

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. (As furniture purchased in cash)			20,000
March-23	Cash Account Dr.		40,000	
	Accounts Receivable Account (Mr. Nihal) Cr. (As due received in cash)			40,000
March-30	Office Rent Account Dr.		10,000	
	Salary Account Dr.		30,000	
	Cash Account Cr. (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	
Total	570,000	570,000

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. Capital Account Cr.		300,000	300,000
August 2, 2021	Not a financial transaction			
August 3, 2021	Purchase Account Dr. Accounts Payable Cr.		12,000	12,000
August 8, 2021	Office Rent Dr. Cash Account Cr.		25,000	25,000
August 11, 2021	Accounts Receivable Dr. Service Revenue Cr.		15,000	15,000
August 12, 2021	Cash Account Dr. Prepaid Income Cr.		12,000	12,000
August 17, 2021	Cash Account Dr. Accounts Receivable Cr.		5,000	5,000
August 31, 2021	Salary Expenses Dr. Cash Account Cr.		20,000	20,000
August 31, 2021	Accounts Payable Dr. 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	
Total	<u>333,000</u>	<u>333,000</u>

Thank You All

Any Question?