# ACCOUNTING

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# *Journal Entries*

على

**(القيود اليومية)** هي تسجيلات مكتوبة تُستخدم في المحاسبة لتوثيق العمليات المالية للشركة. يتم تسجيل هذه القيود في دفتر اليومية **(Journal)** قبل نقلها إلى دفتر الأستاذ العام **(General Ledger).** كل قيد يومي يتكون من طرفين: مدين **(Debit)**و دائن**(Credit)** ، ويجب أن يكون مجموع الطرفين متساويًا) مبدأ القيد المزدوج **Double-Entry Accounting).KLJKJHKI**

## *Components of a Journal Entry:*

1. **Date:** The date the financial transaction occurred.
2. **Accounts:** The accounts affected by the transaction (debit and credit).
3. **Amount:** The financial amount for each account.
4. **Description:** A brief explanation of the financial transaction.

## Examples of Journal Entries:

## 1. Purchasing Inventory for Cash:

- Transaction: Purchased inventory worth 10,000 EGP in cash.
- Journal Entry:

```
Dr. Inventory      10,000 EGP (Debit)
Cr. Cash           10,000 EGP (Credit)
```

- Explanation:
  - Increase in assets (Inventory) → Debit.
  - Decrease in assets (Cash) → Credit.

## 2. Selling Inventory on Account (Credit):

- Transaction: Sold inventory worth 15,000 EGP on account (to be collected later).
- Journal Entry:

```
Dr. Accounts Receivable      15,000 EGP (Debit)
Cr. Sales Revenue            15,000 EGP (Credit)
```

- Explanation:
  - Increase in assets (Accounts Receivable) → Debit.
  - Increase in revenue (Sales Revenue) → Credit.

### 3. Paying Rent Expense:

- Transaction: Paid rent expense of 5,000 EGP in cash.
- Journal Entry:

```
Dr. Rent Expense     5,000 EGP (Debit)
Cr. Cash             5,000 EGP (Credit)
```

- Explanation:
    - Increase in expenses (Rent Expense) → Debit.
    - Decrease in assets (Cash) → Credit.

## 4. COLLECTING RECEIVABLES FROM A CUSTOMER:

- Transaction: Collected 7,000 EGP from a customer who owed the company.
- Journal Entry:

```
Dr. Cash               7,000 EGP (Debit)
Cr. Accounts Receivable 7,000 EGP (Credit)
```

- Explanation:
    - Increase in assets (Cash) → Debit.
    - Decrease in assets (Accounts Receivable) → Credit.

## 5. PURCHASING FIXED ASSETS (EQUIPMENT) ON ACCOUNT:

- Transaction: Purchased equipment worth 20,000 EGP on account (to be paid later).
- Journal Entry:

```
Dr. Equipment         20,000 EGP (Debit)
Cr. Accounts Payable  20,000 EGP (Credit)
```

- Explanation:
    - Increase in assets (Equipment) → Debit.
    - Increase in liabilities (Accounts Payable) → Credit

## 6. PAYING A SUPPLIER:

- Transaction: Paid 8,000 EGP to a supplier for a previous purchase.
- Journal Entry:

```
Dr. Accounts Payable   8,000 EGP (Debit)
Cr. Cash               8,000 EGP (Credit)
```

- Explanation:
    - Decrease in liabilities (Accounts Payable) → Debit.
    - Decrease in assets (Cash) → Credit.

## KEY NOTES:

1. **Double-Entry Principle:** Every journal entry must have equal total debits and credits.

2. **Account Classification:** Determine the type of account (assets, liabilities, equity, revenue, expenses) to decide whether it is debited or credited.
3. **Chronological Order:** Journal entries are recorded in the order of transaction dates.

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THE ACCOUNTING EQUATION:

Assets=Liabilities+Equity

Every journal entry must maintain the balance of this equation.

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# *Extra examble*

## 1. Depreciation Expense:

- **Transaction:** Recorded depreciation expense of 2,000 EGP for the month.
- **Journal Entry:**

```
Dr. Depreciation Expense   2,000 EGP (Debit)
Cr. Accumulated Depreciation   2,000 EGP (Credit)
```

- **Explanation:**
  - o Increase in expenses (Depreciation Expense) → Debit.
  - o Increase in contra-asset (Accumulated Depreciation) → Credit.

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## 2. Issuing Shares for Cash:

- **Transaction:** The company issued shares worth 50,000 EGP for cash.
- **Journal Entry:**

```
Dr. Cash              50,000 EGP (Debit)
Cr. Share Capital       50,000 EGP (Credit)
```

- **Explanation:**
  - o Increase in assets (Cash) → Debit.
  - o Increase in equity (Share Capital) → Credit.

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## 3. Accrued Salaries:

- **Transaction:** Recorded salaries expense of 12,000 EGP that will be paid next month.
- **Journal Entry:**

```
Dr. Salaries Expense      12,000 EGP (Debit)
Cr. Accrued Salaries      12,000 EGP (Credit)
```

- **Explanation:**
    - Increase in expenses (Salaries Expense) → Debit.
    - Increase in liabilities (Accrued Salaries) → Credit.

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## 4. Prepaid Insurance:

- **Transaction:** Paid 6,000 EGP for a one-year insurance policy.
- **Journal Entry:**

```
Dr. Prepaid Insurance     6,000 EGP (Debit)
Cr. Cash            6,000 EGP (Credit)
```

- **Explanation:**
    - Increase in assets (Prepaid Insurance) → Debit.
    - Decrease in assets (Cash) → Credit.

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## 5. Receiving a Loan:

- **Transaction:** Received a bank loan of 100,000 EGP.
- **Journal Entry:**

```
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Dr. Cash             100,000 EGP (Debit)
Cr. Bank Loan            100,000 EGP (Credit)
```

- **Explanation:**
    - Increase in assets (Cash) → Debit.
    - Increase in liabilities (Bank Loan) → Credit.

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## 6. Writing Off Bad Debt:

- **Transaction:** Wrote off 3,000 EGP as uncollectible from a customer.
- **Journal Entry:**

```
Dr. Bad Debt Expense      3,000 EGP (Debit)
Cr. Accounts Receivable    3,000 EGP (Credit)
```

- **Explanation:**
    - Increase in expenses (Bad Debt Expense) → Debit.

- o Decrease in assets (Accounts Receivable) → Credit.

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## 7. Purchasing Office Supplies on Credit:

- **Transaction:** Purchased office supplies worth 1,500 EGP on credit.
- **Journal Entry:**

  ```
  Dr. Office Supplies      1,500 EGP (Debit)
  Cr. Accounts Payable      1,500 EGP (Credit)
  ```
- **Explanation:**
    - o Increase in assets (Office Supplies) → Debit.
    - o Increase in liabilities (Accounts Payable) → Credit.

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## 8. Recording Interest Expense:

- **Transaction:** Recorded interest expense of 500 EGP on a loan.
- **Journal Entry:**

  ```
  Dr. Interest Expense     500 EGP (Debit)
  Cr. Interest Payable     500 EGP (Credit)
  ```
- **Explanation:**
    - o Increase in expenses (Interest Expense) → Debit.
    - o Increase in liabilities (Interest Payable) → Credit.

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## 9. Returning Defective Inventory:

- **Transaction:** Returned defective inventory worth 2,000 EGP to the supplier.
- **Journal Entry:**

  ```
  Dr. Accounts Payable     2,000 EGP (Debit)
  Cr. Inventory            2,000 EGP (Credit)
  ```
- **Explanation:**
    - o Decrease in liabilities (Accounts Payable) → Debit.
    - o Decrease in assets (Inventory) → Credit.

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## 10. Recording Dividends:

- **Transaction:** Declared and paid dividends of 10,000 EGP to shareholders.
- **Journal Entry:**

  ```
  Dr. Retained Earnings    10,000 EGP (Debit)
  Cr. Dividends Payable    10,000 EGP (Credit)
  ```

- **Explanation:**
    - o Decrease in equity (Retained Earnings) → Debit.
    - o Increase in liabilities (Dividends Payable) → Credit.

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## 11. Adjusting Entry for Prepaid Expenses:

- **Transaction:** Recognized 1,000 EGP of prepaid insurance as an expense for the month.
- **Journal Entry:**

```
Dr. Insurance Expense     1,000 EGP (Debit)
Cr. Prepaid Insurance     1,000 EGP (Credit)
```

- **Explanation:**
    - o Increase in expenses (Insurance Expense) → Debit.
    - o Decrease in assets (Prepaid Insurance) → Credit.

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## 12. Recording Sales Returns:

- **Transaction:** A customer returned goods worth 1,500 EGP.
- **Journal Entry:**

```
Dr. Sales Returns        1,500 EGP (Debit)
Cr. Accounts Receivable   1,500 EGP (Credit)
```

- **Explanation:**
    - o Increase in contra-revenue (Sales Returns) → Debit.
    - o Decrease in assets (Accounts Receivable) → Credit.

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## 13. Recording Unearned Revenue:

- **Transaction:** Received 4,000 EGP in advance for services to be provided later.
- **Journal Entry:**

```
Dr. Cash             4,000 EGP (Debit)
Cr. Unearned Revenue      4,000 EGP (Credit)
```

- **Explanation:**
    - o Increase in assets (Cash) → Debit.
    - o Increase in liabilities (Unearned Revenue) → Credit.

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## 14. Recording Cost of Goods Sold (COGS):

- **Transaction:** Recognized 7,000 EGP as the cost of goods sold for the month.
- **Journal Entry:**

```
Dr. Cost of Goods Sold     7,000 EGP (Debit)
Cr. Inventory              7,000 EGP (Credit)
```

- **Explanation:**
    - Increase in expenses (Cost of Goods Sold) → Debit.
    - Decrease in assets (Inventory) → Credit.

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## 15. Recording Gain on Sale of Asset:

- **Transaction:** Sold equipment for 8,000 EGP (original cost: 6,000 EGP, accumulated depreciation: 2,000 EGP).
- **Journal Entry:**

```
Dr. Cash                   8,000 EGP (Debit)
Dr. Accumulated Depreciation 2,000 EGP (Debit)
Cr. Equipment              6,000 EGP (Credit)
Cr. Gain on Sale of Asset  4,000 EGP (Credit)
```

- **Explanation:**
    - Increase in assets (Cash) → Debit.
    - Decrease in contra-asset (Accumulated Depreciation) → Debit.
    - Decrease in assets (Equipment) → Credit.
    - Increase in gain (Gain on Sale of Asset) → Credit.

- **ACCOUNT CLASSIFICATION AND THEIR EFFECTS**:

| ACCOUNT TYPE | INCREASE (DEBIT/CREDIT) | DECREASE (DEBIT/CREDIT) |
|---|---|---|
| ASSETS | DEBIT | CREDIT |
| LIABILITIES | CREDIT | DEBIT |
| EQUITY | CREDIT | DEBIT |
| REVENUE | CREDIT | DEBIT |
| EXPENSES | DEBIT | CREDIT |

## Quick Examples to Apply the Rules:

| TRANSACTION | JOURNAL ENTRY |
|---|---|
| | |
| PURCHASE AN ASSET FOR CASH | DEBIT: ASSET / CREDIT: CASH |
| SELL ON CREDIT | DEBIT: ACCOUNTS RECEIVABLE / CREDIT: SALES |
| PAY EXPENSES | DEBIT: EXPENSE / CREDIT: CASH |
| COLLECT CASH FROM A CUSTOMER | DEBIT: CASH / CREDIT: ACCOUNTS RECEIVABLE |
| PURCHASE AN ASSET ON CREDIT | DEBIT: ASSET / CREDIT: ACCOUNTS PAYABLE |
| PAY A SUPPLIER | DEBIT: ACCOUNTS PAYABLE / CREDIT: CASH |
| ACCRUE SALARIES | DEBIT: SALARIES EXPENSE / CREDIT: SALARIES PAYABLE |
| RECORD DEPRECIATION | DEBIT: DEPRECIATION EXPENSE / CREDIT: ACCUMULATED DEPRECIATION |