

# Toward Business Literacy: Accounting Outlines



## Accounting Procedure up to Adjustments

**Source documents:** orders, invoices, receipts, checks, contracts

**Journalize transactions:** look for key words to know what accounts are involved, and what is happening (debit or credit) to the accounts in this format:

Date	Description	Posting Ref.	Debit	Credit
1/1/2005	Account to debit	Acct #	\$__._	
	Account to credit	Acct #		\$__._
	Explanation (if required)			

**Post to the ledger:** T accounts: Left side debit | Right side credit  
xxx | xxx

**Make a trial balance:** add up amounts in T accounts and list in this order:

- Assets and Liabilities (current and long term- how easily they can be turned into cash)
- Contributed capital (common & preferred stock), Retained Earnings and Dividends
- Revenues and Expenses

**Make adjusting entries:** these involve at least one income statement and one balance sheet account. This matches period revenues and expenses, and it makes sure assets and liabilities are fairly valued.

		<u>Dr.</u>	<u>Cr.</u>
<b>Expensing used assets</b>	Depreciation expense	xxx	
	Accumulated Depreciation		xxx
	Expense	xxx	
	Prepaid Asset		xxx
<b>Doing work previously paid for</b>	Unearned Revenue	xxx	
	Revenue		xxx
<b>Accruing Revenues and Expenses</b> <i>(To be received or paid later)</i>	Expense	xxx	
	Payable		xxx
	Receivable	xxx	
	Revenue		xxx
<b>Using up supplies</b>	Supply Expense	xxx	
	Supplies		xxx

**Post adjusting entries** (*posting is taking the entries in the journal and putting the amounts in the account in the ledger, either debit or credit*)