5 Bookkeeping cycle





GETTING BACK TO BASICS

Let's review the basic bookkeeping cycle. No matter what type of organization you work in, there are six steps.

1. Gather **source documents** for all **transactions**. These include:
   - **Purchase invoices**
   - **Payroll Master Files**
   - **Time cards**
   - **Credit card statements**
2. Analyze the financial effect of every transaction. Typical transactions include:
   - **Payroll**
   - Sales
   - Purchases
3. Record financial effects in a journal. Then post them in the **accounting software**.
4. Perform **end-of-period procedures**:
   - Count inventory
   - Check for errors in classification
   - Adjust for errors
5. Prepare an **adjusted trial balance**.
6. Close the books at the end of every **fiscal year**.



Get Ready!

1 Before you read the passage, talk about these questions.

1 What are the basic tasks in bookkeeping?

2 What are some of the documents that they use?

Reading

2 Read the entry on a bookkeeper's blog. Then, choose the correct answers.

1 What is the passage mainly about?

A end-of-period procedures
B minimizing financial effects
C steps in the bookkeeping cycle
D how to gather source documents

2 According to the passage, which is NOT a source document?

A credit card statement
B purchase invoice
C accounting software
D payroll master files

3 What is true according to the passage?

A Every organization follows a different bookkeeping cycle.
B Financial effects are recorded in two different places.
C Adjusted trial balances carry over to the next fiscal year.
D Accounting software creates most source documents.

Vocabulary

3 Match the words (1-6) with the definitions (A-F).

1 __ source documents
2 __ transaction
3 __ credit card slip
4 __ purchase invoice
5 __ payroll master file
6 __ accounting software

A a purchase, sale, or payment
B a receipt for a credit card purchase
C a file containing employee's salary information
D a document requesting payment for a purchase
E a computer program that organizes financial data
F documents from various financial transactions

4 Fill in the blanks with the correct words and phrases from the word bank.

WORD BANK

time card adjusted trial balance fiscal year
payroll end-of-period procedures

1 Jack made a few errors while preparing the _____.
2 In Canada, the _____ goes from April to March.
3 Perform _____ before opening books for the new period.
4 _____ is one of the most predictable business expenses.
5 Tim didn't clock in, so his _____ is short eight hours.

5 Listen and read the bookkeeper's blog again. At which step are classification mistakes corrected?

Listening

6 Listen to a conversation between a junior accountant and a senior accountant. Mark the following statements as true (T) or false (F).

1 __ The man maintains the accounting software.
2 __ The woman will not collect the source documents.
3 __ The department managers supply source documents weekly.

7 Listen again and complete the conversation.

Accountant 1: Do you have a **1** _____, Mr. Smith?
Accountant 2: Certainly, Nancy. What can I help you with?
Accountant 1: One question – how do I collect the **2** _____ _____?
Accountant 2: Actually, you don't collect them.
Accountant 1: Really? How do I **3** _____ _____?
Accountant 2: The **4** _____ managers give them to you at the end of every month.
Accountant 1: Ah, I see. And then I just **5** _____ the data in the accounting software?
Accountant 2: That's right. **6** _____ the data from the source documents in the accounting software.

Speaking

8 With a partner, act out the roles below based on Task 7. Then switch roles.

USE LANGUAGE SUCH AS:

Do you have a moment?
How do I ...?
The ... give them to you at the end of ...

Student A: You are a new accountant. Talk to Student B about:

- gathering documents
- recording data

Student B: You are a senior accountant. Answer Student A's questions.

Writing

9 Use the conversation from Task 8 to fill out the accountant's notes.

Duties/Frequency

Department managers

_____

_____

Accountants:

_____

