

CHAPTER

3

Accounts and Double-entry accounting

LEARNING OBJECTIVES

- 1. Explain what an account is and how it helps in the recording process.
- 2. Define debits and credits and explain their use in recording business transactions.
- 3. Identify the basic steps in the recording process.
- 4. Explain what a journal is and how it helps in the recording process.
- 5. Explain what a ledger is and how it helps in the recording process.
- 6. Explain what posting is and how it helps in the recording process.
- 7. Explain what a chart of accounts, journal entries, correcting entries and closing accounts are.
- 8. Prepare a trial balance and explain its purposes.

The Account

- ◆ Record of increases and decreases in a specific asset, liability, stockholders' equity, revenue, or expense item.
- ◆ Debit = "Left"
- ◆ Credit = "Right"

Learning Objective 1
Explain what an account is and how it helps in the recording process.

An account can be illustrated in a T-account form.



Account Name	
Debit / Dr.	Credit / Cr.

STANDARD FORM OF ACCOUNT

CASH					NO. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
June 1			25,000		25,000
2				8,000	17,000
3			4,200		21,200
9			7,500		28,700
17				11,700	17,000
20				250	16,750
30				7,300	9,450

Debits and Credits

DEBIT AND CREDIT PROCEDURES

Learning Objective 2
Define debits and credits and explain their use in recording business transactions.

Double-entry system

- ◆ Each transaction must affect two or more accounts to keep the basic accounting equation in balance.
- ◆ Recording done by debiting at least one account and crediting at least one other account.
- ◆ **DEBITS must equal CREDITS.**

3-5

Debits and Credits

If the sum of Debit entries are **greater than** the sum of Credit entries, the account will have a debit balance.

Account Name		
Debit / Dr.	Credit / Cr.	
Transaction #1	\$10,000	Transaction #2
Transaction #3	8,000	
Balance	\$15,000	

3-6

Debits and Credits

If the sum of Credit entries are **greater than** the sum of Debit entries, the account will have a credit balance.

Account Name		
Debit / Dr.	Credit / Cr.	
Transaction #1	\$10,000	Transaction #2
	\$3,000	
	8,000	Transaction #3
Balance	\$1,000	

3-7

The account (in Vietnam)

Cash on hand

Beginning balance:	
Sum of Debit entries	Sum of Credit entries
Ending balance:	

$$\text{Ending balance} = \text{Beginning balance} + \text{Total on increase side} - \text{Total on decrease side}$$

3-8

Debits and Credits

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

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

- ◆ **Assets** - Debits should exceed credits.
- ◆ **Liabilities** – Credits should exceed debits.
- ◆ **Normal balance** is on the increase side.

Debits and Credits

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

- ◆ **Issuance of share capital and revenues** increase equity (credit).
- ◆ **Dividends and expenses** decrease equity (debit).

(Different from VN)

Share Capital-Ordinary	
Debit / Dr.	Credit / Cr.
↓	↑
Normal Balance	

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

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

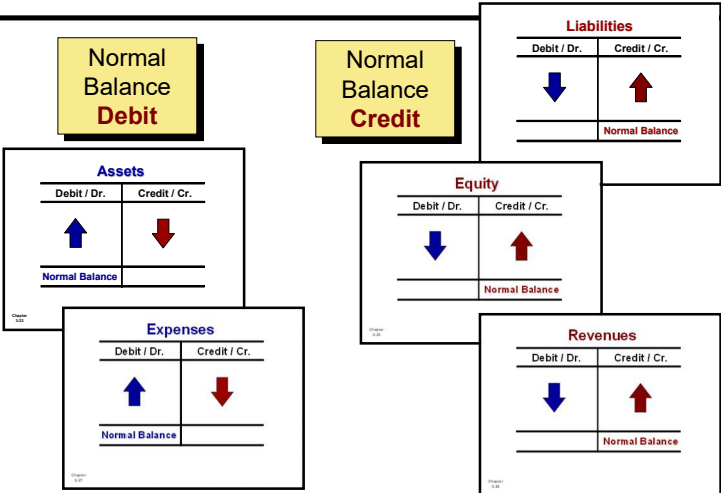
Debits and Credits

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

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

- ◆ The purpose of earning **revenues** is to benefit the shareholders.
- ◆ The effect of debits and credits on revenue accounts is the **same** as their effect on equity.
- ◆ **Expenses** have the opposite effect: expenses decrease equity.

Debits and Credits



Summary of Debit/Credit Rules

	Statement of Financial Position			Income Statement	
	Asset	=	Liability + Equity	Revenue	- Expense
Debit					
Credit					

3-13

Summary of Debit/Credit Rules

Question

- Debits:
- a. increase both assets and liabilities.
 - b. decrease both assets and liabilities.
 - c. increase assets and decrease liabilities.
 - d. decrease assets and increase liabilities.

3-14

Summary of Debit/Credit Rules

Question

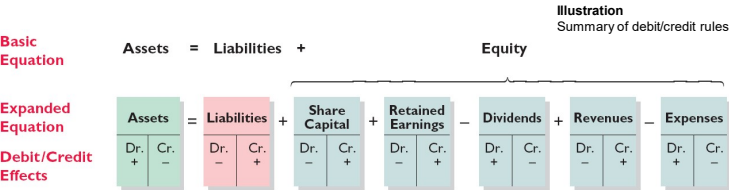
Accounts that normally have debit balances are:

- a. assets, expenses, and revenues.
- b. assets, expenses, and equity.
- c. assets, liabilities, and dividends.
- d. assets, dividends, and expenses.

3-15

Summary of Debit/Credit Rules

Relationship among the assets, liabilities, and equity of a business:



The equation must be in balance after every transaction.
Total **Debits** must equal total **Credits**.

3-16

The basic steps in the recording process

Business documents, such as a sales receipt, a check, or a bill, provide evidence of the transaction.

Learning Objective 3
Identify the basic steps in the recording process.

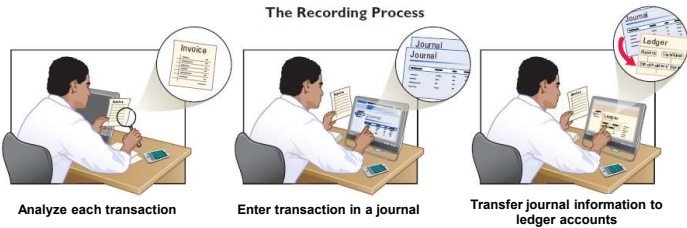


Illustration
The recording process

The Journal

Learning Objective 4
Explain what a journal is and how it helps in the recording process.

- ◆ Book of original entry.
- ◆ Transactions recorded in chronological order.
- ◆ Contributions to the recording process:
 1. Discloses the **complete effects of a transaction**.
 2. Provides a **chronological record** of transactions.
 3. Helps to **prevent or locate errors** because the debit and credit amounts can be easily compared.

The Journal

JOURNALIZING - Entering transaction data in the journal.

Illustration: On September 1, shareholders invested €15,000 cash in the corporation in exchange for ordinary shares, and Softbyte purchased computer equipment for €7,000 cash.

GENERAL JOURNAL				
Date	Account Title	Ref.	Debit	Credit
Sept. 1	Cash		15,000	
	Share Capital—Ordinary			15,000
	Equipment		7,000	
	Cash			7,000

The Journal

SIMPLE AND COMPOUND ENTRIES

Illustration: On July 1, Tsai Company purchases a delivery truck costing NT\$420,000. It pays NT\$240,000 cash now and agrees to pay the remaining NT\$180,000 on account.

Illustration
Compound journal entry

GENERAL JOURNAL				
Date	Account Title	Ref.	Debit	Credit
July 1	Equipment		420,000	
	Cash			240,000
	Accounts Payable			180,000

> DO IT!

As president and sole shareholder, Kate Browne engaged in the following activities in establishing her salon, Hair It Is Company SA.

- 1. Opened a bank account in the name of Hair It Is Company SA and deposited €20,000 of her own money in this account in exchange for ordinary shares.
 - 2. Purchased equipment on account (to be paid in 30 days) for a total cost of €4,800.
 - 3. Interviewed three applicants for the position of beautician.
- Prepare the entries to record the transactions.

3-21

The Ledger

◆ **General Ledger** contains all the asset, liability, and equity accounts.

Learning Objective 5
Explain what a ledger is and how it helps in the recording process.

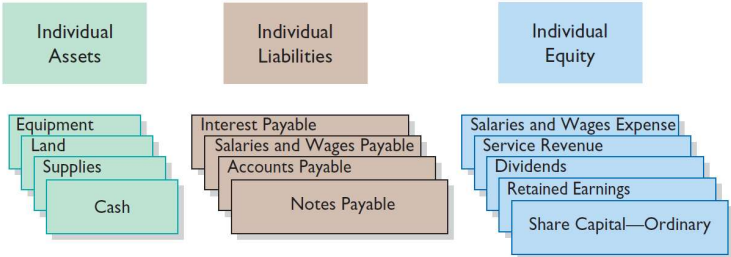


Illustration
The general ledger

3-22

ACCOUNTING ACROSS THE ORGANIZATION

What Would Sam Do?

Wal-Mart Stores, Inc. (USA)

In his autobiography, Sam Walton described the double-entry accounting system he used when **Wal-Mart Stores, Inc. (USA)** was just getting started: “We kept a little pigeonhole on the wall for the cash receipts and paperwork of each [Wal-Mart] store. I had a blue binder ledger book for each store. When we added a store, we added a pigeonhole. We did this at least up to twenty stores. Then once a month, the bookkeeper and I would enter the merchandise, enter the sales, enter the cash, and balance it.” Today, the company operates more than 7,000 stores worldwide under various names. That’s a lot of “pigeonholes.”

Source: Sam Walton, *Made in America* (New York: Doubleday, 1992), p. 53.

3-23

The Ledger

STANDARD FORM OF ACCOUNT

Illustration
Three-column form of account

CASH					NO. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
June 1			25,000		25,000
2				8,000	17,000
3			4,200		21,200
9			7,500		28,700
17				11,700	17,000
20				250	16,750
30				7,300	9,450

3-24

Posting

GENERAL JOURNAL					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2017 Sept. 1	Cash	101	15,000		
	Share Capital—Ordinary (Issued shares for cash)	311		15,000	

1

2

3

4

Learning Objective 6

Explain what posting is and how it helps in the recording process.

Transferring journal entries to the ledger accounts.

GENERAL LEDGER

CASH					NO. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2017 Sept. 1		J1	15,000		15,000

3

SHARE CAPITAL—ORDINARY

SHARE CAPITAL—ORDINARY					NO. 311
Date	Explanation	Ref.	Debit	Credit	Balance
2017 Sept. 1		J1		15,000	15,000

3

Key:

1

 Post to debit account—date, journal page number, and amount.

2

 Enter debit account number in journal reference column.

3

 Post to credit account—date, journal page number, and amount.

4

 Enter credit account number in journal reference column.

Illustration

Posting a journal entry

3-25

Posting

Question

Posting:

a.

 normally occurs before journalizing.

b.

 transfers ledger transaction data to the journal.

c.

 is an optional step in the recording process.

d.

 transfers journal entries to ledger accounts.

3-26

The Recording Process Illustrated

Follow these steps:

1.

 Determine what type of account is involved.

2.

 Determine what items increased or decreased and by how much.

3.

 Translate the increases and decreases into debits and credits.

Transaction

On October 1, C. R. Yazici invests ₺10,000 cash in an advertising company to be known as Yazici Advertising A.Ş.

Basic Analysis

The asset Cash increases ₺10,000; equity (specifically, Share Capital—Ordinary) increases ₺10,000.

Equation Analysis

Assets	=	Liabilities	+	Equity
Cash	=		+	Share Capital
+10,000				+10,000 Issued Shares

Debit–Credit Analysis

Debits increase assets: debit Cash ₺10,000.
Credits increase equity: credit Share Capital—Ordinary ₺10,000.

Journal Entry

	Oct. 1	Cash	Share Capital—Ordinary	
		101	311	
		10,000	10,000	

Posting

	Cash	101	Share Capital—Ordinary	311
Oct. 1	10,000			Oct. 1 10,000

Illustration

Investment of cash by shareholders

3-27

Transaction

On October 1, Yazici Advertising purchases office equipment costing ₺5,000 by signing a 3-month, 12%, ₺5,000 note payable.

Basic Analysis

The asset Equipment increases ₺5,000; the liability Notes Payable increases ₺5,000.

Equation Analysis

Assets	=	Liabilities	+	Equity
Equipment	=	Notes Payable		
+5,000		+5,000		

Debit–Credit Analysis

Debits increase assets: debit Equipment ₺5,000.
Credits increase liabilities: credit Notes Payable ₺5,000.

Journal Entry

	Oct. 1	Equipment	Notes Payable	
		157	200	
		5,000	5,000	

Posting

	Equipment	157	Notes Payable	200
Oct. 1	5,000			Oct. 1 5,000

Illustration

Purchase of office equipment

3-28

Transaction

On October 2, Yazici Advertising receives a ₺1,200 cash advance from R. Knox, a client, for advertising services that are expected to be completed by December 31.

Basic Analysis

The asset Cash increases ₺1,200; the liability Unearned Service Revenue increases ₺1,200 because the service has not been performed yet. That is, when Yazici receives an advance payment, it should record an unearned revenue (a liability) in order to recognize the obligation that exists. Note also that although many liabilities have the word "payable" in their title, unearned revenue is considered a liability because the liability is satisfied by providing a product or performing a service.

Equation Analysis

Assets		=	Liabilities	+	Equity
Cash	=	Unearned Service Revenue			
+1,200		+1,200			

Debit-Credit Analysis

Debits increase assets: debit Cash ₺1,200.
Credits increase liabilities: credit Unearned Service Revenue ₺1,200.

Journal Entry

Oct. 2	Cash		101	1,200	
	Unearned Service Revenue		209		1,200
	(Received cash from R. Knox for future service)				

Posting

Cash		101	Unearned Service Revenue		209
Oct. 1	10,000				
2	1,200			Oct. 2	1,200

Illustration

Receipt of cash for future service

(Different from VN)

3-29

Transaction

On October 3, Yazici Advertising pays office rent for October in cash, ₺900.

Basic Analysis

Rent Expense increases ₺900 because the payment pertains only to the current month; the asset Cash decreases ₺900.

Equation Analysis

Assets		=	Liabilities	+	Equity
Cash	=			Expenses	
-900				-900	Rent Expense

Debit-Credit Analysis

Debits increase expenses: debit Rent Expense ₺900.
Credits decrease assets: credit Cash ₺900.

Journal Entry

Oct. 3	Rent Expense		729	900	
	Cash		101		900
	(Paid October rent)				

Posting

Cash		101	Rent Expense		729
Oct. 1	10,000				
2	1,200			Oct. 3	900

Illustration

Payment of monthly rent

3-30

Transaction

On October 4, Yazici Advertising pays ₺600 for a one-year insurance policy that will expire next year on September 30.

Basic Analysis

The asset Prepaid Insurance increases ₺600 because the payment extends to more than the current month; the asset Cash decreases ₺600. Payments of expenses that will benefit more than one accounting period are prepaid expenses or prepayments. When a company makes a payment, it debits an asset account in order to show the service or benefit that will be received in the future.

Equation Analysis

Assets		=	Liabilities	+	Equity
Cash	+ Prepaid Insurance				
-600	+600				

Debit-Credit Analysis

Debits increase assets: debit Prepaid Insurance ₺600.
Credits decrease assets: credit Cash ₺600.

Journal Entry

Oct. 4	Prepaid Insurance		130	600	
	Cash		101		600
	(Paid one-year policy; effective date October 1)				

Posting

Cash		101	Prepaid Insurance		130
Oct. 1	10,000				
2	1,200			Oct. 3	900
				4	600

Illustration

Payment for insurance

(Different from VN)

3-31

Transaction

On October 5, Yazici Advertising purchases an estimated 3-month supply of advertising materials on account from Aero Supply for ₺2,500.

Basic Analysis

The asset Supplies increases ₺2,500; the liability Accounts Payable increases ₺2,500.

Equation Analysis

Assets		=	Liabilities	+	Equity
Supplies	=	Accounts Payable			
+2,500		+2,500			

Debit - Credit Analysis

Debits increase assets: debit Supplies ₺2,500.
Credits increase liabilities: credit Accounts Payable ₺2,500.

Journal Entry

Oct. 5	Supplies		126	2,500	
	Accounts Payable		201		2,500
	(Purchased supplies on account from Aero Supply)				

Posting

Supplies		126	Accounts Payable		201
Oct. 5	2,500			Oct. 5	2,500

Illustration

Purchase of supplies on credit

3-32

The Recording Process Illustrated

Event

On October 9, Yazici Advertising hires four employees to begin work on October 15. Each employee is to receive a weekly salary of ₺500 for a 5-day work week, payable every 2 weeks—first payment made on October 26.

Basic Analysis

A business transaction has not occurred. There is only an agreement between the employer and the employees to enter into a business transaction beginning on October 15. Thus, a debit-credit analysis is not needed because there is no accounting entry. (See transaction of October 26 for first entry.)

Illustration
Hiring of employees

Transaction

On October 20, Yazici Advertising's board of directors declares and pays a ₺500 cash dividend to shareholders.

Basic Analysis

The Dividends account increases ₺500; the asset Cash decreases ₺500.

Equation Analysis

Assets = Liabilities + Equity
Cash = Dividends
-500 = -500

Debit-Credit Analysis

Debits increase dividends: debit Dividends ₺500.
Credits decrease assets: credit Cash ₺500.

Journal Entry

Oct. 20	Dividends		332	500	
	Cash		101		500
	(Declared and paid a cash dividend)				

Posting

Cash 101		Dividends	
Oct. 1 10,000	Oct. 3 900	Oct. 20 500	
2 1,200	4 600		
	20 500		

(Different from VN)

Illustration
Declaration and payment of dividend

Transaction

On October 26, Yazici Advertising owes employee salaries of ₺4,000 and pays them in cash. (See October 9 event.)

Basic Analysis

Salaries and Wages Expense increases ₺4,000; the asset Cash decreases ₺4,000.

Equation Analysis

Assets = Liabilities + Equity
Cash = Expenses Salaries and Wages Expense
-4,000 = -4,000

Debit-Credit Analysis

Debits increase expenses: debit Salaries and Wages Expense ₺4,000.
Credits decrease assets: credit Cash ₺4,000.

Journal Entry

Oct. 26	Salaries and Wages Expense	726	4,000	
	Cash	101		4,000
	(Paid salaries to date)			

Posting

Cash 101		Salaries and Wages Expense 726	
Oct. 1 10,000	Oct. 3 900	Oct. 26 4,000	
2 1,200	4 600		
	20 500		
	26 4,000		

(Different from VN)

Illustration
Payment of salaries

Transaction

On October 31, Yazici Advertising receives ₺10,000 in cash from Copa Company for advertising services performed in October.

Basic Analysis

The asset Cash increases ₺10,000; the revenue account Service Revenue increases ₺10,000.

Equation Analysis

Assets = Liabilities + Equity
Cash = Revenues Service Revenue
+10,000 = +10,000

Debit-Credit Analysis

Debits increase assets: debit Cash ₺10,000.
Credits increase revenues: credit Service Revenue ₺10,000.

Journal Entry

Oct. 31	Cash		101	10,000	
	Service Revenue		400		10,000
	(Received cash for services performed)				

Posting

Cash 101		Service Revenue 400	
Oct. 1 10,000	Oct. 3 900		Oct. 31 10,000
2 1,200	4 600		
31 10,000	20 500		
	26 4,000		

Illustration
Receipt of cash for services performed

GENERAL JOURNALPAGE J1				
Date	Account Titles and Explanation	Ref.	Debit	Credit
2017				
Oct. 1	Cash	101	10,000	
	Share Capital—Ordinary (Issued shares for cash)	311		10,000
1	Equipment	157	5,000	
	Notes Payable (Issued 3-month, 12% note for office equipment)	200		5,000
2	Cash	101	1,200	
	Unearned Service Revenue (Received cash from R. Knox for future service)	209		1,200
3	Rent Expense	729	900	
	Cash (Paid October rent)	101		900
4	Prepaid Insurance	130	600	
	Cash (Paid one-year policy; effective date October 1)	101		600

Illustration
General journal entries

3-37

GENERAL JOURNALPAGE J1				
Date	Account Titles and Explanation	Ref.	Debit	Credit
5	Supplies	126	2,500	
	Accounts Payable (Purchased supplies on account from Aero Supply)	201		2,500
20	Dividends	332	500	
	Cash (Declared and paid a cash dividend)	101		500
26	Salaries and Wages Expense	726	4,000	
	Cash (Paid salaries to date)	101		4,000
31	Cash	101	10,000	
	Service Revenue (Received cash for services performed)	400		10,000

Illustration
General journal entries

3-38

GENERAL LEDGER									
Cash No. 101					Accounts Payable No. 201				
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit
2017						2017			
Oct. 1	J1		10,000		10,000	Oct. 5	J1		2,500
2	J1		1,200		11,200				2,500
3	J1			900	10,300	Unearned Service Revenue No. 209			
4	J1			600	9,700	Date	Explanation	Ref.	Debit
20	J1			500	9,200	2017			
26	J1			4,000	5,200	Oct. 2	J1		1,200
31	J1		10,000		15,200				1,200
Supplies No. 126					Share Capital—Ordinary No. 311				
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit
2017						2017			
Oct. 5	J1		2,500		2,500	Oct. 1	J1		10,000
Prepaid Insurance No. 130					Dividends No. 332				
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit
2017						2017			
Oct. 4	J1		600		600	Oct. 20	J1		500
Equipment No. 157					Service Revenue No. 400				
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit
2017						2017			
Oct. 1	J1		5,000		5,000	Oct. 31	J1		10,000
Notes Payable No. 200					Salaries and Wages Expense No. 726				
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit
2017						2017			
Oct. 1	J1			5,000	5,000	Oct. 26	J1		4,000
					Rent Expense No. 729				
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit
2017						2017			
Oct. 3	J1		900		900				

Illustration
General ledger

3-39

> DO IT!

Como Company SpA recorded the following transactions in a general journal during the month of March. Post these entries to the Cash account.

Mar. 4	Cash	2,280	
	Service Revenue		2,280
15	Salaries and Wages Expense	400	
	Cash		400
19	Utilities Expense	92	
	Cash		92

Cash	
3/1	600

3-40

Chart of accounts

A chart of accounts is a listing of the complete ledger account titles and their related numbers, and is maintained in both manual and computerised systems

Learning Objective 7
Explain what a chart of accounts, journal entries, correcting entries and closing accounts are

ACCOUNT CODE		ACCOUNT NAME
Sub 1	Sub 2	
ASSETS		
111		Cash on hand
	1111	Vietnamese Dong
	1112	Foreign currencies
	1113	Monetary Gold
112		Cash in banks
	1121	Vietnamese Dong
	1122	Foreign currencies
	1123	Monetary Gold

3-41

Journal entries

A journal entry, in accounting, is the logging of a transaction into accounting journal items. The journal entry can consist of several recordings, each of which is either a debit or a credit. The total of the debits must equal the total of the credits

Ex:
Dr 152: 200.000
Cr 331: 200.000

3-42

The Journal Entry Process Illustrated

Follow these steps:

1. Determine what type of account is involved.
2. Determine what items increased or decreased and by how much.
3. Translate the increases and decreases into debits and credits.
4. Determine account code for each account.

3-43

Correcting entries

“Blue entries”: entries in positive account value → usually for increasing adjustment.

“Red entries”: entries in negative account value → usually for decreasing adjustment.

3-44

Closing accounts

Closing an account is transferring the account balance to another account. The closing process results in the “giving account” ending the accounting period in *a zero balance*.

Journal entries made to to close the accounts are called closing entries.

Notice: “Same side” rule

- Debit balance on A ➔ Debit balance on B
- Credit balance on A ➔ Credit balance on B

The Trial Balance

A trial balance

- ♦ is a list of accounts and their balances at a given time.
- ♦ proves the mathematical equality of debits and credits after posting.

Learning Objective 8
Prepare a trial balance and explain its purposes.

The steps for preparing a trial balance are:

1. List the account titles and their balances.
2. Total the debit and credit columns.
3. Prove the equality of the two columns.

Trial Balance

Illustration
A trial balance

YAZICI ADVERTISING A.Ş. Trial Balance October 31, 2017		
	Debit	Credit
Cash	₺ 15,200	
Supplies	2,500	
Prepaid Insurance	600	
Equipment	5,000	
Notes Payable		₺ 5,000
Accounts Payable		2,500
Unearned Service Revenue		1,200
Share Capital—Ordinary		10,000
Dividends	500	
Service Revenue		10,000
Salaries and Wages Expense	4,000	
Rent Expense	900	
	<u>₺28,700</u>	<u>₺28,700</u>

Trial Balance

Illustration
A trial balance

Doanh nghiệp: Công ty CP Đồ gỗ An Dương							
BẢNG CÂN ĐỐI TÀI KHOẢN							
Kỳ: tháng mười một 2011							
Dữ liệu đưa ra: số tiền							
Mã	Tài khoản Tên gọi	Số dư đầu kỳ		Phát sinh trong kỳ		Số dư cuối kỳ	
		Nợ	Có	Nợ	Có	Nợ	Có
154	Chi phí sản xuất, kinh doanh dở dang			71.976.424,23	71.976.424,23		
155	Thành phẩm			63.697.757,57	39.103.746,57	24.594.011,00	
211	Tài sản cố định	919.600.000,00		42.290.909,09		961.890.909,09	
214	Hao mòn tài sản cố định				9.949.166,66		9.949.166,66
241	Xây dựng cơ bản dở dang	32.100.000,00		42.290.909,09	74.390.909,09		
331	Phải trả cho người bán	76.072.500,00		78.932.500,00	146.725.545,46	8.179.454,54	
333	Thuê và các khoản phải nộp Nhà nước	6.110.000,00		6.737.136,37	18.500.000,00		5.652.863,63
334	Phải trả người lao động			1.836.000,00	30.600.000,00		28.764.000,00
338	Phải trả, phải nộp khác				12.852.000,00		12.852.000,00
411	Nguồn vốn kinh doanh		3.000.000.000,00				3.000.000.000,00
511	Doanh thu bán hàng và cung cấp dịch vụ			185.000.000,00	185.000.000,00		
632	Giá vốn hàng bán			39.103.746,57	39.103.746,57		
642	Chi phí quản lý kinh doanh			20.114.166,66	20.114.166,66		
911	Xác định kết quả kinh doanh			205.114.166,66	330.896.253,43		125.782.086,77
	Tổng số:	4.790.600.000,00	4.790.600.000,00	1.134.135.307,15	1.134.135.307,15	4.800.350.117,06	4.800.350.117,06

Limitations of a Trial Balance

Trial balance may balance even when:

- 1. A transaction is not journalized.
- 2. A correct journal entry is not posted.
- 3. A journal entry is posted twice.
- 4. Incorrect accounts are used in journalizing or posting.
- 5. Offsetting errors are made in recording the amount of a transaction.

Ethics Note

An *error* is the result of an unintentional mistake; it is neither ethical nor unethical. An *irregularity* is an intentional misstatement, which is viewed as unethical.

> DO IT!

The following accounts come from the ledger of SnowGo Company Ltd. at December 31, 2017 (Japanese yen in thousands).

157	Equipment	¥88,000	311	Share Capital—Ordinary	¥20,000
332	Dividends	8,000	212	Salaries and	
201	Accounts Payable	22,000		Wages Payable	2,000
726	Salaries and		200	Notes Payable	19,000
	Wages Expense	42,000	732	Utilities Expense	3,000
112	Accounts Receivable	4,000	130	Prepaid Insurance	6,000
400	Service Revenue	95,000	101	Cash	7,000

Prepare a trial balance in good form.

Copyright

“Copyright © 2016 John Wiley & Sons, Inc. All rights reserved. Reproduction or translation of this work beyond that permitted in Section 117 of the 1976 United States Copyright Act without the express written permission of the copyright owner is unlawful. Request for further information should be addressed to the Permissions Department, John Wiley & Sons, Inc. The purchaser may make back-up copies for his/her own use only and not for distribution or resale. The Publisher assumes no responsibility for errors, omissions, or damages, caused by the use of these programs or from the use of the information contained herein.”