Time to Pay Bills and Close out the Month

We have obligations, responsibilites, and liabilities so, it is time to pay our bills, close out the month then post the results. Paying bills on time demonstrates credibility and integrity. We may be rated by third parties on how consistant and reliable we are at paying our bills. Moreover, how much we owe in total. This is called our credit report which is critical as we expand. This will help us build our business because we may have to borrow to grow!

Our liability is to Mom for the $5.00 we borrowed to capitalize our business. (we promised to make monthly installments to reduce the loan. This process is called AMORTIZATION (to kill off the debt) To do this we take $1.00 out of cash by subtracting from that journal entry. And we pay that directly into mom's account by either writing a check, Zelle, or ACH. (which completes the task)

We had $16.00 in cash and after subtracting the 1 dollar we now have $15.00. But this makes us out of balance because we have 1.00 in inventory finished plus the $15.00 in cash for a total of $16.00 in assets. In order to balance we have to subtract $1.00 from short term liabilities. We now have $4.00 in short term loans in liabilities, and in equity we have $2.00 in original investment and $10.00 in revenues to date.

Now we are in balance!

Down the block the Chamber of Commerce is having their summer street fair. We have $1.00 left in finished inventory and it is perishable. It represents 10 glasses of lemonade and the money gnerated from its sale could help buy food for a hungry family. Knowing this you gladly walk down the bloeck and donate your excess finished inventory to the Chamber. Giving feels good. It just feels right when you have abundance and others are in need! Donating and the ability to help others from your heart is a blessing.

To post this remove the $1.00 from finished inventory and (oops we are out of balance again) as we now have $15.00 in cash assets and NO inventory. Giving away finished inventory is posted as an expense subtracted from revenues to date in equity. Go ahead and remove $1.00 from revenues to date. we now have $4.00 in liabilities, $2.00 in original investment, and $9.00 in revenues to date for a total of $15.00.

Now Let's Close Out the Month