

ACCT 100 – Chapters 1 & 2

I. Definition of Accounting

GAAP –

II. Business Transactions –

1.

2.

3.

4.

A. The 5 Accounting Categories (Classifications)

1. Assets

2. Liabilities

3. Owner's Equity

a. Synonymous with the terms "Capital" and "Net Worth"

4. Revenue

5. Expenses

- a. GAAP says revenue and expenses should be recorded when earned or used, not when paid.
- b. Incurring expenses decreases Owner's Equity

B. Fundamental Accounting Equation

1. Assets = Liabilities + Owner's Equity

2. Assets = Liabilities + Owner's Equity
Capital + Revenue - Expenses

c. Must ALWAYS be in balance

III. Recording Transactions –

A. Accounts

IV. Financial Statements

The result of the “summarizing” process of accounting. The financial statements are how businesses communicate their performance with owner’s, managers, investors, creditors and government agencies.

The financial statements go to external users so appearance is important. There are specific rules regarding the preparation of the financial statements which should be followed.

A. Income Statement

B. Statement of Owner’s Equity

C. Balance Sheet

Eli's Consulting Services

December 2019

ASSETS					LIABILITIES		OWNER'S EQUITY		
Cash	+ Accounts Receivable	+ Supplies	+ Prepaid Rent	+ Equipment	=	Accounts Payable	+ Trayton Eli, Capital	+ Revenue	- Expenses
a									
b									
c									
d									
e									
f									
g									
h									
i									
j									
k									
l									
					=				

P2.1B

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September 2019

ASSETS				LIABILITIES	OWNER'S EQUITY
Cash	Accounts Receivable	Office Supplies	Equipment	Accounts Payable	Sarah Dodd, Capital
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					

