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 20X1

	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										

Exercise 2.3

	ASSETS						LIABILITIES		OWNER'S EQUITY				
	Cash	Accounts Receivable	Prepaid Rent	Supplies	Equipment	=	Accounts Payable	+	Owner's Capital	+	Revenue	-	Expenses
	50,400	24,000			48,000		33,000		89,400				
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													

The Business Center

June 20X1

	ASSETS				LIABILITIES		OWNER'S EQUITY				
	Cash	Accounts Receivable	Equipment	=	Accounts Payable	+	Jesse Campbell Capital	+	Revenue	-	Expenses
1											
2											
3											
4											
5											
6											
7											
8											

Alexander's Consulting Service

September 20X1

	ASSETS								LIABILITIES		OWNER'S EQUITY				
	Cash	+	Accounts Receivable	+	Supplies	+	Office Furniture	=	Accounts Payable	+	Royce Alexander, Capital	+	Revenue	-	Expenses
	152,000	+	48,000	+	51,200	+	96,000		40,000	+	199,200	+	208,000	-	100,000
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															