

1-1: Accounting in Action

accounting	A planned process designed to compile financial data and summarize the results in accounting records and reports.
accounting system	The process of planning, recording, analyzing, and interpreting financial information.
asset	Financial reports that summarize the financial condition and operations of a business.
business ethics	A formal report that shows what an individual owns, what an individual owes, and the difference between the two.
equity	Anything of value that is owned.
ethics	An amount owed.
financial statements	The difference between personal assets and personal liabilities.
liability	The difference between assets and liabilities.
net worth statement	The principles of right and wrong that guide an individual in making decisions.
personal net worth	The use of ethics in making business decisions.

1-2: How Business Activities Change the Accounting Equation

account	A record that summarizes all the transactions pertaining to a single item in the accounting equation.
account balance	The name given to an account.
account title	The difference between the increases and decreases in an account.
accounting equation	A business that performs an activity for a fee.
business plan	A business owned by one person.
capital account	A formal written document that describes the nature of a business and how it will operate.
creditor	The amount remaining after the value of all liabilities is subtracted from the value of all assets.
equities	Financial rights to the assets of a business.
GAAP	An equation showing the relationship among assets, liabilities, and owner's equity.
owner's equity	Any business activity that changes assets, liabilities, or owner's equity.
proprietorship	An account used to summarize the owner's equity in a business.
service business	A person or business to whom a liability is owed.
transaction	The standards and rules that accountants follow while recording and reporting financial activities.

Fill-in the Accounting equation:

_____ = _____ + _____

1-3: How Transactions Change Owner's Equity in an Accounting Equation**expense**

An increase in equity resulting from the sale of goods or services.

sale on account

A sale for which payment will be received at a later date.

withdrawals

The cost of goods or services used to operate a business.

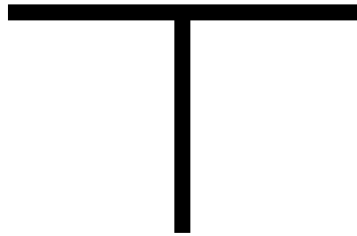
revenue

Assets taken from the business for the owner's personal use.

2-1: Using T Accounts

T account	An amount recorded on the left side of an account.
debit	The side of an account that is increased is called the normal balance of the account.
credit	An accounting device used to analyze transactions.
normal balance	An amount recorded on the right side of an account.

Label this T-Account for CASH using the following: debit, credit, normal balance



2-2: Analyzing How Transactions Affect Accounts

accounts payable	A list of accounts used by a business.
chart of accounts	Amounts to be paid in the future for goods or services already acquired.

What four questions to we ask when analyzing transactions?

1. _____
2. _____
3. _____
4. _____

2-2: Analyzing How Transactions Affect Owner's Equity Accounts

Decide if each of these accounts INCREASES or DECREASES Owner's Equity

	<u>Owner's Equity</u>	
Expense	-	+
Revenue	DECREASES Owner's Equity	INCREASES Owner's Equity
Withdrawal	_____	_____
	_____	_____

3-1 Recording Transactions and the General Journal	
check	A form for recording transactions in chronological order.
double-entry accounting	Recording transactions in a journal.
entry	Information for each transaction recorded in a journal.
invoice	The recording of debit and credit parts of a transaction.
journal	A business paper from which information is obtained for a journal entry.
journalizing	A business form ordering a bank to pay cash from a bank account
memorandum	A form describing the goods or services sold, the quantity, the price, and the terms of sale.
receipt	
sales invoice	An invoice used as a source document for recording a sale on account
source document	A business form giving written acknowledgement for cash received.
	A form on which a brief message is written to describe a transaction.
3-2: Transactions Affecting Prepaid Insurance and Supplies	
	Match the accounts with their account category.
Asset	Sales
	Accounts Payable – Supply Mart
Liability	Prepaid Insurance
	Norma Dirks, Drawing
Owner's Equity	Rent Expense
3-3: Transactions Affecting Owner's Equity and Asset Accounts	
	Match the accounts with their correct Normal Balance.
Debit	Sales
	Accounts Payable – Supply Mart
	Prepaid Insurance
Credit	Norma Dirks, Drawing
	Rent Expense
	Accounts Receivable – K. Spah
3-4: Starting a New Journal Page	
When do we start a new journal page?	Why do we cross through versus erase incorrect entries?
_____	_____

4-1: Chart of Accounts and Account Maintenance

account number	A group of accounts
file maintenance	A ledger that contains all accounts needed to prepare financial statements.
general ledger	The number assigned to an account.
ledger	The procedure for arranging accounts in a general ledger, assigning account numbers, and keeping records current.
opening an account	Writing an account title and number on the heading of an account..

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

posting	Transferring information from a journal entry to a ledger account.
proving cash	Determining that the amount of cash agrees with the balance of the cash account in the accounting records.

What is the new account balance for Accounts Receivable?

ACCOUNT: Accounts Receivable					ACCOUNT NO. 113	
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
2019 Jul. 29		P1	1095.00		1095.00	
	30	G3		235.00		

4-3: Journalizing Correcting Entries and Correcting Posting Errors

If we posted a number incorrectly on a general ledger, we generally must correct TWO columns or areas on the General Ledger. Which two columns?

If a journal entry is already posted to the general ledger, how do we correct the entry?

5-1: Checking Accounts

blank endorsement	A bank account from which payments can be ordered by a depositor.
checking account	A bank form which lists the checks, currency, and coins an account holder is adding to a bank account.
deposit slip	
endorsement	A signature or stamp on the back of a check transferring ownership.
postdated check	An endorsement consisting only of the endorser's signature.
restrictive endorsement	An endorsement indicating a new owner of a check.
special endorsement	An endorsement restricting further transfer of a check's ownership.
voided check	A check with a future date on it.
	A check that cannot be processed because the maker has made it invalid.

5-2: Bank Reconciliation

When do we place a check mark on a check stub?	List four reasons why bank records and the account owner's records may be different:
_____	1. _____
_____	2. _____
_____	3. _____
_____	4. _____

5-3: Dishonored Checks and Electronic Banking

debit card	A check that a bank refuses to pay.
dishonored check	A check dishonored by the bank because of insufficient funds in the account of the maker of the check.
electronic funds transfer	A computerized cash payments system that transfers funds without the use of checks, currency, or other paper documents.
non-sufficient funds check	A bank card that automatically deducts the amount of a purchase from the checking account of the cardholder.

5-4: Petty Cash

cash over	An amount of cash kept on hand and used for making small payments.
cash short	A form showing proof of a petty cash payment.
petty cash	A petty cash on hand amount that is less than the recorded amount.
petty cash slip	A petty cash on hand amount that is more than the recorded amount.

6-1: Creating a work Sheet

Consistent Reporting	A columnar accounting form used to summarize the general ledger information needed to prepare financial statements.
fiscal period	A proof of the equality of debits and credits in a general ledger.
fiscal year	The length of time for which a business summarizes its financial information and reports its financial performance.
work sheet	A fiscal period consisting of 12 consecutive months.
trial balance	The same accounting procedures are followed in the same way in each accounting period.

6-2: Planning Adjusting Entries on a work Sheet

prepaid expense	Reporting income when earned and expenses when incurred.
accrual basis of accounting	Changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period.
cash basis of accounting	Reporting income when the cash is received and expenses when the cash is paid.
adjustments	Cash paid for an expense in one fiscal period that is not used until a later period.

Put a star by the form of accounting that is accepted by GAAP.

6-3: Completing the work Sheet and Finding Errors on a work Sheet

	Match the accounts with their correct financial statement.
Income Statement	Sales
	Accounts Receivable – Main Street Services
Balance Sheet	Prepaid Insurance
	Rent Expense
	Cash

7-1: Preparing an Income Statement

financial accounting	The area of accounting which focuses on reporting information to external users.
financial ratio	The area of accounting that focuses on reporting information to internal users.
managerial accounting	A comparison between two components of financial information.
ratio analysis	Prepaid Insurance
return on sales (ROS)	The calculation and interpretation of a financial ratio.
vertical analysis	Reporting an amount on a financial statement as a percentage of another item on the same financial statement.
	The ratio of net income to total sales.

Label the Income Statement:

Sales	
Advertising Expense	
Cash Short and Over	
Communications Expense	
Equipment Rental Expense	
Insurance Expense	
Miscellaneous Expense	
Supplies Expense	
Total Expenses	

How is the date listed on an income statement? (circle one)

For Month Ended May 31, 2019

(OR)

May 31, 2019

7-2: Preparing a Balance Sheet

Label the Balance Sheet

[illegible]

How is the date listed on a balance sheet? (circle one)

For Month Ended May 31, 2019 (OR) May 31, 2019

8-1: Recording Closing Entries

Classify the accounts as either temporary or permanent by drawing lines.

Temporary

Sales

Accounts Receivable – Main Street Services

Prepaid Insurance

Michael Delgado, Drawing

Permanent

Rent Expense

Cash

Utilities Expense

8-2: Preparing a Post-Closing Trial Balance

Temporary accounts should have a debit/credit/zero (circle one) balance after closing entries are posted.

This temporary account is only used during the closing entry process: _____. We use it to close our Income Summary accounts into our Capital account.

Order the steps in the Accounting Cycle from 1 to 8:

_____ Prepare a Worksheet

_____ Journalize

_____ Journalize and Post Adjusting Entries

_____ Journalize and Post Closing Entries

_____ Analyze Transactions

_____ Prepare a Post-Closing Trial Balance

_____ Prepare Financial Statements

_____ Post

KEY follows:

1-1: Accounting in Action

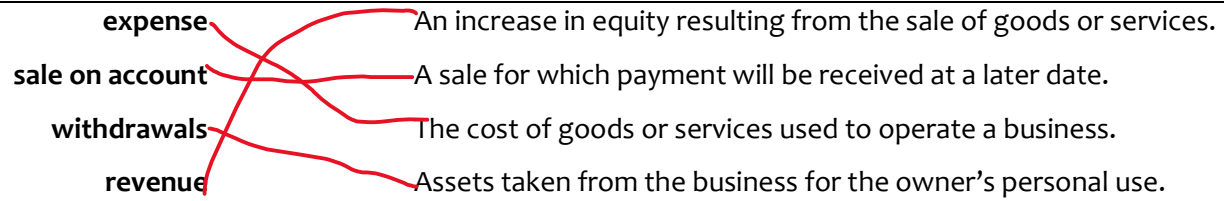
accounting	A planned process designed to compile financial data and summarize the results in accounting records and reports.
accounting system	The process of planning, recording, analyzing, and interpreting financial information.
asset	Anything of value that is owned.
business ethics	The principles of right and wrong that guide an individual in making decisions.
equity	The difference between personal assets and personal liabilities.
ethics	The use of ethics in making business decisions.
financial statements	Financial reports that summarize the financial condition and operations of a business.
liability	A formal report that shows what an individual owns, what an individual owes, and the difference between the two.
net worth statement	An amount owed.
personal net worth	The difference between assets and liabilities.

1-2: How Business Activities Change the Accounting Equation

account	A record that summarizes all the transactions pertaining to a single item in the accounting equation.
account balance	The name given to an account.
account title	The difference between the increases and decreases in an account.
accounting equation	An equation showing the relationship among assets, liabilities, and owner's equity.
business plan	A formal written document that describes the nature of a business and how it will operate.
capital account	The amount remaining after the value of all liabilities is subtracted from the value of all assets.
creditor	Financial rights to the assets of a business.
equities	Any business activity that changes assets, liabilities, or owner's equity.
GAAP	The standards and rules that accountants follow while recording and reporting financial activities.
owner's equity	A business that performs an activity for a fee.
proprietorship	A business owned by one person.
service business	A business that performs an activity for a fee.
transaction	A business owned by one person.

Fill-in the Accounting equation:

$$\underline{\text{Assets}} = \underline{\text{Liabilities}} + \underline{\text{Owner's Equity}}$$

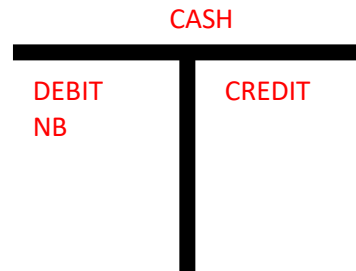
1-3: How Transactions Change Owner's Equity in an Accounting Equation

expense	An increase in equity resulting from the sale of goods or services.
sale on account	A sale for which payment will be received at a later date.
withdrawals	The cost of goods or services used to operate a business.
revenue	Assets taken from the business for the owner's personal use.

2-1: Using T Accounts

T account	An amount recorded on the left side of an account.
debit	The side of an account that is increased is called the normal balance of the account.
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Label this T-Account for CASH using the following: debit, credit, normal balance



2-2: Analyzing How Transactions Affect Accounts

accounts payable	A list of accounts used by a business.
chart of accounts	Amounts to be paid in the future for goods or services already acquired.

What four questions to we ask when analyzing transactions?

5. Which accounts are affected?
6. How is each account classified?
7. How are the classifications changed?
8. How is each amount entered?

2-2: Analyzing How Transactions Affect Owner's Equity Accounts

Decide if each of these accounts INCREASES or DECREASES Owner's Equity

	<u>Owner's Equity</u>
Expense	-
Revenue	+
Withdrawal	
	<div style="display: flex; justify-content: space-around;"> <div> DECREASES Owner's Equity <u>Revenue</u> _____ </div> <div> INCREASES Owner's Equity <u>Expense</u> <u>Withdrawal</u> </div> </div>

3-1 Recording Transactions and the General Journal

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memorandum	A form describing the goods or services sold, the quantity, the price, and the terms of sale.
receipt	An invoice used as a source document for recording a sale on account
sales invoice	A business form giving written acknowledgement for cash received.
source document	A form on which a brief message is written to describe a transaction.

3-2: Transactions Affecting Prepaid Insurance and Supplies

Match the accounts with their account category.

Asset	Sales
Liability	Accounts Payable – Supply Mart
Owner's Equity	Prepaid Insurance
	Norma Dirks, Drawing
	Rent Expense

3-3: Transactions Affecting Owner's Equity and Asset Accounts

Match the accounts with their correct Normal Balance.

Debit	Sales
Credit	Accounts Payable – Supply Mart
	Prepaid Insurance
	Norma Dirks, Drawing
	Rent Expense
	Accounts Receivable – K. Spah

3-4: Starting a New Journal Page

When do we start a new journal page?

When there isn't enough room to complete the next entry

Why do we cross through versus erase incorrect entries?

To leave no questions – that way auditors can see our trail. The corrections should be apparent and not hidden.

4-1: Chart of Accounts and Account Maintenance

account number	A group of accounts
file maintenance	A ledger that contains all accounts needed to prepare financial statements.
general ledger	The number assigned to an account.
ledger	The procedure for arranging accounts in a general ledger, assigning account numbers, and keeping records current.
opening an account	Writing an account title and number on the heading of an account.

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

posting	Transferring information from a journal entry to a ledger account.
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What is the new account balance for Accounts Receivable?

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DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
2019 Jul. 29		P1	1095.00		1095.00	
	30	G3		235.00	860.00	

4-3: Journalizing Correcting Entries and Correcting Posting Errors

If we posted a number incorrectly on a general ledger, we generally must correct TWO columns or areas on the General Ledger. Which two columns?

Either the debit/credit and the account balance.

If a journal entry is already posted to the general ledger, how do we correct the entry?

We must journalize a correcting entry and post the corrections.

5-1: Checking Accounts

blank endorsement	A bank account from which payments can be ordered by a depositor.
checking account	A bank form which lists the checks, currency, and coins an account holder is adding to a bank account.
deposit slip	A signature or stamp on the back of a check transferring ownership.
endorsement	An endorsement consisting only of the endorser's signature.
postdated check	An endorsement indicating a new owner of a check.
restrictive endorsement	An endorsement restricting further transfer of a check's ownership.
special endorsement	A check with a future date on it.
voided check	A check that cannot be processed because the maker has made it invalid.

5-2: Bank Reconciliation

When do we place a check mark on a check stub?

List four reasons why bank records and the account owner's records may be different:

We place a checkmark on the check stub when checks have cleared the bank (also known as a "cancelled check", a check that has been cashed.)

5. Checks may not have been cashed yet. (Outstanding)
6. Deposits may not be entered yet. (Outstanding)
7. Service charges may not be entered in personal records yet.
8. There may be errors in records on either side.

5-3: Dishonored Checks and Electronic Banking

debit card	A check that a bank refuses to pay.
dishonored check	A check dishonored by the bank because of insufficient funds in the account of the maker of the check.
electronic funds transfer	A computerized cash payments system that transfers funds without the use of checks, currency, or other paper documents.
non-sufficient funds check	A bank card that automatically deducts the amount of a purchase from the checking account of the cardholder.

5-4: Petty Cash

cash over	An amount of cash kept on hand and used for making small payments.
cash short	A form showing proof of a petty cash payment.
petty cash	A petty cash on hand amount that is less than the recorded amount.

petty cash slip

A petty cash on hand amount that is more than the recorded amount.

6-1: Creating a work Sheet**Consistent Reporting**

A columnar accounting form used to summarize the general ledger information needed to prepare financial statements.

fiscal period

A proof of the equality of debits and credits in a general ledger.

fiscal year

The length of time for which a business summarizes its financial information and reports its financial performance.

work sheet

A fiscal period consisting of 12 consecutive months.

trial balance

The same accounting procedures are followed in the same way in each accounting period.

6-2: Planning Adjusting Entries on a Work Sheet**prepaid expense**

Reporting income when earned and expenses when incurred.

***accrual basis of accounting**

Changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period.

cash basis of accounting

Reporting income when the cash is received and expenses when the cash is paid.

adjustments

Cash paid for an expense in one fiscal period that is not used until a later period.

Put a star by the form of accounting that is accepted by GAAP.**6-3: Completing the work Sheet and Finding Errors on a work Sheet****Match the accounts with their correct financial statement.****Income Statement**

Sales

Accounts Receivable – Main Street Services

Balance Sheet

Prepaid Insurance

Rent Expense

Cash

7-1: Preparing an Income Statement

financial accounting	The area of accounting which focuses on reporting information to external users.
financial ratio	The area of accounting that focuses on reporting information to internal users.
managerial accounting	A comparison between two components of financial information. Prepaid Insurance
ratio analysis	The calculation and interpretation of a financial ratio.
return on sales (ROS)	The ratio of net income to total sales.
vertical analysis	Reporting an amount on a financial statement as a percentage of another item on the same financial statement.

Label the Income Statement:

Revenue
Sales
Expenses
Advertising Expense
Cash Short and Over
Communications Expense
Equipment Rental Expense
Insurance Expense
Miscellaneous Expense
Supplies Expense
Total Expenses
Net Profit/Loss

How is the date listed on an income statement? (circle one)

For Month Ended May 31, 2019

(OR)

May 31, 2019

7-2: Preparing a Balance Sheet

Label the Balance Sheet

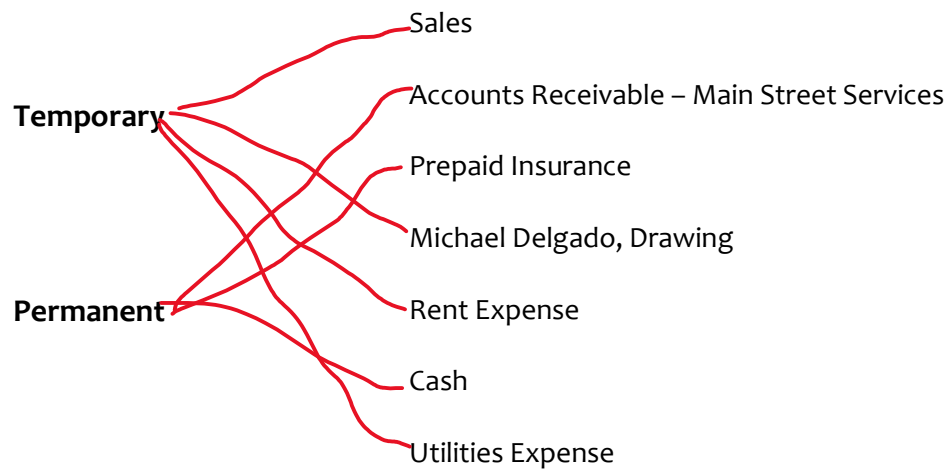
Assets		Liabilities	
Cash	2 5 9 7 00	Accts. Pay.—Canyon Office Sup.	1 2 0 00
Petty Cash	1 0 0 00	Accts. Pay.—Mountain Graphic Arts	1 0 5 00
Accts. Rec.—Main Street Services	3 0 0 00	Total Liabilities	2 2 5 00
Accts. Rec.—Valley Landscaping	4 0 0 00	Owner's Equity	
Supplies	9 0 0 00	Michael Delgado, Capital	4 0 1 2 00
Prepaid Insurance	7 5 0 00		

How is the date listed on a balance sheet? (circle one)

For Month Ended May 31, 2019 (OR) May 31, 2019

8-1: Recording Closing Entries

Classify the accounts as either temporary or permanent by drawing lines.

**8-2: Preparing a Post-Closing Trial Balance**

Temporary accounts should have a debit/credit/**zero** (circle one) balance after closing entries are posted.

This temporary account is only used during the closing entry process: Income Summary. We use it to close our Income Summary accounts into our Capital account.

Order the steps in the Accounting Cycle from 1 to 8:

- 4 Prepare a Worksheet
- 2 Journalize
- 5 Journalize and Post Adjusting Entries
- 7 Journalize and Post Closing Entries
- 1 Analyze Transactions
- 8 Prepare a Post-Closing Trial Balance
- 6 Prepare Financial Statements
- 3 Post