Accounting Procedure up to Adjustments

**Source documents:** orders, invoices, receipts, checks, contracts

**Journalize transactions:** look for key words to know what accounts are involved, and what is happening (debit or credit) to the accounts in this format:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Posting Ref.</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2005</td>
<td>Account to debit</td>
<td>Acct #</td>
<td>$__<em>.</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Account to credit</td>
<td>Acct #</td>
<td></td>
<td>$__._</td>
</tr>
<tr>
<td></td>
<td>Explanation (if required)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Post to the ledger:** T accounts: Left side debit | Right side credit

|            | xxx | xxx |
|            | | |

**Make a trial balance:** add up amounts in T accounts and list in this order:
- Assets and Liabilities (current and long term, in order of how easily they can be turned into cash)
- Contributed capital (common & preferred stock), Retained Earnings and Dividends
- Revenues and Expenses

**Make adjusting entries:** these involve at least one income statement and one balance sheet account. This matches period revenues and expenses, and it makes sure assets and liabilities are fairly valued.

**Expensing used assets**
- Depreciation expense
- Accumulated Depreciation
- Expense
- Prepaid Asset

**Doing work previously paid for**
- Unearned Revenue
- Revenue

**Accruing Revenues and Expenses** *(To be received or paid later)*
- Expense
- Payable
- Receivable
- Revenue

**Using up supplies**
- Supply Expense
- Supplies

**Post adjusting entries** *(posting is taking the entries in the journal and putting the amounts in the account in the ledger, either debit or credit)*