



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;
- – prepare a **trial balance** and the financial statements for a service business;

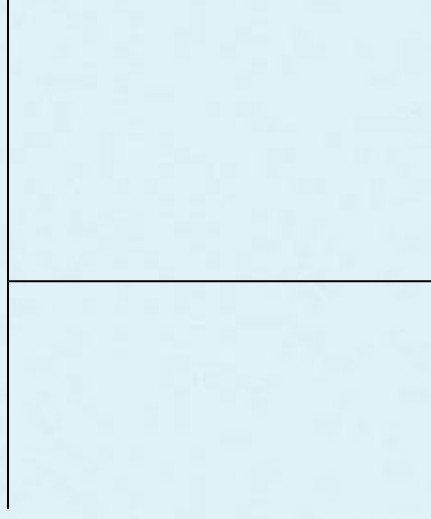
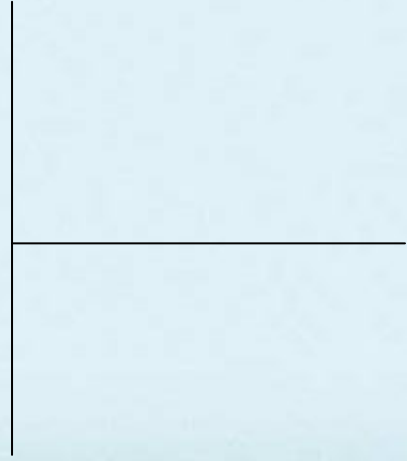
REVIEW....

	Assets	Liabilities	Equity
Increase	<input type="text"/>	<input type="text"/>	<input type="text"/>
Decrease	<input type="text"/>	<input type="text"/>	<input type="text"/>

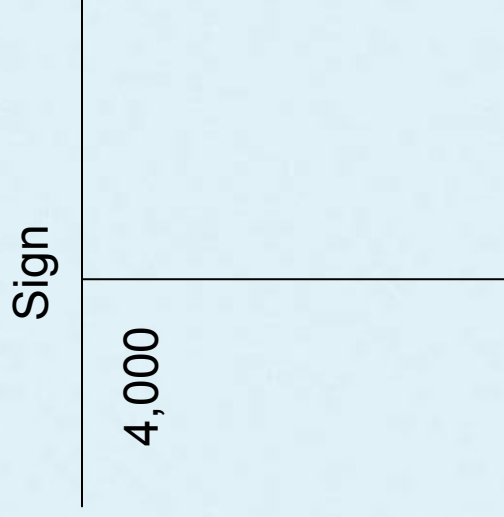
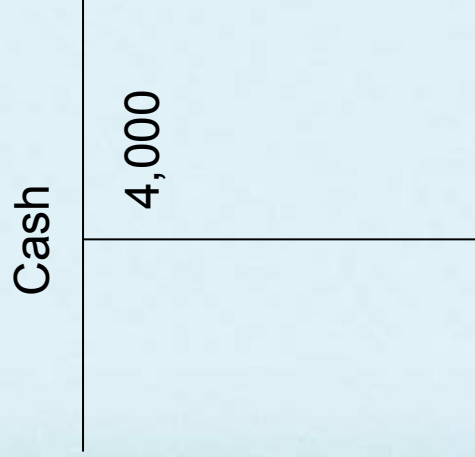
REVIEW....

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

**T1: A new sign is purchased for
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Cash	Truck	C. Johnson, Capital
25	500	525

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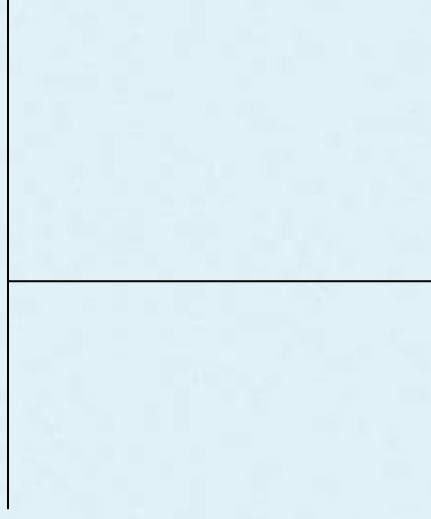
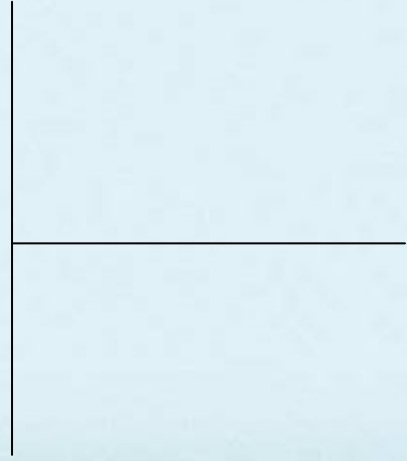
Since we get rid of the truck completely!

T2: Our truck is sold for \$400 cash.

Cash	Truck	C. Johnson, Capital
25	500	525
400	500	100

Makes our DR = CR

T3: Jerry goes on vacation with his family.



GAAP

- **Business Entity Principle**
 - Business activities are separate from the personal activities of its owners.

Sergeant Splatter

Let's take this up....

Balance Sheet



Ledger



The Trial Balance

- To set up our **ledger**, we use information from the **balance sheet**.
- Changes caused by transactions are recorded in the ledger. (T Accounts)
- Periodically, it is necessary to check the accuracy of the ledger.
- This is done with a 'Trial Balance'

What does a trial balance look like?

Pacific Trucking
 Trial Balance
 July 2, 20--

HEADING!

Accounts	DEBITS	CREDITS
Bank	215	
A/R - D. Johnston	150	
A/R - J. Seinfeld	85	
Supplies	350	
Trucks	63000	
Equipment	22180	
Bank Loan		18000
A/P - J. Dimagio		6516
A/P - M. Monroe		4146
B. Johnson, Capital		57318
	85980	85980

ACCOUNT BALANCE
 IN CORRECT COLUMNS!

ACCOUNTS LISTED IN
 LEDGER ORDER!

TOTALS MUST AGREE!

'Taking off' a trial balance

- Making a trial balance is called 'taking off' a trial balance.
- The trial balance is simply a listing of the accounts and their balances in the ledger.
- If all the debit balances = all the credit balances, the ledger is said to be **in balance**. (Otherwise it is out of balance.)

Taking off a trial balance...

- Step 1
 - Write a three part heading at the top.
 - Name of the business
 - Title of the document (Trial Balance)
 - Date prepared
- Step 2
 - List all the accounts and their balances
- Step 3
 - Place debit balances in debit column and credit balances in credit column
- Step 4
 - Add up the two columns
- Step 5
 - See if your two columns are the same.

Balance

- It is important to have your ledger in **balance**.
- If it is not in balance, your work is not accurate.
- A ledger out of balance is a certain sign at least one error has been made in the accounts.
- **A good accountant does not rest until all errors are found and corrected!**

Finding Errors

- Re-add the trial balance columns
- Check that numbers have been transferred from the ledger to the trial balance correctly.
- Recalculate the account balances.
- Check that there is a balanced accounting entry for each transaction! (DR = CR ?)

- We will 'Take off' a trial balance for Sergeant Splatter's Paintball Experience.

*See the 'Process' below....

Process...

- In a new excel document....
- 1) Three Part Heading
- 2) Accounts column
- 3) Debit and Credits columns
- 4) Enter accounts and totals
- 5) Total the columns.
- 6) (Check for errors if necessary.)

HOMework...

- Page 102, Exercise 2
 - Create a trial balance – perhaps save a blank one as a template?
- Page 111, Comprehensive Exercise 5
 - A, B, C please!**
 - * T-Accounts: Use our template.
 - * Trial Balance: Create this document.

2. The ledger for C. Hernandez, as of June 30, 20—, is given below.

Bank	A/R P. Onno	A/R G. Slaughter	A/R R. Tamo
5 000	850	1 124	3 500
Supplies	Equipment	Automobiles	A/P J. Batt
1 585	25 350	22 800	785
A/P W. Parker	A/P H. White	Bank Loan	C. Hernandez Capital
1 000	1 200	25 000	32 224

Prepare a trial balance for C. Hernandez as of June 30. Remember to write in the three-part heading.

Comprehensive Exercises

- 5 A. Hoysted is a sign painter and truck letterer. Her business has the following assets and liabilities:

Assets		Liabilities	
Bank	\$ 2 216	Bank Loan	\$ 6 500
A/R – G. Anderson	357	A/P–Consumers' Supply	1 375
A/R–N. Ostrowski	402	A/P–Nu-Style Furniture	2 951
Office Supplies	2 980	Loan Payable, M. Hoysted	1 980
Painting Supplies	4 120		
Office Furniture	5 090		
Automobile	20 000		

- A. Set up A. Hoysted's financial position in the T-accounts provided in the Workbook. Include the equity account.
- B. For the transactions listed below, record the accounting entries in T-accounts. If it is helpful for you, use a transaction analysis sheet.

TRANSACTIONS

- Received \$200 cash from a customer for painting a sign.
 - Paid \$500 to Consumers' Supply.
 - Received \$402 cash from N. Ostrowski.
 - Sold an extra office desk (which is included in the Office Furniture figure at \$450) to G. Brand at a price of \$250. Brand paid \$100 cash and owed the balance.
 - Reduced the bank loan by \$1 000.
 - Paid the regular monthly bank loan payment, \$500.
 - Paid the balance owing to Consumers' Supply.
- C. Calculate the account balances and balance the ledger by taking off a trial balance.