

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

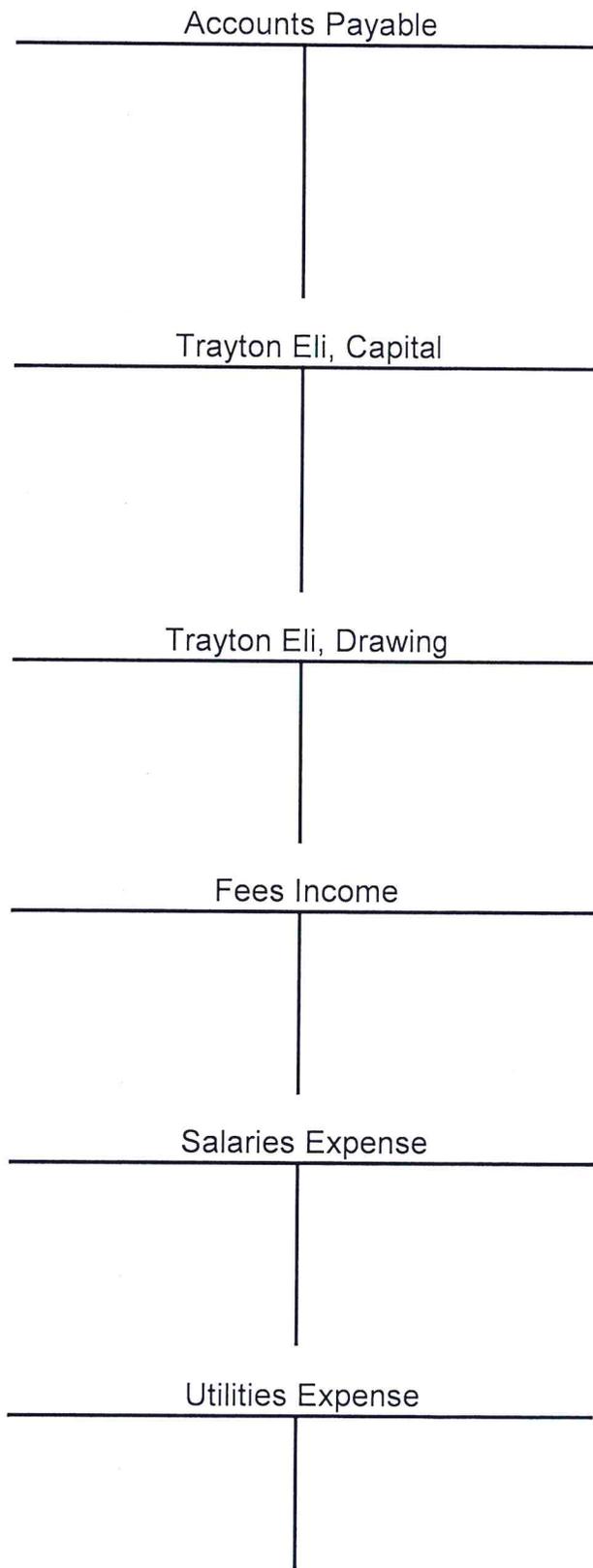
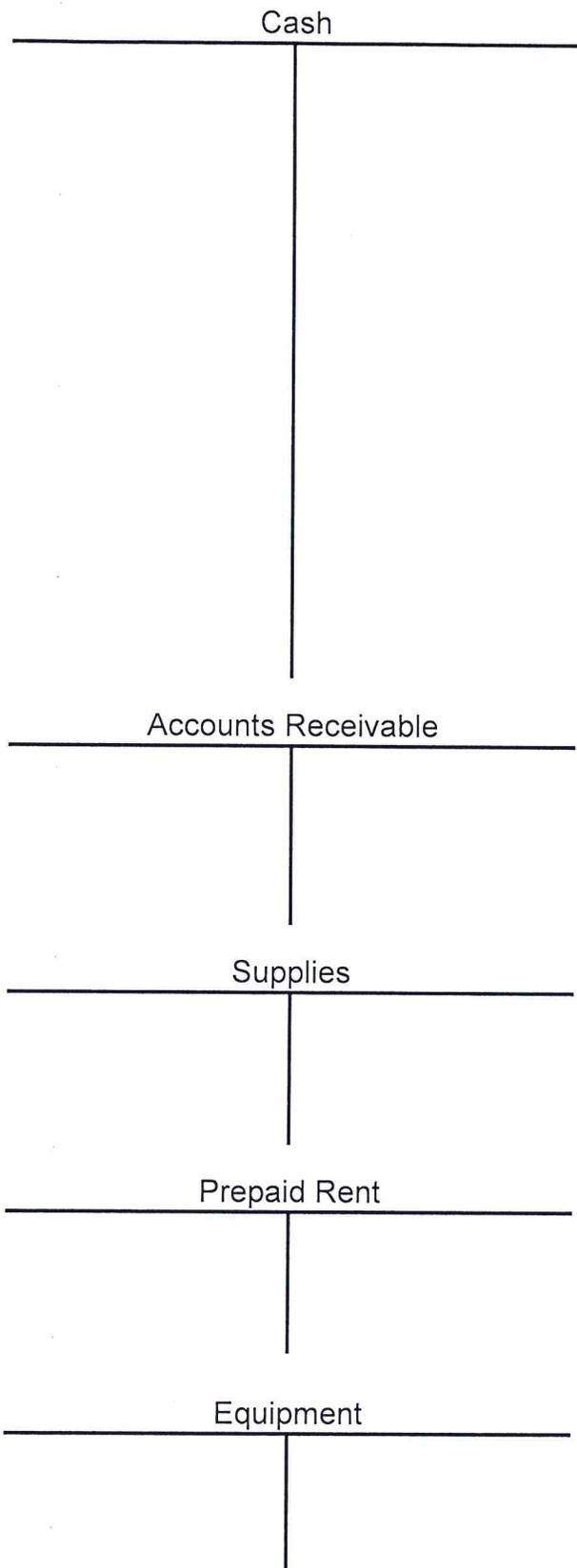
E. Chart of Accounts - The official list of accounts a business uses. All transactions must use only those accounts in the Chart of Accounts.

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 20X1



Bobby Collins, DDS
December 20X1

Cash	Bobby Collins, Capital
Supplies	Fees Income
Equipment	Advertising Expense

Exercise 3.3 Debits & Credits

Cash

Blaine Brownwell, Capital

Accounts Payable

Fees Income

Supplies

Equipment

Accounts Receivable

Salaries Expense

Prepaid Rent

Rent Expense

Wages Expense

Blaine Brownwell, Drawing

Prepaid Advertising

Utilities Expense

Thomas Capital Investments
January 2023

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

Accounts Payable	
James Thomas, Capital	43,000
Fees Income	

Automobile Expense	
Rent Expense	
Utilities Expense	
Salaries Expense	
Telephone Expense	

Cash

Accounts Payable

Automobile Expense

Rent Expense

Utilities Expense

Accounts Receivable

Salaries Expense

Office Furniture

Telephone Expense

Office Equipment

Zachary Morrow, Capital

Zachary Morrow, Drawing

Fees Income

Automobile
