

# Unit 3-NOTES

## Recording Transactions in T accounts

Assets		Expenses		Owner's Drawing	
Debits	Credits	Debits	Credits	Debits	Credits
Increase	Decrease	Increase	Decrease	Increase	Decrease
Normal Balance		Normal Balance		Normal Balance	

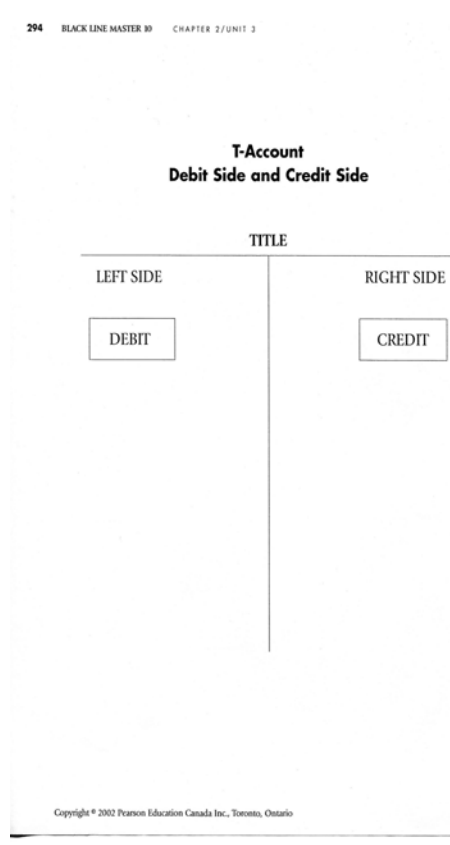
  

Liabilities		Revenues		Owner's Capital	
Debits	Credits	Debits	Credits	Debits	Credits
Decrease	Increase	Decrease	Increase	Decrease	Increase
	Normal Balance		Normal Balance		Normal Balance

<u>Raw Materials Inventory</u>		<u>Work-in-Process Inventory</u>		<u>Finished Goods Inventory</u>	
1) 9,500	2) 5,000	2) 5,000	8) 8,600	8) 8,600	9) 7,900
	3) 100	6) 1,100			
		7) 2,000			
<u>Accounts Payable</u>		<u>Factory Overhead</u>		<u>Cost of Goods Sold</u>	
	1) 9,500	3) 100	6) 1,100	9) 7,900	
<u>Accum. Depreciation</u>		4) 400			
	4) 400	5) 600			
<u>Cash</u>		<u>Sales Revenue</u>		<u>Accounts Receivable</u>	
	5) 600		10) 15,000	10) 15,000	
<u>Wages Payable</u>					
	7) 2,000				

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**Double Entry Accounting**-requires a debit amount equal to a credit amount for each transaction



Balance Sheet

<p>Left Side Assets</p> <p style="text-align: center;"><u>ASSETS</u></p> <p style="text-align: center;">+   -</p>	<p>Right Side Liabilities + Owner's Equity</p> <p style="text-align: center;"><u>LT OE</u></p> <p style="text-align: center;">-   +</p>
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Assets appear on the left side of the balance sheet.

Asset account balances are recorded on the debit side.

Liabilities and Owner's Equity appear on the right side of the balance sheet.

Liability and Owner's Equity account balances are recorded on the credit side.

Asset Accounts

Debit +	Credit -
DEBIT BALANCE	

Liability and Owner's Equity Accounts

Debit -	Credit +
	CREDIT BALANCE

**Debit and Credit Theory: Assets**

ASSETS		= LIABILITIES + OWNER'S EQUITY
Debit INCREASE	Credit DECREASE	

- Assets appear on the **LEFT SIDE** of the balance sheet.
- Asset balances are recorded on the **DEBIT SIDE**.
- Assets **INCREASE** on the **DEBIT SIDE**.
- Assets **DECREASE** on the **CREDIT SIDE**.

**Debit and Credit Theory: Liabilities**

ASSETS		=	LIABILITIES		+	OWNER'S EQUITY
Debit	Credit		Debit DECREASE	Credit INCREASE		

- Liabilities appear on the **RIGHT SIDE** of the balance sheet.
- Liability balances are recorded on the **CREDIT SIDE**.
- Liabilities **INCREASE** on the **CREDIT SIDE**.
- Liabilities **DECREASE** on the **DEBIT SIDE**.

ASSETS		=	LIABILITIES		+	OWNER'S EQUITY	
Debit	Credit		Debit	Credit		Debit DECREASE	Credit INCREASE

- Owner's Equity appears on the **RIGHT SIDE** of the balance sheet.
- Owner's Equity balance is recorded on the **CREDIT SIDE**.
- Owner's Equity **INCREASES** on the **CREDIT SIDE**.
- Owner's Equity **DECREASES** on the **DEBIT SIDE**.

**Calculation of T-Account Balance**

	+	Cash		-
Jan. 1		3 000	Jan. 2	1 500
5		500	7	700
6		700		2 200
		4 200		
		Balance		
		2 000		

Calculate the debit total. →

Calculate the credit total. ↑

JAN 31

Calculate the difference between the debit and the credit totals and enter this balance on the larger side of the account. ↗

Ledger - A group of accounts

Trial Balance- proves the mathematical accuracy of the ledger. It does not indicate that transactions were all correctly recorded as debits and credits.

February 25-15 10:38:36 / Page 1 of 1  
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CASH		A/R		OFF SUP	
J31 6325	AUG5 705	J31 3000	AUG2 500	J4L31 555	AUG5 25
AUG2 500	AUG7 535	F.B. 2500		F.B. 580	
AUG7 5000	1240				
11825					
F.B. 10585					
LAND		BUILDING		TRAIN EQUIP	
J31 25000	J31 11000	J31 97600			
F.B. 25000	F.B. 11000	AUG7 1635			
		F.B. 99235			
A/P		B. LOAN		MORT PAY.	
AUG5 705	J31 4680	J31 65000		J31 80000	J31 92800
705	AUG5 25	F.B. 65000		F.B. 8000	AUG7 5000
	AUG7 1100				F.B. 97800
	5805				
	F.B. 5100				

EXERCISE 3(d) page 60



February-25-15 10:40:59 AM  
Page 1 of

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EXERCISE 3(d) page 60

HILLS SPORT CLUBS  
TRIAL BALANCE  
AUGUST 7, 2015

ACCOUNT TITLE	ACC. NO.	DEBIT	CREDIT
CASH		10,525	
ACCOUNTS RECEIVABLE		2,500	
OFFICE SUPPLIES		580	
LAND		25,000	
BUILDING		110,000	
TRAINING EQUIPMENT		99,235	
ACCOUNTS PAYABLE			5,100
BANK LOAN			65,000
MORTGAGE PAYABLE			80,000
K. DYBORD, CAPITAL			17,800
TOTALS		<u>247,900</u>	<u>247,900</u>