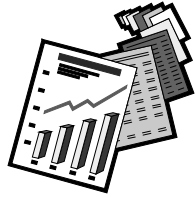


The Accounting Process



Slide JE-1

Copyright © 2003 by Coby Harmon

Financial Statements

Balance Sheet

Assets: _____ 2004

Liabilities:

Equity:

Income Statement

Revenues: _____ 2004

Expenses:

Net (income) loss _____

Slide JE-2

Copyright © 2003 by Coby Harmon

Account Name

Debit / Dr.

Credit / Cr.

Slide JE-3

Copyright © 2003 by Coby Harmon

Account Name

Debit / Dr.

Credit / Cr.

Slide JE-4

Copyright © 2003 by Coby Harmon

Assets

Debit / Dr.

Credit / Cr.



Normal Balance

Slide JE-5

Copyright © 2003 by Coby Harmon

Liabilities

Debit / Dr.

Credit / Cr.



Normal Balance

Slide JE-6

Copyright © 2003 by Coby Harmon

Equity

Debit / Dr.	Credit / Cr.
↓	↑
	Normal Balance

Slide JE-7
Copyright © 2003 by Coby Harmon

Revenue

Debit / Dr.	Credit / Cr.
↓	↑
	Normal Balance

Slide JE-8
Copyright © 2003 by Coby Harmon

Expense

Debit / Dr.	Credit / Cr.
↑	↓
Normal Balance	

Slide JE-9
Copyright © 2003 by Coby Harmon

Debits and Credits

	<u>Assets</u>	<u>Liab.</u>	<u>Equity</u>	<u>Rev.</u>	<u>Exp.</u>
Debits					
Credits					

Slide JE-10
Copyright © 2003 by Coby Harmon

Debits and Credits

	<u>Balance Sheet</u>			<u>Income Stmt.</u>	
	<u>Assets</u>	<u>= Liab.</u>	<u>+ Equity</u>	<u>Rev.</u>	<u>- Exp. =</u>
Debits	↑	↓	↓	↓	↑
Credits	↓	↑	↑	↑	↓

Slide JE-11
Copyright © 2003 by Coby Harmon

Cash

What journal entry would most likely cause:
An increase?

	<u>Debit</u>	<u>Credit</u>
Cash	100	
Accounts receivable		100

A decrease?

	<u>Debit</u>	<u>Credit</u>
Accounts payable	100	
Cash		100

Slide JE-12
Copyright © 2003 by Coby Harmon

Increase in Cash	
<u>Balance Sheet</u>	<u>Income Statement</u>
Assets: <u>2000</u>	Revenues: <u>2000</u>
Cash 30,000	
Accounts receivable (30,000)	
Liabilities:	Expenses:
Equity:	Net (income) loss _____
	=====
	Debit (Credit)

Slide JE-13 Copyright © 2003 by Coby Harmon

Decrease in Cash	
<u>Balance Sheet</u>	<u>Income Statement</u>
Assets: <u>2000</u>	Revenues: <u>2000</u>
Cash (30,000)	
Liabilities:	Expenses:
Accounts payable 30,000	
Equity:	Net (income) loss _____
	=====
	Debit (Credit)

Slide JE-14 Copyright © 2003 by Coby Harmon

Accounts Receivable		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Accounts receivable	100	
Sales		100
<hr/>		
A decrease?		
Cash	100	
Accounts receivable		100

Slide JE-15 Copyright © 2003 by Coby Harmon

Increase in Accounts Receivable	
<u>Balance Sheet</u>	<u>Income Statement</u>
Assets: <u>2000</u>	Revenues: <u>2000</u>
Accounts receivable 30,000	Sales (30,000)
Liabilities:	Expenses:
Equity:	Net (income) loss <u>(30,000)</u>
Retained earnings (30,000)	←
	Debit (Credit)

Slide JE-16 Copyright © 2003 by Coby Harmon

Decrease in Accounts Receivable	
<u>Balance Sheet</u>	<u>Income Statement</u>
Assets: <u>2000</u>	Revenues: <u>2000</u>
Cash 30,000	
Accounts receivable (30,000)	
Liabilities:	Expenses:
Equity:	Net (income) loss _____
	=====
	Debit (Credit)

Slide JE-17 Copyright © 2003 by Coby Harmon

Allowance for Doubtful Accounts		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Bad debt expense	100	
Allowance for doubtful accts.		100
<hr/>		
A decrease?		
Allowance for doubtful accts.	100	
Accounts receivable		100

Slide JE-18 Copyright © 2003 by Coby Harmon

Balance Sheet		Income Statement	
Assets:	2000	Revenues:	2000
Allowance for D.A.	(30,000)	Expenses:	
Liabilities:		Bad debt expense	30,000
Equity:			↓
Retained earnings	30,000	Net (income) loss	30,000
			↓
			←
			Debit (Credit)

Slide JE-19
Copyright © 2003 by Coby Harmon

Balance Sheet		Income Statement	
Assets:	2000	Revenues:	2000
Accounts receivable	(30,000)	Expenses:	
Allowance for D.A.	30,000	Net (income) loss	_____
Liabilities:			_____
Equity:			_____
			Debit (Credit)

Slide JE-20
Copyright © 2003 by Coby Harmon

Marketable Securities			
What journal entry would most likely cause:			
An increase?	<u>Debit</u>	<u>Credit</u>	
Marketable securities	100		
Cash		100	
<hr/>			
A decrease?			
Cash	100		
Marketable securities		100	

Slide JE-21
Copyright © 2003 by Coby Harmon

Inventory			
What journal entry would most likely cause:			
An increase?	<u>Debit</u>	<u>Credit</u>	
Inventory	100		
Accounts payable		100	
<hr/>			
A decrease?			
Cost of goods sold	100		
Inventory		100	

Slide JE-22
Copyright © 2003 by Coby Harmon

Interest Receivable			
What journal entry would most likely cause:			
An increase?	<u>Debit</u>	<u>Credit</u>	
Interest receivable	100		
Interest revenue		100	
<hr/>			
A decrease?			
Cash	100		
Interest receivable		100	

Slide JE-23
Copyright © 2003 by Coby Harmon

Prepaid Insurance			
What journal entry would most likely cause:			
An increase?	<u>Debit</u>	<u>Credit</u>	
Prepaid insurance	100		
Cash		100	
<hr/>			
A decrease?			
Insurance expense	100		
Prepaid insurance		100	

Slide JE-24
Copyright © 2003 by Coby Harmon

Building

What journal entry would most likely cause:

An increase?

	<u>Debit</u>	<u>Credit</u>
Building	100	
Cash or Notes Payable		100

A decrease? (sale for \$55)

Cash	55	
Building		100
Accumulated depreciation	70	
Gain on sale		25

Slide JE-25 Copyright © 2003 by Coby Harmon

Decrease in Building

<u>Balance Sheet</u>		<u>Income Statement</u>	
		2000	
Assets:	2000	Revenues:	2000
Cash	55,000	Gain on sale	(25,000)
Building	(100,000)	Expenses:	
Accum. depreciation	70,000		
Liabilities:			↓
Equity:		Net (income) loss	<u>(25,000)</u>
Retained earnings	(25,000)		

Debit (Credit)

Slide JE-26 Copyright © 2003 by Coby Harmon

Equipment

What journal entry would most likely cause:

An increase?

	<u>Debit</u>	<u>Credit</u>
Equipment	100	
Cash or Notes Payable		100

A decrease? (sale for \$55)

Cash	55	
Equipment		100
Accumulated depreciation	70	
Gain on sale		25

Slide JE-27 Copyright © 2003 by Coby Harmon

Land

What journal entry would most likely cause:

An increase?

	<u>Debit</u>	<u>Credit</u>
Land	100	
Cash or Notes Payable		100

A decrease? (sale for \$55)

Cash	55	
Land		100
Loss on sale	45	

Slide JE-28 Copyright © 2003 by Coby Harmon

Accumulated Depreciation

What journal entry would most likely cause:

An increase?

	<u>Debit</u>	<u>Credit</u>
Depreciation expense	100	
Accumulated depreciation		100

A decrease?

Cash	55	
Accumulated depreciation	100	
Building		110
Gain on sale		45

Slide JE-29 Copyright © 2003 by Coby Harmon

Patent

What journal entry would most likely cause:

An increase?

	<u>Debit</u>	<u>Credit</u>
Patent	100	
Cash		100

A decrease?

Amortization expense	55	
Patent		55

Slide JE-30 Copyright © 2003 by Coby Harmon

Trademark		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Trademark	100	
Cash		100
<hr/>		
A decrease?		
Amortization expense	55	
Trademark		55

Slide JE-31
Copyright © 2003 by Coby Harmon

Accounts Payable		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Inventory	100	
Accounts payable		100
<hr/>		
A decrease?		
Accounts payable	100	
Cash		100

Slide JE-32
Copyright © 2003 by Coby Harmon

Salaries Payable		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Salary expense	100	
Salaries payable		100
<hr/>		
A decrease?		
Salaries payable	100	
Cash		100

Slide JE-33
Copyright © 2003 by Coby Harmon

Rent Payable		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Rent expense	100	
Rent payable		100
<hr/>		
A decrease?		
Rent payable	100	
Cash		100

Slide JE-34
Copyright © 2003 by Coby Harmon

Dividends Payable		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Retained earnings	100	
Dividends payable		100
<hr/>		
A decrease?		
Dividends payable	100	
Cash		100

Slide JE-35
Copyright © 2003 by Coby Harmon

Notes Payable		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Cash	100	
Notes payable		100
<hr/>		
A decrease?		
Notes payable	100	
Cash		100

Slide JE-36
Copyright © 2003 by Coby Harmon

Common Stock		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Cash	100	
Common stock		20
Additional paid-in capital		80
<hr/>		
A decrease?		
Common stock	20	
Treasury stock		20

Slide JE-37
Copyright © 2003 by Coby Harmon

Additional Paid-In Capital (APIC)		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Cash	100	
Common stock		20
Additional paid-in capital		80
<hr/>		
A decrease?		
Common stock	20	
Additional paid-in capital	80	
Treasury stock		70
Additional paid-in capital		30

Slide JE-38
Copyright © 2003 by Coby Harmon

Retained Earnings		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Revenues (all accts.)	100	
Expenses (all accts.)		70
Retained earnings		30
<hr/>		
A decrease?		
Revenues (all accts.)	100	
Expenses (all accts.)		130
Retained earnings	30	

Slide JE-39
Copyright © 2003 by Coby Harmon

Sales		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Accounts receivable	100	
Sales		100
<hr/>		
A decrease?		
Sales	100	
Retained earnings		100

Slide JE-40
Copyright © 2003 by Coby Harmon

Cost Of Goods Sold		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Cost of goods sold	100	
Inventory		100
<hr/>		
A decrease?		
Retained earnings	100	
Cost of goods sold		100

Slide JE-41
Copyright © 2003 by Coby Harmon

Advertising Expense		
What journal entry would most likely cause:		
An increase?	<u>Debit</u>	<u>Credit</u>
Advertising expense	100	
Accounts payable		100
<hr/>		
A decrease?		
Retained earnings	100	
Advertising expense		100

Slide JE-42
Copyright © 2003 by Coby Harmon

Depreciation Expense

What journal entry would most likely cause:

An increase? Debit Credit

Depreciation expense	100	
Accumulated depreciation		100

A decrease?

Retained earnings	100	
Depreciation expense		100

Slide JE-43
Copyright © 2003 by Coby Harmon

Salary Expense

What journal entry would most likely cause:

An increase? Debit Credit

Salary expense	100	
Salaries payable		100

A decrease?

Retained earnings	100	
Salary expense		100

Slide JE-44
Copyright © 2003 by Coby Harmon

Interest Expense

What journal entry would most likely cause:

An increase? Debit Credit

Interest expense	100	
Interest payable		100

A decrease?

Retained earnings	100	
Interest expense		100

Slide JE-45
Copyright © 2003 by Coby Harmon

Interest Revenue

What journal entry would most likely cause:

An increase? Debit Credit

Interest receivable	100	
Interest revenue		100

A decrease?

Interest revenue	100	
Retained earnings		100

Slide JE-46
Copyright © 2003 by Coby Harmon

Gain on Sale

What journal entry would most likely cause:

An increase? (investments) Debit Credit

Cash	100	
Investments		75
Gain on sale		25

A decrease?

Gain on sale	25	
Retained earnings		25

Slide JE-47
Copyright © 2003 by Coby Harmon

Loss on Sale

What journal entry would most likely cause:

An increase? (investments) Debit Credit

Cash	75	
Investments		100
Loss on sale	25	

A decrease?

Retained earnings	25	
Loss on sale		25

Slide JE-48
Copyright © 2003 by Coby Harmon



Slide
JE-49

Copyright © 2003 by Coby Harmon