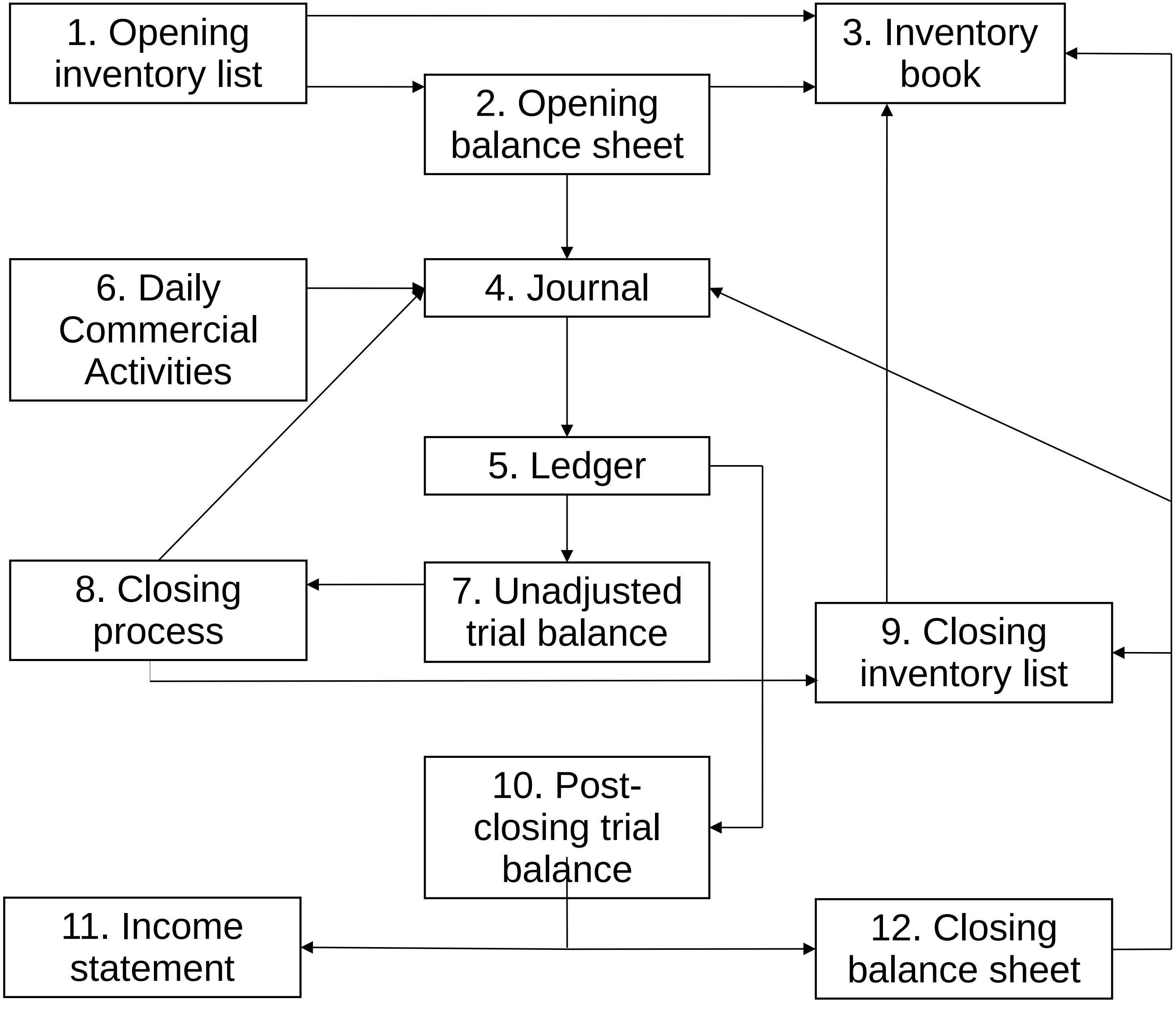
General Accounting

Ankara University
Faculty of Pharmacy

Accounting Flowchart

Accounting flowchart is a chart that shows the flow of accounting transactions performed by an enterprise during an accounting period.

1. Preparation of the inventory list at the beginning of the period
2. Preparation of the opening balance sheet
3. Inventory list of the beginning of the period and recording of the beginning of the balance sheet in the inventory register
4. Registration of assets and liabilities in the beginning balance sheet in the journal of the new period (opening record)
5. Opening the ledger accounts
6. Records of daily commercial transactions during the period
7. Preparing unadjusted trial balance
8. End of period inventory transactions
9. Preparing the end of period inventory list and recording in the inventory register
10. Preparing adjusted post-closing trial balance
11. Income statement preparation
12. Preparing the balance sheet of the period and recording in the inventory register


1. Opening inventory list
2. Opening balance sheet
3. Inventory book
4. Journal
5. Ledger
6. Daily Commercial Activities
7. Unadjusted trial balance
8. Closing process
9. Closing inventory list
10. Post-closing trial balance
11. Income statement
12. Closing balance sheet

Opening Inventory List

At the beginning of an accounting period, an inventory list is prepared. In fact, there is no need to prepare a new inventory list at the beginning of the period. In fact, the inventory list prepared at the end of the previous period can be used as the beginning of the inventory list of the new period if no significant changes occur.

Opening Balance Sheet

The financial status of the business as of the beginning of the period is determined by the opening balance sheet.

There is a balance sheet issued at the end of the previous period in a business that operates. The end of a period is also considered as the beginning of the period balance sheet, except for some technical differences.

Inventory Register

Assets, receivables and debts determined by counting, measuring, weighing or evaluating the business at the beginning of the period, at the beginning and at the end of the period are collected in detail, directly or in the inventory list and recorded in the inventory register.

The Journal

Registration in the journal is made in the form of "journal entries".

In order to post the assets and liabilities included in the opening balance sheet to accounts, a long record called "opening entry" is made as the first record in the journal.

Commercial activities that occur after the opening entry are journalized based on the documents and in the form of journal items, respectively.

The Ledger

The ledger is the book where the accounts that provide information on transactions with similar features are collected on same chart.

The ledger distributes the journalized transactions to the accounts. The journal is one of the mandatory books to be kept by first-class merchants. However, since it is not possible to perform the duty of accounting without the classification function, the ledger should be used even if it is not a legal obligation.

Daily Commercial Transactions

The business returns to its normal activities after the start of period. Daily business transactions are carried out during an accounting period such as the purchase of commercial goods, production of services and products, sales of manufactured services and products, collection of receivables, payment of debts.

Actual value movements will be recorded in the journal based on the documents and then in the ledger to be classified to the accounts.

Unadjusted Trial Balance

Trial balance is a chart for checking whether the transactions recorded in the journal are transferred to the ledger correctly and the auxiliary books mathematically. The control is based on checking whether the monetary amounts in the journal are also transferred to the ledger completely and correctly.

End-of-Period transactions begin after the preparation of the Unadjusted Trial Balance.

End-of-Period Inventory

At the end of the period, a large number of transactions called “end-of-period inventory transactions” that must be completed in a short period of time are performed. It can be divided into two parts:

- Non-accounting inventory transactions: To determine the economic values (assets, receivables, debts) included in the firm precisely and in detail by counting, measuring, weighing and evaluating.

- In-accounting inventory transactions: These are transactions aimed at eliminating the differences between the assets and liabilities determined during the non-accounting inventory transactions and the remainder of the account and determining the profit or loss of the period by closing the result accounts.

Closing Inventory List

As part of end-of-period inventory transactions, during non-accounting inventory transactions, economic values (assets, receivables, debts) included in the enterprise are determined precisely and in detail by counting, weighing and valuing and recorded in a list called the period-end inventory list.

Post-closing Trial Balance

After the in-accounting inventory transactions are recorded in the journal and the ledger, and the result accounts (income statement accounts) are transferred to the profit and loss account, the post-closing trial balance (adjusted trial balance) is prepared. The aim is to test that the end-of-period transactions performed intensely in a short period of time are recorded without errors.

Income Statement

An income statement covering all activities of the period is prepared, showing the activity results of the ending period. The income statement is drawn up before the closing balance sheet. Because the net profit or net loss of the period will be included in the “Shareholders’ Equity” group in the closing balance sheet. For this, the activity results of the period are determined with the income statement, and the result of the period is transferred to the balance sheet.

Closing Balance Sheet

The closing balance sheet shows the actual amount of assets and liabilities of the enterprise on the last day of the period.

In accordance with the concept of periodicity, since each accounting period is independent from the other, after the inventory transactions are completed and the period end balance sheet is prepared, the accounting period must be completed by closing the accounts for that period.

Transition to the New Period

The ending moment of an accounting period is the beginning of a new period after it. With a new period, the accounting cycle starts all over again.