

ACCT 100 - Chapter 3 Outline

A full understanding of this chapter is pivotal to your success in this course. The contents of this chapter will provide the building blocks of the foundation for this course. It is very important that you commit the necessary time to this chapter. Everything we do from this day forward will involve the concepts discussed in this chapter.

This chapter will really be an expansion of what we have done so far. Recall that we have analyzed transactions. We determined what accounts were being affected, decided whether we wanted to increase or decrease the account, and by what amount. We recorded the transaction under the proper caption. Furthermore, we insured that the equation was in balance after we recorded the transaction.

Recording transactions under columnar headings is very messy and inefficient. In this chapter, we will learn what real businesses use to record their transactions. This chapter will serve as a stepping-stone to the next chapter.

- I. T – Account – so named because it is shaped like a “T”
 - A. Each account has its own T-Account
 - B. Record increases on one side of the T and decreases on the other
 - 1.
 - 2.
 - C. Footing – total each side of the T-account. Subtract the smaller total from the larger total and the result is the account’s balance. The balance amount should be recorded on the side with the large total.

D. Debits vs. Credits

1. Debit
2. Credit
3. Debits **MUST ALWAYS** equal credits
4. Normal Balance

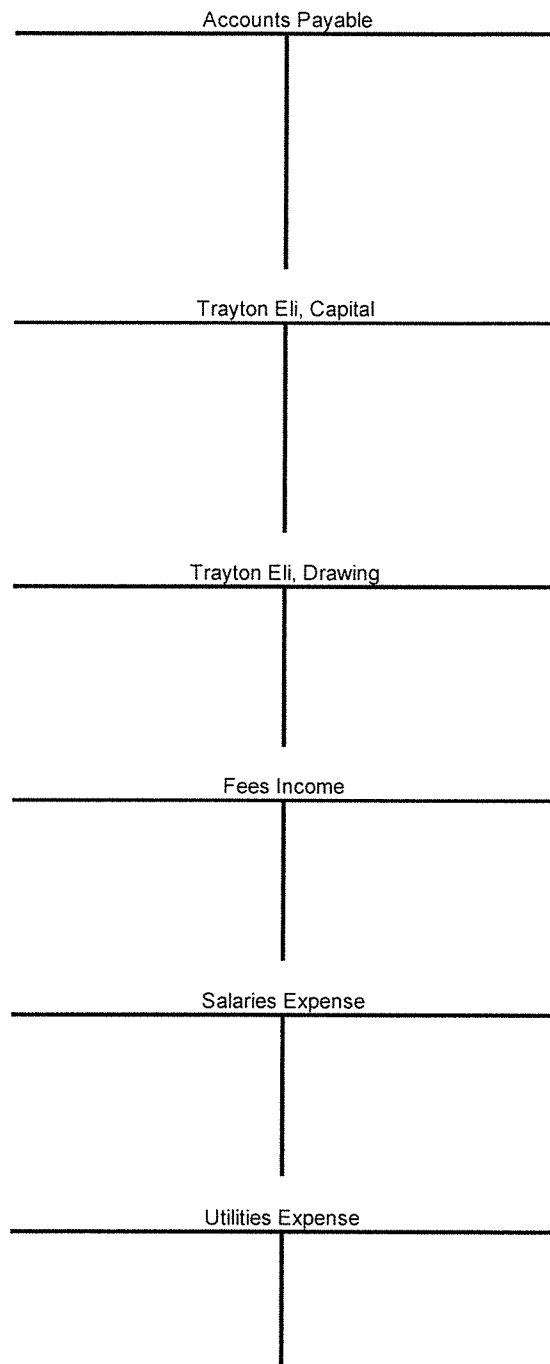
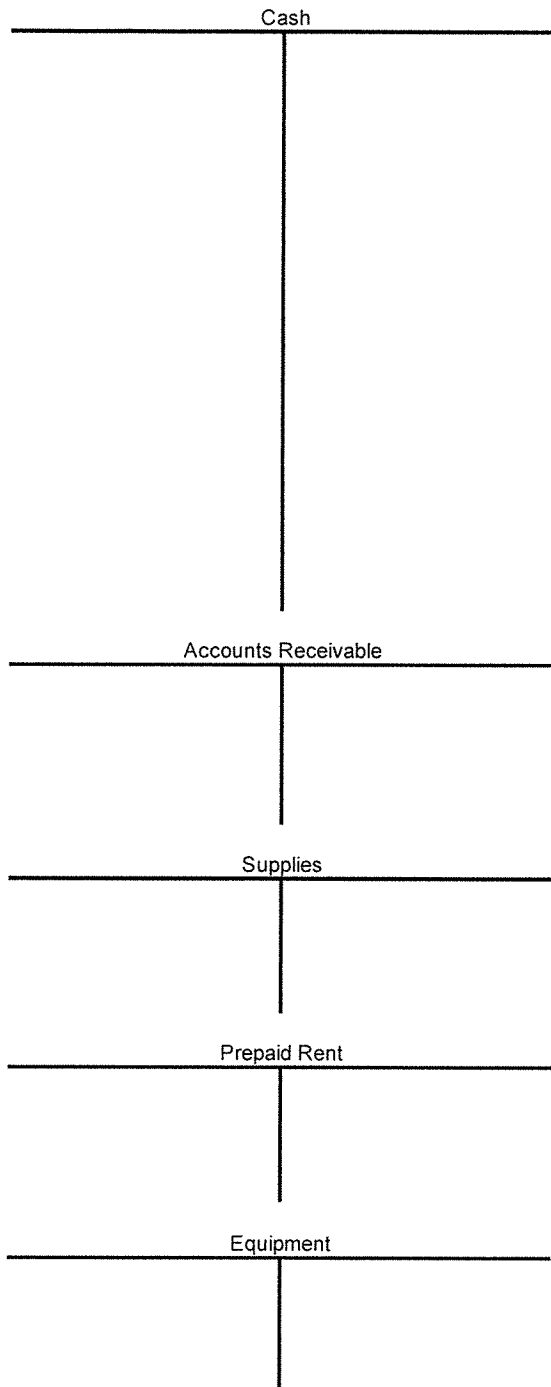
E. Chart of Accounts - The official list of accounts a business uses. All transactions must use only those accounts in the Chart of Accounts.

II. Financial Statement Preparation

A. Trial Balance – internal use only, not considered one of the formal financial statements.

1. Purpose
2. Balances come from
3. Accounts listed in the order
4. Not a financial statement. For internal use only. And even if it leaves some blank rows, always put the totals on the same row.

Eli's Consulting Services
December 2019



Hayden Fry, DDS
December 2021

Cash

Supplies

Equipment

Hayden Fry, Capital

Fees Income

Advertising Expense

Brown-Huddleston Laundry and Cleaners
April 2019

P3.3B

P & W Capital Investments

Cash	25,000
Accounts Receivable	
Office Equipment	5,000
Automobile	18,000

Accounts Payable	
Paul Webster, Capital	48,000
Fees Income	

Automobile Expense	
Rent Expense	
Utilities Expense	
Salaries Expense	
Telephone Expense	

Brian Carter, Counselor & Attorney at Law
April 20X1

Cash	
Accounts Receivable	
Office Furniture	
Office Equipment	
Automobile	

Accounts Payable	
Brian Carter, Capital	
Brian Carter, Drawing	
Fees Income	

Automobile Expense	
Rent Expense	
Utilities Expense	
Salaries Expense	
Telephone Expense	

