



Accounting

Today's Learning Goals

- – assess the effects that transactions have on the accounts and financial statements of a service business;
- – record transactions using the journals and ledgers of a service business;

THE 'LEDGER'

- So far, you have looked at how **transactions** change the **financial position** of a business.
- You used an **equation analysis sheet** to keep the financial position up to date.
- Since there are many transactions that happen every day in a business, the equation analysis sheet is not practical.
- Thus, there is a more practical way to keep track of our accounts and the transactions that affect them.... the 'Ledger'

The Ledger

- There is one 'T' account for each item on your balance sheet.
- The **ledger** is made up of all the accounts put together.
- The first step in creating the ledger is to put the amounts, from the balance sheet, into each of their respective accounts. (T)

The Ledger: 'T' Account Page

Assets

Liabilities & Owner's Equity

The 'T' Account (for Assets)

Truck

10,000

The 'T' Account (for Assets)

Truck	
	10,000

-opening balance (taken from the balance sheet)

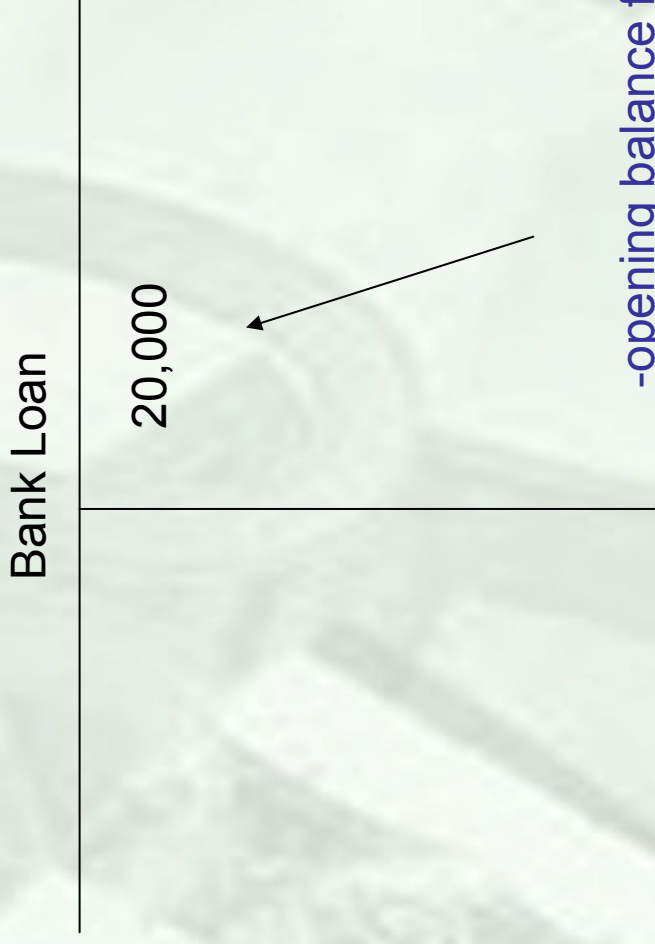
The 'T' Account

(for Liability & Equity accounts)

Bank Loan	
	20,000

The 'T' Account

(for Liability & Equity accounts)



-opening balance from balance sheet

How do we use these?

- At the top of each T, we will put the name of an account.
- If the account is an asset, we will put the beginning balance on the left.
- If the account is a liability, we will put the beginning balance on the right.
- (To remember this, just think of which side the accounts are on in a balance sheet!)

Important features of the ledger...

- Each 'T' is a different account.
- The dollar figure for each item is recorded on the first line. It is the beginning value of the account in a **fiscal** period.
- It is very important that the dollar figure for assets is on the left, and the dollar figure for liabilities and capital is on the right!
- If you have a balance sheet – you can prepare a ledger.
- If you have a ledger – you can prepare a balance sheet.

Your first T account ledger...

- Download the file 'TAccountsSmallBlank' from the class website.
- Upload it to Skydrive.
- Make a copy of this.
(Right click on the file in Skydrive and select 'Copy to' – then 'Keep Both')

You can rename the copy 'FirstTAccountLedger'

Example:

C. Company
Balance Sheet
December 31, 2012

Assets		
Cash	\$100,000	
Total Assets	<u>\$100,000</u>	
Liabilities		
Bank Loan		\$40,000
Total Liabilities		<u>\$40,000</u>
Owner's Equity		
C. Crawford, Capital		60,000
Total Liabilities & Owner's Equity		<u>\$100,000</u>

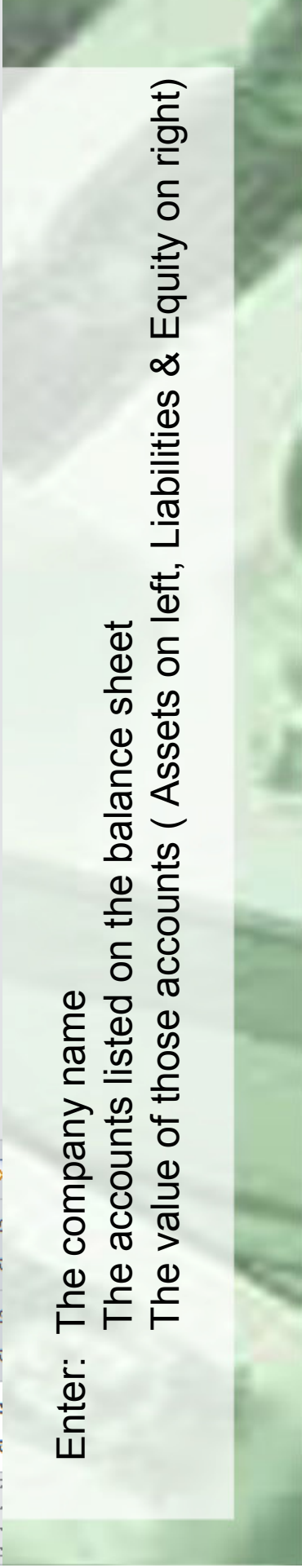
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Owner's Equity		
C. Crawford, Capital		60,000
Total Liabilities & Owner's Equity		<u>\$100,000</u>



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
1		Company:					C. Company												
2		General Ledger: T Accounts																	
3																			
4			Cash										Bank Loan					C. Crawford, Capital	
5		\$ 100,000.00											\$ 40,000.00					\$ 60,000.00	
6																			
7																			
8																			
9		\$ 100,000.00					\$ -						\$ 40,000.00					\$ 60,000.00	
10																			
11																			
12																			
13																		Total Assets:	\$ 100,000.00
14																		Total Liabilities:	\$ 40,000.00
15																		Owner's Equity:	\$ 60,000.00
16		\$ -					\$ -					\$ -							



Enter: The company name
 The accounts listed on the balance sheet
 The value of those accounts (Assets on left, Liabilities & Equity on right)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	
1		Company:	C. Company																	
2		General Ledger: T Accounts																		
3																				
4			Cash										Bank Loan					C. Crawford, Capital		
5		\$ 100,000.00											\$ 40,000.00					\$ 60,000.00		
6																				
7																				
8																				
9		\$ 100,000.00				\$ -							\$ 40,000.00					\$ 60,000.00		
10																				
11																				
12																				
13																				
14																				
15																				
16		\$ -				\$ -							\$ -							

Total Assets: \$ 100,000.00
 Total Liabilities: \$ 40,000.00
 Owner's Equity: \$ 60,000.00



HOMWORK

- **'Exercises'** 1,2,3 on page 82/83
- Call your files NewTLedger1 (& 2 and 3) and share them with Mr. Alexander.

1. The balance sheet for Stevens Woodworking is shown below.

STEVENS WOODWORKING BALANCE SHEET JUNE 30, 20—	
Assets Cash \$ 2 000 A/R – A. Marks 375 A/R – C. Prentice 1 150 Land 30 000 Building 45 000 Equipment 27 800 Truck <u>14 500</u> Total Assets <u>\$120 825</u>	Liabilities Bank Loan \$ 20 000 A/P – Gem Lumber 2 500 Mortgage Payable <u>55 000</u> Total Liabilities \$ 77 500 Owner's Equity T. Stevens, Capital <u>43 325</u> Total Liabilities and Equity <u>\$120 825</u>

Set up the ledger for Stevens Woodworking in the T-accounts provided in your Workbook.

2. The balance sheet of Dr. Pauline Inaba is shown below.

DR. PAULINE INABA BALANCE SHEET MARCH 31, 20—	
Assets Cash \$ 500 A/R – P. Auul 350 A/R – S. Wouke 1 250 Supplies 3 900 Furniture and Equipment 18 320 Automobile <u>21 040</u> Total Assets <u>\$45 360</u>	Liabilities A/P – A.B. Associates \$ 1 200 A/P – Medico Supply <u>2 300</u> Total Liabilities \$ 3 500 Owner's Equity Pauline Inaba, Capital <u>41 860</u> Total Liabilities and Equity <u>\$45 360</u>

Set up the ledger of Dr. Inaba in the T-accounts provided in your Workbook.

3. Shown below is the ledger of Lilly Wall, who operates an interior design business. The asset and liability account balances are given.

Cash	Accounts Receivable	Supplies
500	2 100	1 545
Equipment	Accounts Payable	Bank Loan
2 800	950	2 000
Lilly Wall, Capital		
?		

Show the fundamental accounting equation for Lilly Wall.