## Chapter 1 Unit 2-Business Transactions

The day after the date of a balance sheet there will be changes in the value of items on the balance sheet

Transaction		
Something of value is given		Something of value is received
<b>TRANSACTION</b> is an event occurring during the operation of a business with results in a financial change. A business transaction always includes an exchange of things of value.		
<b>TRANSACTION ANALYSIS SHEET</b> – places the balance sheet items in equation form in order to more easily examine the effect of transactions on these items as well as on the equation.		
ACCOUNTING PERIOD – refers to the length of time between the preparation of financial reports. From monthly to annually, depending on many factors such as business size and current need for data that in contained in the reports		
Remember Generally Accepted Accounting Principles and Concepts (GAAP) A set of consistent rules used by all accountants in order to prepare financial statements		
The Purpose of Accounting: is to provide financial information for decision making.		
The Business Entity Concept: Each Business is considered a separate unit or entity. For the purpose of accounting, the financial data for a business must be kept separate from the owner's personal data.		
The Cost Principle: Assets are shown Construction.	on the balance sheet us	ing the cost of their acquisition or
Liquidity Order: Assets are listed on t converted to cash	he balance sheet in liquid	ity order, the order in which they can be
Maturity Date Rule: Liabilities are list	ted on the balance sheet	according to the date they are to be paid.