

Accounting - Chapter 2 Analyzing Transactions into Debit and Credit Parts

Key Terms

T-Account Debit Credit Normal Balance Chart of Accounts

Read Accounting in the Real World – page 27

American Automobile Association (AAA) – Answer Critical Thinking questions and Internet Activity

Lesson 2-1 Using T-Accounts

Analyzing the accounting equation

Asset	=	Liabilities	+	Owner's Equity
LEFT SIDE DEBIT SIDE		RIGHT SIDE CREDIT SIDE		

The values of all things owned (assets) are on the left side of the accounting equation

The values of all equities or claims against the assets (liabilities and owner's equity) are on the right side

The left side must always equal the right side

Accounts

Account – a record summarizing all the information pertaining to a single item in the accounting equation

Transactions change the balances of accounts

Transactions must be analyzed to determine how account balances are changed

T-Account – an accounting device used to analyze transactions

Debit – an amount recorded on the left side (abbreviated dr.)

Credit – an amount recorded on the right side (abbreviated cr.)

Account Balances

Normal Balance – the side of the account that is increased

Assets are on the left side and have normal debit balances (left side)

Liabilities are on the right side and have normal credit balances (right side)

The owner's capital account is on the right side and has a normal credit balance (right side)

Asset	=	Liabilities	+	Owner's Equity
Any Asset		Any Liability		Owner's Capital Account
Debit Normal Balance	Credit	Debit Credit Normal Balance		Debit Credit Normal Balance

Increases and Decreases in Accounts

The sides of a t-account are used to show increased and decreases in account balances

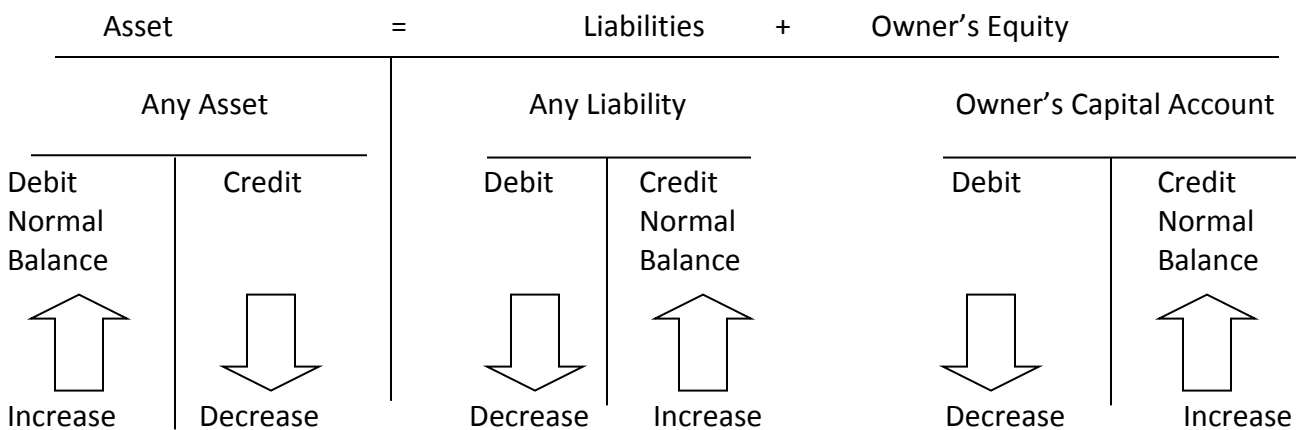
Two basic accounting rules regulate increases and decreases in account balances

1. Account balances increase on the normal balance side
2. Account balances decrease on the side opposite the normal balance side

Asset accounts have normal debit balances; therefore, assets accounts increase on the debit side and decrease on the credit side

Liability accounts have normal credit balances; therefore, liability accounts increase on the credit side and decrease on the debit side

The owner's capital account has a normal credit balances; therefore, the capital account increases on the credit side and decreases on the debit side



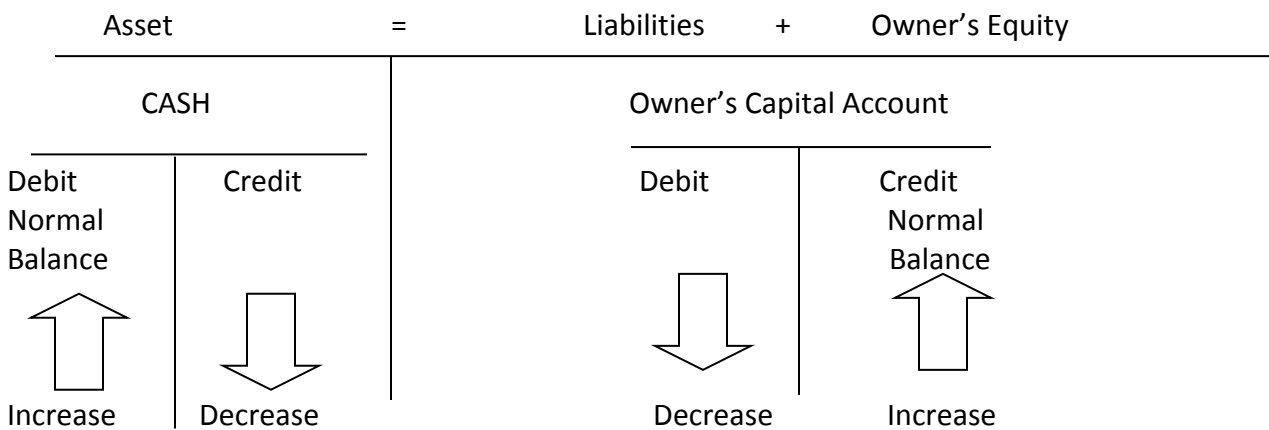
- Answer Audit Your Understanding on page 31
- Define Key Terms
- Complete Work Together problems on page 31 as a class
- Complete On Your Own problems on page 31 individually

Lesson 2-2 Analyzing How Transactions Affect Accounts

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

Always ASK these QUESTIONS – STEPS

1. Which accounts are affected? Cash and Kim Park, Capital
2. How is each account classified? Asset and Owner's Equity
3. How is each classification changed? Asset increase and OE increases
4. How is each amount entered in the accounts? Assets increase on the debit side so debit the cash account. OE increase on the credit side so credit the Kim Parks, Capital account



Examples of the following transactions on board with volunteers

August 3. Paid cash for supplies, \$275.00

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

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

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

- Answer Audit Your Understanding on page 37
- Define Key Terms
- Complete Work Together problems on page 37 as a class
- Complete On Your Own problems on page 37 individually

Lesson 2-3 Analyzing How Transactions Affect Owner's Equity Accounts

August 12. Received Cash from Sales, \$295.00

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

August 12. Paid cash for rent, \$300.00

EXPLAIN EXPENSES – page 40

Decreases owner's equity and increases expense account

August 18 Received cash on account from Oakdale School, \$200.00

August 18. Paid cash to the owner for personal use, \$125.00

RECORDED LIKE AN EXPENSE – Decrease owner's equity and increase drawing account

Read Careers in Accounting page 43 – Internal Auditor

- Answer Audit Your Understanding on page 44
- Define Key Terms
- Complete Work Together problems on page 44 as a class
- Complete On Your Own problems on page 44 individually

Read page 45 Explore Accounting – Owner Withdrawals

Complete Application Problems

Complete Mastery Problem

Complete Challenge Problem