

# Journalizing Transactions Exercises With Answers

## Exercises

### Transaction Analysis, Journalizing, Posting and Preparation of Trial Balance

#### PROBLEM 1

On October 1, Sandro Ty, business consultant, opened Business Solutions Company. A range of consulting services is provided but his expertise is in computer system installation and custom program development. The following transactions took place:

1	Mr. Ty Invested P45,000 cash, a P20,000 computer system, and P80,000 of office equipment.
2	Signed a contract with Mr. Peter, lessor, to lease an office space for P15,000 a month.
3	Purchased P1,420 worth of computer supplies on credit from Office Warehouse.
6	Billed Easy Internet P4,800 for services performed in installing a new Web server.
8	Paid in full for the computer supplies purchased from Office Warehouse.
10	Hired Adel Po as a part-time assistant for P250 per day starting immediately.
12	Billed Fast Internet Shop P 3,400 for computer system installation.
15	Received cash from Easy Internet representing 50% of its outstanding account.
17	Paid P1,500 cash to repair the damage on the computer equipment when it was relocated.
20	Billed IMC Company P5,200 for consulting services performed. Terms: 50% down payment, balance n/ 10.
25	Received two bills for rent and telephone. A total of P17,200 was paid.
30	Mr. Ty withdrew P3,000 cash for personal use.
31	Paid Adel's wages for 20-day work done this month.

#### Required:

- Analyze and record the transactions using a two-column general journal. Use the Chart of Accounts below:

Current Assets -101 to 103	Equity – 501 to 502
101 Cash	501 Ty, Capital
102 Accounts Receivable	502 Ty, Drawings
103 Notes Receivable	Revenue – 601
104 Computer Supplies	601 Professional Fees Revenue
Plant and Equipment – 201 to 202	Expenses – 701 to 704
201 Computer System	701 Repairs Expense
202 Office Equipment	702 Rent Expense
Other Assets – 301	703 Salaries Expense
301 Deposit for Rent	704 Utilities Expense
Current Liability – 401	

**Journalizing transactions exercises with answers** are essential components of accounting education that help students and professionals alike understand the foundational skills needed to accurately record financial transactions. The process of journalizing involves documenting financial activities in a systematic manner, which is crucial for maintaining accurate financial records. In this article, we will explore various exercises that will aid in mastering the art of journalizing, along with detailed answers to enhance comprehension.

# Understanding the Basics of Journalizing Transactions

Before delving into exercises, it's vital to understand what journalizing transactions entails. Journalizing is the first step in the accounting cycle, where financial transactions are recorded in the journal, which is a chronological record of all transactions. Each entry typically includes:

- The date of the transaction
- The accounts involved
- The amount of the transaction
- A brief description of the transaction

## Key Principles of Journal Entries

When journalizing transactions, it is crucial to adhere to the double-entry accounting system, which dictates that every transaction affects at least two accounts. Here are the key principles to remember:

- **Debits and Credits:** Each transaction must have a corresponding debit and credit. The total amount debited must equal the total amount credited.
- **Account Types:** Understand the types of accounts (assets, liabilities, equity, revenue, and expenses) to determine how each transaction will affect the accounts involved.
- **Transaction Analysis:** Analyze each transaction carefully to determine which accounts are affected and whether they are increased or decreased.

## Journalizing Transactions Exercises

Here are several exercises designed to practice journalizing transactions, accompanied by solutions for each.

## Exercise 1: Service Revenue Earned

Transaction: On January 5, 2023, ABC Services earned \$1,500 for services rendered.

Required: Journalize the transaction.

Answer:

Date	Account Title	Debit	Credit
----	-----	-----	-----
Jan 5, 2023	Cash	\$1,500	
	Service Revenue		\$1,500

## Exercise 2: Purchase of Equipment

Transaction: On January 10, 2023, ABC Services purchased equipment worth \$3,000, paying \$1,000 in cash and the remaining \$2,000 on credit.

Required: Journalize the transaction.

Answer:

Date	Account Title	Debit	Credit
----	-----	-----	-----
Jan 10, 2023	Equipment	\$3,000	
	Cash	\$1,000	
	Accounts Payable		\$2,000

## Exercise 3: Payment of Rent

Transaction: On January 15, 2023, ABC Services paid \$800 for rent.

Required: Journalize the transaction.

Answer:

Date	Account Title	Debit	Credit
----	-----	-----	-----
Jan 15, 2023	Rent Expense	\$800	
	Cash	\$800	

## Exercise 4: Sales on Credit

Transaction: On January 20, 2023, ABC Services sold goods worth \$2,000 on

credit.

Required: Journalize the transaction.

Answer:

Date	Account Title	Debit	Credit
----	-----	-----	-----
Jan 20, 2023	Accounts Receivable	\$2,000	
	Sales Revenue		\$2,000

## Exercise 5: Payment to Supplier

Transaction: On January 25, 2023, ABC Services paid \$1,000 to a supplier for previously purchased equipment.

Required: Journalize the transaction.

Answer:

Date	Account Title	Debit	Credit
----	-----	-----	-----
Jan 25, 2023	Accounts Payable	\$1,000	
	Cash		\$1,000

## Common Mistakes in Journalizing Transactions

While journalizing transactions may seem straightforward, several common pitfalls can lead to errors:

- **Incorrect Account Selection:** Choosing the wrong accounts can misrepresent the financial situation.
- **Unequal Debits and Credits:** Failing to balance debits and credits can lead to discrepancies in financial statements.
- **Neglecting to Include Descriptions:** Omitting descriptions can make it challenging to understand the context of transactions in the future.

## Best Practices for Journalizing Transactions

To ensure accurate journal entries, consider following these best practices:

- **Review Transactions Carefully:** Always double-check transactions before journalizing to avoid errors.
- **Use Clear Descriptions:** Provide sufficient detail in descriptions to clarify the nature of each transaction.
- **Stay Consistent:** Maintain consistency in formatting and terminology to aid readability and comprehension.

## Conclusion

**Journalizing transactions exercises with answers** provide a practical approach to mastering the principles of accounting. By understanding the basics of journal entries, practicing various exercises, and adhering to best practices, individuals can enhance their accounting skills and ensure accurate financial reporting. Whether you are a student or a professional, regular practice will bolster your confidence and proficiency in journalizing transactions, laying a solid foundation for more advanced accounting concepts.

## Frequently Asked Questions

### What is journalizing in accounting?

Journalizing is the process of recording financial transactions in a journal, which is the first step in the accounting cycle. Each entry includes the date, accounts affected, amounts, and a brief description.

### What are the key components of a journal entry?

A journal entry typically includes the date of the transaction, the accounts involved, the debit and credit amounts, and a brief description of the transaction.

### How do you determine which accounts to debit and credit in a transaction?

To determine which accounts to debit and credit, you follow the accounting equation ( $\text{Assets} = \text{Liabilities} + \text{Equity}$ ) and the rules of debit and credit. Typically, debits increase assets and expenses, while credits increase liabilities, revenues, and equity.

## Can you provide an example of a simple journal entry for a cash sale?

Sure! If a company sells goods for \$1,000 cash, the journal entry would be:  
Debit Cash \$1,000; Credit Sales Revenue \$1,000.

## What is the difference between a journal and a ledger?

A journal is a chronological record of all transactions, while a ledger is a collection of accounts that shows the balance and activity for each account. The journal entries are later posted to the respective accounts in the ledger.

## How often should journal entries be made?

Journal entries should be made regularly, ideally daily or weekly, to ensure accurate and timely financial reporting. The frequency may depend on the volume of transactions and the size of the business.

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