

Lesson 7: Financial Accounting and the Accounting Cycle

Part A: Order the Steps

Number the accounting cycle steps from 1 (first) to 8 (last).

Step Description	Order (#)
Prepare financial statements	
Post journal entries to the ledger	
Identify and analyze transactions	
Close temporary accounts	
Prepare an adjusted trial balance	
Record transactions in the journal	
Prepare a trial balance	
Record and post adjusting entries	

Part B: Short Answer

1. What is the purpose of a trial balance?

2. Why are closing entries necessary at the end of an accounting period?

Part C: Ledger Posting Practice

A company records \$3,500 of services revenue. Show how this appears in the T-account below:

Service Revenue	
Debit	Credit
	\$3,500