



# Accounting

# Who needs accountants?

<http://www.youtube.com/watch?v=NFH9WQh3EDI&feature=relmfu>

# Exercise 1, Page 17

- ASSETS
  - Office Furniture
  - Land
  - House and Lot
  - An amount loaned to R. Jonas
  - Automobile
  - Canada Savings Bond (you could sell it to someone for \$\$)

## LIABILITIES

- bank loan
- unpaid heating bill
- mortgage **payable**



# Ex 2-4, Page 17

<b>2. Lipka</b>	Assets	150,000	<b>3. Business</b>	Assets	37586.49
	Liabilities	-65,000		Liabilities	-11,547.80
	Equity	<u>85,000</u>		Owner's Equity	<u>26038.69</u>

<b>4. Lower's</b>	Assets	150,000	→	220,000
	Liabilities	-70,000	→	-50,000
	Owner's Equity	<u>80,000</u>		<u>170,000</u>

# Ex 5, Page 17

## Claude Pineau Financial Position 20??

<u>Assets</u>		<u>Liabilities</u>	
Bank	754.00	Mortgage	12,500.00
Home	82,500.00	Bank Loan	45,000.00
Furniture and Equipment	16,000.00	Bills <b>Payable</b>	1,560.00
Summer Property	65,000.00	M. Dupuis - <b>Payable</b>	10,000.00
<b>Total Assets</b>	<u>164,254.00</u>	<b>Total Liabilities</b>	<u>69,060.00</u>

**Net Worth = Assets - Liabilities = 95,194.00**



# Ex 6, Page 18

Paul Silva  
Financial Position  
20??

<u>Assets</u>		<u>Liabilities</u>	
Bank	856.25	Bank Loan	5,000.00
House and Lot	185,000.00	<b>Accounts Payable - Imperial Oil</b>	135.60
Cash	85.35	<b>Accounts Payable - Weston Hydro</b>	85.50
Household and furnishings	4,800.00	Mortgage on house and lot	90,000.00
<b>Accounts Receivable - Phil Silva</b>	2,000.00		
Total Assets	<u>192,741.60</u>	Total Liabilities	<u>95,221.10</u>

Equity = Assets - Liabilities =	97,520.50
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# The Balance Sheet

- This is the formal way to present a business' financial position.
- The following is the proper format for a formal Balance Sheet



Chris Turner, Plumber  
Balance Sheet  
December 31, 2011

<u>Assets</u>		<u>Liabilities</u>	
Cash	40.20	Accounts Payable	5,000.00
Bank Balance	710.00	- Arrow Supply	135.60
Accounts Receivable		- Best Repairs	90,000.00
- W. Boa	131.50	Bank Loan	
- T. Burns	965.00	Total Liabilities	95,135.60
Land	48,000.00		
Buildings	114,000.00	<b><u>Owner's Equity</u></b>	
		<b>Chris Turner, Capital</b>	68,711.10
Total Assets	163,846.70	Total Liabilities and Equity	163,846.70



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Balance Sheet  
December 31, 2011

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Assets are listed on the left hand side, they are totalled, with a double underline, at the bottom of the column. (No \$ signs are necessary.)

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Balance Sheet  
December 31, 2011

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Assets are listed in order of 'liquidity' – how easily they can be turned into cash!



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December 31, 2011

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Liabilities are listed on the right hand side, in a similar fashion.

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December 31, 2011

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The 'Owner's Equity' section is shown below the Liabilities section.



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It completes the **fundamental accounting equation**:  $A - L = OE$

# The four parts of the b/s...

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 Balance Sheet  
 December 31, 2011

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# A/R and A/P

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 Balance Sheet  
 December 31, 2011

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Buildings	114,000.00	<b>Owner's Equity</b>	
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Total Assets	163,846.70	Total Liabilities and Equity	163,846.70

# Accounts Receivable and Accounts Payable

- Accounts Receivable
  - Customers often buy goods, but are able to pay at a later date.
  - These customers owe money to the business
  - These debts are known as Accounts Receivable (sometimes A/R).
    - Eg. Accounts Receivable
      - G. Ford
      - H. Wallbanger (Alphabetically!)
  - (Someone who owes money to the business is known as a **debtor**.)



- **Accounts Payable**
  - A business will often buy goods and services from its suppliers.
  - It is now in debt to its suppliers.
  - Debts owed by the business are referred to as **Accounts Payable**.
  - (A **creditor** is anyone to whom the business owes money.)

Let's prepare a balance sheet  
together...



# Things to remember....

- Using **columnar paper**
  - put the amounts in the correct places.
  - don't use commas or decimal places.
  - If figures are to be added, use a single line.(just before the added number!)
  - If a total is a final total, draw a double lined rule below it.
  - Be neat & legible!!!!!!!

THINGS I OWE									
MONEY TO PARENTS			5	5	0	--			
PHONE BILL			1	6	4	33			
GAMBLING DEBTS		24	0	0	8	--			
CREDIT CARD		3	2	5	4	92			
MORTGAGE		200	0	0	0	---			
CAR LOAN		65	0	0	0	--			
TOTAL		292	9	7	7	25			

- Step 1
  - Write the three part heading:
    - The name of the business
    - The type of statement (Balance Sheet)
    - The date of the statement
- Step 2
  - Write 'Assets' and 'Liabilities' as headings.
    - Make sure to underline them.



- **Step 3 Write down the assets of the business and their values.**

(pay attention to the number columns when doing this on paper!)

- Subtotal the Accounts Receivable
- Total the assets and double underline it!

Christopher Alexander, Chartered Accountant  
 Balance Sheet  
 December 31, 2012

<u>Assets</u>			<u>Liabilities</u>	
Bank		2,500		
Accounts Receivable				
- S. Irving	300			
- T. Thompson	<u>400</u>	700		
Office Equipment		11,000		
Car		13,000		
<b>Total Assets</b>		<b>27,200</b>		

- **Step 3 Write down the assets of the business and their values.**

(pay attention to the number columns when doing this on paper!)

- Subtotal the Accounts Receivable
- Total the assets and double underline it!

Christopher Alexander, Chartered Accountant  
 Balance Sheet  
 December 31, 2012

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Bank		2,500		
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Office Equipment		11,000		
Car		13,000		
<b>Total Assets</b>		<b>27,200</b>		



- Step 4 – Put in the Liabilities of the business.

Christopher Alexander, Chartered Accountant  
Balance Sheet  
December 31, 2012

Assets				Liabilities		
Bank		2,500		Accounts Payable		
Accounts Receivable				- J. Rich	900	
- S. Irving	300			- T. Swanson	<u>200</u>	1100
- T. Thompson	<u>400</u>	700		Bank Loan		<u>13,000</u>
Office Equipment		11,000		Total Liabilities		14,100
Car		13,000				
Total Assets			27,200			

# Final Step – Calculate Equity

Christopher Alexander, Chartered Accountant  
 Balance Sheet  
 December 31, 2012

<u>Assets</u>			<u>Liabilities</u>	
Bank		2,500	Accounts Payable	
Accounts Receivable			- T. Rich	900
- S. Irving	300		- J. Swanson	<u>200</u>
- T. Thompson	<u>400</u>	700	Bank Loan	13,000
Office Equipment		11,000	Total Liabilities	14,100
Car		13,000		
			<u>Owner's Equity</u>	
			C. Alexander, Capital	13,100
Total Assets		<u>27,200</u>	Total Liabilities & Owner's Equity	<u>27,200</u>



# Final Step – Calculate Equity

Christopher Alexander, Chartered Accountant  
 Balance Sheet  
 December 31, 2012

<u>Assets</u>			<u>Liabilities</u>	
Bank		2,500	Accounts Payable	
Accounts Receivable			- T. Rich	900
- S. Irving	300		- J. Swanson	<u>200</u>
- T. Thompson	<u>400</u>	700	Bank Loan	1100
Office Equipment		11,000	Total Liabilities	<u>13,000</u>
Car		13,000		14,100
			<u>Owner's Equity</u>	
			C. Alexander, Capital	13,100
Total Assets		<u>27,200</u>	Total Liabilities & Owner's Equity	<u>27,200</u>

Use the fundamental accounting equation to calculate this!

# Final Step – Calculate Equity

Christopher Alexander, Chartered Accountant  
 Balance Sheet  
 December 31, 2012

<u>Assets</u>			<u>Liabilities</u>	
Bank		2,500	Accounts Payable	
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Office Equipment		11,000	Total Liabilities	14,100
Car		13,000		
			Owner's Equity	
			C. Alexander, Capital	13,100
Total Assets		<u>27,200</u>	Total Liabilities & Owner's Equity	<u>27,200</u>

Add these two together, to get your final number... and double underline it!



**In summary....**

## Creating Your Balance Sheet

1. There is a three part heading  
Owner or Business Name  
Name of the Document 'Balance Sheet'  
The Date
2. Assets are listed on the left hand side.  
They are listed at the price they were purchased.  
They are listed in order of liquidity.
3. Liabilities are listed in a similar fashion on the right hand side.
4. Underneath the liability section, is the Owner's Equity Section.  
This completes the Fundamental Accounting Equation.
5. 'Accounts Receivable' - money people owe you.  
'Accounts Payable'- money you owe to others.  
Make sure to subtotal these.
6. The only two numbers that should be double underlined are 'Total Assets' and 'Total Liabilities & Owner's Equity'.



# HOMWORK

- Using EXCEL:
  - recreate your paper example in Excel. Name the file BalanceSheetSample
  - Do the following questions in a new file:
    - Page 25 – Exercise 1 A.
    - Page 25 – Exercise 2
    - Page 25 – Exercise 3
  - Name your file HomeworkSept11
  - Questions are available in the following slides or in the textbook.

## Exercises

1. Kate Kramer is the owner and operator of The Kramer Company located in Kingston, Ontario. On September 30, 20—, The Kramer Company had the following assets and liabilities.
- A. Prepare the September 30 balance sheet for The Kramer Company.

Assets	
Cash on Hand	\$ 106
Bank Balance	1 530
J. Crothers (debtor)	1 100
R. Zack (debtor)	370
Supplies	1 200
Furniture and Equipment	14 700
Delivery Equipment	20 100
Liabilities	
Able Supply Company (creditor)	740
C.P. Gregg (creditor)	3 000
Bank Loan	10 000

*Answers to questions*

*adjust the bus over \$ + 0*



- 2.** The New Western Company in Fort Frances, Ontario, owned by Guy Albrecht, had the following assets and liabilities on March 31, 20—. **Prepare a balance sheet for the company as of that date.**

Bank	\$ 1 896
Tasty Beverages (debtor)	750
Food Haven (debtor)	400
Metro Mall (debtor)	1 235
Supplies	850
Furniture and Equipment	75 840
Trucks	35 000
Land	50 000
Building	140 000
Household Finance Company (creditor)	19 345
General Trading Company (creditor)	2 356
Lightning Electronics (creditor)	3 378
Bank Loan	10 000
Mortgage Payable	75 000

**3.** Michael Travis, the owner of Travis and Company located in Moncton, New Brunswick, gave the following list of assets and liabilities to a public accountant and asked him to prepare a balance sheet as of March 31, 20—. **Prepare the balance sheet as if you were the public accountant.**

Amounts owed to Travis and Company:

—G. Fordham	\$ 1 042.16
—W. Gaines	743.86
—D. Samuelson	1 346.95

Amounts owed by Travis and Company to suppliers:

—Beacon Company	1 567.25
—Empire Insurance	150.00
—Gem Finance	1 236.45
—General Supply	15 540.00
—Raymond and Company	125.00

Office Supplies	326.40
Bank Balance	4 946.03
Office Equipment	11 960.00
Shop Equipment	3 535.00
Delivery Equipment	14 240.00
Bank Loan	25 000.00
Mortgage Payable	52 000.00
Building	135 000.00
Land	46 000.00