ACCOUNTING I
Chapter 2--Analyzing Transactions into Debit and Credit Parts

Lesson 2-1: Using T Accounts

Learning Targets:

➢ Show the relationship between the accounting equation and a T account.
➢ Identify the debit and credit side, the increase and decrease side, and the balance side of various accounts.
➢ Restate and apply the two rules that are associated with the increase side of an account.

A. Analyzing the Accounting Equation

● The total of all _____ must always equal the total of all _____ and _____.

B. Accounts

● Define T account:

● Define Debit:

● Define Credit:
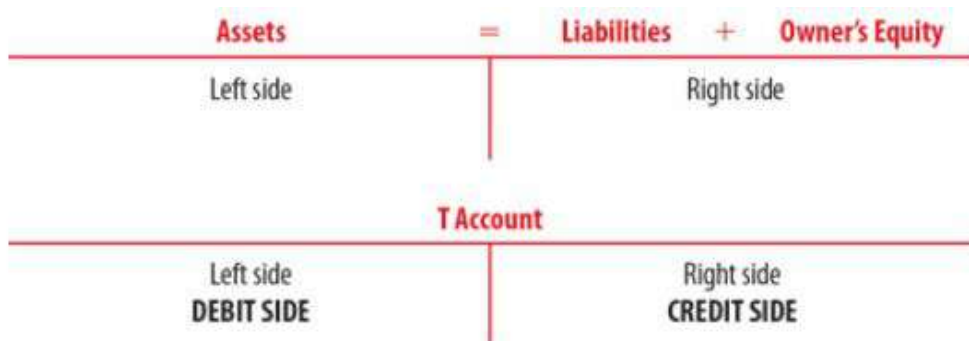
REMEMBER IN ACCOUNTING, DEBIT AND CREDIT SIMPLY MEAN LEFT AND RIGHT!!
_____ IS LEFT.   _____ IS RIGHT. How are both abbreviated? _____ and _____

C. Increases, Decreases, and Balances in Accounts

● Define Normal Balance:

Use the image below to answer the following:
- Assets are on the LEFT side of the accounting equation, so they INCREASE with a _____, meaning their Normal Balance is on the _____ side. They decrease on the _____ side. *(use the words DEBIT and CREDIT to fill in the blanks)*

- Liabilities and Owner's Equity are on the RIGHT side of the accounting equation, so they INCREASE with a _____, meaning their Normal Balance is on the _____side. They decease on the _____ side. *(use the words DEBIT and CREDIT to fill in the blanks)*
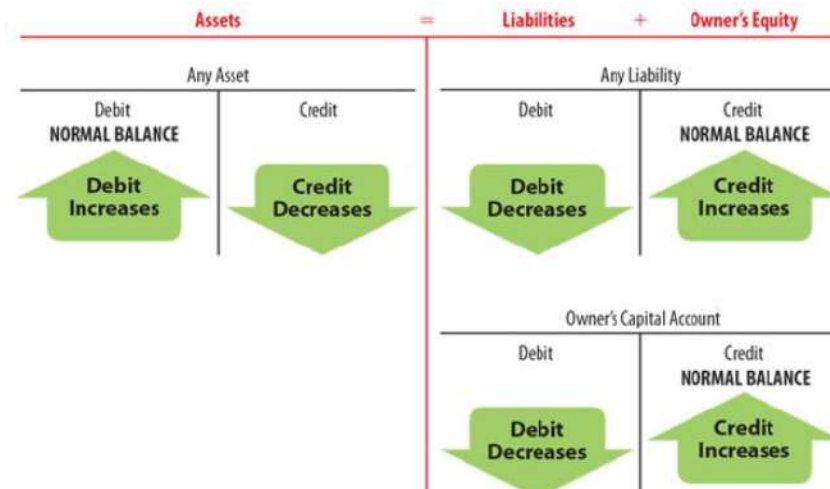
Lesson 2-2: Analyzing How Transactions Affect Accounts
Learning Target:
➢ Restate and apply the four questions necessary to analyze transactions for starting a business into debit and credit parts.

A. Receiving Cash from Owner as an Investment

- Each transaction changes at least _____ accounts. Debits must _____ credits for EACH transaction.

- Define Chart of Accounts:

Questions for Analyzing a Transaction into Debit and Credit Parts:

1. _____

2. _____

3. _____

4. _____

- **Received cash from owner as an investment, $2000.00.**

    ○   Which accounts are affected?

    ○   How is each account classified?

    ○   How is each classification changed?

    ○   How is each amount entered in the accounts?

B. Paid Cash for Assets

- **Paid cash for supplies, $165.00.**

    ○   Which accounts are affected?

    ○   How is each account classified?

    ○   How is each classification changed?

    ○   How is each amount entered in the accounts?

- Do not attach any meaning to _____ other than _____.
  Don't think of them as _____ or _____ .

- **Paid cash for insurance, $900.00.**

    ○   Which accounts are affected?

    ○   How is each account classified?

    ○   How is each classification changed?

    ○   How is each amount entered in the accounts?

C. Bought Supplies on Account

- Define Accounts payable:

**Remember – If two accounts on the left side of the accounting equation are being affected, then one must increase and one must decrease.

- **Bought supplies on account from Canyon Office Supplies, $220.**

    - Which accounts are affected?

    - How is each account classified?

    - How is each classification changed?

    - How is each amount entered in the accounts?

D. Paid Cash on Account

- **Paid cash on account to Canyon Office Supplies, $100.00.**

    - Which accounts are affected?

    - How is each account classified?

    - How is each classification changed?

    - How is each amount entered in the accounts?

- When you decrease an account, you post the amount on the opposite side of the account's
  _____ _____. This can be on the left or right,
  depending on the type of account.

Lesson 2-3: Analyzing How Transactions Affect Owner's Equity Accounts
<u>Learning Target</u>:
- ➢ Analyze transactions for operating a business into debit and credit parts.

A. Received Cash From Sales

- _____ increases what a business is worth (owner's equity). Delgado Web Services uses
  a separate revenue account titled _____ .

- Owner's Equity has a normal _____ balance, so does our revenue account (sales).

- **Received cash from sales, $1,100.00.**

    - Which accounts are affected?

    - How is each account classified?

○ How is each classification changed?

○ How is each amount entered in the accounts?

B. Sold Services on Account

- Define <u>Accounts Receivable</u>:

  ○ Even if a business does not receive cash on the day of a sale, we still need to record the sale. Which GAAP principle does this refer to?

- **Sold services on account to Main Street Services, $500.00.**

  ○ Which accounts are affected?

  ○ How is each account classified?

  ○ How is each classification changed?

  ○ How is each amount entered in the accounts?

- _____ reduce owner's equity. Since this account reduces Owner's Equity, (and we reduce owner's equity with a debit), this account has a Normal _____ balance.

C. Paid Cash for an Expense

- Paid cash for communications bill for cell phone and internet service, $80.00.

  ○ Which accounts are affected?

  ○ How is each account classified?

  ○ How is each classification changed?

  ○ How is each amount entered in the accounts?

D. Received Cash on Account

- Received cash on account from Main Street Services, $200.00.

  ○ Which accounts are affected?

  ○ How is each account classified?

- How is each classification changed?

- How is each amount entered in the accounts?

E. Paid Cash for Personal Use

- Withdrawals _____ owner's equity. This means they have a normal _____ balance.

- **Michael Delgado withdrew equity in the form of cash, $350.00.**

  - Which accounts are affected?

  - How is each account classified?

  - How is each classification changed?

  - How is each amount entered in the accounts?