



Accounting

Learning Goals for Today...

- – 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;

Account

Debit

Credit

Always!!!!!!!!!!!!!!!

Debits and Credits: A Review

- DR is associated with the left side of an account.
- CR is associated with the right side of an account.

- Which side is an assets opening balance on?
 - The LEFT side... so the **Debit (DR)** side
- Which side is a liability or equity account opening balance on?
 - The Right side.... so the **Credit (CR)** side!

Double Entry accounting...

- This means at least two accounts are always affected.

and...

Debits (DR) always equal Credits (CR) !!!

	Assets	Liabilities	Equity
Increase	★ DR	CR	CR
Decrease	CR	★ DR	★ DR


'On Account'

- The term 'on account' is used extensively in modern business.
- It refers to items that are purchased **or** sold 'on credit.'
- It means that the item is not paid for when bought or sold – and will result in an account receivable (A/R) or account payable (A/P)

Ex. \$250 worth of supplies are purchased on account.

- (as opposed to 'with cash.')
- DR to supplies
- CR (to increase) accounts payable
 - (as opposed to a CR to cash)

** either way... DR = CR !!



YOUR HOMEWORK WAS....

In Skydrive please. 😊

1. Complete the following in your Workbook by writing either the word “increase” or the word “decrease” in the rectangles provided.

ASSETS = LIABILITIES + OWNER'S EQUITY

ASSETS		=	LIABILITIES		+	OWNER'S EQUITY	
Debit	Credit		Debit	Credit		Debit	Credit
<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>

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1. Complete the following in your Workbook by writing either the word “increase” or the word “decrease” in the rectangles provided.

ASSETS = LIABILITIES + OWNER'S EQUITY

ASSETS		=	LIABILITIES		+	OWNER'S EQUITY	
Debit	Credit		Debit	Credit		Debit	Credit
Increase	Decrease		Decrease	Increase		Decrease	Increase

2. In the following list, there are four asset accounts, three liability accounts, and one capital account. In your workbook, write each title on a T-account, enter its beginning value on the proper side, and write a note to indicate the side on which the account increases and the side on which it decreases. The first one has been done for you.

A/R—K Mak	
1 000	
Increases	Decreases

<i>Accounts</i>	
A/R—K. Mak	1 000
B. Chan, Capital	9 500
Bank Loan	9 000
Equipment	10 000
Supplies	5 000
A/P—Parry Supply Co.	500
Cash	6 000
A/P—Heiden Fashions	3 000

*See the next page...

	Assets	Liabilities	Equity
Increase	★ DR	CR	CR
Decrease	CR	★ DR	★ DR

4. Crooks Garage is a small business operated by James Crooks. Shown below are 10 selected transactions of Crooks Garage. Analyze these transactions on pages 92 and 93 on the transaction analysis sheet in your Workbook. When performing your analysis, choose from the following accounts:

Cash	\$ 101,800
Accounts Receivable (several)	900
Supplies	450
Equipment	1,400
Truck	12,000
Bank Loan	58,000
Accounts Payable (several)	2,300
J. Crooks, Capital	?

i) Using the given accounts and balances, set up a ledger for Crooks Garage.

i) Remember that TWO accounts will be affected for each transaction.

Post the transactions to your ledger!

TRANSACTIONS

1. A car is repaired for a customer who pays the \$450 charge in cash.
2. The business purchases \$170 of supplies for cash.
3. The business pays \$125 to Rossi Co., an account payable.
4. The business receives \$90 from G. Rawl, an account receivable.
5. A welding unit, included in the Equipment account at \$500, is run over by a truck. It is so badly damaged that it has to be thrown away.
6. A new welding unit is purchased on credit from Bly Co. at a cost of \$790.
7. For the repair of his car, F. Stefyk pays \$100 cash and owes \$250, the balance of the repair charge.
8. Arrangements are made with the bank to borrow \$6 000. A promissory note for this amount is signed by Mr. Crooks for the bank, after which the bank provides the business with \$6 000 cash.
9. Albert McCann, a mechanic employed by Crooks Garage, is paid wages of \$375.
10. A towing service is performed for a customer for \$40 cash.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
1	Company: Crook's Garage																				
2	General Ledger: T Account																				
3																					
4		Cash			A/R								Bank Loan				J. Crooks, Capital				
5	\$	101,800.00		\$	900.00			\$	58,000.00			\$	43,750.00								
6																					
7																					
8																					
9																					
10																					
11																					
12																					
13																					
14	\$	101,800.00		\$	900.00			\$	58,000.00			\$	43,750.00								
15																					
16		Supplies		Equipment									A/P								
17	\$	450.00		\$	1,400.00			\$	2,300.00												
18																					
19																					
20																					
21	\$	450.00		\$	1,400.00			\$	2,300.00												
22																					
23		Truck																			
24	\$	12,000.00																			
25																					
26																					
27																					
28	\$	12,000.00		\$	-			\$	-			\$	-								
29																					

Total Assets: \$ 116,550.00
 Total Liabilities: \$ 60,300.00
 Owner's Equity: \$ 56,250.00

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9. Albert McCann, a mechanic employed by Crooks Garage, is paid wages of \$375.
10. A towing service is performed for a customer for \$40 cash.

* We'll take these up together....

Case: Sergeant Splatter

Download the 'Sergeant Splatter Case' from the class website.

You may download the T Account Ledger from the site as well.

Please share your completed work with MrAlexanderCHSS@hotmail.com

If not completed in class, this is homework..... 😊