

Dutchess Community College
ACC 104 – Financial Accounting
Quiz Prep Chapter 3
The Accounting Information System

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Disclaimer

This *Quiz Prep* is provided as an outline of the key concepts from the chapter.

It is not intended to be comprehensive or exhaustive.

Quizzes may include material from the classroom lectures, the text or the homework assignments.

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Chart of Accounts

The Chart of Accounts is a listing of all of the accounts within a company's accounting records. Typically, the accounts are listed in the order in which they are presented on the financial statements with each account having a unique identification number.

Assets

100 Cash

110 Accounts Receivable

Liabilities

200 Accounts Payable

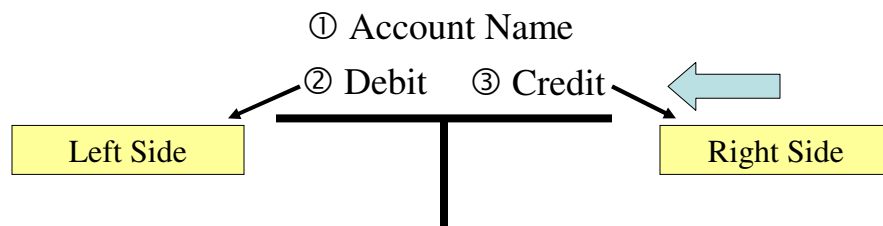
210 Salaries Payable

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T Accounts

T Accounts are graphic representations of the accounting ledger. They are used for education but are not used in real accounting systems.

The 3 parts of a T account are:



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Normal Balances

Normal Balances can be either Debit or Credit.

The *Normal Balance* is the side that increases the account balance. For example:

Cash is an Asset = Debit Normal Balance:

Cash	
Debit	Credit
Opening Balance	100
Receive Cash	25
Ending Balance	125

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Normal Balances

Normal Balances can be either Debit or Credit.

The *Normal Balance* is the side that increases the account balance. For example:

Cash is an Asset = Debit Normal Balance:

Cash	
Debit	Credit
Opening Balance	100
	25
Ending Balance	85
	40

$100 + 25 - 40$

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Normal Balances

Another example,

Loans Payable is a Liability = Credit Normal Balance:

Loans Payable		
Debit	Credit	
Opening Balance	500	
	100	← Borrow more
Ending Balance	600	

Credits increase Payables

Borrow more

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Normal Balances

Debit	Credit
Assets	Liabilities
Dividends	Equity
Expenses	Revenues

③ Balance Sheet

② Statement of Retained Earnings

① P&L


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Systems



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General Process

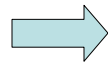
- 
- 1 – **Analyze:**
 - Is there an economic impact?
 - If yes, what accounts are affected?
 - 2 – **Prepare Journal Entries:**
 - Chronological Order (diary)
 - Different journals: general, cash, etc.
 - 3 – **Post to General Ledger:**
 - “Page” for each account
 - 4 – **Prepare a Trial Balance:**
 - Ensure that *debits* still equal *credits*

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General Process

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/14/06	325	Cash	25	
		Accounts Receivable		25
		Rec'd Payment from XYZ Co.		

Received \$25 = Cash Increased

Cash = Asset = Debit Normal Balance

Therefore, Debit Cash \$25

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/14/06	325	Cash	25	
		Accounts Receivable		25
		Rec'd Payment from XYZ Co.		

Customer paid down \$25 = Receivables decrease
 Receivables = Asset = Debit Normal Balance
 Therefore, Credit Accounts Receivable \$25

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/14/06	325	Cash	25	
		Accounts Receivable		25
		Rec'd Payment from XYZ Co.		

This is a simple entry because there is only one
debit and one credit

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/14/06	325	Cash	25	
		Accounts Receivable		25
		Rec'd Payment from XYZ Co.		

The sum of the *Debits* must = the sum of the *Credits*

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/15/06	345	PP&E	500	
		Cash		100
		Accounts Payable		400
		Bought PC for \$100 cash and a \$400 payable.		

Purchased a PC = PP&E increases
 PPE = Asset = Debit Normal Balance
 Therefore, Debit PPE \$500

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/15/06	345	PP&E	500	
		Cash		100
		Accounts Payable		400
Bought PC for \$100 cash and a \$400 payable.				

Paid \$100 Cash = Cash Decreases

Cash = Asset = Debit Normal Balance

Therefore, Credit Cash \$100

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/15/06	345	PP&E	500	
		Cash		100
		Accounts Payable		400
Bought PC for \$100 cash and a \$400 payable.				

Owe \$400 = Accounts Payable Increases

Acct Payable = Liability = Credit Normal Balance

Therefore, Credit Acct Payable \$400

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/15/06	345	PP&E	500	
		Cash		100
		Accounts Payable		400
Bought PC for \$100 cash and a \$400 payable.				

This is a *Compound Entry* because there is more than one Debit and/or more than one Credit

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Prepare Journal Entries

General Journal				
Date	#	Accounts	Dr	Cr
9/15/06	345	PP&E	500	
		Cash		100
		Accounts Payable		400
Bought PC for \$100 cash and a \$400 payable.				

The sum of the *Debits* must = the sum of the *Credits*

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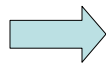
General Process

1 – Analyze:

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- Chronological Order (diary)
- Different journals: general, cash, etc.



3 – Post to General Ledger:

- “Page” for each account

4 – Prepare a Trial Balance:

- Ensure that *debits* still equal *credits*

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Post to General Ledger

General Journal

Date	#	Accounts	Dr	Cr
9/14/06	325	Cash	25	
		Accounts Receivable		25
		Rec'd Payment from XYZ Co.		

General Ledger

		Cash				A/R	
		Dr	Cr			Dr	Cr
Open Bal	↓	100		Open Bal		450	
#325	↓	25					

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Post to General Ledger

General Journal				
Date	#	Accounts	Dr	Cr
9/14/06	325	Cash	25	
		Accounts Receivable		25
		Rec'd Payment from XYZ Co.		

General Ledger				
Cash			A/R	
	Dr	Cr	Dr	Cr
Open Bal	100		Open Bal	450
#325	25		#325	25

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General Process

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Prepare a Trial Balance

General Ledger

Cash		
	Dr	Cr
Open Bal	100	40
	25	
End Bal	85	

A/P		
	Dr	Cr
Open Bal		50
	415	
		400
End Bal		35

The Debits and Credits for each account must be summed and netted to **one** balance for each account.

In the Cash Account,

$$100 + 25 = 125 \text{ Dr}$$

$$40 \text{ Cr}$$

$$125 \text{ Dr} - 40 \text{ Cr} = \text{Net } 85 \text{ Dr}$$

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Prepare a Trial Balance

General Ledger

Cash		
	Dr	Cr
Open Bal	100	40
	25	
End Bal	85	

A/P		
	Dr	Cr
Open Bal		50
	415	
		400
End Bal		35

In the Accounts Payable,

$$415 \text{ Dr}$$

$$50 + 400 = 450 \text{ Cr}$$

$$415 \text{ Dr} - 450 \text{ Cr} = \text{Net } 35 \text{ Cr}$$

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Prepare a Trial Balance

General Ledger			Trial Balance		
Cash			Account		
	Dr	Cr		Dr	Cr
Open Bal	100	40	Cash	85	
	25		A/R		
End Bal	85		PP&E		
			A/P		
A/P			Common Stock		
	Dr	Cr	Retained Earnings		
Open Bal		50	Revenues		
	415		Expenses		
End Bal		400	TOTALS		
		35			

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Prepare a Trial Balance

General Ledger			Trial Balance		
Cash			Account		
	Dr	Cr		Dr	Cr
Open Bal	100	40	Cash	85	
	25		A/R	435	
End Bal	85		PP&E	1,000	
			A/P		35
A/P			Common Stock		
	Dr	Cr	Retained Earnings		
Open Bal		50	Revenues		
	415		Expenses		
End Bal		400	TOTALS		
		35			

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Prepare a Trial Balance

General Ledger			Trial Balance		
Cash					
	Dr	Cr	Account	Dr	Cr
Open Bal	100	40	Cash	85	
	25		A/R	435	
End Bal	85		PP&E	1,000	
A/P			A/P		35
	Dr	Cr	Common Stock		1,000
Open Bal		50	Retained Earnings		500
	415		Revenues		1,965
End Bal		400	Expenses	1,980	
		35	TOTALS	3,500	3,500

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Prepare a Trial Balance

General Ledger			Trial Balance		
Cash					
	Dr	Cr	Account	Dr	Cr
Open Bal	100	40	Cash	85	
	25		A/R	435	
End Bal	85		PP&E	1,000	
A/P			A/P		35
	Dr	Cr	Common Stock		1,000
Open Bal		50	Retained Earnings		500
	415		Revenues		1,965
End Bal		400	Expenses	1,980	
		35	TOTALS	3,500	3,500

Each Account must have **either** a *Dr* or a *Cr* balance but **NOT BOTH**; e.g.

Cash	125	40
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is WRONG

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Prepare a Trial Balance

The Sum of the Debits and Credits on the Trial Balance **MUST EQUAL**

Trial Balance		
Account	Dr	Cr
Cash	85	
A/R	435	
PP&E	1,000	
A/P		35
Common Stock		1,000
Retained Earnings		500
Revenues		1,965
Expenses	1,980	
TOTALS	3,500	3,500

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Prepare a Trial Balance

If the TOTALS do not equal then you definitely did something wrong.

However, being equal does NOT mean that everything is correct.

Trial Balance		
Account	Dr	Cr
Cash	85	
A/R	435	
PP&E	1,000	
A/P		35
Common Stock		1,000
Retained Earnings		500
Revenues		1,965
Expenses	1,980	
TOTALS	3,500	3,500

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