

Activity 1: Transactions

Prepare the general journal entries to record the following transactions for the business for the month of May 2016 (ignore GST):

May

- 1 Owner deposited \$50,000 of his own money into the business' bank account.
- 3 Employed a part-time worker to begin work on the first Monday of next month, earning a salary of \$450 per week.
- 5 Purchased office supplies for \$80 and a laptop for \$2,500, both on credit.
- 5 Bought \$8,000 worth of new inventory on credit to be sold in the shop.
- 6 Paid rent of \$900.
- 7 Received \$2,000 cash from a client for services provided.
- 9 Sold inventory for \$1,750 cash, and \$4,150 on credit. The inventory had cost the business \$4,000
- 10 A short-term bank loan of \$10,000 was taken out to help with some equipment purchases.
- 12 Owner took home \$1,500 for personal use
- 19 Invoiced a client for \$2,100 for services provided.
- 21 Paid electricity of \$412.
- 23 Paid \$2,000 of accounts payable
- 25 Received cash for \$3,000 of accounts receivable
- 30 Paid \$300 principle off the loan and a further \$35 interest.
- 31 Office supplies used this month total \$38.

Inventory**1-1115**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Office Supplies**1-2120**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Office Equipment**1-2120**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Accounts Payable**2-1200**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Short-term Loan Payable**2-1210**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Capital**3-1300**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Drawings**3-1310**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Sales**4-1000**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Service Fee Revenue**4-2000**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Cost of Goods Sold**5-1000**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Electricity Expense**6-2547**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Office Supplies Expense**6-2555**

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Rent Expense

6-3570

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Interest Expense

6-3575

Date	Description	Ref	Amount	Date	Description	Ref	Amount

Cash at Bank**1-1100**

Date	Explanation	Ref	Debit	Credit	Balance

Accounts Receivable**1-1104**

Date	Explanation	Ref	Debit	Credit	Balance

Inventory**1-1115**

Date	Explanation	Ref	Debit	Credit	Balance

Office Supplies**1-2120**

Date	Explanation	Ref	Debit	Credit	Balance

Office Equipment**1-3170**

Date	Explanation	Ref	Debit	Credit	Balance

Accounts Payable**2-1200**

Date	Explanation	Ref	Debit	Credit	Balance

Short-term Loan Payable**2-1210**

Date	Explanation	Ref	Debit	Credit	Balance
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Capital					3-1300
Date	Explanation	Ref	Debit	Credit	Balance

Drawings					3-1310
Date	Explanation	Ref	Debit	Credit	Balance

Sales					4-1000
Date	Explanation	Ref	Debit	Credit	Balance

Service Fee Revenue					4-2000
Date	Explanation	Ref	Debit	Credit	Balance

Cost of Goods Sold					5-1000
Date	Explanation	Ref	Debit	Credit	Balance

Electricity Expense					6-2547
Date	Explanation	Ref	Debit	Credit	Balance

Office Supplies Expense					6-2555
Date	Explanation	Ref	Debit	Credit	Balance

Rent Expense					6-3570
Date	Explanation	Ref	Debit	Credit	Balance

Interest Expense					6-3575
Date	Explanation	Ref	Debit	Credit	Balance

Activity 3: Trial Balance Template

- there may be a compensating mistake
- If it does not balance there is definitely an error but it doesn't "show" where the error is
- Errors detected after posting should be corrected with another entry designed to "fix" the error

What is a Ledger? (Answer)

Information from journals is transferred or "posted" into a Ledger

- A journal records each transaction, the ledger records the effect each transaction has on individual accounts
- The main ledger is called the general ledger
- Within the ledger, each asset, liability, equity, income and expense item has a separate record, called an account
- Increases and decreases to each item during a period are recorded in the accounts using the debit and credit rules



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Title:	Student Learning - PASS - Business Worksheet 3
Source:	http://www.utas.edu.au/health/community/open-health/uni-view/resources/courses/student-learning/pass-business-worksheet-3
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