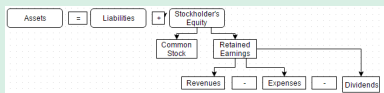


### Pictures

Account Classification	Normal Balance
Assets	Debit
Contra asset	Credit
Liability	Credit
Contra liability	Debit
Owner's Equity	Credit
Stockholders' Equity	Credit
Owner's Drawing or Dividends Account	Debit
Revenues (or Income)	Credit
Expenses	Debit
Gains	Credit
Losses	Debit

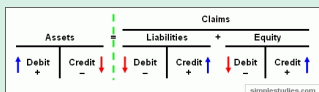
Account normal balances

### Pictures



Basic Equation

### Pictures



Basic Equation

### Pictures

**Paul's Guitar Shop, Inc.**  
**Adjusted Trial Balance**  
**December 31, 2015**

Account	Debit	Credit
Cash	\$ 32,800	
Accounts Receivable	300	
Prepaid Rent	1,000	
Inventory	39,800	
Leasehold Improvements	100,000	
Accumulated Depreciation		2,000
Accounts Payable		\$ 49,000
Accrued Expenses		450
Unearned Income		1,000
Long-term Liabilities		99,500
Common Stock		10,000
Dividends	1,000	
Revenues		27,800
Cost of Goods Sold	10,200	
Depreciation Expense	2,000	
Rent Expense	500	
Supplies Expense	500	
Utilities Expense	400	
Wages Expense	750	
Interest Expense	500	
<b>Totals</b>	<b>\$ 189,750</b>	<b>\$ (189,750)</b>

Adjusted Trial Balance

### Pictures

**GENERAL JOURNAL**

Date	Account Titles and Explanation	Ref.	Debit	Credit
2004 Adjusting Entries				
Oct. 31	Supplies Expense Supplies (To record supplies used)	611 129	1,500	1,500
31	Insurance Expense Prepaid Insurance (To record insurance expired)	722 130	50	50
31	Depreciation Expense Accumulated Depreciation—Office Equipment (To record monthly depreciation)	711 158	40	40
31	Unearned Revenue Service Revenue (To record revenue for services provided)	209 400	400	400
31	Accounts Receivable Service Revenue (To record revenue for services provided)	112 408	200	200
31	Interest Expense Interest Payable (To record interest on notes payable)	905 250	50	50
31	Salaries Expense Salaries Payable (To record accrued salaries)	726 212	1,200	1,200

Adjusting Entries

### Pictures

Date	Description	Post	Debit	Credit	
Sep. 20	Bad Debt Expense		135		
	Accounts Receivable			135	
	To record account determined to be uncollectible.				

direct write-off method

### Pictures

**General Journal**

Date	Accounts	Debit	Credit	
Dec. 31	Bad Debt Expense	9200		
	Allowance for Doubtful Accounts		8000	
	To estimate the bad debts likely to occur next year.			

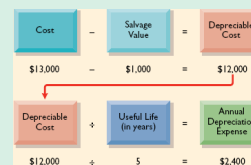
allowance method

### Pictures

$$\text{Annual Depreciation Expense} = \frac{\text{Cost of Fixed Asset} - \text{Residual Value}}{\text{Useful Life of Asset (years)}}$$

straight-line formula

### Pictures



Units-of-activity depreciation

### Terms

Fees Earned      Service Revenue

Common Stock      Capital Stock

FASB      Determine Accounting principles

Cost Principle      Record assets at their cost

### Terms (cont)

Fair value principle

DEA

CLR

Journalizing

ALORE

### Terms (cont)

Accrual-basis accounting Record transactions that change a company's financial statements in the period they occur

Cash-basis accounting Record revenue when they receive cash, not in accordance with GAAP

Revenue-recognition principle Recognize revenue in the accounting period in which the service is performed

Expense-recognition principle (matching principle) expenses follow revenues, match expenses with revenues

Adjusted trial balance trial balance - accumulated depreciation

### Terms (cont)

FOB shipping buyer pays  
FOB destination seller pays

### Transactionns

Investment by stockholders Dr Cash, Cr Common stock

Purchase of equipment Dr Equipment, Cr Cash

Purchase of supplies on account (credit) Dr Supplies, Cr Accounts payable

Services provided for cash Dr Cash, Cr Revenue

Purchase of advertising on credit Dr Advertising Expense, Cr Accounts payable

Services rendered for cash and credit Dr Cash, Dr Accounts receivable, Cr Cash

Payment of expenses Dr Expense, Cr Cash

### Transactionns (cont)

Payment of Accounts payable Dr Cash, Cr Accounts receivable

Receipt of cash on account Dr Accounts payable, Cr Cash

Dividends Dr Dividend, Cr Cash

### Pictures

## Simple Interest Formula

$$I = P \times R \times T$$

Where:

**I** = the Interest Money created in dollars

**P** = the "Principal" starting amount of money

**R** = the Interest Rate per year (in decimal form)

**T** = the Time the money is Invested, or Borrowed, in Years

### Interest

### Pictures

### Pictures

Date	Account	Post	Debit	Credit
20XX	Petty cash		\$200	
	Cash			\$200
	Establish a petty cash fund			

### Petty cash

### Pictures

Date	Account	Post	Debit	Credit
	Staff Expenses		\$40	
	Office Supplies		15	
	Transportation Expense		35	
	Cash Over and Short		10	
	Cash			\$100
	Replenish petty cash fund			

### Petty cash2

### Pictures

Nugget Mining Company Bank Reconciliation Denver National Bank, November, 30				
Balance per bank statement (end of period)				\$22,190
Add:				
Deposit in transit				
Bank error: incorrect check charged to account by bank	(1)	\$5,680		
	(7)	175		
Office Supplies				3,855
Transportation Expense				26,045
Deduct: Outstanding checks	(2)			5,001
Correct cash balance				\$21,044
Balance per books				\$20,502
Add:				
Interest collected by the bank	(3)	\$600		
Error in recorded check #7322	(6)	180		780
Deduct:				
Bank service charges	(4)	18		21,282
NSF check: returned	(5)	220		238
Correct cash balance				\$21,044

### Pictures

Depreciation Journal Entry				
Date	Account Name	Debit	Credit	
December 31	Depreciation Expense	1,000.00		
	-Accumulated Depreciation		1,000.00	

To record depreciation expense on newly purchased oven.

### Depreciation

### Pictures

### Plant Asset Disposals - Sale

Illustration 9-29 Computation of gain on disposal		
Cost of office furniture		\$60,000
Less: Accumulated depreciation (\$41,000 + \$8,000)		49,000
Book value at date of disposal		11,000
Proceeds from sale		16,000
Gain on disposal		\$ 5,000

Illustration: Wright records the sale as follows.

July 1	Cash	16,000
	Accumulated depreciation	49,000
	Office equipment	60,000
	Gain on disposal	5,000

Slide 9-47 SO 6 Explain how to account for the disposal of a plant asset.

### Gain on sale

### Pictures

**Paul's Guitar Shop, Inc.**  
**Income Statement**  
**For the Year Ended December 31, 2015**

Revenues	
Merchandise Sales	\$ 24,800
Music Lesson Income	3,000
<b>Total Revenues:</b>	<b>\$ 27,800</b>
Expenses	
Cost of Goods Sold	10,200
Depreciation expense	2,000
Wage expense	750
Rent expense	500
Interest expense	500
Supplies expense	500
Utilities expense	400
<b>Total Expenses:</b>	<b>14,850</b>
<b>Net Income</b>	<b>\$ 12,950</b>

### Income Statement

### Pictures

### New Accounts

### Pictures

### Loss on sale

### Pictures

**GOOF UP CORPORATION**  
**Statement of Retained Earnings**  
**For the Year Ending December 31, 20X5**

Retained earnings - January 1, 20X5 - as previously reported	\$500,000
Less: Effect of correction of depreciation error from 20X4	(50,000)
Corrected beginning retained earnings	\$450,000
Plus: Net income	125,000
	\$575,000
Less: Dividends	(25,000)
Retained earnings - December 31, 20X5	\$550,000

### Retained earnings

### Pictures

### Loss on sale

### Pictures

$$D = 1 - \frac{n}{\sqrt{c}}$$

### Double declining-balance method

### Pictures

### Closing entries

### Pictures

### Merchandising entries

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