Accounting I Ticket to Fly Key

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!

Century 21 General Journal 10e- Ch1-8

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

Write the account equation:

Assets = Liabilities + Owner's Equity

Background info for next 2 ques-

tions:

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!

Joyell Binstock

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

Complete Allie's accounting equation:

\$2500 = 1550

Liabilities + Owner's Equity) (Assets =

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 (á) on the increase side

# Fred's Auto Shop Chart of Accounts:

Supplies

Accounts Receivable—Chuck Norris Accounts Payable—Northwest Tire Fred Kruger, Capital

Supplies Acc. Rec – Chuck Norris

Debit Credit Debit Credit

NB

NB

T

Acc. Pay. – NW Tire

Debit Credit NB NB ↑

# Lesson 2-2: Analyzing Transactions

Using the T accounts listed below,

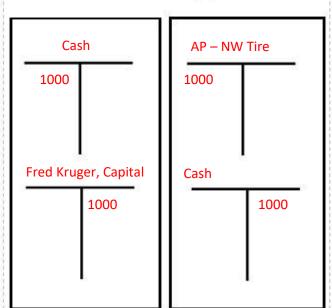
Write account names on the pairs of t

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,

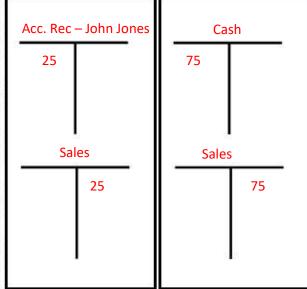
Write account names on the pairs of t

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.

Receip	t No. 5	Receipt No. 5		Form	3
Date	October 5 , 20	19 Date Octob	er 5	, 20	019
From	John Jones	Rec'd from	John Jones		
For	Payment on Acc	For Tuying	net on charge acco	part	
		Twenty-fiv	re dollars and w	0/100	Dolars
\$	25.00		Amount	\$ 25	.00
		1	Fr	ed Kranjer	
		2.0			

No. 6		Form	3
Date	October 7 , 2019	\$	45.00
То	Office Smart		
For	Supplies		
1.000	201-1-10-2		
2000000	E BROUGHT FORWARD	500	00
BALANO		500 500	00
BALANO	E BROUGHT FORWARD  NT DEPOSITED 10/6/2.019		
BALANO AMOUN SUBTOT	E BROUGHT FORWARD  NT DEPOSITED 10/6/2.019	500	00

	GENERAL JOURNAL			PAGE	1
		DOC	POST.	GE	IERAL
DATE	ACCOUNT TITLE	NO.	REF	DEBIT	CREDIT
2019 Oct. 5 C	ash	R5		25.00	
	AR-John Jones				25.00
7 S	upplies	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.

		Self	P-2	_	1		1
Section Section 5		4		2019 Nov. 1	DATE		
	Cash	4 Prepaid Insurance	Cash	2019 Nov. 1 AP-NW Tire	ACCOUNT TITLE		GENERAL JOURNAL
		C7		<u>C6</u>	NO	DOC.	
					留	DOC POST.	
		600.00		250.00	DEBIT	GENERAL	PAGE
	600.00		250.00		CREDIT	ERAL	7

# 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.

	60	10	-			1
	8		2019 Nov. 5	DATE		
Sales	8 A/R – Jake Johnson	Cash	2019 Nov 5 Utilities Expense	ACCOUNT TITLE		GENERAL JOURNAL
	S3		C10	No	DOC.	
				帮	POST.	
	240.00		120.00	DEBIT	GEN	PAGE
240.00		120.00		CREDIT	GENERAL	7

# 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	}	
10000				DOC	POST.	GENE	RAL	T
	DATE	E	ACCOUNT TITLE	NO.	REF.	DEBIT	CREDIT	
000000000000000000000000000000000000000	2019 <b>Nov</b>	. 9						
+10								
100								
4								-

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.

Fred bought supplies from Office Max,
 He charged to his account.

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

	GENERAL JOURNAL PAGE							
Т				DOC	POST.	GENE	RAL	Ī
Ļ	DAT	E	ACCOUNT TITLE	NO.	REF.	DEBIT	CREDIT	ļ
	lev.	10		C10		425.00		l
1			Cash				42500	l
ł		12	Supplies	W2.	-	_ 30.00		ŀ
			Accounts Tayalac — Office Wax			_	30.00	ŀ
-		13	Cash	R15		250.00		ŀ
4			Accounts Receivable Josh Joskin				250.00	ŀ

### 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 PI Belfield, ND 58622 CHART OF ACCOUNTS **Balance Sheet Accounts** Income Statement Accounts (100) ASSETS (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 (200) LIABILITIES 560 Supplies Expense 210 Accounts Payable-- Northwest Tire 570 Utilities Expense 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.

CCOUNT	Miscellaneous Exp	ACCOUNT NO. 54				
DATE	mu	POST	nene	cpene	BAL	AVCE
DAIL	italii	REF	UCBII	UNESS	DEBT	CREDIT
4						

# 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

			DOC:	POST	SENERAL		
DA	TE	ACCOUNT TITLE	NO.	REF	DEBIT	CREDIT	
sone Mari	1	Cash	C12	110	1,500.00		
		Fred Knayer, Capital		310		1,500.00	
	23	Supplies	C12	160	30.00		
		Cash		110		30.00	
Ц	25	Cash	T51	110	500.00		
		Seles		<b>∆</b> 1∩		500.00	

200	E ITRU POST	DERT	reene	BRAKE			
2019	4.	- ITEM	REF.	- DEBI-	CREAT.	DEBIT	CREDI
Mar.	1		G5	1500 .00		1500.00	
	23		G5		30.00	1470.00	
	25		G5	500.00		1970.00	

TATE	ITEM POST DEBT	ceene	DAG	NCE		
SACE		REF.	DES.	Chiput	DEBIT	CREDIT
2019						
Mar. 23		G5	30.00		30.00	

Fred Kruger, C	apital	ACCOUNT NO. 310
	A 95 mg	- 90.

Auto.	(100)	POST	rear.	CREDIT	DA	ANCE
2019	11446	REF.	-	Lorenza .	DEBIT	CREDIT
Mar. 1		G5		1500.00		1500.00
Col			-			

NATE:	PERMIT	P097	DEBT	CREDIT	BALANCE		
2019	11500	REF	CRIM	SHEAT.	DEBIT	CREDO	
Mar. 25		G5		500 .00		500.00	

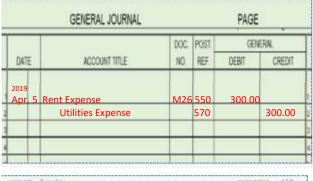
#### Lesson 4-3: Correcting Errors in Ledger

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.



DATE	INDM.	POST RDF	DESKT	DREDIT	BALA	ACE CRESS
Mar. 23 24		66 66	<u>30.0</u> 45.0		0.00 _ 75.00	
SCOURT TRUE E						990
BANK .	учен -	POST	Dept	Desir	BALA	uice
		PEART NEW PE	300.00	-	4	CREDIT
2019 Apr. 5	men s Expense	P6	300.00	DATM	300.00	CREDIT CREDIT
2019	Jega -			CHEEN	300.00	CREDIT CREDIT

## 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

made on May 30

On June 30. Fred wrote a check to Office Max, \$45 for supplies, Check # 139

INFO: Balance brought forward from last check stub is \$1,970, and a deposit (\$500) was

Prepare check stub and write check for this check:

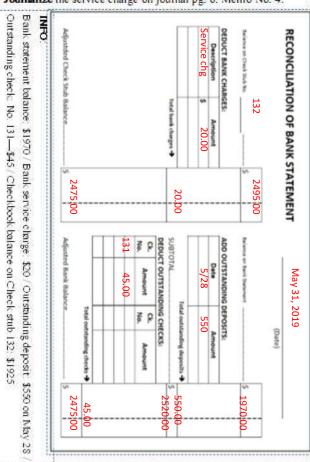
# Fred Kruger

# MOUNT DEPOSITED Office Max Belfield, ND 58622 123 Sunrise Pl FRED'S AUTO SHOP Capital Star Bank Forty-five dollars and no/00 Office Max Student Signatur May 30 No \$ 45.00

130

# 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.



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

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

Ĭ 6 w 6: Paid cash to Northwest Tire on account using EFT, \$400. Memo No. 18. 교 교 교 병 DATE σ 6

Paid cash to Tires Plus on account using debit card, \$75. Memo No. 17 Bank called Fred to tell him that check from Chuck Norris dishonored, \$455 plus \$50 bank fee, Memo No. 6.

Acc. Pay - Tires Plus Accounts Receivable-Acc. Pay. – NW Tire GENERAL JOURNAL ACCOUNT TITLE Journalize the entries below: DOC NO POST 75.00 495.00 400.00 DEBIT PAGE GENERAL 495.00 75.00 CREDI1 정 크 ㅎ

# 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 C	ASH REPORT			
Dete	June 30, 2019		Custodian:	Mrs. B
	Explanation		Reconciliation	Replenish Amount
Fund Total Payments:	Supplies	45.00	200.00	
	Misc. Expense	35.00		
	Postage Expense	15.00		
Less: Equals: Less:	Total payments Recorded amount on hand Actual amount on hand		95.00 105.00 103.00	95.00
Equals: Amount to F	Cash short (over) Replenish		2.00	→ <u>2.00</u> 97.00

ľ			DOC	POST.	GENE	FIAL.
	DATE	ACCOUNT TITLE	NO.	REF	DEBIT	CREDIT
	30	Supplies	C20	0	45.00	
		Misc. Expense			35.00	
	_	Postage Expense			15.00	
L	_	Cash Short and Over		_	2.00	
L	_	Cash		-		97.00
ŀ			_	-		
Ļ	_		_	_		
į.						

#### Lesson 6-1: Creating a Work Sheet

On May 31, Fred's Auto Shop had an ending cash balance of \$2,669. His customer, Jake Johnson, still owes him \$300. He also has an ending balance of \$2,400 in Sales.

Create the heading, insert these accounts and their balances, then total and rule the Trial balance.

#### Fred's Auto Shop Work Sheet For Month Ended May 31, 2019

	Trial B	alance
Account Title	Debit	Credit
Cash	2669.00	
Petty Cash	2669.00 200.00	
Acc. RecChuck Norris	200.00	
Acc. RecJake Johnson	300.00	
Acc. Rec John Jones	50.00	
Supplies	125.00	
Prepaid Insurance	200.00	
Acc. PayNorthwest Tire		50.00
Acc. PayOffice Max		0.00
Acc. PayOffice Smart		125.00
Fred Kruger, Capital		4,200.00
Fred Kruger, Drawing	1,200.00	
Income Summary		
Sales		2400.00
Advertising Expense	350.00	
Cash Short and Over	6.00	
Communication Expense	150.00	
Insurance Expense	200.00	
Rent Expense	600.00	
Supplies Expense	200.00	
Utilities Expense	325.00	
	6775.00	6775.00

## Lesson 6-2: Planning Adjusting Entries on a Work Sheet

Fred's Auto Shop has the following adjustments needed.

Don't forget to TOTAL and RULE.

#### Adjustment Information, May 31

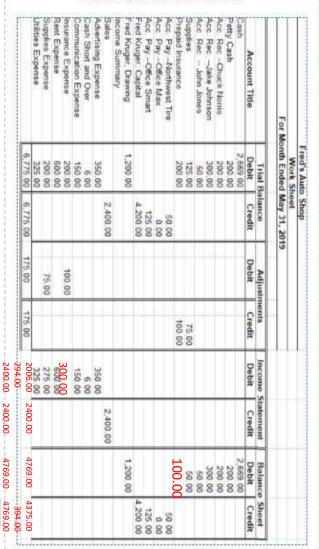
Supplies on hand \$ 50.00 Value of prepaid insurance 100.00

## Fred's Auto Shop Work Sheet For Month Ended May 31, 2019

	Trial Ba	alance	Adjust	ments
Account Title	Debit	Credit	Debit	Credit
Cash	2,669.00			
Petty Cash	200.00			
Acc. RecChuck Norris	200.00			
Acc. RecJake Johnson	300.00			
Acc. Rec John Jones	50.00			
Supplies	125.00			75.00
Prepaid Insurance	200.00			100.00
Acc. PayNorthwest Tire		50.00		100.00
Acc. PayOffice Max		0.00		
Acc. PayOffice Smart		125.00		
Fred Kruger, Capital		4,200.00		
Fred Kruger, Drawing	1,200.00			
Income Summary				
Sales		2,400.00		
Advertising Expense	350.00			
Cash Short and Over	6.00			
Communication Expense	150.00			
Insurance Expense	200.00		100.00	
Rent Expense	600.00		100.00	
Supplies Expense	200.00		75.00	
Utilities Expense	325.00		75.00	
Natural School S	6,775.00	6,775.00	175.00	175.00

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

Complete the Work Sheet listed below by extending the Income Statement and Balance Sheet balances. Calculate Fred's Net Income/Loss, and rule these columns.



# Lesson 6-4: Journalizing and Posting Adjusting Entries

Journalize and post the below adjusting entries for Fred's Auto Shop. Date is May 31, 2019. Use page 5 of the General Journal.

							Γ		Ad	jus	tm	ents	,
A	cco	un	t Tit	le	98				Debi	t	L	Cre	edit
Supplies		00	רפרזזזז	911	00		-		***********				75.00
Supplies	Ex	pe	nse						75	00			
		Ī	2019 May	DATE	2000	caeddoc, sanocross.		May 3		DATE	1010	Petro	
ω 1	15	-1	LA.	E	_	018		1 Su			ī		
				ITEM		caedrin	Supplies	May 31 Supplies Expense		7		GENE	
<b>G7</b>	GI	G1	G1	REF.	POST.			ense	Adjusting Entries	COOUNT TITLE		GENERAL JOURNAL	
<u> </u>	25.00	50.00	50.00	DEBIT		2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2			ntries			JAM	
100.00				CREDIT						NO	DOC.		
				DIT		26				電	POST		
	125.00	100.00	50.00	DEBIT	BAL/	Southernor		75.00		DEBIT	B	PAGE	
50.00				CREDIT	BALANCE	900	75.00			CREDIT	GENERAL		
OUNT Supp	lies	Ехр	ense		1000	L.C.			A	000	UNT	NO.	
ATE I	EM		POS		r	DEBIT	T	CF	REDIT	H	DEE		NCE
y 1			G2	Ì		200.00						0.00	
31	20000	5050	G7		1	00.00	1				300	0.00	

#### Lesson /-1: Preparing an Income Statement

Fred is applying for credit at a bank. They've requested an up-to-date Income Statement for the Month of May 2019. **Complete** the Income Statement below.

Do not forget correct ruling!

#### Fred's Auto Shop Income Statement For Month Ended May 31, 2019 XOF SALES Revenue Sales 2400.00 100% Expenses 350.00 Advertising Expense Cash Short and Over 6.00 150.00 Communication Expense Insurance Expense 300.00 Rent Expense 600.00 275.00 Supplies Expense **Utilities Expense** 325.00 Total Expenses 2006.00 84% **Net Profit** 394.00

#### Lesson 1-2: Preparing a Balance Sheet

Fred is applying for credit at a bank. They've requested an UTD Balance Sheet. The balance if Fred's capital account is \$4,000. The balance if his drawing account is \$1,200. He does now show the details of this on his Balance Sheet.

Complete the Balance Sheet for May 31.

	Balan	Balance Sheet	
	May	May 31, 2019	
Assets		Liabilities	
Cash	2669.00	2669.00 Acc. PayNorthwest Tire	50.00
Petty Cash	200.00	200.00 Acc. Pay.—Office Smart	125.00
Acc. RecChuck Norris	200.00	200.00 Total Liabilities	175.00
Acc. Rec Jake Johnson	300.00	Owner's Equity	
Acc. Rec John Jones	50.00	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 &-1: Kecording 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 St	atement
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	1/200000000

Ч	-	Sal	53	-	_		
	31		May 31		DATE		
Fred Kruger, Drawing	_	Fred Kruger, Capital	May 31 Income Summary	Closing Entries	ACCOUNT TITLE		GENERAL JOURNAL
					No	DOC.	
					RF.	POST.	
	1200.00		394.00		DEBIT	GEN GEN	PAGE
1200.00		394.00			CREDIT	GENERAL	
	*	w	2				

# Lesson 8-2: Preparing a Post-Closing Trial Balance

Fred is preparing for the next Accounting Cycle. **Total** and **Rule** Fred's Post-Closing Trial Balance.

Post-Closing Trial	Balance	
May 31, 20	19	
ACCOUNT TITLE	DEBIT	CREDIT
Cash	2669.00	
Petty Cash	200.00	
Acc. RecChuck Noms	200.00	
Acc. RecJake Johnson	300.00	
Acc. Rec John Jones	50.00	
Supplies	50.00	
Prepaid Insurance	100.00	
Acc. PayNorthwest Tire		50.00
Acc. PayOffice Smart		125.00
Fred Kruger, Capital		3394.00
Totals	3569.00	3569.00

Finish the following list of the Accounting Cycle:

- I. Analyze Transactions
- 2. Journalize Transations
- 3. Post
- 4. Prepare Work Sheet
- 5. Journalize and Post Adjusting Entries
- 6. Prepare Financial Statements
- 7. Journalize and Post Closing Entries
- 8 Prepare Post-Closing Trial Balance