The Accounting Cycle

What Happens to Your Numbers — Start to Finish

01 Identify Financial Activity

Track every time money moves — sales, purchases, payroll, loans, or transfers.

02 Log the Details

Record each transaction using double-entry bookkeeping — Every debit must have a corresponding credit.

03 Post to the Ledger

Transfer transactions into the general ledger, organized by account type (e.g., income, expenses, assets).

04 Prepare the Trial Balance

Check that total debits and credits match across all accounts to confirm the books are balanced.

05 Post Adjusting Entries

Post end-of-period adjustments (e.g., earned but unpaid income, prepaid expenses, and depreciation).

06 Summarize Performance

Generate reports to show how the business is performing — month by month, quarter by quarter, and year over year.

07 Close the Books

Close temporary accounts like income and expenses to reset the books for the next accounting period.