep the accounts balanced.
- Journal entry uses at least **1 debit and 1 credit**: an account to be debited and an account to be credited.



DEBIT & CREDIT

- Terms used to describe if an account is increased or decreased.
- ! • Debit/Credit can mean increase or decrease based on the account they are affected.

Assets = Liabilities + Owner's Equity

This must always stay balanced.

Debit & Credit = Directions

- Debit = Left Side
- Credit = Right Side

Why Debit Increases Assets?

- Assets are on the left, so increasing them = debit
- Example: You get ₹100 cash → Debit Cash

Why Credit Increases Equity?

- Equity is on the right, so increasing it = credit
- Example: You earn income → Revenue ↑ → Credit

Left Side	Right Side
Assets (Debit +)	Liabilities (Credit +), Owner's Equity (Credit +)

Debits/Credits Rules

Normal Balance
Debit

Normal Balance
Credit

Liabilities

Debit / Dr.	Credit / Cr.
↓	↑
Normal Balance	

Assets

Debit / Dr.	Credit / Cr.
↑	↓
Normal Balance	

Chapter
3-23

Expense

Debit / Dr.	Credit / Cr.
↑	↓
Normal Balance	

Chapter
3-27

Owner's Equity

Normal Balance
Owner's Equity

Normal Balance

Normal Balance

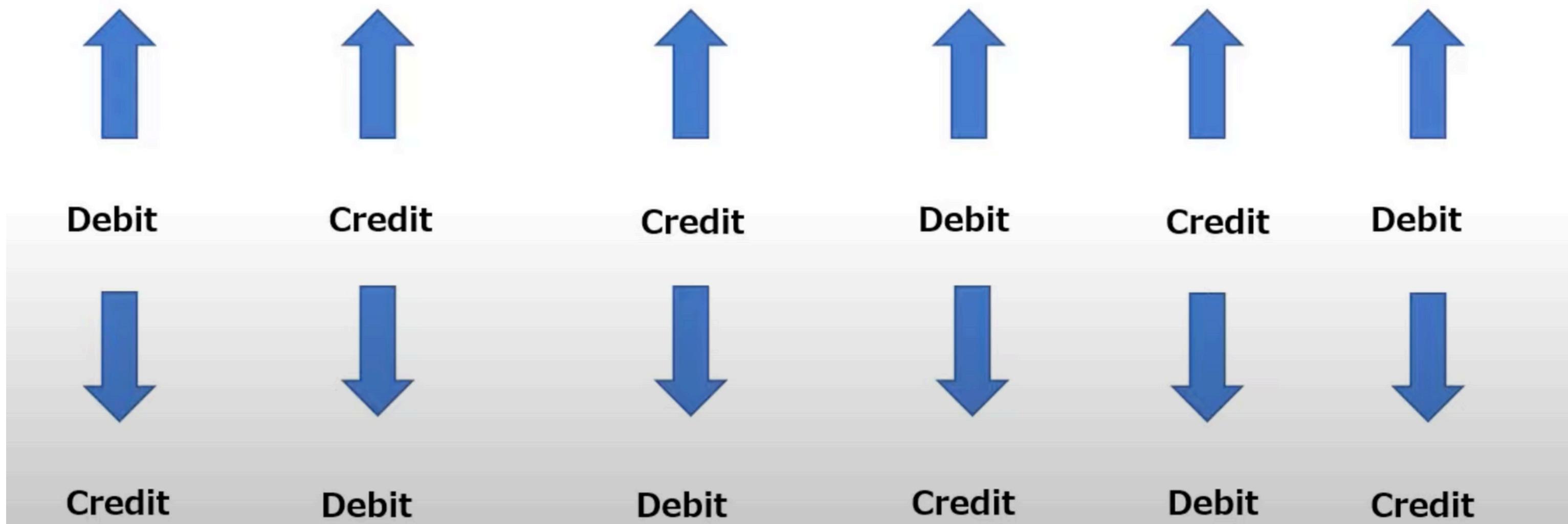
Revenue

Debit / Dr.	Credit / Cr.
↓	↑
Normal Balance	

Chapter
3-26

Rules of Debit & Credit

$$\text{ASSETS} = \text{LIABILITIES} + (\text{OWNER'S CAPITAL} - \text{OWNER'S WITHDRAWAL}) + \text{INCOME} - \text{EXPENSES}$$



Assets, expenses, and withdrawals increase on the left (debit) side because they're on the left side of extended equation

JOURNALIZING

Steps in Journalizing transaction:

1. Write date
2. Write accounts to be debited
3. Write amounts to be debited
4. Write accounts to be credited
5. Write amounts to be credited
6. Write a brief description about the transaction

Things to Remember:

1. Total debit=Total credit
2. Indent credits and description to distinguish from debit
3. Data in the posting reference column will be written after posting (next step after journalizing).



JOURNALIZING

JOURNALIZING - Entering transaction data in the journal.

Illustration: On September 1, Ray Neal invested \$15,000 cash in the business, and Softbyte purchased computer equipment for \$7,000 cash.

Illustration 2-13

GENERAL JOURNAL				
Date	Account Title	Ref.	Debit	Credit
Sept. 1	Cash		15,000	
	Owner's Capital			15,000
	Equipment		7,000	
	Cash			7,000

JOURNALIZING

SIMPLE AND COMPOUND ENTRIES

Illustration: On July 1, Butler Company purchases a delivery truck costing \$14,000. It pays \$8,000 cash now and agrees to pay the remaining \$6,000 on account.

Illustration 2-14
Compound journal entry

GENERAL JOURNAL				
Date	Account Title	Ref.	Debit	Credit
July 1	Equipment		14,000	
	Cash			8,000
	Accounts payable			6,000

EXAMPLES OF TRANSACTIONS AND HOW TO JOURNALIZE THEM

Analyze the following 2024 transactions of “X” consulting Services and enter the transactional information in a Journal

March 1

- Owner invested ₱100,000 cash to establish a business consultancy firm.

March 2: Paid ₱3,500 for the business permit and BIR registration.

March 4: Purchased a desktop computer for ₱25,000 on credit to be used in the business.

March 4: Purchased bond paper, pens, pencils, or cash a purchased bond papers, pens, pencils, memo and other supplies for cash amounting to ₱3200

March 4: Paid rent in advance for 3 months, ₱15,000.

March 6: Purchased tables, chairs and cabinets amounting to ₱20,000. He paid ₱5,000 and the balance payable in 3 equal monthly installments.



March 7 Paid ₦3,000 for advertisement in a radio station to promote the business.

10 Rendered a business consulting service to an IT company for ₦10,000.

12 Paid ₦10,000 to partially settle the account from the purchase of desktop computer (March 4)

15 Completed a marketing consulting service to a newly-established business for ₦50,000. The business collected ₦20,000 and the balance to be received next month.

17 Rendered a consulting service on credit to a retail store, ₦25,000.

19 Paid the monthly installment for the purchase of tables, chairs and cabinets (March 6).

20 Received ₦40,000 in advance from a client for marketing consulting engagement.

March 22 Completed a consulting service for a manufacturing company for ₱50,000, 50% was collected and the balance to be received next month.

26 Paid the water bill for the month, ₱300.

30 Paid the salary of his assistant, ₱4,000.

30 Collected the ₱25,000 account of the retail store.

(March 17)

30 Attended a seminar in Manila. The cost of transportation and accommodation are ₱1,700 and ₱1,500 respectively.

31 Withdraw ₱2,000 for personal use.

31 Received ₱8,000 for a business consulting service.

31 Received the electric bill amounting to ₱1,000

STEP 3: POSTING

