ACCT 100 – Chapters 1 & 2

I. Definition of Accounting

GAAP -

II. Business Transactions –

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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 + <u>Owner's Equity</u> Capital + Revenue - Expenses
 - c. Must <u>ALWAYS</u> 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	
	Accounts		Prepaid		Accounts	Trayton Eli,		
Cash	+ Receivable +	+ Supplies +	+ <u>Rent</u> +	+ Equipment	= Payable	+ Capital	+ Revenue	- Expenses
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Exercise 2.3

Expenses

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The Business Resource Center

June 20X1

		ASSETS		•	LIABILITIES			(OWNER'S EQUITY	
		Accounts			Accounts		Justin Cole,			
	Cash	Receivable	Equipment	-	Payable	+	Capital	+ _	Revenue	- Expenses
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Ashley's Consulting Service September 20X1

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			Accounts				Office		Accounts	•	Kimberly Ashley,		<u></u>	
	Cash	+	Receivable	+	Supplies	+		=	Payable	+	Capital	+	Revenue	- Expenses
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