


Chapter 2

Analyzing Transactions into Debit and Credit Parts

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Objectives

1. Define accounting terms related to analyzing transactions into debit and credit parts.
2. Identify accounting practices related to analyzing transactions into debit and credit parts.

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Objectives (con't.)

3. Use T-accounts to analyze transactions showing which accounts are debited or credits for each transactions.
4. Analyze how transactions to set up a business accounts.
5. Analyze how transactions affect owner's equity accounts.


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LESSON 2-1

Using T-Accounts

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ANALYZING THE ACCOUNTING EQUATION

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Assets	=	Liabilities	+	Owner's Equity
Left side		Right side		

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ACCOUNTS


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Assets	=	Liabilities	+	Owner's Equity
Left side		Right side		

T Account	
Left side DEBIT SIDE	Right side CREDIT SIDE

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ACCOUNT BALANCES


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Assets		=	Liabilities		+	Owner's Equity	
Any Asset			Any Liability				
Debit	Credit		Debit	Credit			
NORMAL BALANCE				NORMAL BALANCE			
			Owner's Capital Account				
			Debit	Credit			
				NORMAL BALANCE			

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INCREASES AND DECREASES IN ACCOUNTS


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Assets		=	Liabilities		+	Owner's Equity	
Any Asset			Any Liability				
Debit	Credit		Debit	Credit			
NORMAL BALANCE				NORMAL BALANCE			
							
			Owner's Capital Account				
			Debit	Credit			
							

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LESSON 2-2

Analyzing How Transactions Affect Accounts

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RECEIVED CASH FROM OWNER AS AN INVESTMENT

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August 1. Received cash from owner as an investment, \$5,000.00.

Assets		=	Liabilities	+	Owner's Equity
Cash					Kim Park, Capital
Debit	Credit		Debit		Credit
Normal Balance					Normal Balance
5,000.00					5,000.00
↑ Increase	↓ Decrease		↓ Decrease		↑ Increase

1. Which accounts are affected?

2. How is each account classified?

3. How is each classification changed?

4. How is each amount entered in the accounts?

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PAID CASH FOR SUPPLIES

page 33

August 3. Paid cash for supplies, \$275.00.

Assets				=	Liabilities	+	Owner's Equity
Supplies		Cash					
Debit	Credit	Debit	Credit				
Normal Balance		Normal Balance					
275.00			275.00				
↑ Increase	↓ Decrease	↑ Increase	↓ Decrease				

1. Which accounts are affected?

2. How is each account classified?

3. How is each classification changed?

4. How is each amount entered in the accounts?

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PAID CASH FOR INSURANCE

page 34

August 4. Paid cash for insurance, \$1,200.00.

Assets				=	Liabilities	+	Owner's Equity
Prepaid Insurance		Cash					
Debit	Credit	Debit	Credit				
Normal Balance		Normal Balance					
1,200.00			1,200.00				
↑ Increase	↓ Decrease	↑ Increase	↓ Decrease				

1. Which accounts are affected?

2. How is each account classified?

3. How is each classification changed?

4. How is each amount entered in the accounts?

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Accounting

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BOUGHT SUPPLIES ON ACCOUNT

page 35

August 7. Bought supplies on account from Supply Depot, \$500.00.

Assets		=	Liabilities + Owner's Equity	
Supplies			Accts. Pay.— Supply Depot	
Debit	Credit		Debit	Credit
Normal Balance				Normal Balance
500.00				500.00
↑ Increase	↓ Decrease		↓ Decrease	↑ Increase

1. Which accounts are affected?

2. How is each account classified?

3. How is each classification changed?

4. How is each amount entered in the accounts?

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PAID CASH ON ACCOUNT

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August 11. Paid cash on account to Supply Depot, \$300.00.

Assets		=	Liabilities + Owner's Equity	
Cash			Accts. Pay.— Supply Depot	
Debit	Credit		Debit	Credit
Normal Balance				Normal Balance
	300.00		300.00	
↑ Increase	↓ Decrease		↓ Decrease	↑ Increase

1. Which accounts are affected?

2. How is each account classified?

3. How is each classification changed?

4. How is each amount entered in the accounts?

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Application

Application Problem 2-2 (p.46)

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LESSON 2-1

LESSON 2-3

Analyzing How Transactions Affect Owner's Equity Accounts

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RECEIVED CASH FROM SALES

page 38

August 12. Received cash from sales, \$295.00.

Assets		=	Liabilities	+	Owner's Equity
2	Cash 1		1		Sales 2
Debit	Credit		Debit		Credit
Normal Balance					Normal Balance
295.00					295.00
4					4
↑ Increase 3	↓ Decrease		↓ Decrease		↑ Increase 3

1. Which accounts are affected?

2. How is each account classified?

3. How is each classification changed?

4. How is each amount entered in the accounts?

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SOLD SERVICES ON ACCOUNT

page 39

August 12. Sold services on account to Oakdale School, \$350.00.

Assets		=	Liabilities	+	Owner's Equity
2	Accts. Rec.—Oakdale School 1				Sales 2
Debit	Credit		Debit		Credit
Normal Balance					Normal Balance
350.00					350.00
4					4
↑ Increase 3	↓ Decrease		↓ Decrease		↑ Increase 3

1. Which accounts are affected?

2. How is each account classified?

3. How is each classification changed?

4. How is each amount entered in the accounts?

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PAID CASH FOR AN EXPENSE

page 40

August 12. Paid cash for rent, \$300.00.

1. Which accounts are affected?
2. How is each account classified?
3. How is each classification changed?
4. How is each amount entered in the accounts?

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Accounting

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RECEIVED CASH ON ACCOUNT

page 41

August 12. Received cash on account from Oakdale School, \$200.00.

1. Which accounts are affected?
2. How is each account classified?
3. How is each classification changed?
4. How is each amount entered in the accounts?

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PAID CASH TO OWNER
FOR PERSONAL USE

page 42

August 12. Paid cash to owner for personal use, \$125.00.

1. Which accounts are affected?
2. How is each account classified?
3. How is each classification changed?
4. How is each amount entered in the accounts?

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TERMS REVIEW

page 31

- T account
- debit
- credit
- normal balance

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TERM REVIEW (con't.)

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- chart of accounts

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For the fun of it . . .


Work the crossword puzzle
found on the textbook
website:

http://www.accountingextra.swlearning.com/fundamentals/xtra/ch02_xtra.html#

NOTE: This is not a graded assignment and does not need to be turned in.

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Chapter 2 Homework

2.1 Mastery Problem 2-5 (p.47)
Due 6/10/07

2.2 Quiz

- a. Due 6/10/07
- b. Email quiz results to Instructor
(pcarter9@mccneb.edu) and to
yourself

http://accountingxtra.swlearning.com:8083/fundamentals/xtra/ch02_xtra.html

Congratulations ! You have made it though Chapter 2.

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