

ACC 111 – Financial Accounting and Reporting

Topic: The Accounting Cycle

THE ACCOUNTING CYCLE

1. Identify the transaction from the source documents.
2. Indicate the accounts from the elements that are affected by the transaction
3. Ascertain whether each account is decreased or increased by the transaction.
4. Using the debit and credit rule, determine whether the account is to be credited or to be debited to record for each increase or decrease.

Step 1. Identification of Events to be Recorded

Transaction Analysis

- The transactions are analyzed in four basic steps.

Source Documents

- This will tell if the events will affect the performance or position of the organization.
- This is also considered as the starting point of the accounting cycle.
- This is the written original evidence to support the nature and amounts of the transactions and basis for journal entries.
- This is also the steps in which the transactions are recordable or not
- This step is the decision on recognition or non-recognition of the transactions.

Common Source Documents:

- Official Receipts
- Charge Invoice
- Sales Invoice
- Bank Deposit Slip
- Cash Register Tapes
- Checks
- Bank Statements
- Purchase Orders
- Receiving Reports
- Time Cards