



Module 2

THE ACCOUNTING CYCLE

Module 2 - The accounting cycle

Learning outcomes:

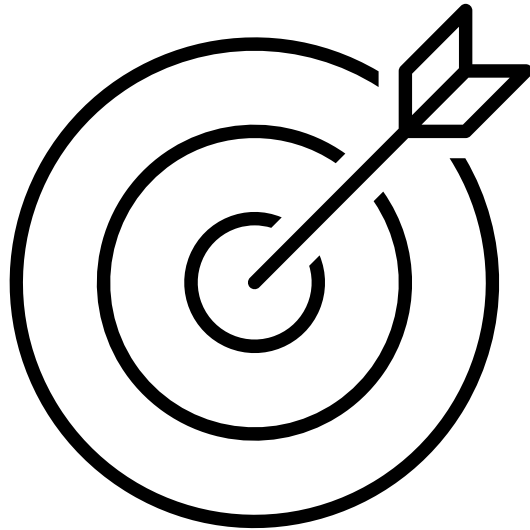
At the end of this module, you should have an understanding of:

- The concepts and definitions which underlie accounting
- How to enter transactions into a ledger and extract a trial balance
- The importance of the trial balance
- How to close the accounting cycle and start a new cycle
- How to account for depreciation





Module 2 - The accounting cycle



The overall objective of this module is to make a transition from the accounting equation to recording transactions using debits and credits.

Sub-objectives are to:

- Introduce concepts of accrual, going concern, elements, recognition and measurement
- Reinforce the definitions of the elements
- Discuss the accounting cycle
- Introduce ledgers, journals and the trial balance



Module 2 – Topics

2.1 Underlying concepts

2.2 Elements, recognition and measurement

2.3 Assets

2.4 Liabilities

2.5 Equity

2.6 The accounting equation and the accounting cycle

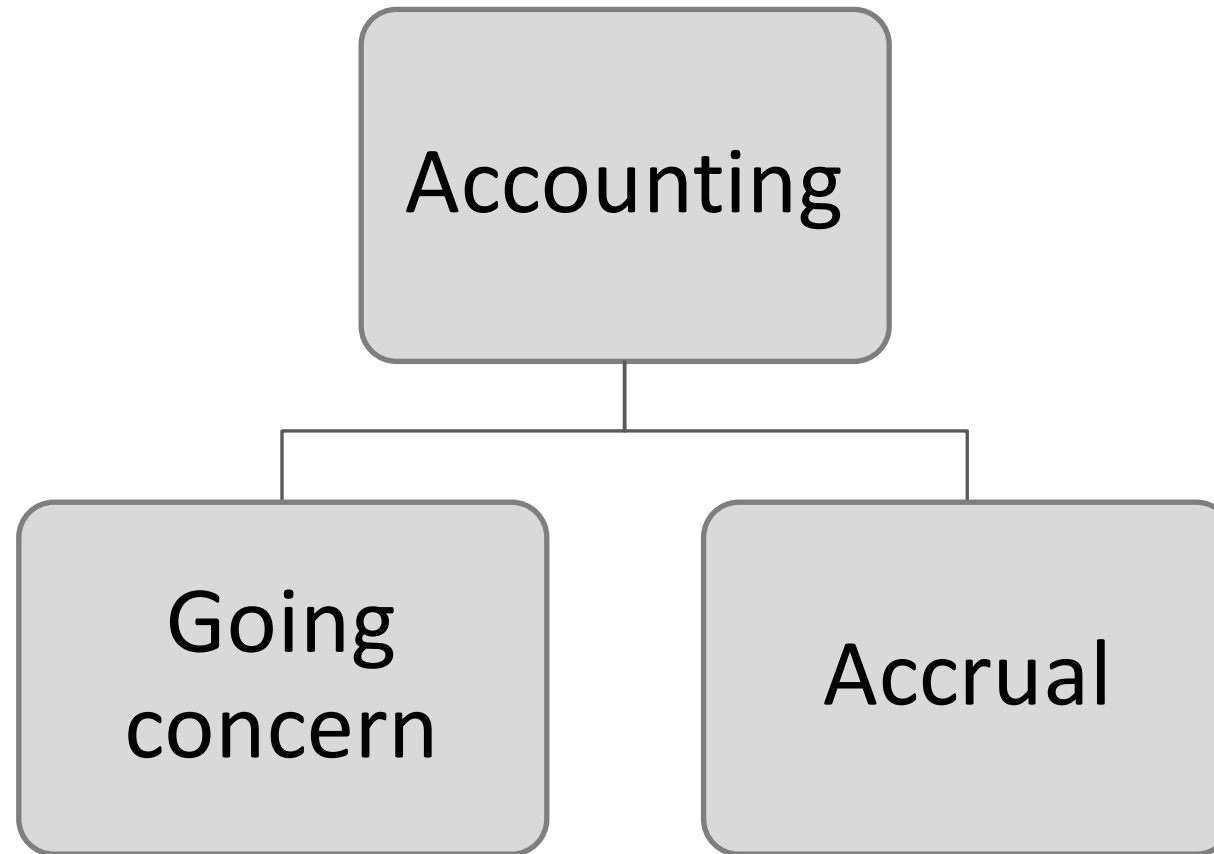
2.7 Other matters

2.8 Concluding the accounting cycle

2.9 Exercises



2.1 Underlying concepts





2.2 Elements, recognition and measurement

Assets

- Resource controlled by the enterprise
- As a result of past events, from which
- Economic benefits are expected to flow to the enterprise

Liabilities

- Present obligation of the enterprise
- Arising from past events, the settlement of which is
- Expected to result in an outflow of resources from the enterprise

Equity

- Assets - liabilities



Income statement elements

Income

- Revenue
- Gains

Expenses

- Decreases in economic benefits
- In the form of outflows or depletions of assets
- Incurrences of liabilities



Recognition and measurement

Recognition

- It is probable that the economic benefit will flow to or from the enterprise
- The item has a cost that can be measured with reliability

Measurement

- Historical cost



Financial statements

Balance sheet

- Statement of financial position
- Snapshot of financial position
- What it owns (assets), owes (liabilities), and equity (or capital)

Income statement

- Statement of Profit or Loss (or Comprehensive income)
- Measures whether the business made a profit or loss
- Performance measure (income – expenses)

Cash flow statement

- How much cash was generated by the business and how much was utilized by the business



2.3 Assets

Assets

- Current assets
- Non-current assets

Examples of current assets

- Cash
- Accounts receivable
- Inventories
- Prepaid expenses



2.4 Liabilities

Liabilities

- Current liabilities
- Non-current liabilities

Examples of current liabilities

- Accounts payable
- Wages owing
- Interest owing but has not yet been paid
- Accrued expenses



2.5 Equity

Equity (or
capital) provided
by the owners

- Paid-in capital

Retained
earnings

- Profits or losses from operations

Concepts and definitions used in accounting: Key points to remember

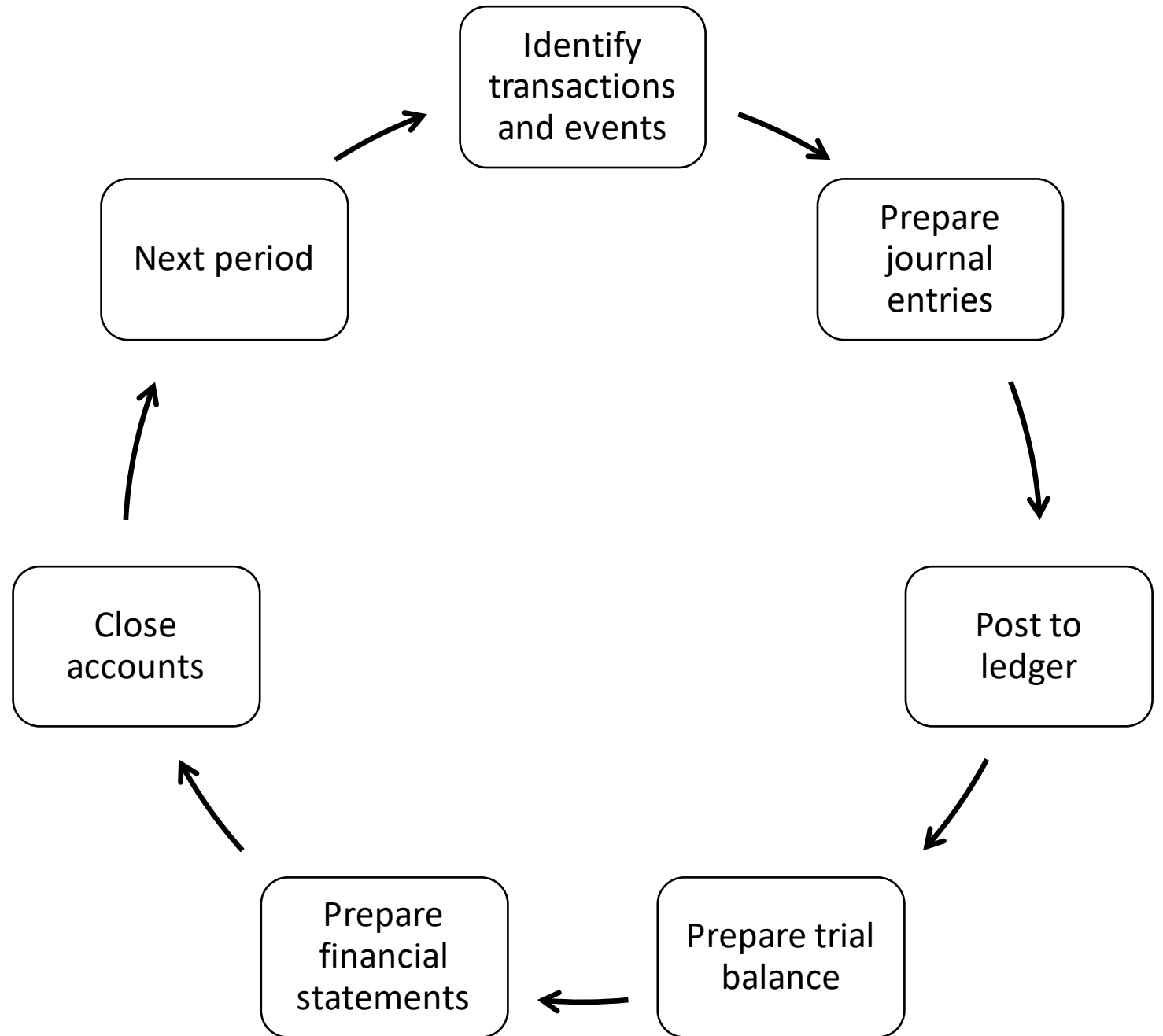
- Going concern means the enterprise will continue in operations in the foreseeable future.
- The accrual concept means that revenue is recognised when earned and expenses and recognised when incurred.
- The components of the balance sheet are assets, liabilities and equity.
- The components of the income statement are income and expenses.



Quick quiz

1. What is meant by going concern?
2. What does accrual mean?
3. What is the definition of an asset? – can you give an example?
4. What is the definition of a liability? – can you give an example?

2.6 The accounting cycle





2.6 cont. The accounting equation

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

The accounting equation is the basis of double-entry accounting

The expanded equation is

$$\text{Assets} + \text{Expenses} + \text{Drawings} = \text{Liabilities} + \text{Revenue} + \text{Equity}$$



2.6.2 Recording the transactions using journals and ledgers

Account name	
DEBIT	CREDIT
+ Assets	– Assets
– Liabilities	+ Liabilities
– Equity	+ Equity
– Revenues	+ Revenues
+ Expenses	– Expenses
+ Drawings	- Drawings



Illustrative example 1.3: Accounting worksheet for March

Required: Using the information from Illustrative example 1.1, enter the transactions into an accounting worksheet.

Solution:

Joe Ngibe trading as Easy-on-masks

Analysis of transactions for March 20X0

		Assets		=	Liabilities	+	Equity
		A		=	L	+	E
Description	of	<u>Cash</u>	+ <u>Inventory</u>	=	<u>Liabilities</u>	+	<u>Owner's equity</u>
transaction							
1.	Initial investment	+ 5,000		=		+ 5,000	
2.	Purchase of inventory	- 5,000	+ 5,000				
3.	Sales of masks	+ 8,000 (a)		=		+ 8,000	(revenue)
4.	Cost of masks sold		- 4,500 (b)	=		- 4,500	(expense)
5.	Travelling costs	- 200		=		- 200	(expense)
	Balance 31 March	<u>7,800</u>	+ <u>500</u>	=	<u>0</u>	+ <u>8,300</u>	

Workings:

(a) (500 x CU10) + (400 x CU7.50)

(b) 900 masks X CU5 each (cost)

Note: These transactions could be recorded using a spreadsheet or worksheet program such as Microsoft Excel.



Illustrative example 2.1: Ledger accounts for March 20X0 of Joe Ngibe

GENERAL LEDGER

Cash		Inventory		Sales		Equity					
1.	5,000	5,000	2.	2.	5,000	4,500	4.	8,000	3.	5,000	1.
3.	8,000	200	5.								
Cost of sales		Travelling costs									
4.	4,500		5.	200							

Joe Ngibe

Trial balance at 31 March 20X0

	<u><i>Calculation:</i></u>	CU Debit	CU Credit
Cash	$5,000 + 8,000 - 5,000 - 200$	7,800	
Inventory	$5,000 - 4,500$	500	
Sales (revenue)			8,000
Equity			5,000
Cost of sales (expense)		4,500	
Travelling costs (expense)		200	
		<hr/> 13,000	13,000



Features and importance of the trial balance

Note:

1. The balances in the left-hand column are the debit balances (assets and expenses).
2. The balances in the right-hand column are the credit balances (liabilities and equity).
3. The debit column is equal in amount to the credit column as both columns add up to CU13,000. The trial balance is said to be 'in balance'.

A trial balance is important because:

1. It is the first step of checking the arithmetical accuracy of the entries. If all the debits and credits have been entered correctly, the trial balance should balance.
2. It therefore helps in identifying errors and assists in correcting them.
3. It provides the basis of preparing the financial statements. Before preparing the financial statements, it is important to extract a trial balance and confirm its accuracy.



Illustrative example 1.4: Accounting worksheet for April

Solution: Joe Ngibe trading as Easy-on-masks - Analysis of transactions for April 20X0

		<u>Assets</u>				=	<u>Liabilities</u>	+	<u>Equity</u>
Description of transaction		<u>Cash</u>	+ <u>Accounts receivable</u>	<u>Inventory</u>	<u>Equip-ment</u>	=	<u>Accounts payable</u>		<u>Owner's equity</u>
Beginning balances		7,800		+ 500		=			8,300
6. Purchase of inventory - cash	-	7,000		+ 7,000		=			
7. Purchase inventory - credit				+ 9,000		=	+ 9,000		
8. Sales of masks for cash	+	750(a)				=		+	750 R
9. Sales of masks for credit			+ 12,000(b)			=		+	12,000 R
10. Customers paid	+	6,000	- 6,000			=			
11. Cost of masks sold				- 10,100(c)		=		-	10,100 E
12. Purchase of stand for cash and credit	-	2,500			+ 5,000	=	+ 2,500		
13. Travelling costs	-	200				=		-	200 E
14. Paid assistant	-	800				=		-	800 E
15. Withdrew cash	-	200				=		-	200 D
Balances 30 April		3,850	+ 6,000	+ 6,400(d)	+ 5,000	=	11,500	+	9,750

Illustrative example 2.2: Ledger accounts showing entries for March and April 20X0

GENERAL LEDGER

Cash		Inventory		Sales		Equity							
1.	5,000	5,000	2.	2.	5,000	4,500	4.		8,000	3.		5,000	1.
3.	8,000	200	5.	6.	7,000	10,100	11.		750	8.			
8.	750	7,000	6.	7.	9,000				12,000	9.			
10.	6,000	2,500	12.										
		200	13.										
		800	14.										
		200	15.										
Cost of sales		Travelling costs		Accounts payable		Accounts receivable							
4.	4,500	5.	200		9,000	7.	9.	12,000	6,000	10.			
11.	10,100	13.	200		2,500	12.							
Equipment		Wages		Drawings									
12.	5,000	14.	800	15.	200								

Joe Ngibe**Trial balance at 30 April 2020 (including 2 months)**

	<u>Calculation:</u>	CU Debit	CU Credit
Cash	$5,000 - 5,000 + 8,000 - 200 - 7,000 + 750 + 6,000 - 2,500 - 200 - 800 - 200$	3,850	
Inventory	$5,000 - 4,500 + 7,000 + 9,000 - 10,100$	6,400	
Sales (revenue)	$8,000 + 750 + 12,000$		20,750
Equity	<i>Beginning balance (1 March)</i>		5,000
Cost of sales (expense)	$4,500 \text{ (March)} + 10,100 \text{ (April)}$	14,600	
Travelling costs (expense)	$200 \text{ (March)} + 200 \text{ (April)}$	400	
Accounts payable	$9,000 + 2,500$		11,500
Accounts receivable	$12,000 - 6,000$	6,000	
Equipment		5,000	
Wages		800	
Drawings		200	
Totals		37,250	37,250

J Ngibe trading as Easy-on Masks

Income Statement for the two months ended 30 April 20X0

() – indicates a minus

		CU
Revenue (sales of masks)		20,750
Opening inventory	0	
Purchases	21,000	
	<hr/>	
	21,000	
Less: Closing inventory	(6,400)	
	<hr/>	
Cost of sales		(14,600)
Gross profit		<hr/> 6,150
Operating expenses:		
Travelling expenses	(400)	
Wages	(800)	
	<hr/>	
Total operating expenses		(1,200)
Profit		<hr/> 4,950

Illustrative example 2.3: Journal entries (using the Joe Ngibe example)

Date	Ref	Debit	Credit
Mar		CU	CU
1	CASH (asset) is increased (debited) EQUITY is increased (credited)	5,000	5,000
2.	INVENTORY (asset) is increased (debited) CASH (asset) is decreased (credited)	5,000	5,000
3.	CASH (asset) is increased (debited) SALES (revenue) is increased (credited)	8,000	8,000
4.	COST OF SALES (expense) is increased (debited) INVENTORY (asset) is decreased (credited)	4,500	4,500
5.	TRAVELLING COSTS (expense) is increased (debited) CASH (asset) is decreased (credited)	200	200
6.	INVENTORY (asset) is increased (debited) CASH (asset) is decreased (credited)	7,000	7,000
Apr			
7.	INVENTORY (asset) is increased (debited) ACCOUNTS PAYABLE (liability) is increased (credited)	9,000	9,000

April			
7.	INVENTORY (asset) is increased (debited)	9,000	
	ACCOUNTS PAYABLE (liability) is increased (credited)		9,000
8.	CASH (asset) is increased (debited)	750	
	SALES (revenue) is increased (credited)		750
9.	ACCOUNTS RECEIVABLE (asset) is increased (debited)	12,000	
	SALES (revenue) is increased (credited)		12,000
10.	CASH (asset) is increased (debited)	6,000	
	ACCOUNTS RECEIVABLE (asset) is decreased (credited)		6,000
11.	COST OF SALES (expense) is increased (debited)	10,100	
	INVENTORY (asset) is decreased (credited)		10,100
12.	EQUIPMENT (asset) is increased (debited)	5,000	
	CASH (asset) is decreased (credited)		2,500
	ACCOUNTS PAYABLE (liability) is increased (credited)		2,500
13.	TRAVELLING COSTS (expense) is increased (debited)	200	
	CASH (asset) is decreased (credited)		200
14.	WAGES (expense) is increased (debited)	800	
	CASH (asset) is decreased (credited)		800
15.	Drawings is increased (debited)	200	
	Cash (asset) is decreased (credited)		200

Ledger accounts showing entries for March and April 20X0

GENERAL LEDGER

Cash		Inventory		Sales		Equity								
1.	5,000	5,000	2.	2.	5,000	4,500	4.		8,000	3.	17.	200	5,000	1.
3.	8,000	200	5.	6.	7,000	10,100	11.		750	8.	C/F	9,750	4,950	R-E
8.	750	7,000	6.	7.	9,000	6,400	C/F	OE	20,750	12,000	9.	9,950	9,950	
10.	6,000	2,500	12.		21,000	21,000			20,750	20,750			9,750	B/F
		200	13.	B/F	6,400									
		800	14.											
		200	15.											
		3,850	C/F											
	19,750	19,750												
B/F	3,850													
Cost of sales		Travelling costs		Accounts payable		Accounts receivable								
4.	4,500		5.	200	400	OE		9,000	7.	9.	12,000	6,000	10.	
11.	10,100	14,600	OE	13.	200		C/F	11,500	2,500	12.		6,000	C/F	
	14,600	14,600			400	400		11,500	11,500		12,000	12,000		
									11,500	B/F	B/F	6,000		
Equipment		Wages		Drawings										
12.	5,000		14.	800	800	OE	15.	200	200	17.				
				1,000	1,000			200	200					



Date	Ref	Debit	Credit
April		CU	CU
16.			
SALES (revenue) is decreased (debited)		20,750	
COST OF SALES (expense) is decreased (credited)			14,600
WAGES (expense) is decreased (credited)			800
TRAVELLING COSTS (expense) is decreased (credited)			400
EQUITY is increased (credited)			4,950
17.			
EQUITY is decreased (debited)		200	
DRAWINGS is decreased (credited)			200
<p>On 30 April the accounting cycle has been completed and a new cycle will start.</p>			



2.7 Other matters

2.7.1 Multiple transactions

2.7.2 Electronic funds transfer (EFT)

2.7.3 Drawings

2.7.4 Depreciation and amortization

2.7.5 Basic requirements (SMEGA – Level 3)

Illustrative example 2.4: Purchase of a fixed asset and subsequent depreciation

On 1 January, Mr X Nurul bought machinery with a value of 15,000 CU. 5,000 CU was paid in cash and the remaining balance was paid at the end of the month. He estimates a useful life of 3 years for the machinery. This method of depreciation is known as straight-line.

Journal

	Debit	Credit
	CU	CU
At date of acquisition (1 January):		
1 Machinery (Non-current asset)	15,000	
Cash		5,000
Accounts payable		10,000
At the end of the month (31 January)		
2. Accounts payable	10,000	
Cash		10,000
At the end of the year (31 December)		
3. Depreciation (income statement)	5,000	
Accumulated depreciation (balance sheet)		5,000

2.7.5 Basic requirements (SMEGA – Level 3)

The minimum set of financial statements includes:

- A balance sheet,
- An income statement; and
- Explanatory notes.

To enhance the overall transparency and quality of the financial information, a cash flow statement could also be included.

2.7.5 Basic requirements (SMEGA – Level 3) cont.

The following information should be prominently displayed:

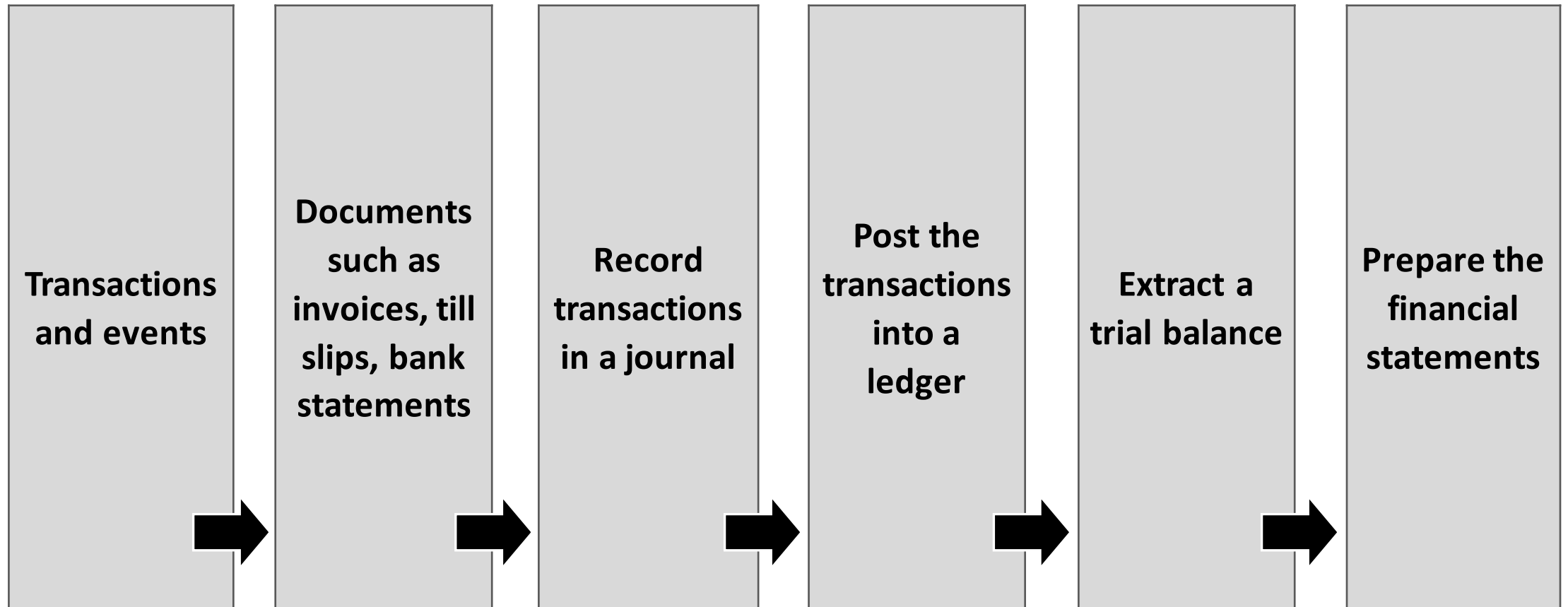
- The name of the reporting enterprise;
- The balance sheet date and the period covered by the income statement; and
- The presentation currency.

Financial Statements should be presented at least once a year.

Financial statements should include comparative figures for the previous period.

The enterprise should present current and non-current assets and current and non-current liabilities as separate classifications on the face of the balance sheet.

2.8 Concluding the accounting cycle



The Accounting Cycle: Key points to remember

- Assets = Liabilities + Equity.
- **Double entry** refers to the fact that each entry has two aspects: debit and credit.
- To increase an expense, drawings or an asset, the account is debited (and to decrease an expense, drawings or an asset, the account is credited).
- To increase a liability, revenue or equity, the account is credited (and to decrease a liability, revenue or equity, the account is debited).
- **A trial balance** is a list of all the ledger accounts and their balances at a certain date.



Quick quiz

1. What is a trial balance?
2. Why is a trial balance useful?
3. What are the “rules” for the double entry system?
4. What is a journal?
5. What is a ledger?



2.9 Exercises

Exercises

Exercise 2.1: Sole proprietor operating as a retailer

Exercise 2.2: Sole proprietor offering services and selling products

Exercise 2.1:

Ms Li-Na Lau deals in second hand furniture, trading as Cho Furniture. She buys discarded furniture which she restores and updates by painting them and by using modern fabrics. She sells these items from her shop with the help of a part-time assistant. At the beginning of January 20X6, she had 50,000CU in her bank account and furniture inventory of 10,000CU. (Her equity (i.e. capital) account had a corresponding balance of 60,000CU.) She uses a banking app and pays using electronic funds transfers (EFT).

She bought items to the value of 12,000CU and paid by EFT the full amount.

She visited her neighbour and bought some unwanted items for which she paid 1,500CU by EFT.

She bought a second-hand panel van on 1 January 20X6 for 30,000CU from Speedy Motors to be used in the business. She paid 15,000 immediately by EFT and the remainder was to be paid by the 15 February 20X6. The panel van is expected to have a useful life of 5 years.

Most of her customers paid by EFT or mobile money, but some paid with cash which was always banked daily. A summary of the receipts reflecting on her bank statements was as follows:

Direct deposits by customers	15,000
Cash takings deposited	18,000

She paid the following expenses during the month (all in CUs):

Advertising	240
Air-time	500
Petrol	480
Paint and fabric	1,200
Rent	1,000
Wages – part-time assistant	2,500

Ms Lau withdrew 12,000CU for her personal use on the 31 January 20X6.

Ms Lau informs you that customers owing 5,000CU have not yet paid her but will only pay her in February 20X6.

Inventory unsold on 31 January cost 6,500CU. These items have not yet been updated as she did not have any paint or fabric left over from what she had purchased.

Wages		Drawings		Cost of goods sold	
Depreciation		Accounts receivable (debtors)			

Suggested solution to Exercise 2.1

Ms Li-Na Lau trading as Cho Furniture

GENERAL LEDGER

Cash		Inventory		Equity	
50,000 Beg.	12,000 (1)	10,000 Beg.	17,000 (14)		60,000 Beg.
15,000 (4)	1,500 (2) (1)	12,000			
18,000 (5)	15,000 (3) (2)	1,500	6,500 End c/f		
	240 (6)	23,500	23,500		
	500 (7)	6,500 Beg			
	480 (8)				
	1,200 (9)				
	1,000 (10)				
	2,500 (11)				
	12,000 (12)				
	36,580 End c/f				
83,000	83,000				
36,580 Beg.					
Vehicle (Panel van)		Speedy Motors		Sales	
30,000 (3)			15,000 (3)		15,000 (4)
					18,000 (5)
					5,000 (13)
Acc. Dep. (Panel van)		Advertising		Telephone (air-time)	
	500 (15) (6)	240		500	
Petrol		Paint and fabric		Rent	
480 (8)		1,200		1,000	
	(9)		(10)		

<u>Acc. Dep. (Panel van)</u>			<u>Advertising</u>			<u>Telephone (air-time)</u>	
	500	(15) (6)	240		(7)	500	
<u>Petrol</u>			<u>Paint and fabric</u>			<u>Rent</u>	
480	(8)	(9)	1,200		(10)	1,000	
<u>Wages</u>			<u>Drawings</u>			<u>Cost of goods sold</u>	
2,500	(11)	(12)	12,000		(14)	17,000	
<u>Depreciation</u>			<u>Accounts receivable (debtors)</u>				
500	(15)	(13)	5,000				

Journal of Ms Li-Na Lau trading as Cho Furniture

20X	Debit	Credit
6 Jan	CU	CU
13. Accounts receivable	5,000	
Sales		5,000
Recording sales for which payment is still owing for January		
14. Cost of sales	17,000	
Inventory		17,000
Recording cost of sales for January (10,000 + 12,000 + 1,500) – 6,500		
15. Depreciation (Income statement)	500	
Accumulated depreciation (Balance sheet)		500
Recording depreciation for January (30,000 x 1/5years x 1/12months)		

**Ms Li-Na Lau trading as Cho Furniture
Trial balance at 31 January 20X6**

	CU	CU
Bank balance	36,580	
Inventory	6,500	
Equity (i.e., capital)		60,000
Vehicle – panel van	30,000	
Accumulated depreciation		500
Speedy Motors		15,000
Sales (revenue)		38,000
Depreciation	500	
Advertising	240	
Telephone (Air-time)	500	
Petrol	480	
Paint and fabric	1,200	
Rent	1,000	
Wages	2,500	
Drawings	12,000	
Accounts receivable (debtors)	5,000	
Cost of sales	17,000	
	<u>113,500</u>	<u>113,500</u>

Ms Li-Na Lau trading as Cho Furniture	
Income statement for the month ended 31 January 20X6 (in CUs)	
Revenue	38,000
Direct operating costs	
Opening inventory	10,000
Purchases	13,500
	23,500
Closing inventory	(6,500)
Cost of sales	17,000
Paint and fabric	1,200
Total direct operating costs	18,200
Contribution	19,800
Indirect costs	
Advertising	240
Air-time (telephone)	500
Depreciation	500
Fuel (petrol)	480
Rent	1,000
Wages	2,500
Total indirect costs	5,220
Profit for the month	14,580

Ms Li-Na Lau trading as Cho Furniture
Balance Sheet as of 31 January 20X6 (in CUs)

Assets

Non-current assets

Vehicle (30,000 – 500) 29,500

Current assets

Inventory 6,500

Accounts receivable 5,000

Cash at bank 36,580

48,080

Total assets

77,580

Equity and liabilities

Owner's equity as of 1 January 60,000

Profit for the month 14,580

Drawings for the month (12,000)

Balance 31 January 20X6 62,580

Current liabilities

Trade payable (financing liability) 15,000

Total equity and liabilities

77,580



Exercise 2.2: Sole proprietor offering services and selling products

Mr JL Ritsono has a business, Compu-lessons, which offers computer lessons. He runs these classes in the evenings to earn extra money. His neighbour has a suitable venue which already has tables and chairs and in which he has installed 10 computers.

In addition, he offers photocopying services, internet access and ID photographs. He enters his transactions on a spreadsheet which he has drawn up in a counter book and which shows payments and receipts separately. Most customers pay directly using mobile money or payment apps. (Note that these spreadsheets could be drawn up using a spreadsheet or worksheet program such as Microsoft Excel.)

The spreadsheet for June 20X6 shows the following details:

Payments from his account:	from bank	Total	Paper supplies	Air-time and data	Wages	Sundry expenses	Details
Rent (2 months)		500				500	Rent (4)
AA Stationery Co		200	200				
Cell-B		300		300			
Wall's Stationery		860	860				
ESKOM		150				150	Electricity (5)
Assistant's wages		1,000			1,000		
Cell-B		200		200			
Assistant's wages		1,000			1,000		
Service fees		100 ¹				100	Bank fees (6)
Drawings		3,000				3,000	Drawings (7)
		<u>7,310</u>	<u>1,060</u>	<u>500</u>	<u>2,000</u>	<u>3,750</u>	
			(1)	(2)	(3)		

Receipts into his bank account (summary)	Total	Computer lessons	Photo- copying	Internet access	ID photos
Direct deposits by customers	8,640	5,600	500	2,200	340
Cash takings deposited	1,720	1,200	100	360	60
	<u>10,360</u>	<u>6,800</u>	<u>600</u>	<u>2,560</u>	<u>400</u>
		(8)	(9)	(10)	(11)

Mr Ritsono had 11,550 CU in the bank, calculated as follows:

Balance 1 June	8,500
Add receipts	10,360
	<hr/>
	18,860
Less payments	7,310
	<hr/>
Balance 30 June	11,550
	<hr/>

Mr Ritsono purchased the 10 computers on 1 January 20X6 for CU36,000.

He has estimated that their useful life is 3 years. At 31 May 20X6, the accumulated depreciation was 5,000CU calculated as follows: $36,000 \times 5/12 \times 1/3$ years.

Mr Ritsono has calculated that customers still owe him 5,000CU for June lessons. He expects these customers to pay in July

He informs you that the balance in his owner's equity account at the beginning of June 20X6 was 39,500CU.

GENERAL LEDGER of Mr JL Ritson - Compu-lessons

Stationery	Air-time and data	Wages
Rent	Electricity	Bank fees
Drawings	Computer lessons	Photo-copying
Internet access	ID photos	Computers - cost
Depreciation	Acc. depreciation	Accounts receivable
Equity account		

Suggested solution to Exercise 2.2

GENERAL LEDGER of Mr JL Ritsono - Compu-lessons

Stationery	Air-time and data	Wages
1,060 (1)	500 (2)	2,000 (3)
Rent	Electricity	Bank fees
500 (4)	150 (5)	100 (6)
Drawings	Computer lessons	Photo-copying
3,000 (7)	6,800 (8) 5,000 (12)	600 (9)
Internet access	ID photos	Computers - cost
2,560 (10)	400 (11) Beg	36,000
Depreciation	Acc. depreciation	Accounts receivable
1,000 (13)	5,000 Beg (12) 1,000 (13)	5,000
Equity account		
39,500 Beg		

**Suggested solution to
Exercise 2.2**

(Page 2 of 3 pages)

Journal of Mr JL Ritsono trading as Compu-lessons

20X6

June

	Debit	Credit
	CU	CU
12. Accounts receivable	5,000	
Computer lessons		5,000
Recording fees charged for lessons for which payment is still owing at the end of June		
<hr/>		
13. Depreciation (Income statement)	1,000	
Accumulated depreciation (Balance sheet)		1,000
Recording depreciation for June (36,000 x 1/3years x 1/12months)		
<hr/>		

Mr JL Ritsono trading as Compu-lessons
Trial balance at 30 June 20X6 (in CUs)

	CU	CU
Bank balance	11,550	
Stationery	1,060	
Air-time	500	
Wages	2,000	
Rent	500	
Electricity	150	
Bank fees	100	
Drawings	3,000	
Computer lessons		11,800
Photocopying		600
Internet access		2,560
ID photos		400
Computers - cost	36,000	
Computers – accumulated depreciation		6,000
Depreciation expense	1,000	
Accounts receivable	5,000	
Equity account		39,500
	60,860	60,860

Mr JL Ritsono trading as Compu-lessons	
Income statement for the month ended 30 June 20X6 (in CUs)	
Revenue	
Computer lessons	11,800
Photocopying	600
Internet access	2,560
ID photos	400
Total revenue	<u>15,360</u>
Expenses	
Air-time	500
Bank fees	100
Depreciation	1,000
Electricity	150
Rent	500
Stationery	1,060
Wages	2,000
Total expenses	<u>5,310</u>
Profit for the year	<u>10,050</u>

**Mr JL Ritsono trading as Compu-lessons
Balance Sheet as of 30 June 20X6 (in CUs)**

	CU
Assets	
Non-current assets	
Computers (36,000 – 6,000)	30,000
	<hr/>
Current assets	
Accounts receivable	5,000
Cash at bank	11,550
	<hr/>
	16,550
	<hr/>
Total assets	46,550
	<hr/>
Equity and liabilities	
Owner's equity as of 1 June 20X6	39,500
Profit for the year	10,050
Drawings for the year	(3,000)
	<hr/>
	46,550
	<hr/>
Current liabilities	
Trade payable	-
	<hr/>
Total equity and liabilities	46,550



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