

The Accounting Cycle

	STEP	THE PROCESS	USE	REASON
Ongoing, routine activities.	1.	Journalize	The General Journal	To record all transactions in one central place (like a financial diary).
	2.	Post (to the ledger accounts)	Ledger Accounts (or T-Accounts)	To accumulate transactions by type (i.e. all transactions affecting cash, or sales) to come up with a total figure for each account.
	3.	Balance (using a trial balance on a worksheet)	Trial Balance on a worksheet or off	To check that all our debits equal all our credits.
Performed at the end of the accounting period.	4.	Adjustments (enter them on the worksheet)	Enter them on the Worksheet	To record late bills, and accrued expenses and revenues. It is to ensure the matching, revenue recognition, and time-period GAAPs are adhered to.
	5.	Complete the Worksheet	Worksheet	Worksheets are working papers – they allow us to see everything at once and how they relate (i.e. Trial Balance, Adjustments, Income Statement, and Balance Sheet).
	6.	Prepare Financial Statements (Income Statement, then Balance Sheet from Worksheet info)	Income Statement and Balance Sheet Paper	This is the purpose of Accounting: to produce Income Statements and Balance Sheets for the public (i.e. useful information for decision making).
	7.	Journalize Adjusting and Closing Entries	The General Journal	Closing entries update the Capital Account by emptying out the temporary accounts (i.e. Drawings, Revenues, and Expenses) and resetting them to zero for the next accounting period