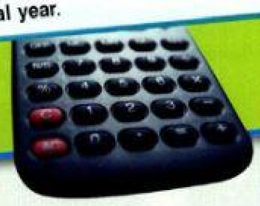
# 5 Bookkeeping cycle



## 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

Student Name : ______________________________________________ Ficha:_________________________

**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:
______________________

Student Name : _______________________________________________ Ficha:_________________________

8. Speaking (Transcription)