Chapter 9 covers adjustments required to ensure we have reliable reports.
CHAPTER 9 OVERVIEW

- Accounting Cycle
- Using QuickBooks to Make Adjusting Entries
- Types of Adjusting Entries
ACCOUNTING CYCLE

The Accounting Cycle is a series of accounting activities that a business performs each accounting period.

The Accounting Cycle usually consists of the following:

- Chart of Accounts
- Transactions
- Trial Balance
- Adjustments
- Adjusted Trial Balance
- Financial Statements
TRIAL BALANCE

- Trial Balance lists each account and the ending account balance
- Prepare trial balance to verify total debits equal total credits
MAKE ADJUSTING ENTRIES USING QUICKBOOKS JOURNAL

Record adjusting entries with QuickBooks journal to bring accounts up to date:

1. Select Accountant Menu
2. Select Make General Journal Entries
3. Enter adjusting entries into the the QuickBooks Journal
ADJUSTING ENTRIES

- Adjusting entries are often necessary when the accrual basis of accounting is used.

- The Accrual basis:
  - Records revenue (income) when it is earned (when products and services are provided to customers) regardless of when the cash is received from customers
  - Records expense when they are incurred (the benefits have expired) regardless of when the cash is paid.
ADJUSTING ENTRIES

If the accrual basis is used to calculate profits, the following types of adjusting entries may be necessary:

1. **Prepaid items.** Items that are prepaid, such as prepaid insurance or prepaid rent.

2. **Unearned items.** Items that a customer has paid us for, but we have not provided the product or service.

3. **Accrued expenses.** Expenses that are incurred but not yet paid or recorded.

4. **Accrued revenues.** Revenues that have been earned but not yet collected or recorded.
**ADJUSTED TRIAL BALANCE**

- Trial Balance +/- Adjusting Entries = Adjusted Trial Balance
- Adjusted Trial Balance: prepare adjusted trial balance to verify accounting system still balances after adjustments

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Adjusted Unadjusted Balance</th>
<th>Adjusted Adjustments</th>
<th>Adjusted Adjusted Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>Money in the Bank</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>1100</td>
<td>Accounts Receivable</td>
<td>10,000</td>
<td>-10,000</td>
<td>0</td>
</tr>
<tr>
<td>1200</td>
<td>Supplies</td>
<td>500</td>
<td>-500</td>
<td>0</td>
</tr>
<tr>
<td>1300</td>
<td>Prepaid Insurance</td>
<td>1,000</td>
<td>-1,000</td>
<td>0</td>
</tr>
<tr>
<td>1400</td>
<td>Retained Earnings</td>
<td>500</td>
<td>-500</td>
<td>0</td>
</tr>
</tbody>
</table>

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[Image of adjusted trial balance spreadsheet]

- Dates: From 12/31/2022 to To 12/31/2022
- Accrual Basis
- Report Basis: Accrual, Cash
- Show Filters
TO LEARN MORE... SEE CHAPTER 9