

Name: _____

Lesson 2-1: Using T Accounts

Objectives: LO1: _____

LO2: _____

LO3: _____

A. Analyzing the Accounting Equation

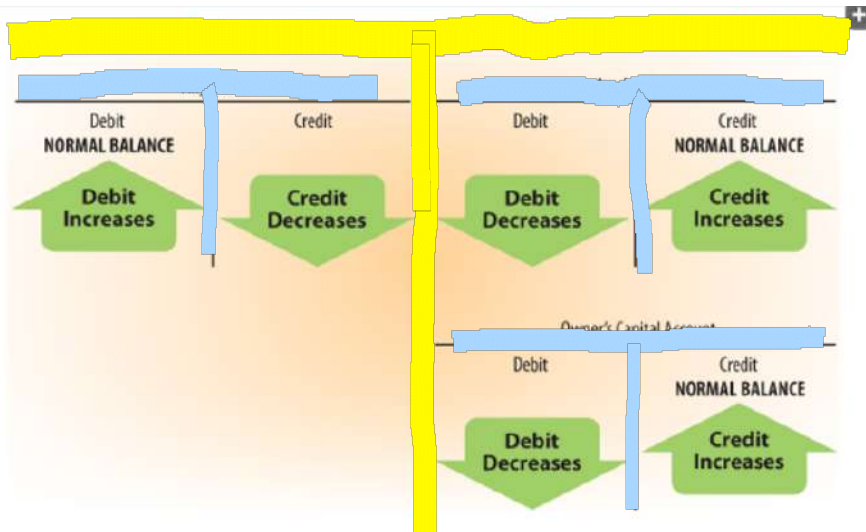
- The total of all _____ must equal the total of all _____.
- Transactions change the balance of _____ in the accounting equation.
- T account:
- Debit:
- Credit:

REMEMBER IN ACCOUNTING, DEBIT AND CREDIT SIMPLY MEAN LEFT AND RIGHT!!

_____ **IS LEFT.** _____ **IS RIGHT.** How are both abbreviated? _____ and _____

B. Increases, Decreases, and Balances in Accounts

- The accounting equation can be represented as a T (see below)



Each account also has its own T account (See BLUE above)

- Normal Balance:

- 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 opposite (_____) 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 decrease on the opposite (_____) side. *(use the words DEBIT and CREDIT to fill in the blanks)*

CHECK YOURSELF!

1. Draw the accounting equation on a T account.

2. What are the two accounting rules that explain increases of account balances?

(1)

(2)

Lesson 2-2: Analyzing How Transactions Affect Accounts

Objectives: LO3: _____

A. *Receiving Cash from Owner as an Investment*

- Each transaction changes at least _____ accounts. Debits must _____ credits for EACH transaction.
- Chart of Accounts:

Questions for Analyzing a Transaction into Credit and Debit Parts:

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

1. Pg. 37 January 2 – Paid cash for supplies. \$165

- ☒ Which accounts are affected?
- ☒ How is each account classified?
- ☒ How is each classification changed?
- ☒ How is each amount entered in the accounts?
- ☒ 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.**
- ☒ 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.

1. What are the FOUR questions for analyzing transactions?

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

2. What two accounts are affected when a business buys supplies on account?

Lesson 2-3: Analyzing How Transactions Affect Owner's Equity Accounts

A. Received Cash From Sales

- _____ increases what a business is worth (owner's equity). This account is a branch off of Owner's Equity.
 - Owner's Equity has a normal _____ balance.
 - Sales is a revenue account that affects _____.
 - Since Owner's Equity has a normal credit balance, so does our revenue account (sales).
 - Accounts Receivable:
 - 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?
1. Pg. 44, *January 12. Sold Services on account to Main Street Service.* Which two accounts does this affect? Increase or decrease? Credit or debit?
- _____ reduce owner's equity. This account is a branch off of 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.
2. Pg. 46 *January 16. Received cash on account from Main Street Services, \$200.* This transaction shows a customer sending in a payment. This customer received his/her services a few weeks ago, but received them "on account", so he/she didn't pay that day. Now, he/she has received an invoice and sent in a payment. **Which two accounts would this affect?**
- Withdrawals _____ owner's equity. This means they have a normal _____ balance. This account is also a branch off of owner's equity. The accounts that are affected when an owner withdraws money for personal use are?

Label the Debit and Credit sides of the accounting equation, as well as the NB (Normal Balance) sides in each account by writing "NB" in.

Assets		=	Liabilities		+	Owner's Equity
Cash	Acc. Receivable – Myers Factory		Owner's Equity			
			Utilities Expense	Cal Culver, Drawing		Sales

DEAILOR

CHECK YOURSELF!

Which two accounts are affected when a business pays cash for a cell phone bill?

Which two accounts are affected when a business sells services on account?

Is Revenue increased with a debit or credit?

What two accounts are affected when a business receives cash on account?

Is drawing increased with a debit or credit?