

Lesson 1-1: Net Worth Statements

If a bank requires a 2:1 ratio of assets to liabilities to be approved for a loan, **what is the minimum amount John needs to have in assets if he has \$950 in liabilities?**

\$1900
(\$950*2)

What would his net worth be?

\$1900-\$950=\$950

JUSTIFY your answers!

Lesson 1-2: Accounting Equation & How Changes Affect Accounts

Write the account equation:

Assets = Liabilities + Owner's Equity

Background info for next 2 questions:

Austin has \$250 of cash in his wallet. He owes his parents \$25.

May 15: Austin went to The Cup to buy a coffee. He paid in cash \$5.

What is the balance in his Cash account now?

\$245

May 16: The next day, Austin went to The Cup again, but forgot his wallet. He was allowed to write his name down & pay the next day \$5.

What is his Accounts Payable balance now?

\$5

JUSTIFY your answers!

Lesson 1-3: How Changes Affect Owner's Equity

Complete Allie's accounting equation:

\$2500 = \$950 + 1550
(Assets = Liabilities + Owner's Equity)

Background info:

Allie has paid \$400 for her business phone bill for the last year.

July 5: Allie paid her business cell phone bill (\$50) with cash.

Which two accounting equation categories will be affected by this transaction, and what will their

ENDING BALANCES be?

Assets and Owner's Equity

Assets = 2500-50=2450

Owner's Equity = 1550-50=1500

What is her Communication Expense account balance now?

Communication Expense=400 + 50
=\$450

JUSTIFY your answers!

Lesson 2-1: Using T Accounts

Draw T Accounts

Write the category of each account below the T

Label the Debit/credit sides (dr. or cr.)

Label the Normal Balance side (NB)

Put an arrow (↑) on the increase side

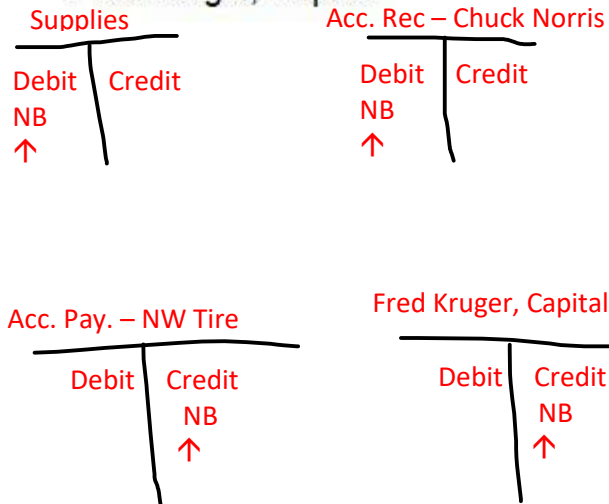
Fred's Auto Shop Chart of Accounts:

Supplies

Accounts Receivable—Chuck Norris

Accounts Payable—Northwest Tire

Fred Kruger, Capital



Lesson 2-2: Analyzing Transactions

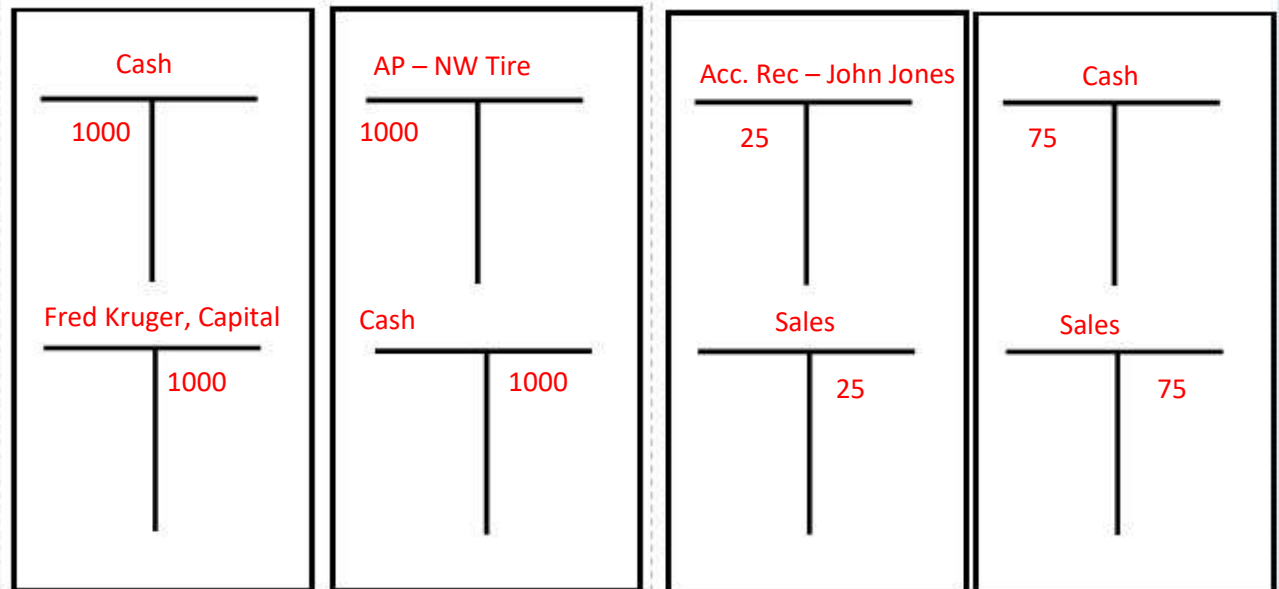
Using the T accounts listed below,

Write account names on the pairs of t
accounts

Write amount of change due to the transaction

Aug. 15: Fred put \$1,000 of cash into the company as an investment.

Aug. 17: Fred paid cash on his account at Northwest Tire, \$500.



Lesson 2-3: Analyzing Transactions that affect Owner's Equity

Using the T accounts listed below,

Write account names on the pairs of t
accounts

Write amount of change due to the transaction

Sep. 2: Fred rotated John Jones' tires, \$25. Fred let John charge to his account.

Sep. 5: Fred changed Jed Hog's oil, \$75. Jed paid Fred in cash.

Lesson 3-1: Journalizing Transactions

Using the two source documents below,
Journalize the transactions in the general journal.

Receipt No. 5	Receipt No. 5	Form 3
Date <u>October 5, 2019</u>	Date <u>October 5, 2019</u>	
From <u>John Jones</u>	Rec'd from <u>John Jones</u>	
For <u>Payment on Acct</u>	For <u>Payment on charge account</u>	
	Twenty-five dollars and no/100-----	dollars
\$ <u>25.00</u>	Amount \$ <u>25.00</u>	
	Fred Kruger	
	Received by	

No. 6	Form 3
Date <u>October 7, 2019</u>	\$ <u>45.00</u>
To <u>Office Smart</u>	
For <u>Supplies</u>	
BALANCE BROUGHT FORWARD	500 00
AMOUNT DEPOSITED <u>10/6/2019</u>	500 00
SUBTOTAL	1000 00
AMOUNT THIS CHECK	45 00
BALANCE CARRIED FORWARD	955 00

GENERAL JOURNAL					PAGE 1	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		
				DEBIT	CREDIT	
2019 Oct. 5	Cash	R5		25.00		
	AR-John Jones				25.00	
7	Supplies	C6		45.00		
	Cash				45.00	

Lesson 3-2: Journalizing Transactions affecting Prepaid Insurance and Supplies

Journalize the following transactions on pg. 7 of the General Journal:

Nov. 1: Paid cash to Northwest Tire for outstanding invoice. Check No. 6.

4: Paid cash to Peters Insurance for 6 month policy, \$600. Check No. 7.

GENERAL JOURNAL							PAGE 7	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL				
				DEBIT	CREDIT			
2019 Nov. 1	AP-NW Tire	C6		250.00				
	Cash				250.00			
4	Prepaid Insurance	C7		600.00				
	Cash				600.00			

Lesson 3-3: Journalizing Transactions affecting Owner's Equity and Assets

Journalize the following transactions on pg. 7 of the General Journal:

Nov. 5: Paid cash to MDU for electric bill, \$120. Check No. 10.

8: Balanced tires for Jake Johnson, \$240. Allowed Jake to charge to his account. Sales Invoice No. 3.

GENERAL JOURNAL							PAGE 7	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL				
				DEBIT	CREDIT			
2019 Nov. 5	Utilities Expense	C10		120.00				
	Cash				120.00			
8	A/R - Jake Johnson	S3		240.00				
	Sales				240.00			

Lesson 3-4: Starting a New Journal Page & Correcting Errors

Fred has one line left on page 3 of his general journal. Start the new page for him.
The next transaction is dated Nov. 9.

GENERAL JOURNAL					
PAGE					3
DATE	ACCOUNT TITLE	DOC NO.	POST REF.	GENERAL DEBIT	CREDIT
2019 Nov. 9					

Check the following transactions for accuracy on the journal below. If entries are incorrect, **make the corrections**. (HINT: there will be two corrections!)

Nov. 10: Fred wrote check #10, \$425.00 to pay for rent of his shop.

12: Fred bought supplies from Office Max. \$30. He charged to his account.

13: Fred received cash from Josh Jenkin for work done earlier, \$250.

GENERAL JOURNAL					
PAGE					5
DATE	ACCOUNT TITLE	DOC NO.	POST REF.	GENERAL DEBIT	CREDIT
2019 Nov. 10	Utilities Expense Rent Expense	C10		425.00	
	Cash				425.00
	Supplies	M12		30.00	
	Accounts Payable - Office Max.				30.00
	Cash	R15		250.00	
	Accounts Receivable - Josh Jenkin				250.00

Lesson 4-1: Preparing Account Forms & Chart of Accounts

Fred's chart of accounts is listed below.

Fill in the three missing account name or numbers.

Fred's Auto Shop 123 Sunrise Pl Belfield, ND 58622	
CHART OF ACCOUNTS	
Balance Sheet Accounts (100) ASSETS	Income Statement Accounts (400) REVENUE
110 Cash	410
120 Petty Cash	
130 Accounts Receivable - Chuck Norris	(500) Expenses
Accounts Receivable - Jake Johnson	510 Advertising Expense
150 Accounts Receivable - John Jones	520 Cash Short and Over
160 Supplies	530 Communication Expense
170 Prepaid Insurance	540 Insurance Expense
	550 Rent Expense
	560 Supplies Expense
	570 Utilities Expense
(200) LIABILITIES	
210 Accounts Payable - Northwest Tire	
220 Accounts Payable - Office Max	
230 Accounts Payable - Office Smart	
(300) OWNER'S EQUITY	
Fred Kruger, Capital	
320 Fred Kruger, Drawing	
330 Income Summary	

Fred has realized he needs a miscellaneous expense account for random expenses he pays. Based on the chart of accounts listed above, **decide** what the account number should be and **open** the new account.

ACCOUNT				Miscellaneous Expense		ACCOUNT NO		545	
DATE		ITEM		POST REF	DEBIT	CREDIT	BALANCE		
							DEBIT CREDIT		

Lesson 4-2: Posting to the General Ledger & Proving Cash

Post the general journal entries to the general ledger. You will need to **open** the accounts first!
Prove cash. Balance on last check stub is \$1,970.

Accounts:

110 Cash, 160 Supplies, 310 Fred Kruger Capital, 410 Sales

GENERAL JOURNAL					
PAGE					5
DATE	ACCOUNT TITLE	DOC NO.	POST REF.	GENERAL DEBIT	CREDIT
2019 Mar. 1	Cash	C12	110	1,500.00	
	Fred Kruger, Capital		310		1,500.00
	Supplies	C12	160	30.00	
	Cash		110		30.00
	Cash	T51	110	500.00	
	Sales		410		500.00

ACCOUNT		Cash		ACCOUNT NO.		110	
DATE	ITEM	POST REF.	DEBIT	CREDIT	BALANCE DEBIT	CREDIT	
2019							
Mar. 1		G5	1500.00		1500.00		
23		G5		30.00	1470.00		
25		G5	500.00		1970.00		

ACCOUNT		Supplies		ACCOUNT NO.		160	
DATE	ITEM	POST REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
2019							
Mar. 23		G5	30.00		30.00		

ACCOUNT Fred Kruger, Capital				ACCOUNT NO. 310	
DATE	ITEM	POST REF.	DEBIT	CREDIT	BALANCE
2019					DEBIT CREDIT
Mar. 1		G5		1500.00	1500.00

ACCOUNT Sales			ACCOUNT NO. 410		
DATE	ITEM	POST REF.	DEBIT	CREDIT	BALANCE
					DEBIT CREDIT
2019 Mar. 25		G5		500.00	500.00

Lesson 4-3: Correcting Errors in Ledger

Journalize the correcting entry below:

Mar. 30: Discovered that transaction for rent expense was accidentally journalized and posted to utilities expense, \$300.It was also discovered that two posting errors were made to the Supplies account. **Correct** them!

1. An entry for \$30 on March 23 was posted as \$300.
2. An entry for \$45 on March 25 was posted as a credit instead of a debit.

GENERAL JOURNAL						PAGE
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		
				DEBIT	CREDIT	
2019						
Apr. 5	Rent Expense	M26	550	300.00		1
	Utilities Expense		570		300.00	2

ACCOUNT: Supplies						ACCOUNT NO. 150
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
Mar. 23		P5	30.00	30.00		
Mar. 24		P5	45.00		75.00	

ACCOUNT: Rent Expense						ACCOUNT NO. 550
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
2019						
Apr. 5		P6	300.00		300.00	

ACCOUNT: Utilities Expense						ACCOUNT NO. 570
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
Mar. 30		P5	300.00		300.00	
Apr. 5		P6		300.00		

Lesson 5-1: Checking Accounts

Fred's Auto Shop is transferring a check to Pete's Autobody. Prepare the endorsement.

Pay to the order of
Pete's Autobody
Fred Kruger

Prepare check stub and write check for this check:
 On June 30, Fred wrote a check to Office Max, \$45 for supplies. Check # 130.
INFO: Balance brought forward from last check stub is \$1,970, and a deposit (\$500) was made on May 30.

No. 130		Date June 30, 2019	Office Max	\$45
To				
For		Supplies		
BALANCE BROUGHT FORWARD	1970.00			
AMOUNT DEPOSITED	500.00			
SUBTOTAL	2470.00			
OTHER:				
SUBTOTAL	2470.00			
AMOUNT THIS CHECK	45.00			
BALANCE CARRIED FORWARD	2425.00			

FRED'S AUTO SHOP		123 Sunrise Pl.		Belfield, ND 58622	
FOR		Office Max		May 30, 2019	
/091210677/		Supplies		No. 130	
70796531279		Student Signature			
		Forty-five dollars and no/100		\$45.00	
		Capital Star Bank			
		Belfield, ND			

Lesson 5-2: Bank Statement**Reconciliation & Service Charges**

Prepare a bank statement reconciliation for May 31.

Journalize the service charge on journal pg. 6. Memo No. 4.

RECONCILIATION OF BANK STATEMENT		May 31, 2019	
Balance on Check Stub No. 132		2495.00	
DEDUCT BANK CHARGES:			
Description	Amount		
Service chg	20.00		
Total bank charges →	20.00		
Adjusted Check Stub Balance	2475.00		
Balance on Bank Statement		1970.00	
ADD OUTSTANDING DEPOSITS:			
Date	Amount		
5/28	550		
Total outstanding deposits →	550.00		
Adjusted Bank Balance	2520.00		
DEDUCT OUTSTANDING CHECKS:			
Ch. No.	Ch. Amount		
131	45.00		
Total outstanding checks →	45.00		
Adjusted Bank Balance	2475.00		

GENERAL JOURNAL						PAGE
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		
				DEBIT	CREDIT	
2019						
May. 31	Miscellaneous Expense	M24		20.00		1
	Cash				20.00	2

Lesson 5-3: Dishonored checks, EFT, and debit card purchases

- Journalize the entries below:
- Jun. 3: Bank called Fred to tell him that check from Chuck Norris dishonored, \$455 plus \$50 bank fee. Memo No. 6.
 - 6: Paid cash to Tires Plus on account using debit card, \$75. Memo No. 17
 - 6: Paid cash to Northwest Tire on account using EFT, \$400. Memo No. 18.

GENERAL JOURNAL									
DATE		ACCOUNT TITLE		DOC. NO.	POST. REF.	GENERAL		PAGE	
						DEBIT	CREDIT		
8	Jun. 3	Accounts Receivable- Chuck Norris		M6		495.00		8	
9		Cash					495.00	9	
10	6	Acc. Pay – Tires Plus		M17		75.00		10	
11		Cash					75.00	11	
12	6	Acc. Pay. – NW Tire		M18		400.00		12	
13		Cash					400.00	13	

Lesson 5-4: Petty Cash

Journalize the transaction below:

Jun. 7: Fred is starting a petty cash fund—\$200.

Complete Petty Cash Report. Journalize the replenishment.

Jun. 30: Fred has receipts in his petty cash bag for:
Supplies, \$45; Misc. Expense, \$35; Postage Expense, \$15.
Total cash left in bag is \$103. C200

PETTY CASH REPORT			
Date: June 30, 2019		Custodian: Mrs. B	
Explanation	Reconciliation	Replenish Amount	
Fund Total	200.00		
Payments:			
Supplies	45.00		
Misc. Expense	35.00		
Postage Expense	15.00		
	95.00	95.00	
Less: Total payments	105.00		
Equals: Recorded amount on hand	103.00		
Less: Actual amount on hand	2.00	2.00	
Equals: Cash short (over)			
Amount to Replenish		97.00	

GENERAL JOURNAL					PAGE 6	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL	DEBIT	CREDIT
30	Supplies	C200			45.00	
	Misc. Expense				35.00	
	Postage Expense				15.00	
	Cash Short and Over				2.00	
	Cash					97.00

Lesson 6-3: Completing the Work Sheet and Correcting Errors

Fred's Auto Shop								
Work Sheet								
For Month Ended May 31, 2019								
Account Title	Trial Balance		Adjustments		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	2,669.00						2,669.00	
Petty Cash	200.00						200.00	
Acc. Rec. - Chuck Norris	200.00						200.00	
Acc. Rec. - Jake Johnson	300.00						300.00	
Acc. Rec. - John Jones	50.00						50.00	
Supplies	125.00			75.00			50.00	
Prepaid Insurance	200.00			100.00				
Acc. Pay. - Northwest Tire		50.00						50.00
Acc. Pay. - Office Max		0.00						0.00
Acc. Pay. - Office Smart		125.00						125.00
Fried Kruger, Capital		4,200.00						4,200.00
Fried Kruger, Drawing	1,200.00							
Income Summary								
Sales		2,400.00						
Advertising Expense	350.00						350.00	
Cash Short and Over	6.00						6.00	
Communication Expense	150.00						150.00	
Insurance Expense	200.00		100.00					
Rent Expense	600.00							
Supplies Expense	200.00		75.00					
Utilities Expense	325.00							
	6,175.00	6,175.00	175.00	175.00				

Complete the Balance Sheet for May 31.

Fred's Auto Shop			
Balance Sheet			
May 31, 2019			
Assets		Liabilities	
Cash	2669.00	Acc. Pay.--Northwest Tire	50.00
Petty Cash	200.00	Acc. Pay.--Office Smart	125.00
Acc. Rec.--Chuck Norris	200.00	Total Liabilities	175.00
Acc. Rec.--Jake Johnson	300.00	Owner's Equity	
Acc. Rec.--John Jones	50.00	Fred Kruger, Capital	3394.00
Supplies	50.00		
Prepaid Insurance	100.00		
Total Assets	3569.00	Total Liab. and OE	3569.00

Lesson 8-1: Recording Closing Entries

Journalize and **post** the below closing entries for Fred's Auto Shop. Date is May 31, 2019. Use page 6 of the General Journal. You will have TWO entries

Income Statement	
Account Title	
Debit	Credit
Net Income	394.00
Balance Sheet	
Account Title	
Debit	Credit
Fred Kruger, Capital	4,200.00
Fred Kruger, Drawing	1,200.00

GENERAL JOURNAL									
DATE				ACCOUNT TITLE				PAGE	