

**Prof. Aida R. Lozada Rivera, CPA, MBA, Ph.D.**

**University of Puerto Rico  
Río Piedras Campus  
Business School**



# ACCOUNTING CYCLE

This presentation contains information, in addition to the material prepared and provided by the professor, from:

1. Financial Accounting, David Spiceland, 6th Ed., McGraw-Hill
2. Intermediate Accounting, David Spiceland, 11th Ed., McGraw-Hill
3. Intermediate Accounting, Donald Kieso, 18th Ed., Wiley
4. Other: Official Websites

# INFORMATION SYSTEMS

## THE ROLE OF INFORMATION SYSTEMS

- Take the data convert it into information to generate knowledge.

### DEFINITION

- Study of telecommunications networks: hardware, and software.
- Collect, filter, process, create, distribute, and store data.
- Use data stored in computer to provide needed information (analysis, projections, etc.)
- Creates database: an organized collection of interrelated data.

# INFORMATION SYSTEMS

## COMPONENTS

### **Technology:**

- Hardware: (tangible elements) e.g., personal computers, keyboards, disk drives, flash drives, iPads, laptops, etc.)
- Software: (intangible elements) list of instructions or programs for operating the hardware.
  - Operating system software: to use the hardware (e.g., Microsoft Windows: PC, Google: Mobile)
  - Application software: which does something specific (e.g., Excel, Popwer Power Point, Publisher, etc.)
- Data: collection of intangible facts (e.g., population age, enrolled students at universities, etc.)

### **Complements:**

- People: help-desk personnel, systems analysts, programmers, chief information officer (CIO),
  - Bill Gates
  - Steve Jobs
- Process: steps to achieve a desired outcome.

Networking Telecommunication: connect to another device or to a network.

# EVOLUTION: INFORMATION SYSTEMS

## COMPUTERS FACTS

- 1950s: First Computers
- 1970s: PC
- 1980s: IBM-PC
- 1989: Sir Tim Berners Lee from London invented the World Wide Web (www)

## DATA ANALYTICS

- Is a process of inspecting, cleansing, transforming and modelling data with the goal of discovering useful information, informing conclusions, and supporting decision-making.

## BIG DATA

- Organizations create and use massive amounts of data because of their daily operations.
- The goal is to extract value from the data through advanced analytics.

### Utility:

- Convert the raw data into a very easy to understand format.
- Select valuable information within the data, which helps make better decisions.
- Easily create analytical reports.

## ARTIFICIAL INTELLIGENCE

# INFORMATION SYSTEMS

## SOFTWARE: EXAMPLES

### **Tableau:**

It is the fastest growing data analysis and visualization tool that aims to help people see and understand data. In other words, it just converts the raw data into a very easy-to-understand format. Data analysis is excellent as it is a powerful visualization tool in the business intelligence industry. It has a mapping feature and can plot latitude and longitude coordinates and connect to spatial files like Esri Shapefiles, KML, and GeoJSON to display custom geography.

### **Power BI**

It is a business analysis service from Microsoft. Its goal is to provide interactive visualizations and business intelligence capabilities with an interface simple enough for end users to create their own reports and dashboards. It is part of the Microsoft Power Platform. You can use it to pull data from a wide range of on-premises and cloud systems and create dashboards that track metrics.

### **. SAP Expert Analytics - Clustering (German)**

Develop business software to manage business operations and customer relationships. He specializes in Enterprise Resource Planning (ERP).

### **Python**

It is an interpreted high-level general-purpose programming language. Python's design philosophy emphasizes code readability with its notable use of significant indentation. Its language constructs, as well as its object-oriented approach, aim to help programmers write clear and logical code for small and large-scale projects. It is known as the "garbage collector".

# COMPANY TRANSACTIONS

## TRANSACTIONS EFFECT:

# ACCOUNTING BASIC EQUATION

**ASSETS = LIABILITIES + CAPITAL**

e.g. \$100,000

\$25,000

\$75,000

e.g. \$100,000

\$40,000

\$60,000

e.g. \$100,000

\$70,000

\$30,000



## TRANSACTIONS EFFECT:

# ACCOUNTING BASIC EQUATION

➤ Double Impact / Double Entry

**ASSETS = LIABILITIES + CAPITAL**

e.g. Beginning Balance

**\$100,000 = \$25,000 + \$75,000**

### Transactions

1. Issue Shares for \$1,000	+\$1,000/Cash		+\$1,000/Shares
2. Signed Notes Payable for \$10,000	+10,000/Cash	+\$10,000/Notes Payable	
3. Buy Inventory on credit for \$25,000	+\$25,000/Inventory	+\$25,000/Acct Payable	
4. Rendered Service on credit for \$20,000	+\$20,000/Acct Receivable		+\$20,000/Revenues
5. Paid marketing for \$15,000	-\$15,000/Cash		-\$15,000/Expense

Ending Balance

**\$141,000 = \$60,000 + \$81,000**

# TRANSACTIONS EFFECT

TRANSACTIONS	INCOME STATEMENT		BALANCE SHEET			CASH FLOWS		
	REVENUES	EXPENSES	ASSETS	LIABILITIES	CAPITAL	OPERATING	INVESTING	FINANCING
1. Issue Shares for cash.			Cash ↑		Shares ↑			↑
2. Signed a Notes Payable.			Cash ↑	Notes Payable ↑				↑
3. Buy Equipment for cash.			Cash ↓ Equip. ↑				↓	
4. Pay utilities.		Utilities ↑	Cash ↓			↓		
5. Buy Inventory on account.			Inventory ↑	Account Payable ↑				
6. Rendered services on account.	Service ↑		Receivable ↑					
7. Collect cash from services rendered on account			Cash ↑ Receivable ↓			↑		
8. Prepaid Rent for 1 year.			Prepaid ↑ Cash ↓			↓		
9. Paid Dividends.			Cash ↓		Retained Earnings ↓			↓
10. Accrued interest.		Interest ↑		Interest Payable ↑				

## TRANSACTIONS EFFECT:

**Rule: Debit (Dr.) and Credit (Cr.)**

**ASSETS = LIABILITIES + CAPITAL**

Increases by:

Dr.

Cr.

Cr.

---

Decreases by:

Cr.

Dr.

Dr.

# TRANSACTIONS EFFECT:

**Rule: Debit (Dr.) and Credit (Cr.)**

**ASSETS = LIABILITIES + CAPITAL**

<u>Transactions</u>	ASSETS		=	LIABILITIES		+	CAPITAL	
	Dr.	Cr.		Dr.	Cr.		Dr.	Cr.
	+	-		-	+		-	+
	Beginning Balance	\$		Beginning Balance	\$		Beginning Balance	\$
	Ending Balance	\$		Ending Balance	\$		Ending Balance	\$

# TRANSACTIONS EFFECT

<b>Transactions</b>	<b>ASSETS</b>		=	<b>LIABILITIES</b>		+	<b>CAPITAL</b>	
	+	-		-	+		-	+
	<b>Dr.</b>	<b>Cr.</b>		<b>Dr.</b>	<b>Cr.</b>		<b>Dr.</b>	<b>Cr.</b>
(1) Issue Shares for \$5,000 in cash.	Cash \$5,000 (1)							Capital Stock \$5,000 (1)
(2) Signed a Notes Payable for \$10,000	Cash \$10,000 (2)				Notes Payable \$10,000 (2)			
(3) Buy Equipment for \$2,000 in cash.	Equipment \$2,000 (3)	Cash \$2,000 (3)						
(4) Pay utilities for \$1,000.		Cash \$1,000 (4)					Utilities Expense \$1,000 (4)	
(5) Buy Inventory for \$5,000 on account.	Inventory \$5,000 (5)				Account Payable \$5,000 (5)			
(6) Rendered services for \$3,000 on account.	Acct. Receivable \$3,000 (6)							Service Revenue \$3,000 (6)
(7) Collect cash from services rendered on account.	Cash \$3,000 (7)	Acct. Receivable \$3,000 (7)						
(8) Prepaid Rent for \$12,000, 1 year.	Prepaid Rent \$12,000 (8)	Cash \$12,000 (8)						
(9) Paid Dividends for \$10,000.		Cash \$10,000 (9)					Dividends \$10,000 (9)	
(10) Accrued interest for \$1,200.					Interest Payable \$1,200 (10)		Interest Expense \$1,200 (10)	

# ACCOUNTING CYCLE

## STEPS

1. Identify the source documents.
2. Analyze the transaction.
3. Record the transaction (Dr. & Cr. / General Journal)
4. Post accounts to General Ledger (\*account summary)
5. Prepare the unadjusted Trial Balance (two columns report: Dr. & Cr.)
6. Record Adjusting Entries: General Journal & Post the account to General Ledger.
7. Prepare the Adjusted Trial Balance.
8. Prepare the Financial Statements.
9. Close the nominal/temporary accounts (use Retained Earnings).
10. Prepare the Post Closing Trial Balance (only permanent accounts, same as Balance Sheet)

\*compare with T accounts

# ACCOUNTING CYCLE

## STEPS

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\*compare with T accounts

# ACCOUNTING CYCLE

ABC was created in Year 1, a business to sell fine jewels. The company was incorporated as a Corporation of several owners in the Department of State in Puerto Rico, as **ABC Jewels**. The company applied for authorization to issue 100,000 shares. ABC began operations on January 1, Year 1. The company applies generally accepted accounting principles (US GAAP) issued by the FASB. The closing of the accounting books is the last day of each month.

## Transactions for January 2021

1. ABC issues 10,000 shares at \$100 each.
2. ABC took a loan for \$50,000 from the Bank and signed a Notes Payable, (5 years, 10%).  
Will pay a portion of principal and interest on 02/02/2022.
3. ABC bought Equipment for \$30,000 in cash, (useful life 10 years and no residual value).
4. ABC paid \$12,000 for rent in advance for one year
15. ABC paid wages for \$1,000.
19. The company bought 50 pieces of jewels for \$500 each and sold 25 for \$2,000 each in cash.



## Record the transaction (Dr. & Cr. / General Journal)

<u>TRANSACTIONS AND DATE</u>	<u>T ACCOUNTS</u>				<u>JOURNAL ENTRY</u>		
	<b>CASH</b>		<b>CAPITAL STOCK</b>		<b>Dr.</b>		<b>Cr.</b>
1) ABC issues 10,000 shares at \$100 each.	Dr. +	Cr. -	Dr. -	Cr. +	CASH	1,000,000	
	1,000,000			1,000,000	CAPITAL STOCK		1,000,000
	<b>CASH</b>		<b>NOTES PAYABLE</b>		<b>Dr.</b>		<b>Cr.</b>
2) ABC took a loan from the Bank and signed a Notes Payable for \$50,000, (1 year, 10%).	Dr. +	Cr. -	Dr. -	Cr. +	CASH	50,000	
	50,000			50,000	NOTES PAYABLE		50,000
	<b>Equipment</b>		<b>Cash</b>		<b>Dr.</b>		<b>Cr.</b>
3) ABC bought Equipment for \$30,000 in cash, useful life 10 years and no residual value.	Dr. +	Cr. -	Dr. +	Cr. -	EQUIPMENT	30,000	
	30,000			30,000	CASH		30,000
	<b>PREPAID RENT</b>		<b>CASH</b>		<b>Dr.</b>		<b>Cr.</b>
4) ABC paid \$12,000 for rent in advance	Dr. +	Cr. -	Dr. +	Cr. -	PREPAID RENT	12,000	
	12,000			12,000	CASH		12,000
	<b>SALARIES EXPENSE</b>		<b>CASH</b>		<b>Dr.</b>		<b>Cr.</b>
15) ABC paid wages for \$1,000.	Dr. +	Cr. -	Dr. +	Cr. -	SALARIES EXPENSE	1,000	
	1,000			1,000	CASH		1,000
	<b>INVENTORY</b>		<b>CASH</b>		<b>Dr.</b>		<b>Cr.</b>
19) The company bought 50 pieces of jewelry for \$500 cash each and sold 25 for \$2,000 each in cash	Dr. +	Cr. -	Dr. +	Cr. -	INVENTORY	25,000	
	25,000			25,000	CASH		25,000
	<b>CASH</b>		<b>SALES REVENUE</b>		<b>Dr.</b>		<b>Cr.</b>
19) Record the sale of Inventory	Dr. +	Cr. -	Dr. -	Cr. +	CASH	50,000	
	50,000			50,000	SALES REVENUE		50,000
	<b>INVENTORY</b>		<b>COST OF GOODS SOLD</b>		<b>Dr.</b>		<b>Cr.</b>
19) Record the cost of Inventory and update the account	Dr. +	Cr. -	Dr. +	Cr. -	COST OF GOODS OF SOLD	12,500	
		12,500	12,500		INVENTORY		12,500

<u>TRANSACTIONS AND DATE</u>	<u>JOURNAL ENTRY</u>		<u>A</u>	<u>=</u>	<u>L</u>	<u>+</u>	<u>C</u>
	<u>Dr.</u>	<u>Cr.</u>					
1) ABC issues 10,000 shares at \$100 each.	CASH	1,000,000	+				
	CAPITAL STOCK						+
		1,000,000					
2) ABC took a loan from the Bank and signed a Notes Payable for \$50,000, (1 year, 10%).	CASH	50,000	+				
	NOTES PAYABLE				+		
		50,000					
3) ABC bought Equipment for \$30,000 in cash, useful life 10 years and no residual value.	EQUIPMENT	30,000	+				
	CASH		-				
		30,000					
4) ABC paid \$12,000 for rent in advance	PREPAID RENT	12,000	+				
	CASH		-				
		12,000					
15) ABC paid wages for \$1,000.	SALARIES EXPENSE	1,000					-
	CASH		-				
		1,000					
19) The company bought 50 pieces of jewelry for \$500 cash each and sold 25 for \$2,000 each in cash	INVENTORY	25,000	+				
	CASH		-				
		25,000					
19) Record the sale of Inventory							
	CASH	50,000	+				
	SALES REVENUE						+
		50,000					
19) Record the cost of Inventory and update the account							
	COST OF GOODS OF SOLD	12,500					-
	INVENTORY		-				
		12,500					

**GENERAL JOURNAL**

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<b>Line #</b>	<b>Date</b>		<b>Dr.</b>	<b>Cr.</b>	<b>Ref.</b>
1	1/1	Cash	1,000,000		
2		Capital Stock		1,000,000	
3		<i>Description: Issue Shares for cash.</i>			ARL
4					
5	1/2	Cash	50,000		
6		Notes Payable		50,000	
7		<i>Description: Make Loan.</i>			ARL
8					
9	1/3	Equipment	30,000		
10		Cash		30,000	
11		<i>Description: Purshased an Equipment</i>			ARL
12					
13	1/4	Salaries Expense	1,000		
14		Cash		1,000	
15		<i>Description:Paid Salaries</i>			ARL
16					
17	1/19	Inventory	25,000		
18		Cash		25,000	
19		<i>Description:Purshased of Inventory</i>			ARL
20					
21	1/19a	Cash	50,000		
22		Sales Revenue (25 x \$2,000)		50,000	
23		<i>Description: Sold half of the Inventory</i>			ARL
24					
25	1/19b	Cost of Goods Sold	12,500		
26		Inventory (25 x \$500)		12,500	
27		<i>Description:Update Inventoru account and record the cost</i>			ARL

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## STEPS

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\*compare with T accounts

### TRANSACTIONS

1. ABC issues 10,000 shares at \$100 each.
2. ABC took a loan from the Bank and signed a Notes Payable, \$50,000.  
(5 years, 10%). Pay principal and interest on 02/02/2022.
3. ABC bought Equipment for \$30,000 in cash, useful life 10 years and no residual value.
4. ABC paid \$12,000 for rent in advance for one year
15. ABC paid wages for \$1,000.
19. The company bought 50 pieces of jewels for \$500 each and sells them for \$2,000 each.

### GENERAL LEDGER

CASH: #				CAPITAL STOCK: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1		\$0		1/1			\$0
1/1	GJ- Pg.1 ARL	1,000,000		1/1	GJ- Pg.1 ARL		1,000,000
1/2	GJ- Pg.1 ARL	50,000		1/31			1,000,000
1/3	GJ- Pg.1 ARL		30,000				
1/4	GJ- Pg.1 ARL		12,000				
1/15	GJ- Pg.1 ARL		1,000				
1/19	GJ- Pg.1 ARL		25,000				
01/19a	GJ- Pg.1 ARL	50,000					
1/31		1,032,000					
Equipment: #				NOTES PAYABLE: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1		\$0		1/1			\$0
1/3	GJ- Pg.1 ARL	30,000		1/2	GJ- Pg.1 ARL		50,000
1/31		30,000		1/31			50,000
PREPAID RENT: #				SALES REVENUE: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1		\$0		1/1			
1/4	GJ- Pg.1 ARL	12,000		1/19a	GJ- Pg.1 ARL		50,000
1/31		12,000		1/31			50,000
SALARIES EXPENSE: #				COST OF GOODS SOLD: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1		\$0		1/1			
1/15	GJ- Pg.1 ARL	1,000		1/19b	GJ- Pg.1 ARL	12,500	
1/31		1,000		1/31		12,500	
INVENTORY: #							
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1		\$0		1/1			
1/19	GJ- Pg.1 ARL	25,000		1/19	GJ- Pg.1 ARL	25,000	
01/19b				01/19b			12,500
1/31				1/31		12,500	

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\*compare with T accounts

GENERAL LEDGER							
CASH: #			CAPITAL STOCK: #				
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1		\$0		1/1			\$0
1/1	GJ- Pg.1 ARL	1,000,000		1/1	GJ- Pg.1 ARL		1,000,000
1/2	GJ- Pg.1 ARL	50,000		1/31			1,000,000
1/3	GJ- Pg.1 ARL		30,000				
1/4	GJ- Pg.1 ARL		12,000				
1/15	GJ- Pg.1 ARL		1,000				
1/19	GJ- Pg.1 ARL		25,000				
01/19a	GJ- Pg.1 ARL	50,000					
1/31		1,032,000					
Equipment: #			NOTES PAYABLE: #				
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1		\$0		1/1			\$0
1/3	GJ- Pg.1 ARL	30,000		1/2	GJ- Pg.1 ARL		50,000
1/31		30,000		1/31			50,000
PREPAID RENT: #			SALES REVENUE: #				
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1		\$0		1/1			
1/4	GJ- Pg.1 ARL	12,000		1/19a	GJ- Pg.1 ARL		50,000
1/31		12,000		1/31			50,000
SALARIES EXPENSE: #			COST OF GOODS SOLD: #				
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1		\$0		1/1			
1/15	GJ- Pg.1 ARL	1,000		1/19b	GJ- Pg.1 ARL	12,500	
1/31		1,000		1/31		12,500	
INVENTORY: #							
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1		\$0		1/1			
1/19	GJ- Pg.1 ARL	25,000		1/19	GJ- Pg.1 ARL	25,000	
1/31		25,000		01/19b			12,500
1/31				1/31		12,500	

ABC JEWELRY		
Unadjusted Trial Balance		
For the period ended January 31, Year 1		
ACCOUNT: #	Dr.	Cr.
Cash	1,032,000	
Inventory	12,500	
Prepaid Rent	12,000	
Equipment	30,000	
Notes Payable		50,000
Capital Stock		1,000,000
Sales Revenue		50,000
Costt of Goods Sold	12,500	
Salaries Expense	1,000	
	<b>1,100,000</b>	<b>1,100,000</b>

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\*compare with T accounts



GENERAL LEDGER

CASH: #				CAPITAL STOCK: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1		\$0		1/1			\$0
1/1	Gf-Pg 1 ARL	1,000,000		1/1	Gf-Pg 1 ARL		1,000,000
1/2	Gf-Pg 1 ARL	50,000		1/31			1,000,000
1/3	Gf-Pg 1 ARL		30,000				
1/4	Gf-Pg 1 ARL		12,000				
1/15	Gf-Pg 1 ARL		1,000				
1/19	Gf-Pg 1 ARL		25,000				
01/19a	Gf-Pg 1 ARL	50,000					
1/31		1,032,000					

  

EQUIPMENT: #				NOTES PAYABLE: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1		\$0		1/1			\$0
1/3	Gf-Pg 1 ARL	30,000		1/2	Gf-Pg 1 ARL		50,000
1/31		30,000		1/31			50,000

  

SALES REVENUE: #				NOTES PAYABLE: #			
DATE	REF.	Dr. -	Cr. +	DATE	REF.	Dr. -	Cr. +
1/1				1/1			\$0
1/19a	Gf-Pg 1 ARL		50,000	1/2	Gf-Pg 1 ARL		50,000
1/31			50,000	1/31			50,000

  

PREPAID RENT: #				COST OF GOODS SOLD: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1		\$0		1/1			
1/4	Gf-Pg 1 ARL	12,000		1/19a	Gf-Pg 1 ARL	12,500	
1/31			1,000	1/31		12,500	
1/31		11,000					

  

SALARIES EXPENSE: #				INVENTORY: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1				1/1		\$0	
1/15	Gf-Pg 1 ARL	1,000		1/19	Gf-Pg 1 ARL	25,000	
1/31		1,000		01/19b			12,500
				1/31		12,500	

  

INTEREST EXPENSE: #				INTEREST PAYABLE: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1				1/1			\$0
1/31	Gf-Pg 2 ARL	417		1/31	Gf-Pg 2 ARL		417
1/31		417		1/31			417

  

DEPRECIATION EXP.				ACC. DEPRECIATION: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1				1/1			\$0
1/31	Gf-Pg 2 ARL	250		1/31	Gf-Pg 2 ARL		250
1/31		250		1/31			250

  

RENT EXPENSE: #			
DATE	REF.	Dr. +	Cr. -
1/1			
1/31	Gf-Pg 2 ARL	1,000	
1/31		1,000	

TRANSACTIONS

- 1) ABC issues 10,000 shares at \$100 each.
- 2) ABC took a loan from the Bank and signed a Notes Payable for \$50,000, (5 years, 10%).
- 3) ABC bought Equipment for \$30,000 in cash, useful life 10 years and no residual value.
- 4) ABC paid \$12,000 for rent in advance.
- 15) ABC paid wages for \$1,000.
- 19) The company bought 50 pieces of jewelry for \$500 cash each and sold 25 for \$2,000 each in cash.
- 19a) Record the sale of Inventory.
- 19b) Record the cost of Inventory and update the account.

Adjusting entries

GENERAL JOURNAL					
28		Page 2			
29	1/31	Interest Expense	417		
30		Interest Payable (50,000 x .10 x 1/12)		417	
31		Description: Accrued interest expense			ARL
32					
33	1/31a	Depreciation Expense	250		
34		Accumulated Depreciation (30,000/10 = 3,000 (3,000/12mths = 250)	250		
35		Description: To record depreciation of Equipment			ARL
36					
37	1/31b	Rent Expense	1,000		
38		Prepaid Rent		1,000	
39		Description: To record decrease in Prepaid Rent			ARL

**GENERAL JOURNAL**

Line #	Date	Page 1	Dr.	Cr.	Ref.
1	1/1	Cash	1,000,000		
2		Capital Stock		1,000,000	
3		<i>Description: Issue Shares for cash.</i>			ARL
4					
5	1/2	Cash	50,000		
6		Notes Payable		50,000	
7		<i>Description: Make Loan.</i>			ARL
8					
9	1/3	Equipment	30,000		
10		Cash		30,000	
11		<i>Description: Purchased an Equipment</i>			ARL
12					
13	1/4	Salaries Expense	1,000		
14		Cash		1,000	
15		<i>Description: Paid Salaries</i>			ARL
16					
17	1/19	Inventory	25,000		
18		Cash		25,000	
19		<i>Description: Purchased of Inventory</i>			ARL
20					
21	1/19a	Cash	50,000		
22		Sales Revenue (25 x \$2,000)		50,000	
23		<i>Description: Sold half of the Inventory</i>			ARL
24					
25	1/19b	Cost of Goods Sold	12,500		
26		Inventory (25 x \$500)		12,500	
27		<i>Description: Update Inventoru account and record the cost</i>			ARL
28		<b>Page 2</b>			
29	1/31	Interest Expense	417		
30		Interest Payable (50,000 x .10 x 1/12)		417	
31		<i>Description: Accrued interest expense</i>			ARL
32					
33	1/31a	Depreciation Expense	250		
34		Accumulated Depreciation (30,000/10 = 3000 (3,000/12m		250	
35		<i>Description: To record depreciation of Equipment</i>			ARL
36					
37	1/31b	Rent Expense	1,000		
38		Prepaid Rent		1,000	
39		<i>Description: Tp record decrease in Prepaid Rent</i>			ARL

**GENERAL LEDGER**

DATE	REF.	CASH: #		DATE	REF.	CAPITAL STOCK: #	
		Dr. +	Cr. -			Dr. -	Cr. +
1/1		\$0		1/1		\$0	
1/1	GJ- Pg.1 ARL	1,000,000		1/1	GJ- Pg.1 ARL	1,000,000	
1/2	GJ- Pg.1 ARL	50,000		1/31		1,000,000	
1/3	GJ- Pg.1 ARL		30,000				
1/4	GJ- Pg.1 ARL		12,000				
1/15	GJ- Pg.1 ARL		1,000				
1/19	GJ- Pg.1 ARL		25,000				
01/19a	GJ- Pg.1 ARL	50,000					
1/31		1,032,000					
DATE	REF.	Equipment: #		DATE	REF.	SALESREVENUE: #	
		Dr. +	Cr. -			Dr. -	Cr. +
1/1		\$0		1/1			
1/3	GJ- Pg.1 ARL	30,000		1/19a	GJ- Pg.1 ARL		50,000
1/31		30,000		1/31			50,000
DATE	REF.	PREPAID RENT: #		DATE	REF.	COST OF GOODS SOLD: #	
		Dr. +	Cr. -			Dr. +	Cr. -
1/1		\$0		1/1			
1/4	GJ- Pg.1 ARL	12,000		1/19b	GJ- Pg.1 ARL	12,500	
1/31			1,000	1/31		12,500	
1/31		11,000					
DATE	REF.	SALARIES EXPENSE: #		DATE	REF.	INVENTORY: #	
		Dr. +	Cr. -			Dr. +	Cr. -
1/1				1/1		\$0	
1/15	GJ- Pg.1 ARL	1,000		1/19	GJ- Pg.1 ARL	25,000	
1/31		1,000		01/19b			12,500
1/31				1/31		12,500	
DATE	REF.	INTEREST EXPENSE: #		DATE	REF.	INTEREST PAYABLE: #	
		Dr. +	Cr. -			Dr. +	Cr. -
1/1				1/1		\$0	
1/31	GJ- Pg.2 ARL	417		1/31	GJ- Pg.2 ARL		417
1/31		417		1/31			417
DATE	REF.	DEPRECIATION EXP.		DATE	REF.	ACC. DEPRECIATION: #	
		Dr. +	Cr. -			Dr. +	Cr. -
1/1				1/1		\$0	
1/31	GJ- Pg.2 ARL	250		1/31	GJ- Pg.2 ARL		250
1/31		250		1/31			250
DATE	REF.	RENT EXPENSE: #					
		Dr. +	Cr. -				
1/1							
1/31	GJ- Pg.2 ARL	1,000					
1/31		1,000					

# ACCOUNTING CYCLE

## STEPS

1. Identify the source documents.
2. Analyze the transaction.
3. Record the transaction (Dr. & Cr. / General Journal)
4. Post accounts to General Ledger (\*account summary)
5. Prepare the unadjusted Trial Balance (two columns report: Dr. & Cr.)
6. Record Adjusting Entries: General Journal & Post the account to General Ledger.
7. Prepare the Adjusted Trial Balance.
8. Prepare the Financial Statements.
9. Close the nominal/temporary accounts (use Retained Earnings).
10. Prepare the Post Closing Trial Balance (only permanent accounts, same as Balance Sheet)

\*compare with T accounts

**GENERAL LEDGER**

DATE	REF.	CASH: #	
		Dr. +	Cr. -
1/1		\$0	
1/1	GJ- Pg.1 ARL	1,000,000	
1/2	GJ- Pg.1 ARL	50,000	
1/3	GJ- Pg.1 ARL		30,000
1/4	GJ- Pg.1 ARL		12,000
1/15	GJ- Pg.1 ARL		1,000
1/19	GJ- Pg.1 ARL		25,000
01/19a	GJ- Pg.1 ARL	50,000	
1/31		1,032,000	

  

DATE	REF.	Equipment: #	
		Dr. +	Cr. -
1/1		\$0	
1/3	GJ- Pg.1 ARL	30,000	
1/31		30,000	

  

DATE	REF.	PREPAID RENT: #	
		Dr. +	Cr. -
1/1		\$0	
1/4	GJ- Pg.1 ARL	12,000	
1/31			1,000
1/31		11,000	

  

DATE	REF.	SALARIES EXPENSE: #	
		Dr. +	Cr. -
1/1			
1/15	GJ- Pg.1 ARL	1,000	
1/31		1,000	

  

DATE	REF.	INTEREST EXPENSE: #	
		Dr. +	Cr. -
1/1			
1/31	GJ- Pg.2 ARL	417	
1/31		417	

  

DATE	REF.	DEPRECIATION EXP: #	
		Dr. +	Cr. -
1/1			
1/31	GJ- Pg.2 ARL	250	
1/31		250	

  

DATE	REF.	RENT EXPENSE: #	
		Dr. +	Cr. -
1/1			
1/31	GJ- Pg.2 ARL	1,000	
1/31		1,000	

  

DATE	REF.	CAPITAL STOCK: #	
		Dr. -	Cr. +
1/1			\$0
1/1	GJ- Pg.1 ARL		1,000,000
1/31			1,000,000

  

DATE	REF.	NOTES PAYABLE: #	
		Dr. -	Cr. +
1/1			\$0
1/2	GJ- Pg.1 ARL		50,000
1/31			50,000

  

DATE	REF.	SALESREVENUE: #	
		Dr. -	Cr. +
1/1			
1/19a	GJ- Pg.1 ARL		50,000
1/31			50,000

  

DATE	REF.	COST OF GOODS SOLD: #	
		Dr. +	Cr. -
1/1			
1/19b	GJ- Pg.1 ARL	12,500	
1/31		12,500	

  

DATE	REF.	INVENTORY: #	
		Dr. +	Cr. -
1/1		\$0	
1/19	GJ- Pg.1 ARL	25,000	
01/19b			12,500
1/31		12,500	

  

DATE	REF.	INTEREST PAYABLE: #	
		Dr. +	Cr. -
1/1			\$0
1/31	GJ- Pg.2 ARL		417
1/31			417

  

DATE	REF.	ACC. DEPRECIATION: #	
		Dr. +	Cr. -
1/1			\$0
1/31	GJ- Pg.2 ARL		250
1/31			250

ABC JEWELRY		
Adjusted Trial Balance		
For the period ended January 31, Year 1		
ACCOUNT: #	Dr.	Cr.
Cash	1,032,000	
Inventory	12,500	
Prepaid Rent	11,000	
Equipment	30,000	
Accumulated Depreciation		250
Notes Payable		50,000
Interest Payable		417
Capital Stock		1,000,000
Sales Revenue		50,000
Costt of Goods Sold	12,500	
Salaries Expense	1,000	
Rent expense	1,000	
Interest Expense	417	
Depreciation Expense	250	
	<b>1,100,667</b>	<b>1,100,667</b>

<b>ABC JEWELRY</b>		
<b>Unadjusted Trial Balance</b>		
<b>For the period ended January 31, Year 1</b>		
<b>ACCOUNT: #</b>	<b>Dr.</b>	<b>Cr.</b>
Cash	1,032,000	
Inventory	12,500	
Prepaid Rent	12,000	
Equipment	30,000	
Notes Payable		50,000
Capital Stock		1,000,000
Sales Revenue		50,000
Costt of Goods Sol	12,500	
Salaries Expense	1,000	
	<b>1,100,000</b>	<b>1,100,000</b>

<b>ABC JEWELRY</b>		
<b>Adjusted Trial Balance</b>		
<b>For the period ended January 31, Year 1</b>		
<b>ACCOUNT: #</b>	<b>Dr.</b>	<b>Cr.</b>
Cash	1,032,000	
Inventory	12,500	
Prepaid Rent	11,000	
Equipment	30,000	
Accumulated Depreciation		250
Notes Payable		50,000
Interest Payable		417
Capital Stock		1,000,000
Sales Revenue		50,000
Costt of Goods Sold	12,500	
Salaries Expense	1,000	
Rent expense	1,000	
Interest Expense	417	
Depreciation Expense	250	
	<b>1,100,667</b>	<b>1,100,667</b>

# ACCOUNTING CYCLE

## STEPS

1. Identify the source documents.
2. Analyze the transaction.
3. Record the transaction (Dr. & Cr. / General Journal)
4. Post accounts to General Ledger (\*account summary)
5. Prepare the unadjusted Trial Balance (two columns report: Dr. & Cr.)
6. Record Adjusting Entries: General Journal & Post the account to General Ledger.
7. Prepare the Adjusted Trial Balance.
8. Prepare the Financial Statements.
9. Close the nominal/temporary accounts (use Retained Earnings).
10. Prepare the Post Closing Trial Balance (only permanent accounts, same as Balance Sheet)

\*compare with T accounts

<b>ABC JEWELRY</b>	
<b>INCOME STATEMENT</b>	
<b>FOR THE PERIOD ENDED JANUARY 31, YEAR 1</b>	
Sales Revenues	\$50,000
Cost of Goods Sold	<u>12,500</u>
<b>GROSS PROFIT</b>	<b>\$37,500</b>
<b>OPERATING EXPENSES</b>	
<b>SELLING:</b>	
Salaries Expense	(1,000)
<b>ADMINISTRATIVE:</b>	
Rent Expense	(1000)
Depreciation Expense	<u>(250)</u>
<b>OPERATING INCOME</b>	<b>\$35,250</b>
<b>OTHERS:</b>	
Interest Expense	<u>(\$417)</u>
Income before tax	\$34,833
Tax expense (e.g. none)	0
<b>NET INCOME</b>	<b>\$34,833</b>

<b>ABC JEWELRY</b>		
<b>BALANCE SHEET</b>		
<b>JANUARY 31, Year 1</b>		
<b>ASSETS</b>		
Current:		
Cash	\$1,032,000	
Inventory	12,500	
Prepaid Rent	11,000	
Non Current:		
Equipment	30,000	
Accumulated Depreciation	<u>(250)</u>	
	29,750	
<b>TOTAL ASSETS</b>		<b>\$1,085,250</b>
<b>LIABILITIES</b>		
Current:		
Interest payable	417	
Non Currents:		
Notes Payable	<u>50,000</u>	
<b>TOTAL LIABILITIES</b>		<b>\$50,417</b>
<b>EQUITY</b>		
Capital Stock	\$1,000,000	
Retained Earnings	<u>34,833</u>	
<b>TOTAL EQUITY</b>		<b>1,034,833</b>
<b>TTOTAL LIABILITIES AND EQUITY</b>		<b>\$1,085,250</b>

<b>ABC JEWELRY</b>	
<b>CASH FLOWS</b>	
<b>FOR THE PERIOD ENDED JANUARY 31, YEAR 1</b>	
<b>OPERATING ACTIVITIES</b>	
Cash from customers	\$50,000
Purchased Inventory	(25,000)
Payment of Salaries	(1,000)
Payment of Rent in advance	<u>(12,000)</u>
<b>Total Cash from Operating Activities</b>	<b>\$12,000</b>
<b>INVESTING ACTIVITIES</b>	
Purchased of Equipment	(30000)
<b>Total Cash from Investing Activities</b>	<b>(30000)</b>
<b>FINANCING ACTIVITIES</b>	
Issued Shares	\$1,000,000
Received Loan from Bank	<u>\$50,000</u>
<b>Total Cash from Financing Activities</b>	<b>\$1,050,000</b>
<b>Net Increase in Cash</b>	<b>\$1,032,000</b>
<b>Cash at January 1, 2021</b>	<b>\$0</b>
<b>Cash at January 31, 2021</b>	<b>\$1,032,000</b>

<b>ABC JEWELRY</b>			
<b>CHANGE IN OWNERS EQUITY</b>			
<b>FOR THE PERIOD ENDED JANUARY 31, YEAR 1</b>			
	<b>JANUARY 1, 2021</b>	<b>NET INCOME</b>	<b>JANUARY 31, 2021</b>
Capital Stock	\$1,000,000		\$1,000,000
Retained Earnings	\$0	<u>\$34,833</u>	\$34,833
<b>TOTAL EQUITY</b>	<b>\$1,000,000</b>		<b>\$1,034,833</b>

# ACCOUNTING CYCLE

## STEPS

1. Identify the source documents.
2. Analyze the transaction.
3. Record the transaction (Dr. & Cr. / General Journal)
4. Post accounts to General Ledger (\*account summary)
5. Prepare the unadjusted Trial Balance (two columns report: Dr. & Cr.)
6. Record Adjusting Entries: General Journal & Post the account to General Ledger.
7. Prepare the Adjusted Trial Balance.
8. Prepare the Financial Statements.
9. Close the nominal/temporary accounts (use Retained Earnings).
10. Prepare the Post Closing Trial Balance (only permanent accounts, same as Balance Sheet)

\*compare with T accounts



# ACCOUNTING CYCLE

Nominal/Temporary Accounts: closed at the end of the period

- Revenues
- Expenses
- Dividends

Permanent: the balance is transferred to the next period

- Assets
- Liabilities
- Equity

## Income Statement Accounts (only)

SALARIES EXPENSE: #				SALES REVENUE: #					
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +		
1/1				1/1					
1/15	GJ- Pg.1 ARL	1,000		1/19a	GJ- Pg.1 ARL		50,000		
1/31		1,000		1/31			50,000		
			1,000 C/E				50,000 C/E		
		\$0					\$0		
RETAINED EARNINGS: #									
								Dr. +	Cr. -
								\$0	
									50,000
								12,500	
								1,000	
								1,000	
								417	
								250	
								<b>1/31</b>	<b>\$34,833</b>
INTEREST EXPENSE: #				COST OF GOODS SOLD: #					
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -		
1/1				1/1					
1/31	GJ- Pg.2 ARL	417		1/19b	GJ- Pg.1 ARL	12,500			
1/31		417		1/31		12,500			
			417 C/E						12,500 C/E
		\$0							\$0
DEPRECIATION EXP.				RENT EXPENSE: #					
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -		
1/1				1/1					
1/31	GJ- Pg.2 ARL	250		1/31	GJ- Pg.2 ARL	1,000			
1/31		250		1/31		1,000			
			250 C/E						1,000
		\$0							\$0

SALARIES EXPENSE: #				SALES REVENUE: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. -	Cr. +
1/1				1/1			
1/15	GJ- Pg 1 ARL	1,000		1/19a	GJ- Pg 1 ARL		50,000
1/31		1,000		1/31			50,000
			1,000 C/E			50,000 C/E	
		\$0				\$0	

  

INTEREST EXPENSE: #				COST OF GOODS SOLD: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1				1/1			
1/31	GJ- Pg 2 ARL	417		1/19b	GJ- Pg 1 ARL	12,500	
1/31		417		1/31		12,500	
			417 C/E				12,500 C/E
		\$0				\$0	

  

DEPRECIATION EXP.				RENT EXPENSE: #			
DATE	REF.	Dr. +	Cr. -	DATE	REF.	Dr. +	Cr. -
1/1				1/1			
1/31	GJ- Pg 2 ARL	250		1/31	GJ- Pg 2 ARL	1,000	
1/31		250		1/31		1,000	
			250 C/E				1,000
		\$0				\$0	

  

RETAINED EARNINGS: #			
DATE	REF.	Dr. +	Cr. -
		\$0	
			50,000
		12,500	
		1,000	
		1,000	
		417	
		250	
1/31			\$34,833

CLOSING ENTRIES					
40					
41	1/31/c/e	Sales Revenue		50,000	
52		Retained Earnings			50,000
43		<i>Description: To close revenue account</i>			
44					
45	1/31/c/e	Retained Earnings		15,167	
46		Cost of Goods Sold			12,500
47		Salaries Expense			1,000
48		Rent Expense			1,000
49		Interest Expense			417
50		Depreciation Expense			250
					Page 3 ARL

<b>ABC JEWELRY</b>			
<b>BALANCE SHEET</b>			
<b>JANUARY 31, YEAR 1</b>			
<b>ASSETS</b>			
Current:			
Cash		\$1,032,000	
Inventory		12,500	
Prepaid Rent		11,000	
Non Current:			
Equipment	30,000		
Accumulated Depreciation	(250)		
		29,750	
<b>TOTAL ASSETS</b>			<b>\$1,085,250</b>
<b>LIABILITIES</b>			
Current:			
Interest payable		417	
Non Currents:			
Notes Payable		50,000	
<b>TOTAL LIABILITIES</b>			<b>\$50,417</b>
<b>EQUITY</b>			
Capital Stock		\$1,000,000	
Retained Earnings		34,833	
<b>TOTAL EQUITY</b>			<b>1,034,833</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>\$1,085,250</b>

<b>RETAINED EARNINGS: #</b>	
Dr. +	Cr. -
\$0	
	50,000
12,500	
1,000	
1,000	
417	
250	
<b>1/31</b>	<b>\$34,833</b>

## Balance Sheet Accounts (only)

<b>ABC JEWELRY</b>		
<b>Post Closing Trial Balance</b>		
<b>For the period ended January 31, Year 1</b>		
<b>ACCOUNT: #</b>	<b>Dr.</b>	<b>Cr.</b>
Cash	1,032,000	
Inventory	12,500	
Prepaid Rent	11,000	
Equipment	30,000	
Accumulated Depreciation		250
Notes Payable		50,000
Interest Payable		417
Capital Stock		1,000,000
Retined Earnings		34,833
	<b>1,085,500</b>	<b>1,085,500</b>

## Balance Sheet Accounts (only)

<b>ABC JEWELRY</b>		
<b>Post Closing Trial Balance</b>		
<b>For the period ended January 31, Year 1</b>		
<b>ACCOUNT: #</b>	<b>Dr.</b>	<b>Cr.</b>
Cash	1,032,000	
Inventory	12,500	
Prepaid Rent	11,000	
Equipment	30,000	
Accumulated Depreciation		250
Notes Payable		50,000
Interest Payable		417
Capital Stock		1,000,000
Retined Earnings		34,833
	<b>1,085,500</b>	<b>1,085,500</b>

<b>ABC JEWELRY</b>			
<b>BALANCE SHEET</b>			
<b>JANUARY 31, YEAR 1</b>			
<b>ASSETS</b>			
Current:			
Cash		\$1,032,000	
Inventory		12,500	
Prepaid Rent		11,000	
Non Current:			
Equipment	30,000		
Accumulated Depreciation	(250)		
		29,750	
<b>TOTAL ASSETS</b>			<b>\$1,085,250</b>
<b>LIABILITIES</b>			
Current:			
Interest payable		417	
Non Currents:			
Notes Payable		50,000	
<b>TOTAL LIABILITIES</b>			<b>\$50,417</b>
<b>EQUITY</b>			
Capital Stock		\$1,000,000	
Retained Earnings		<b>34,833</b>	
<b>TOTAL EQUITY</b>			<b>1,034,833</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>\$1,085,250</b>