Accounting cycle paper 11

Accounting Cycle Paper April 24, 2011 Mary C. Derx-Robinson Accounting CyclePaperThe accounting cycle is a procedure to record and prepare financial statements for a company. Many steps are part of the accounting cycle, and they must be done correctly to comply with Generally Accepted Accounting Principles (GAAP). Whereas some steps are the same, the company must choses that will best fit the company. Any accounting cycle begins with the transactions. A retail company such as Wal-Mart must identify many transactions and document the transactions for the company. Wal-Mart must purchase products from suppliers to stock into the stores. Once a transaction is complete the stock is sent to a warehouse where the products are distributed by need to each store. Another way a transaction occurs when customers come to the Wal-Mart store and purchase products. When that happens employee such as cashers scan the products at the checkout counter. A perpetual inventory system automatically credits purchases to the Inventory account and debits Cost of Goods Sold. When that happens the transaction is automatically recorded on and updated into the computer. Accounting records are to prepare financial statements, income tax returns and other reports. Even the hiring of an employee is a transaction done by human resources and management. A store accountant handles the transactions and journalizes the transactions for the accounting recorded. The store accountant makes sure to journalize every transaction by recording the debits and the credits in a leger. A general ledger will contain such things as the " assets, liability, stockholders equity, revenue, and expenses accounts" (Kieso, Weygandt, & Warfield, p. 9) that a company will go accumulate. At a store the accountant will do a special journal and submit this information to the accountant at the main office who will do the general ledger. With computer programs that automatically update the information it is easy to see what is making an impact on the company. Posting is the correct way to taking journal entries and putting them ingot ledger accounts. When doing so first the debit account must have the dates of the transaction, the journal page it comes from, and the debit amount in the journal. These numbers must match. Then in the reference column of the journal the account number must match the debit number wish the debit amount posted. Then do the same thing for the credit column. That way the company will know that accounting transaction goes to what reference number and make sure all receipts are accounted for. A trial balance will be complete after all posting are accounted for. Trial balance will list all account and balances. This is generally done at the end of the accounting period. The trial balance will look at all the debts on the left and the credits on the right of the ledger. This is necessary to show that all is equal. Adjusting entries may at this present time be done after the accounting period. This will show items that need to be added to complete the journal ledger. These items are added to the journal because the items are not practical to do so daily Wages are paid either weekly, bimonthly, or monthly and should be record as such. Some cost expires with time such as the cost of equipment. Some items are just not recorded in an accounting period. After the adjusted entries are added to Wal-Mart journal entry it is time to do an adjusted trial balance showing all the adjusted entries in the journal, and making sure that the debits and the credits are equal. With the adjusted trial balance, Wal-Mart can make financial statements such as an income statement- that shows the revenue and the expenses, the retained earnings statement that show the retained earnings, the dividends, and net income, or the Balance sheet that presents the assets, liabilities, and stockholders equity. The different ways that the information is accessible depends on what the company wants to know. Putting this information together in the financial statement makes it easier for managers, Chief Executive Officer, and investors to know how the company is doing. Finally, the accountant will close the journals for the year by making everything temporary zero. Wal-Mart will do this so to prepare for the next year transactions. With new transactions the whole accounting cycle starts again making the preparations for a new year. Wal-Mart ends the accounting period at January 31 each year. Such items such as assets, liabilities, and stockholders equity are permanent account and are not reduced to zero. Instead this advances on to the next year. A Post-Closing trial balance may be complete showing just the assets, liabilities, and stockholders equity left. Reversing some adjusting entrees is done if the company believes that it is desirable before starting recording the usual transactions for the new year. With these seven steps, Wal-Mart and any company may be confident that their company has assembled successfully all financial statements and that those statements are acceptable to the GAAP. Each step prepares the company and the accountant for the next step and makes sure to have the information in one central location. Reference Kieso, D. E. , Weygandt, J. J. , Warfield, T. D. (2007) Intermediate Accounting , 12e. Hoboken, NJ. John Wilsey and Sons, Inc. Ch. 3, pg. 69.