

UNIT 2 RECORDING TRANSACTIONS

Our Accounting Tutors
can help you learn.

| ASSETS | | = | LIABILITIES | | + | OWNER'S EQUITY | | | | | | | | | | | | | | | | | | | | | |
|---|-----|----------|-------------|---------|-----|----------------|-----|-----|-----|-------------|--|----------|--|---------|--|-----|-----|-----|-----|-----|-----|---|---|---|---|---|---|
| DR. | CR. | | DR. | CR. | | DR. | CR. | DR. | CR. | | | | | | | | | | | | | | | | | | |
| + | - | | - | + | | - | + | - | + | | | | | | | | | | | | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">WITHDRAWALS</th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">EXPENSES</th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">REVENUE</th> </tr> <tr> <th style="text-align: center; border-right: 1px solid black;">DR.</th> <th style="text-align: center;">CR.</th> <th style="text-align: center; border-right: 1px solid black;">DR.</th> <th style="text-align: center;">CR.</th> <th style="text-align: center; border-right: 1px solid black;">DR.</th> <th style="text-align: center;">CR.</th> </tr> <tr> <td style="text-align: center; border-right: 1px solid black;">+</td> <td style="text-align: center;">-</td> <td style="text-align: center; border-right: 1px solid black;">+</td> <td style="text-align: center;">-</td> <td style="text-align: center; border-right: 1px solid black;">-</td> <td style="text-align: center;">+</td> </tr> </table> | | | | | | | | | | WITHDRAWALS | | EXPENSES | | REVENUE | | DR. | CR. | DR. | CR. | DR. | CR. | + | - | + | - | - | + |
| WITHDRAWALS | | EXPENSES | | REVENUE | | | | | | | | | | | | | | | | | | | | | | | |
| DR. | CR. | DR. | CR. | DR. | CR. | | | | | | | | | | | | | | | | | | | | | | |
| + | - | + | - | - | + | | | | | | | | | | | | | | | | | | | | | | |

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I. JOURNAL ENTRIES

In the preceding learning unit, transactions were recorded in T accounts because students find it easier to analyze transactions with T accounts. This learning unit makes the transition from T accounts to Journal Entries, the first step of the accounting process.

ANALYZING TRANSACTIONS

JOURNALIZING TRANSACTIONS

| Assets | = | Liabilities | + | Owner's Equity | Account Debited | Account Credited | DR. XXX | CR. XXX |
|---|---|-------------|---|----------------|---------------------|--------------------------|------------|------------|
| 1. Darin Jones, a sophomore at State University, started the Quick Clean Laundry Service with a \$100 cash investment. | | | | | Cash | Capital, Darin Jones | 100 | 100 |
| 100 | | | | 100 | | | | |
| 2. On Sept. 1, paid \$50 for 5 months of ads in the school newspaper. | | | | | Prepaid Advertising | Cash | 50 | 50 |
| 50 | | | | 50 | | | | |
| 3. On Sept. 1, purchased Laundry Supplies for \$25 cash. | | | | | Laundry Supplies | Cash | 25 | 25 |
| 25 | | | | 25 | | | | |
| 4. On Sept. 1, purchased \$48 of Laundry Equipment paying \$8 down. | | | | | Laundry Equipment | Accounts Payable | 48 | 8 |
| 48 | | 40 | | 8 | Cash | Accounts Payable | 40 | 40 |
| 8 | | | | 8 | | | | |
| 5. Darin made an additional investment of \$50. | | | | | Cash | Capital, Darin Jones | 50 | 50 |
| 50 | | | | 50 | | | | |
| 6. Paid one-fourth the amount owed on the Laundry Equipment. | | | | | Accounts Payable | Cash | 10 | 10 |
| 10 | | 10 | | 10 | | | | |
| 7. Darin withdrew \$20 for personal use. | | | | | Cash | Withdrawals, Darin Jones | 20 | 20 |
| 20 | | | | 20 | | | | |
| 8. Cash collected for Laundry Services performed during the month amounted to \$140. \$10 was also due for services rendered. | | | | | Cash | Laundry Revenue | 140 | 150 |
| 140 | | | | 150 | Accounts Receivable | Laundry Revenue | 10 | 150 |
| 10 | | | | 10 | | | | |
| 9. Paid \$75 for the use of washers and dryers for September. | | | | | Cash | Washer/Dryer Expense | 75 | 75 |
| 75 | | | | 75 | | | | |
| 10. Received \$5 on account. | | | | | Cash | Accounts Receivable | 5 | 5 |
| 5 | | | | 5 | | | | |
| 11. On Sept. 26, two students paid \$10 for next week's Laundry Service. | | | | | Cash | Unearned Laundry Revenue | 20 | 20 |
| 20 | | 20 | | 20 | | | | |
| 12. Paid monthly phone bill of \$10. | | | | | Cash | Telephone Expense | 10 | 10 |
| 10 | | | | 10 | | | | |

II. GENERAL LEDGER

| Cash | |
|----------|------------|
| (1) 100 | (2) 50 |
| (5) 50 | (3) 25 |
| (8) 140 | (4) 8 |
| (10) 5 | (6) 10 |
| (11) 20 | (7) 20 |
| 315 | (9) 75 |
| -198 | (12) 10 |
| Bal. 117 | <u>198</u> |

| Accounts Payable | |
|------------------|--------|
| (6) 10 | (4) 40 |

| Capital, Darin Jones | |
|----------------------|--|
| (1) 100 | |
| (5) 50 | |

| Unearned Laundry Revenues | |
|---------------------------|---------|
| | (11) 20 |

| Withdrawals, Darin Jones | |
|--------------------------|--|
| (7) 20 | |

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| Accounts Receivable | |
|---------------------|--------|
| (8) 10 | (10) 5 |

| Prepaid Advertising | |
|---------------------|--|
| (2) 50 | |

| Laundry Supplies | |
|------------------|--|
| (3) 25 | |

| Laundry Equipment | |
|-------------------|--|
| (4) 48 | |

| Washer Dryer Expense | Laundry Revenue |
|----------------------|-----------------|
| (9) 75 | (8) 150 |

| Telephone Expense |
|-------------------|
| (12) 10 |

III. TRIAL BALANCE

Quick Clean Laundry Service
Trial Balance
September 30, 1991

| | | |
|--------------------------|--------------|--------------|
| Cash | \$117 | |
| Accounts Receivable | 5 | |
| Prepaid Advertising | 50 | |
| Laundry Supplies | 25 | |
| Laundry Equipment | 48 | |
| Accounts Payable | | \$ 30 |
| Unearned Laundry Revenue | | 20 |
| Capital, Darin Jones | | 150 |
| Withdrawals, Darin Jones | 20 | |
| Laundry Revenue | | 150 |
| Washer/Dryer Expense | 75 | |
| Telephone Expense | 10 | |
| | <u>\$350</u> | <u>\$350</u> |

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Note: Transaction No. 1 has been formally journalized and posted below. PR stands for Post Reference. The relevant account number or General Journal page number is placed in the PR column at the time of posting.

IV. GENERAL JOURNAL

Page 1

| DATE | ACCOUNT TITLE AND EXPLANATION | PR | DEBIT | CREDIT |
|---------|-------------------------------|-----|--------|--------|
| Sept. 1 | Cash | 1 | 100 00 | |
| | Capital, Darin Jones | 100 | | 100 00 |
| | To record cash investment. | | | |

V. GENERAL LEDGER

| CASH | | | | | ACCOUNT NO. 1 | |
|---------|-------------|----|--------|--------|---------------|--|
| DATE | EXPLANATION | PR | DEBIT | CREDIT | BALANCE | |
| Sept. 1 | | 1 | 100 00 | | 100 00 | |

| CAPITAL, DARIN JONES | | | | | ACCOUNT NO. 100 | |
|----------------------|-------------|----|-------|--------|-----------------|--|
| DATE | EXPLANATION | PR | DEBIT | CREDIT | BALANCE | |
| Sept. 1 | | 1 | | 100 00 | 100 00 | |

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