

# Journal, Ledger and Trial Balance

Presented by:

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# Adjusting Journal

Adjusting entries are accounting journal entries made at the end of an accounting period to ensure that a company's financial statements accurately reflect its financial position and performance.

# Example of Adjusting Entry:

Tk. 12,000/- was paid for 1 year insurance coverage began on August 01, 2023.  
Post the adjusting entry as on 31.08.2023

| Date       | Accounts and Explanation      | L.F. | Debit | Credit |
|------------|-------------------------------|------|-------|--------|
| 31.08.2023 | Insurance Expense Dr.         |      | 1,000 |        |
|            | Prepaid Insurance Cr.         |      |       | 1,000  |
|            | (To record insurance expired) |      |       |        |

# Types of Adjusting Entries:

## Deferrals

1. Prepaid Expenses  
Expenses paid in cash and recorded as assets before they are used
2. Unearned Revenues:  
Cash received and recorded as a liability before services are performed

## Accruals

1. Accrual Expenses:  
Expenses incurred but not yet paid in cash or recorded
2. Accrued Revenues:  
Revenue for services performed but not yet received in cash or recorded

# Necessary for Adjusting Entries

- These entries are necessary because the accrual accounting method, which is widely used in financial reporting, recognizes revenue and expenses when they are earned or incurred, not necessarily when cash changes hands.
- Adjusting entries are essential because they ensure that the financial statements accurately portray a company's financial condition and operating results. Without these adjustments, a company's financial statements may not provide a true picture of its profitability and financial health. Adjusting entries are typically made before the preparation of the company's financial statements, such as the income statement and balance sheet.

# November - 2022 (Question No. 2b)

**Journalize the adjusting entry needed on 30 June 2021 the end of the current accounting period for each of the following independent cases affecting ABC Constructing Company :**

|      |  |
|------|--|
| i.   | The Company pays its workers each Thursday their weekly wages. The amount of the wages is Tk. 5,200/- for a five day week and the daily wages amounts are equal. The current accounting period ends on Wednesday (June 30, 2021) |
| ii.  | The company has invested some money, during the current year, the company has earned profit revenue for Tk. 1,500/- that will be received next year.   |
| iii. | The company received Tk. 62,000/- cash from a client, which was recorded as Unearned Service Revenue. The accounts of the company estimates that the business has earned one quarter of the total amount during current year.    |
| iv.  | Depreciation on Office Furniture for the current year is Tk. 2,100/-   |
| v.   | The beginning balance of supplies was Tk. 3,800/-. During the year the company purchased supplies costing Tk. 8,500/- and at June 30, 2021 the inventory of supplies on hand is Tk. 2,700/-.                                     |

## Solution

### ABC Constructing Company Adjusting Entries

| Date/Sl. No. | Accounts and Explanation                 | L.F. | Debit  | Credit |
|--------------|--|------|--------|--------|
| i.           | Wages Expense Dr.                        |      | 4,160  |        |
|              | Wages Payable Cr.                        |      |        | 4,160  |
|              | (To record accrued wages)                |      |        |        |
| ii.          | Profit Receivable Dr.                    |      | 1,500  |        |
|              | Profit Revenue Cr.                       |      |        | 1,500  |
|              | (To record accrued profit on investment) |      |        |        |
| iii.         | Unearned Service Revenue Dr.             |      | 15,500 |        |
|              | Service Revenue Cr.                      |      |        | 15,500 |
|              | (To record revenue for service earned)   |      |        |        |
| iv.          | Depreciation Expense Dr.                 |      | 2,100  |        |
|              | Accumulated Depreciation Cr.             |      |        | 2,100  |
|              | (To record depreciation incurred )       |      |        |        |
| v.           | Supplies Expense Dr.                     |      | 9,600  |        |
|              | Supplies Cr.                             |      |        | 9,600  |
|              | (To record supplies used)                |      |        |        |

# October- 2019 (Question No. 4c)

**Before preparing financial statements of M/S Rising Company for the month, following adjustments were noted on December 31, 2018:**

|    |  |
|----|--|
| 1) | Three months rent paid on November 1, 2018 @ Tk. 8,000/- per month.  |
| 2) | Unearned revenue was due total Tk. 55,000/-                          |
| 3) | Depreciation on equipment for the month Tk. 2,500/-                  |
| 4) | Expired insurance for the month Tk. 3,000/-                          |
| 5) | Office supplies used during December 2018 Tk. 9,000/-                |
| 6) | Service provided but unbilled on December 31, 2018 were Tk. 60,000/- |
| 7) | Profit on investment accrued at December 31, 2018 Tk. 15,000/-       |
| 8) | Accrued salaries on December 31, 2018 were Tk. 25,000/-              |

## **Required:**

Make the adjusting entries at the end of December 2018 and

# Solution

## M/S Rising Company

### Adjusting Entries

| Date/Sl. No. | Accounts and Explanation                       | L.F. | Debit  | Credit |
|--------------|--|------|--------|--------|
| 1)           | Rent Expense Dr.                               |      | 8,000  |        |
|              | Prepaid Rent Cr.                               |      |        | 8,000  |
|              | (To record rent incurred )                     |      |        |        |
| 2)           | Unearned Service Revenue Dr.                   |      | 55,000 |        |
|              | Service Revenue Cr.                            |      |        | 55,000 |
|              | (To record revenue for service earned)         |      |        |        |
| 3)           | Depreciation Expense Dr.                       |      | 2,500  |        |
|              | Accumulated Depreciation Cr.                   |      |        | 2,500  |
|              | (To record depreciation incurred on equipment) |      |        |        |
| 4)           | Insurance Expense Dr.                          |      | 3,000  |        |
|              | Prepaid Insurance Cr.                          |      |        | 3,000  |
|              | (To record insurance expired)                  |      |        |        |
| 5)           | Office Supplies Expense Dr.                    |      | 9,000  |        |
|              | Office Supplies Cr.                            |      |        | 9,000  |
|              | (To record supplies used)                      |      |        |        |

# Adjusting Entries

## Contnd...

| Date | Accounts and Explanation                  | L.F. | Debit  | Credit |
|------|---|------|--------|--------|
| 6)   | Accounts Receivable Dr.                   |      | 60,000 |        |
|      | Service Revenue Cr.                       |      |        | 60,000 |
|      | (To record revenue for service performed) |      |        |        |
| 7)   | Profit Receivable Dr.                     |      | 15,000 |        |
|      | Profit Revenue Cr.                        |      |        | 15,000 |
|      | (To record accrued profit on investment)  |      |        |        |
| 8)   | Salaries Expense Dr.                      |      | 25,000 |        |
|      | Salaries Payable Cr.                      |      |        | 25,000 |
|      | (To record accrued salaries)              |      |        |        |

# May - 2023 (Question No. 4c)

**The following transactions were made by Mr. Rifat, Owner of M/s Rifat Enterprise during the month of March 2023:**

- March-1     The owner invest Tk. 2,50,000/- in cash and Furniture Tk. 90,000/-
- March-5     Appointment a manager Tk. 30,000/- per month
- March-10    Purchase of goods Tk. 1,20,000/- by cash and Tk. 30,000/- on credit
- March-16    Sales of goods to Mr. Nihal Tk. 2,00,000/- and received cash Tk. 1,50,000/-
- March-20    Purchase Furniture Tk. 20,000/- by cash
- March-23    Received cash Tk. 40,000/- from Mr. Nihal
- March-30    Paid monthly expenses: Office Rent Tk. 10,000/-, Manager Salary Tk. 30,000/-

**Required:** i) Pass the Journal entries with narration.

ii) Transfer the entries in proper Ledger Accounts and

iii) Prepare Trial Balance

## Solution

### M/s Rifat Enterprise Journal Entries

| Date           | Accounts and Explanation                              | L.F. | Debit   | Credit  |
|----------------|---|------|---------|---------|
| March-1, 2023  | Cash Account Dr.                                      |      | 250,000 |         |
|                | Furniture Account Dr.                                 |      | 90,000  |         |
|                | Capital Account Cr.                                   |      |         | 340,000 |
|                | (As owner invested in cash and furniture)             |      |         |         |
| March-5, 2023  | Not a financial transaction                           |      |         |         |
|                | (As appointing manager isn't a financial transaction) |      |         |         |
| March-10, 2023 | Purchase Account Dr.                                  |      | 150,000 |         |
|                | Cash Account Cr.                                      |      |         | 120,000 |
|                | Accounts Payable Account Cr.                          |      |         | 30,000  |
|                | (As goods purchased in cash and credit)               |      |         |         |
| March-16, 2023 | Accounts Receivable Account (Mr. Nihal) Dr.           |      | 50,000  |         |
|                | Cash Account Dr.                                      |      | 150,000 |         |
|                | Sales Account Cr.                                     |      |         | 200,000 |
|                | (As goods sold in cash and credit)                    |      |         |         |

# Journal Entries

## Contnd...

| Date     | Accounts and Explanation   | L.F. | Debit  | Credit |
|----------|--|------|--------|--------|
| March-20 | Furniture Account Dr.  |      | 20,000 |        |
|          | Cash Account Cr.<br>(As furniture purchased in cash)                     |      |        | 20,000 |
| March-23 | Cash Account Dr.   |      | 40,000 |        |
|          | Accounts Receivable Account (Mr. Nihal) Cr.<br>(As due received in cash) |      |        | 40,000 |
| March-30 | Office Rent Account Dr.  |      | 10,000 |        |
|          | Salary Account Dr.   |      | 30,000 |        |
|          | Cash Account Cr.<br>(As expenses occurred in cash)                       |      |        | 40,000 |

# Solution

## M/s Rifat Enterprise General Ledger

| Cash Account |   |      |         |         | Account No. 1  |
|--------------|---|------|---------|---------|----------------|
| Date         | Explanation                             | J.F. | Debit   | Credit  | Balance        |
| March-1      | Capital Account                         |      | 250,000 |         | 250,000        |
| March-10     | Purchase Account                        |      |         | 120,000 | 130,000        |
| March-16     | Sales Account                           |      | 150,000 |         | 280,000        |
| March-20     | Furniture Account                       |      |         | 20,000  | 260,000        |
| March-23     | Accounts Receivable Account (Mr. Nihal) |      | 40,000  |         | 300,000        |
| March-30     | Office Rent Account                     |      |         | 10,000  | 290,000        |
| March-30     | Salary Account                          |      |         | 30,000  | <u>260,000</u> |

## General Ledger Contnd...

| Furniture Account |                 |      |        |        | Account No. 2  |
|-------------------|-----------------|------|--------|--------|----------------|
| Date              | Explanation     | J.F. | Debit  | Credit | Balance        |
| March-1           | Capital Account |      | 90,000 |        | 90,000         |
| March-20          | Cash Account    |      | 20,000 |        | <u>110,000</u> |

| Capital Account |                   |      |       |         | Account No. 3  |
|-----------------|-------------------|------|-------|---------|----------------|
| Date            | Explanation       | J.F. | Debit | Credit  | Balance        |
| March-1         | Cash Account      |      |       | 250,000 | 250,000        |
| March-1         | Furniture Account |      |       | 90,000  | <u>340,000</u> |

## General Ledger Contnd...

| Purchase Account |                          |      |         |        | Account No. 4  |
|------------------|--------------------------|------|---------|--------|----------------|
| Date             | Explanation              | J.F. | Debit   | Credit | Balance        |
| March-10         | Cash Account             |      | 120,000 |        | 120,000        |
| March-10         | Accounts Payable Account |      | 30,000  |        | <u>150,000</u> |

| Accounts Payable Account |                  |      |       |        | Account No. 5 |
|--------------------------|------------------|------|-------|--------|---------------|
| Date                     | Explanation      | J.F. | Debit | Credit | Balance       |
| March-10                 | Purchase Account |      |       | 30,000 | <u>30,000</u> |

| Accounts Receivable Account (Mr. Nihal) |               |      |        |        | Account No. 6 |
|---|---------------|------|--------|--------|---------------|
| Date                                    | Explanation   | J.F. | Debit  | Credit | Balance       |
| March-16                                | Sales Account |      | 50,000 |        | 50,000        |
| March-23                                | Cash Account  |      |        | 40,000 | <u>10,000</u> |

## General Ledger Contnd...

| Sales Account |   |      |       |         | Account No. 7  |
|---------------|---|------|-------|---------|----------------|
| Date          | Explanation                             | J.F. | Debit | Credit  | Balance        |
| March-16      | Cash Account                            |      |       | 150,000 | 150,000        |
| March-16      | Accounts Receivable Account (Mr. Nihal) |      |       | 50,000  | <u>200,000</u> |

| Office Rent Account |              |      |        |        | Account No. 8 |
|---------------------|--------------|------|--------|--------|---------------|
| Date                | Explanation  | J.F. | Debit  | Credit | Balance       |
| March-30            | Cash Account |      | 10,000 |        | <u>10,000</u> |

| Salary Account |              |      |        |        | Account No. 9 |
|----------------|--------------|------|--------|--------|---------------|
| Date           | Explanation  | J.F. | Debit  | Credit | Balance       |
| March-30       | Cash Account |      | 30,000 |        | <u>30,000</u> |

## Solution

M/s Rifat Enterprise  
Trial Balance  
As on March 31, 2023

| Particulars         | Debit (Tk.)    | Credit (Tk.)   |
|---------------------|----------------|----------------|
| Cash                | 260,000        |                |
| Furniture           | 110,000        |                |
| Capital             |                | 340,000        |
| Purchase            | 150,000        |                |
| Accounts Payable    |                | 30,000         |
| Accounts Receivable | 10,000         |                |
| Sales               |                | 200,000        |
| Office Rent         | 10,000         |                |
| Salary              | 30,000         |                |
| <b>Total</b>        | <b>570,000</b> | <b>570,000</b> |

# October – 2021 (Question No. 3)

Mr. Ahmad Abdullah started his consultancy firm on August 1, 2021 with cash investment of Tk.300,000. Following events and transactions occurred during the month

|           |   |
|-----------|---|
| August-2  | : Hired a secretary at salary of Tk.20,000 per month.                                   |
| August-3  | : Purchased supplies of Tk.12,000 on account.   |
| August-8  | : Paid office rent of Tk.25,000 cash for the month.                                     |
| August-11 | : Completed a tax assignment and billed the client Tk.15,000 for the services provided. |
| August-12 | : Received Tk.12,000 advance as management consulting engagement.                       |
| August-17 | : Received Tk.5000 cash for the service provided on August 11, 2021.                    |
| August-31 | : Paid secretary Tk.20,000 as salary for the month.                                     |
| August-31 | : Paid 50% of the due for purchasing of supplies on August 3, 2021.                     |

# Contd....

## Required:

- i.** Journalize the transactions;
- ii.** Post to the ledger accounts and
- iii.** Prepare a trial balance as of August 31, 2021.

# Solution

## Mr. Ahmad Abdullah

### Journal Entries

| Date            | Accounts and Explanation                       | L.F. | Debit   | Credit  |
|-----------------|--|------|---------|---------|
| August 1, 2021  | Cash Account Dr.<br>Capital Account Cr.        |      | 300,000 | 300,000 |
| August 2, 2021  | Not a financial transaction                    |      |         |         |
| August 3, 2021  | Purchase Account Dr.<br>Accounts Payable Cr.   |      | 12,000  | 12,000  |
| August 8, 2021  | Office Rent Dr.<br>Cash Account Cr.            |      | 25,000  | 25,000  |
| August 11, 2021 | Accounts Receivable Dr.<br>Service Revenue Cr. |      | 15,000  | 15,000  |
| August 12, 2021 | Cash Account Dr.<br>Prepaid Income Cr.         |      | 12,000  | 12,000  |
| August 17, 2021 | Cash Account Dr.<br>Accounts Receivable Cr.    |      | 5,000   | 5,000   |
| August 31, 2021 | Salary Expenses Dr.<br>Cash Account Cr.        |      | 20,000  | 20,000  |
| August 31, 2021 | Accounts Payable Dr.<br>Cash Account Cr.       |      | 6,000   | 6,000   |

# Solution

## Mr. Ahmad Abdullah General Ledger

| Cash Account    |                     |      |         |        | Account No. 1  |
|-----------------|---------------------|------|---------|--------|----------------|
| Date            | Explanation         | J.F. | Debit   | Credit | Balance        |
| August 1, 2021  | Capital Account     |      | 300,000 |        | 300,000        |
| August 8, 2021  | Office Rent         |      |         | 25,000 | 275,000        |
| August 12, 2021 | Prepaid Income      |      | 12,000  |        | 287,000        |
| August 17, 2021 | Accounts Receivable |      | 5,000   |        | 292,000        |
| August 18, 2021 | Salary Expenses     |      |         | 20,000 | 272,000        |
| August 31, 2021 | Accounts Payable    |      |         | 6,000  | <u>266,000</u> |

| Prepaid Income  |              |      |       |        | Account No. 2 |
|-----------------|--------------|------|-------|--------|---------------|
| Date            | Explanation  | J.F. | Debit | Credit | Balance       |
| August 12, 2021 | Cash Account |      |       | 12,000 | <u>12,000</u> |

## General Ledger Contnd...

| Capital Account |              |      |       |         | Account No. 3  |
|-----------------|--------------|------|-------|---------|----------------|
| Date            | Explanation  | J.F. | Debit | Credit  | Balance        |
| August 03, 2021 | Cash Account |      |       | 300,000 | <u>300,000</u> |

| Purchase Account |                  |      |        |        | Account No. 4 |
|------------------|------------------|------|--------|--------|---------------|
| Date             | Explanation      | J.F. | Debit  | Credit | Balance       |
| August 03, 2021  | Accounts Payable |      | 12,000 |        | <u>12,000</u> |

| Accounts Payable |                  |      |       |        | Account No. 5 |
|------------------|------------------|------|-------|--------|---------------|
| Date             | Explanation      | J.F. | Debit | Credit | Balance       |
| August 03, 2021  | Purchase Account |      |       | 12,000 |               |
| August 31, 2021  | Cash Account     |      | 6,000 |        | <u>6,000</u>  |

## General Ledger Contnd...

| Accounts Receivable |                 |      |        |        | Account No. 6 |
|---------------------|-----------------|------|--------|--------|---------------|
| Date                | Explanation     | J.F. | Debit  | Credit | Balance       |
| August 11, 2021     | Service Revenue |      | 15,000 |        | 15,000        |
| August 17, 2021     | Cash Account    |      |        | 5,000  | <u>10,000</u> |

| Service Revenue |                     |      |       |        | Account No. 7 |
|-----------------|---------------------|------|-------|--------|---------------|
| Date            | Explanation         | J.F. | Debit | Credit | Balance       |
| August 31, 2021 | Accounts Receivable |      |       | 15,000 | <u>15,000</u> |

| Office Rent    |              |      |        |        | Account No. 8 |
|----------------|--------------|------|--------|--------|---------------|
| Date           | Explanation  | J.F. | Debit  | Credit | Balance       |
| August 8, 2021 | Cash Account |      | 25,000 |        | <u>25,000</u> |

| Salary Account  |              |      |        |        | Account No. 9 |
|-----------------|--------------|------|--------|--------|---------------|
| Date            | Explanation  | J.F. | Debit  | Credit | Balance       |
| August 31, 2021 | Cash Account |      | 20,000 |        | <u>20,000</u> |

## Solution

Mr. Ahmad Abdullah  
Trial Balance  
As on August 31, 2023

| Particulars         | Debit (Tk.)           | Credit (Tk.)          |
|---------------------|-----------------------|-----------------------|
| Cash                | 266,000               |                       |
| Prepaid Income      |                       | 12,000                |
| Capital             |                       | 300,000               |
| Purchase Account    | 12,000                |                       |
| Accounts Payable    |                       | 6,000                 |
| Accounts Receivable | 10,000                |                       |
| Service Revenue     |                       | 15,000                |
| Office Rent         | 25,000                |                       |
| Salary Expenses     | 20,000                |                       |
| <b>Total</b>        | <b><u>333,000</u></b> | <b><u>333,000</u></b> |

Thank You All

Any Question?