

BACHELOR of ECONOMICS



**Thammasat University
Faculty of Economics
Bachelor of Economics (International Program)**

AC201 Fundamental Accounting

Semester 2/2016

Course Package 02

Topic:

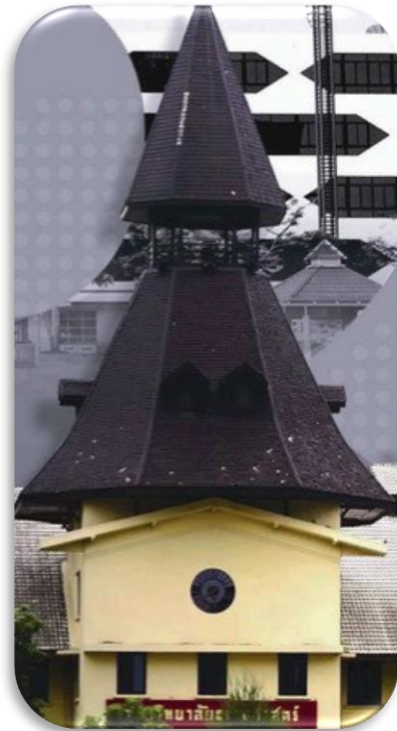
Accounting Cycle Example

Session:

Session 04

Instructor:

Assistant Professor
Dr. Orapan Yolrabail



Transactions Recording using Debit and Credit Framework		
Transaction	Date	Details
a.	Jan. 1, 20X1	Issued share capital for cash ₱1,500,000.
b.	Feb. 1, 20X1	Borrowed 5-year bank loan for ₱1,000,000. The interest rate is 6% a year and payable every Jan. 31.
c.	Apr. 1, 20X1	Acquired property, plant, and equipment -- MACHINE of ₱850,000 cash. The useful life is 5 years and the residual value is estimated to be ₱50,000.
d.	Apr. 1, 20X1	Acquired inventory of ₱250,000 on account.
e.	May 8, 20X1	Sold inventory for ₱850,000 on account.
f.	May 8, 20X1	Cost of goods sold associated with the sale in e. amounted to ₱175,000.
g.	Jun. 1, 20X1	Paid partially for accounts payable for ₱100,000.
h.	Jun. 2, 20X1	Collected partial accounts receivable for ₱250,000.
i.	Jul. 1, 20X1	Paid for one-year insurance coverage for ₱24,000.
j.	Aug. 30, 20X1	Paid for wages to employees for ₱50,000.
k.	Oct. 1, 20X1	Collected cash for ₱60,000 in advance for the services to be provided to customer for 6 months.
l.	Nov. 18, 20X1	Purchased office supplies for ₱30,000 cash.
m.	Dec. 31, 20X1	Declared and paid dividend in the amount of ₱20,000.
Adjustments at Period-end		
Transaction	Date	Details
n.	Dec. 31, 20X1	Recorded accrued interest on the 5-year bank loan (b).
o.	Dec. 31, 20X1	Recorded depreciation on the property, plant, and equipment (c).
p.	Dec. 31, 20X1	Recorded insurance expense incurred (i).
q.	Dec. 31, 20X1	Recorded services revenue earned (k).
r.	Dec. 31, 20X1	Recorded office supplies used (l). Note that the supplies on hand at year-end amounted to ₱10,000.
s.	Dec. 31, 20X1	Recorded incurred, but unpaid utilities for ₱5,000.
t.	Dec. 31, 20X1	Recorded earned, but uncollected rent for ₱12,000.
u.	Dec. 31, 20X1	Recorded incurred, but unpaid taxes at 20% tax rate.

Accounting Equation and Debit and Credit Framework

A		L		E	
Assets		Liabilities		Equity	
Debit	Credit	Debit	Credit	Debit	Credit

REVENUE

Debit	Credit

EXPENSE

Debit	Credit

DIVIDEND

Debit	Credit

General Journal - Transaction Recording

Transaction	Date	General Journal	Debit	Credit
a.				
b.				
c.				
d.				
e.				
f.				
g.				
h.				
i.				
j.				
k.				
l.				
m.				

General Ledger					
ASSETS		LIABILITIES		EQUITY	
ACCOUNTS RECEIVABLE		UTILITIES PAYABLE		DIVIDEND	
PREPAID INSURANCE		INCOME TAX PAYABLE		INTEREST EXPENSE	
OFFICE SUPPLIES				DEPRECIATION EXPENSE	
ACCUMULATED DEPRECIATION				INSURANCE EXPENSE	

General Leger

ASSETS	LIABILITIES	EQUITY	
		INCOME TAX EXPENSE	
		<hr/> <hr/>	
		RETAINED EARNINGS	
		<hr/> <hr/>	
		INCOME SUMMARY	
		<hr/> <hr/>	

Company A
Trial Balances
For the Year Ended December 31, 20X1

Account Title	Unadjusted Trial Balance		Adjusted Trial Balance		Post-Closing Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash						
Accounts receivable						
Rent receivable						
Inventory						
Prepaid insurance						
Office supplies						
Machine						
Accumulated depreciation						
Accounts payable						
Interest payable						
Utilities payable						
Income tax payable						
Unearned service revenue						
Bank loan						
Share capital						
Retained earnings						
Dividend						
Sales revenue						
Service revenue						
Rent revenue						
Cost of goods sold						
Wages expense						
Depreciation expense						
Insurance expense						
Office supplies expense						
Utilities expense						
Interest expense						
Income tax expense						
Total						

ADJUSTING ENTRIES		
DURING THIS CURRENT PERIOD	AT THE END OF THIS PERIOD -->	DURING THE NEXT PERIOD
Revenue transaction		
1. Cash sales		
<i>Revenue is earned and Cash is received</i>		
2. Credit sales	ACCRUED REVENUE RECEIVABLE	
	<i>Revenue is earned</i>	<i>Cash is received</i>
3. Cash is received in advance	DEFERRED REVENUE UNEARNED REVENUE	
<i>Cash is received</i>	<i>Revenue is earned</i>	

Expense transaction		
1. Cash expense		
<i>Expense is incurred and Cash is paid</i>		
2. Expense incurred and not yet paid	ACCRUED EXPENSE PAYABLE	
	<i>Expense is incurred</i>	<i>Cash is paid</i>
3. Cash is paid in advance	DEFERRED EXPENSE PREPAID EXPENSE	
<i>Cash is paid</i>	<i>Expense is incurred</i>	

General Journal - Adjusting Entries

Transaction	Date	General Journal	Debit	Credit
n.				
o.				
p.				
q.				
r.				
s.				
t.				
u.				

Supporting Calculations

Interest expense incurred during Feb. 1, 20X1 - Dec. 31, 20X1

Interest expense	=	Principal	x	Interest rate per year	x	Time

Depreciation expense incurred during Apr. 1, 20X1 - Dec. 31, 20X1

Depreciation expense per year	=	(Cost	-	Residual Value)	/	Useful life
	=					per year
Depreciation expense 9 months	=					
	=					
Carrying amount	=	Cost	-	Accumulated depreciation		
	=					
	=					

Insurance expense incurred during Jul. 1, 20X1 - Dec. 31, 20X1

Insurance expense 6 months	=					
	=					

Service revenue earned during Oc. 1, 20X1 - Dec. 31, 20X1

Service revenue 3 months	=					
	=					

Office supplies expense incurred during the year 20X1

Office supplies expense	=	Beginning balance	+	Purchases	-	Ending balance

Income tax expense incurred during the year 20X1

Income tax expense	=	(Revenues	-	Expenses) excluding tax	x	Income tax rate

Profit or loss for the year 20X1

Profit or loss	=	Revenues	-	Expenses		

Retained earnings balance at year-end 20X1

	Ending retained earnings	=	Beginning retained earnings	+	Profit or loss	-	Dividend declared

Equity balance at year-end 20X1

	Equity	=	Share capital	+	Retained earnings

Financial position at year-end 20X1

	Assets	=	Liabilities	+	Equity

Company A
Statement of Comprehensive Income
For the Year Ended December 31, 20X1
(Baht)

Revenue		
Sales revenue		
Service revenue		
Rent revenue		_____
Total revenue		_____
Expenses		
Cost of goods sold		
Wages expense		
Depreciation expense		
Insurance expense		
Office supplies expense		
Utilities expense		_____
Total expenses		_____
Profit before finance cost and income taxes expense		_____
Interest expense		_____
Profit before income taxes expense		_____
Income tax expense		_____
Profit for the year		_____
Other comprehensive income		_____
Total comprehensive income		_____

Company A
Statement of Changes in Equity
For the Year Ended December 31, 20X1
(Baht)

	Share capital	Retained earnings	Total
Balance as of January 1, 20X1	_____	_____	_____
Share issuance			
Profit for the year			
Dividend			
Balance as of December 31, 20X1	_____	_____	_____

Company A
Statement of Financial Position
As at December 31, 20X1
(Baht)

Assets			
Current assets			
	Cash		
	Accounts receivable		
	Rent receivable		
	Inventory		
	Prepaid insurance		
	Office supplies		
	Total current assets	_____	
Noncurrent assets			
	Machine, net		
	Total noncurrent assets	_____	
	Total assets		=====
Liabilities and shareholders' equity			
Current liabilities			
	Accounts payable		
	Interest payable		
	Utilities payable		
	Income tax payable		
	Unearned service revenue		
	Total current liabilities	_____	
Noncurrent liabilities			
	Bank loan		
	Total noncurrent liabilities	_____	
	Total liabilities		=====
Shareholders' equity			
	Share capital		
	Retained earnings		
	Total shareholders' equity	_____	
	Total liabilities and shareholders' equity		=====

CLOSING ENTRIES

1. Temporary accounts are required to be closed at the period-end -- Revenue, Expense, Income Summary, Dividend

2. Permanent accounts are carried forward to the next period -- Asset, Liability, Equity

EXPENSES		REVENUES			
<i>DR.</i>	<i>CR.</i>	<i>DR.</i>	<i>CR.</i>		
Normal balance	To close	To close	Normal balance		
B/L			B/L		
CLOSING ENTRIES -- Step 2:		INCOME SUMMARY	CLOSING ENTRIES -- Step 1:		
		<i>DR.</i>	<i>CR.</i>		
		Expense	Revenue		
		To close	Net income Profit for the period		
			B/L		
DIVIDENDS		CLOSING ENTRIES -- Step 3		RETAINED EARNINGS Permanent A/C	
<i>DR.</i>	<i>CR.</i>	<i>DR.</i>	<i>CR.</i>		
Normal balance	To close	Dividend	Beg. B/L		
B/L			Net income Profit for the period		
		CLOSING ENTRIES -- Step 4		End. B/L	
				carryforward	

General Journal - Closing Entries

Transaction	Date	General Journal	Debit	Credit
REV				
EXP				
PL				
DIV				