General Journal

GENERAL JOURNAL

Date		Account Titles and Explanation	Debit	Credit
2017				
Oct.	1	Cash	10,000	
		Common Stock		10,000
		(Issued stock for cash)		
	1	Cash	5,000	
		Notes Payable		5,000
		(Issued 3-month, 12% note payable for cash)		
	2	Equipment	5,000	
		Cash		5,000
		(Purchased equipment for cash)		

What posting looks like

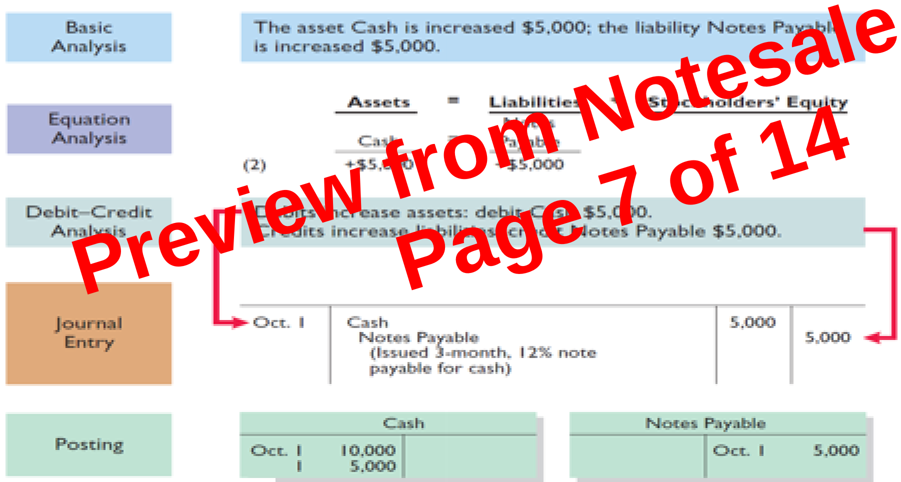

ILLUSTRATION 3-22

Trial Balances

- Trial Balance: A list of accounts and their balances at a given time
  - Proves the mathematical equality of debits and credits after posting
  - Accounts are listed in order in which they appear in the ledger
  - May also uncover errors in journalizing and posting
  - Is useful in the prepartion of financial statements

SIERRA CORPORATION
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
Common Stock		10,000
Dividends	500	
Service Revenue		10,000
Salaries and Wages Expense	4,000	
Rent Expense	900	
	$28,700	$28,700

Other Vocabulary

<u>Chart of Accounts:</u> listing of accounts used by a company

SIERRA CORPORATION
Chart of Accounts

Assets	Liabilities	Stockholders' Equity	Revenues	Expenses
Cash	Notes Payable	Common Stock	Service Revenue	Salaries and Wages Expense
Accounts Receivable	Accounts Payable	Retained Earnings		Supplies Expense
Supplies	Interest Payable	Dividends		Rent Expense
Prepaid Insurance	Unearned Service Revenue	Income Summary		Insurance Expense
Equipment	Salaries and Wages Payable			Interest Expense
Accumulated Depreciation—Equipment				Depreciation Expense

<u>Chapter 4</u>

Principles

- <u>Revenue Recognition Principle:</u> Companies recognize revenue in the accounting period in which the performance obligation is satisfied.
  - Customer requests service --> Service performed --> Cash received
- <u>Expense Recognition Principle:</u> Expenses matched with revenues in the period when efforts are expended to generate revenues.
- <u>Periodicity Assumption:</u> Economic life of business can be divided into artificial time periods.