Discussion

[Finance](#)

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Discussion Adjusting entries In accounting, adjusting entries refer to specific journal entries made at the end of aperiod of accounting with the view to allocating both income and expenditures to their actual periods of occurrence. In doing this, an accountant must follow particular principles that enhance the accuracy of the process. The revenue recognition principle, for example, helps in adjusting the entries of both unearned and accrued revenues. The main classifications of adjustment entries are deferral, which refer to the money either paid or received before consumption and accrual, which just as the name suggests refers to the cash received or paid after consumption. An accountant must consider the unique aspects of the two classifications in order to capture all the expenses and revenues in order to enhance the accuracy of the balance sheets among other financial documents in an organization.

Adjusting entries is an important undertaking in bookkeeping since it helps document every event that takes place in the organization. They help consolidate the accounts balances and bring them to the last day of the financial period. Such is a vital undertaking that helps in reconciling the financial books. Additionally, adjusting entries helps record the cost of doing business. Through adjusting entries, the financial records will show the activities that occurred instead of the transfer of money. This helps present the activities associated with doing business since they influence the cost of doing business in an economy (Warren, James and Jonathan 67).

Such accounts as Accounts receivable and the income account are always adjusted depending on the movement of money in the business. Such are the adjusted entries since the movement of money in the company influences their outlook. Unadjusted entries, on the other hand, refer to money that remains unchanged despite the movement of money in the financial period. Such accounts as starting capital inherited from the closing accounts. The amount remains unchanged by the movement of money in the fiscal period.

Examples of adjusting entries

Adjusting entry

Debit

Credit

Accounts receivable

$ 4500

Consulting fee earned

$4500

Adjusting entry

Debits

Credits

Salary expenses

$7, 000

Wages and salaries payable

$7, 000

Adjusting entries is a hectic process that requires an accountant to pay close attention to the movement of money in a business. The fact that the process occurs at the end of a financial period makes it confusing and difficult since an account must refer to all the financial books within the period in order to understand the movement of cash. This makes the process hectic. While the relationship between debit and credit is natural, it remains difficult to identify the accounts to either debit or credit given the uniqueness of every business activity that can occur within a fiscal period.

Work cited

Warren, Carl S, James M. Reeve, and Jonathan E. Duchac. Accounting. Mason, OH: SouthWestern Cengage Learning, 2012. Print.