

# Hilroy

**80 PAGES**  
**1 SUBJECT**  
**1 SUJET**

Book 3 Mar 3 2029 ~  
Pt2 Excel, Learning More, Bookkeeping (Intuit),

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B-106

## Creating Charts + Graphics

Mark Inserting Create chart - Select Data (including Headers) • Access Chart Menu • Insert tab •  
A Chart • Charts Group • Recommended charts • OR Charts Dialogue Box  
Launcher (in right corner) • Charts Menu has Selection of charts  
OR Bottom Right Quick analyse of selection • Charts • Shows Preview  
• More • If country Names will suggest Map chart All Charts - Recently  
used, column, Line, pie, Funnel, combo • Ok to insert  
Edit chart - Format tab

Edit chart- Expand, contract, Drag

Original Table Nav has a coloured outline, Shows where chart is drawing data

Chart will update • Chart Design Tab will appear when selected

Switch Rows + Columns - Chart tools - Design - Data Group - Switch Rows/Columns

Labeling A - Labels, Legends & Titles • Select Chart • On Right Icons will appear • 

Chart + Axes, Titles, Data Labels OR Chart Design Tab • Add Chart Element Axes • Hor. V  
Check Box to add element ex Axes title ► Primary Vertical  
ex Legend • Choose Location: Right, top, Left, Bottom

Replace Text - Axes, chart title o Can Format from mini-toolbar

Formatting – Preset styles • Or set individually • Select chart • Click Paint brush to open the

A Chart Chart styles Menu • Adjust style and colour OR Chart Design Tab

Presets • Quick Layout • Change Colours Menu • Preset colours

Individual Elements - ex Right click Text Box (Title) • Styles • Presets • Fill Menu  
• Outline • Fill can be Gradient or Texture • Outline can be  
coloured and have a higher Weight (Thickness)

Format Chart Area - Right click chart area • Select Fill + Outline

Format Tab - Exchange Bar chart colour - Select Bars. Verify in

Current Selection Group • Select colour • Can select Gridlines

Format Selection - Left side of Ribbon - Opens Formatting Pane - Pane updates with the selection - Can Select Fill - And Gradients stop - Affects where the colours change - Effect Icons - Shadow, Glow, Soft edges  
Shadow, Present - Adjusts Series Options - Bar, Pie, Etc. Options

2

Customizing - Move Chart to New Worksheet - Select chart • Chart Design Tab • Move Chart - your Charts  
• Menu • Move to new Sheet or to Preexisting Sheet • No longer in original Sheet  
Change Font - Right click • Font • Menu • Type, Style, Size • Strike through / Effects

Customizing - Measurements, Max/Min, Intersection - Select chart • Format Tab • Current Chart Axes Selection Group • Dropdown menu • Select which element • ex Horizontal Axes  
• Formatting Selection • Panel Appears • Format Axis • Text Options  
• Fill outline, Text Effects • Adjusting text Box • Axis Options • Change Selection • 4 Groups of Axis Options • Fill/line • Effects • Size/properties  
• Axis Options • Show/hide subheadings  
Axis Options • Adjust Bands • ex Changing Maximum Band will set the top of the chart  
Major/Minor Units • Shows Increments • ex 1000, 2000  
Horizontal Axis Crosses • Automatic or ex 500, Sets min Level of Y  
• Set display units • Hundreds/thousands • Ex 3 (meaning 1000)  
□ Hide by unchecking Show display unit Box  
□ Logarithmic Scale And □ Values in Reverse Order  
Tick Marks - Major/Minor • Adjust to Inside/ outside or across  
Labels - Change Label Position • Next to Axis, High, Low or Hide  
Number - Changes how numbers are displayed • ex 3 = \$3.00 with currency  
Modify Axes After Chart Type has been Changed - Design Tab • Change chart type • ex Combo

Creating A - Reuse Chart Formatting - Save as template - Select chart • Right click • Save as Chart Template • Template • Rename • Select save location • Save in default chart location  
Use Chart Template - Select Data cells • Quick analysis Icon (Bottom Right)  
• Charts • More • All Charts • □ Templates • Select Template • OK

Presenting - Select Table Values • Insert Tab • Recommended Charts • Columns Charts  
Negative Values • Charts updates to show negative value  
Format to Differentiate From Positive • Select chart • Select Element  
• Choose New Fill • Repeat for other Negative Values  
• Negative Values will display differently in different chart types

3

Inserting - Using Sparklines you can create minicharts that represent the trend of the Data Range

Trendlines - Different types. <sup>ex</sup> 60 40 50 60 80. Insert Tab. Sparklines Group. Line, Column OR Win/Loss. <sup>ex</sup> Select Line. Select Data Range. Choose location for chart. OK

Win/Loss - Binary Chart, Only shows Positive/Negative. <sup>ex</sup> Win/Loss

Modify Trendlines From Design Tab. Style, Colour, Marker colour. Show Group - Add extra information points to trendline. High Point/Low/First/Negative

Marker Shows every Point. Include Axis Line - Axis Menu. Show Axis

Clear - Select. Clear From Design OR Home tabs

Customizing - Format Colour Scheme, mark different Data Points - Select Trendline. Design Tab.

Trendlines - Preset. Can set Landmarks in Show Group. Format Marks - Marker Colour. Colour Sparkline Colour. Menu. <sup>ex</sup> High Point. Marker Colour. High Point. Colour Give Negative points. <sup>ex</sup> Set Max/Min Values. Axis Menu. Under Vertical Axis. Maximum Value. Custom Value. Enter Maximum Value. Under Axis menu. Automatic

## Working With Different Chart styles

Creating A - Proportionally compare the different segments of a chart. Select Data Range.

Pie Chart - Exclude Totals. Insert Tab. Charts Group. Pie chart. Choose style. 2-D Pie, 3D pie. Doughnut. More. Choose. OK. Edit. Quick Layout Menu - Changes which combination of elements gets displayed

Manually Select Elements - Select Chart. Beside it + Chart elements.

Chart Filter - Isolate certain Data. Uncheck undesired data

Advanced - Format tab. Shape styles. Open dialogue Box  Format pane

Creating A - Cross Reference Values and combine data types. Select Entire Table. Insert.

Scatter Chart - Scatter Chart. More. Create Single Series. Design tab. Data group. Select Data. Select data Source Window. Remove Both Legend entries. Add. Series Name. X and Y Values, Repeat

**Creating A Bubble Chart** - Cross Reference 3 types of information in a single chart ex Release Date, Average Rating, Price. Insert Scatter Chart. Choose Type, May Not be Displayed Correct. Insert Manually. Data Group. Select Data. Remove Data Series. Add Name. X value, Y value, Bubble size. Repeat For Each entry. You're Adding each Point. If years are displaying Fractionally - Right click Axis. Format. Format Axis. Set Major units to 1. Enter.

**Creating A Radar Chart** - Plot 5 different Data Values. Each axis is one value. Select Table. Insert Tab. Recommended Charts. All charts. Radar. Select Type. Overall view. Each Point is Column heading. Each colour is a category. Can format. Sel. Del.

**Combining Two types of Chart** - Combo Chart to combine Multiple Data types. Can create second Axis. Helps with scale + display. Select table. Insert Tab. Charts Group. Combo Dropdown. Select Suggested or Create Custom Combo. Choose Chart type and Axis for each data series. Customize existing chart. ex Bar Chart. Project Names in Vertical Axis (Chart is sideways). One Value is much Larger than the other values. Convert to combo. Design Tab. Right side. Change Chart Type. Select Combo From list on Left. Choose Chart type + Axis For each individual "Series". ex Price Range - Line with Markers. Toggle Secondary Axis. Puts Those Values into a new Axis.

**Creating A Map Chart** - Data Relating to regions or countries. Select Country Names + Data. Not Headers. Insert Tab. Charts Group. Maps. Filled Map. Auto zooms to Area. Adjust Series Name. Select Data. Select Series Name. Edit. OK. Change Map Appearance - Pop out Shape styles. Series Options. Map Projection. Map Area. Automatic. Only Regions with Data. Multiple Countries. World. Show/Hide Country labels. Set colour.

## Working with Excel Tables

**Converting Data to Tables** - Select Data. Home. Styles. Format as Table. Insert Manually or Select from Menu. My table Has Headers. Table tools appears. Can Rename.

5

• 'No spaces' · Resize table · Select New Table · Auto Formatted Undo Table · Convert to Range

Manipulating - Calculated Columns, Clean up data with a sweep, Transform into Pivot Table

Data in table · Insert Column - Right click Column · Insert · Choose Right or Left

Autocorrect Tools Button - Undo · Stop creating Calculated Columns · Options

Sweep - Table Tools · Design · On left · Tools · Remove Duplicates · Configure Sweep

· Select All · Select Which columns to include ·  Data Has Headers

Pivot Table - Table Tools · Tools · Summarize with Pivot Table · Menu · Range

Select Location · New Worksheet

Using Table - Table tools · Design ~~Font~~ tab · Table styles · Menu · Select · Format style · Right Click · Styles

· Style · Apply/Clear Formatting · Apply + Maintain Formatting

· Add New Style - Format style · At Bottom · New Table style · Name · Select Element

· Whole Table or Rows/Columns · Format - Edit Font · Border · Fill

· Can adjust Strip Size · Means How many rows are shaded together

· Set as Default · OK · Appears in Styles menu under Custom

Delete - In Table styles · Right click Style · Delete · OK

Clear Style - In style menu choose "None" under "Light" or "Clear" at Bottom

Configuring - Add Banded Columns/Rows, Total Row · Calculations · Show/Hide Filter Buttons

A Table

· Design Tab · Table style Options - Show/Hide Headers, Highlight First Column/Last

· Toggle Banded Rows/Columns · Add Total Row - Select new cell ·  Menu ·

· Browse Options for totals · <sup>Ex</sup> Sum · Accounts for Filtered Data (It updates)

· Show/Hide Filter Buttons

Using Slicers - Filter + Manipulate Data, Clear Visual guide · Design Tab · Tools group

In Tables

· Insert Slicer · Menu · Choose Columns to insert Slicers for

Exist in individual Panes (Pop up windows) · Shows Individual Entries

Act as Filter · <sup>Ex</sup> Click Male to show only Male entries in the table

Slicers can be combined OR Multi-Select  icon · Top Right Icon

to clear Filters, Only one slicer · Delete · Select · Delete Key

Formatting - Slicer tools • Options • Left of Ribbon Is the name Bar • Can Rename Slicers "Slicer Caption" • Slicer style Menus on Ribbon to select style  
Custom style - Open Style Menu • New Slicer style • Rename • Select element or Whole Slicer • Format • Font, Border, Fill •  Set as Default  
Configure Buttons - Slicer tools • Buttons • Select number of Columns, Size +  
Resize Slicer - Right side of options or Click + Drag • Select Size Dialogue Box •  
For more size Options

## Inserting Pivot Tables

Creating a Pivot Table - Analyze Selected Data • Patterns + Trends • Select Range • Insert Tab • Recommended Pivot Tables • Menu of Pivot tables • OR Insert • Pivot table • Select Range OR Use External Data Source • Choose: New Worksheet or existing Worksheet • OK • Opens Blank Pivot Table interface • Contains Pivot table and Side Panel where pull Data • New tab: Analyze Tab  
Side Panel "Fields" are headings of the former worksheet Drag Below Cog Icon • Page layout, stacked, side by side, Fields only; Hide + Sort  
Ribbon - Hide Field list, Headers  
Build a Pivot Table - ex Drag Company to Columns • Company Names Now Columns  
Deactivate Live updates - Pivot Table Side Panel •  Defer Layout update  
Hover over cell - Box appears with other information  
To Clear - Analyze • Actions • Clear • Clear all

Editing Your Pivot Table - Change Which fields have been inserted, and performing calculations • Ensure Data is current • Activate a pivot table • Click on any cell • Update Data • Analyze tab • Refresh • Refresh OR Right Click • Refresh  
Change Fields - Click and Drag OR Choose From dropdown • Remove From dropdown OR drag back to fieldlist OR Uncheck from fieldlist  
Field Settings - Dropdown Menu • Field Settings • Name • Subtotals, Filters • Layout  
Default Calculation is Sum Formula - Select Cell • Active field • Field settings  
Rename + Select New calculation

7

**Formatting -** Colour, Styles, Font • Select Table • Design Tab • Select Preset Style •  Special Formatting - Your Pivot Table • Row Headers/Columns, Banded Columns/Rows • Can create New style

**Layout Group -** Display Options • Subtotals • Hide or show at Top/Bottom Grand Totals  
Layout & Toggles • Report Layout • Compact, Outline, Tabular, Repeat Item Labels • Blank Row • Insert/Remove

**Copying and -** Select Pivot Table •  $Ctrl + C$  to copy • Select Paste Location •  $Ctrl + V$  • Double click Reusing your columns to expand OR Select Table • Analyze Tab • Actions • Select Entire Pivot Table • OR Right Click + Copy To Move, not copy • Select Table • Analyze Tab • Actions Menu • Move Pivot Table • New Worksheet or Existing Worksheet

**Sorting Data -** Automatic Sorting Tool • <sup>ex</sup> Header dropdown menu, oldest to newest, ex A-B, will vary  
OR Depending on the Field • Right Click • Sort • Manually Move Data • Click • Drag and drop  
OR Right click a value • Move • up/down/beginning/end

**Custom Sorting -** Right click value • Sort • More sort options • OR  drop, More sort Opt. • <sup>dropdown</sup> • Manually, descending or ascending • Choose which Field to sort by  
Read Summary to ensure settings are correct

**Filtering Your Table Data -** Filter - Pivot Table • Pane • Click + Drag Field into Filter area • Filter will be added  
• In new Filter dropdown • To search for category • Can be multiple • Clear Filter  
• Dropdown menu and select "All" • OR "Clear Filtering"  
OR Filter from column • Dropdown menu •  show or Hide  
Filter Through Selection - Keep only Selected Values • Select Data • Right Click • Filter • Keep/Hide selected items  - Right click + clear

**Using Label + Value Filters -** Choose Between Label and Value Filters • Label Filters To Row Filter •  Filters  
+ Value Filters Date Filters • Preset List • <sup>ex</sup> Tomorrow, Yesterday, Next Month, Before, After  
Value Filters - Equals, Does not Equal, Greater/Less Than, Top 10  
• <sup>ex</sup> Less Than • Menu opens • Dropdown - is less than - Value  
Custom Label Filter •  menu • Date Filters • Custom Filter • Menu •  
Dropdown - Date picker (<sup>ex</sup> Is After • 01/15/2025)  
Top 10 Filter - Top 10 - Items by Dropdown (dropdown for each)

Grouping Data - Create Data Groups • Month, Year or category • Hide data

in Pivot Table Manually Group - Select cells to group • Analyze Tab • Group Toolset • Group Selection  
• Data becomes a group • Automatic Group • If working with numerical data • Select cell • Analyze • Group • Group field OR Right click • Group  
• Specify start End Date • Select Grouping category • Can create groups + Subgroups <sup>ex</sup> Months + Days + -, Hide show  
In active field group -  $\Sigma$  and  $\bar{\Sigma}$ , Expand/contract all Groups

Add Details - Double click a value in a group • Menu • Show details

• Choose <sup>ex</sup> First Name • Surname • Company will add new level

• Will be added to Pivot Table Rows list

Ungroup - Select Group in table • Group toolset • Ungroup OR Click

• Drag from Field list OR Right click • Ungroup

Inserting A - Filter and manipulate Data - Analyze tab • Menu • Choose Fields to insert

Slicers for - Can choose multiple • Individual Panes • Select From Slicer to filter •  $\Sigma$  Multi Select Icon •  $\Sigma$  to clear filter

Customizing - Slicer Tools • Slicer caption Field • Change ~~name~~ • Slicer settings

Change Actual name, set caption • Sort •  disable Header

Slicer style - Open menu From Ribbon • Select style OR custom style

• Adjust size From size group • Can open dialogue Box / Can adjust Buttons

Working with dates in a pivot Table - "Is Anomie" Date Values must be Available in pivot table • Select Table • Filter Group • Insert Timeline

• Select Timeline Field • OK • Manipulate like Slicer • New Tab

• Timeline Options • Caption • Styles • Size • Show/Hide • Header

• Scroll Bar, Selection Level, Time level

Apply Filters - Select Month to Isolate • Click/Drag handles to change

Filter • Months ▾ dropdown to adjust increments  $\Sigma$  clear

Like a Slicer for Time

Working With Data in Pivot Tables

selected factors: weight, age, time, income, D, temperature, wind, (flow speed), day, hour

Analyzing Data in a Table - Look for trends · Organizing Fields · Adding extra levels of detail · Inserting Multiple value fields in a single Table <sup>ex</sup> Drag Item code to Rows + Delivery Area to column area

**Pivot Table** Populate Values - Drag Order Value to Values Area - Grand total Auto-matically at Bottom

Add Months to Rows to Automatically Apply Month Grouping: Breaks it down by day as well. Hide · Right click · Expand/collapse · Collapse

Drill into specific Data Values - <sup>ex.</sup> View all values that correspond to item code on a particular date. Double click value at intersection. Will Create.

Change Calculation through field settings - Right click a value: Select Value  
Field settings - Select New calculation: Average

Working With - When working with data from multiple tables, Add to Data Model. Create,

Multiple edit and manage data between fields

Data Tables Add Data Table to Data modelle Insert tab · Pivot Table ·  Add this data to Data Model

Add Data source to existing PivotTable - Pivot Table with single source

• Scroll to Bottom of field list. More Tables. Copies Pivot table

with new data. Creates copy in a new sheet with Both sources.

New Tabs in Panel - "Active" and "All" ▷ Location ▷ Open

field menu. Drag fields. Prompt: "Relationships between tables must be

“Add more drag fields” Trump: Relationships between tables may be needed” - Add dragging DB Create: Aligns checkboxes to today

Manage Relationships View

## Manage Relationships: View

Manage Relationships - Analyze tab · Calculations group · Relationships ·

Commands on Right New: Select Table, Related Table

Column + Column

Digitized by srujanika@gmail.com

Get data from external source, such as access Database, Analyze in

• pivot Table: Reuse data, Take advantage of field relationships

## Relationships In Access · Database Tools Tab · Relationships

S. Switzer

From Database - From microsoft Access Database. Locate file. Navigator interface will open. Choose which tables to import.  select multiple items. Select tables. Load to Finish importing. Side Panel will appear "Queries + Connections". In "Connections" shows imported to data model.

Turn into Pivot Table - Insert tab: Pivot Table.  use this workbook's data model. Choose Location: On

Visualize Relationships - Analyze tab: Relationships. See 2 Tables (Relationship)

Using Calculations - Insert calculated Fields that use already inserted data. Handy, if the calculations are not in the source Data Table. Can be manipulated like a field. Use data from multiple existing fields.

ex: Bonus for order over 20k

Insert calculated Field - Select Pivot table. Analyze. Fields, Items, Sets, Calculated Field. Menu: Name + Formula Bars:  $=IF([List] > 20k, [Field] * 0.1, 0)$  OK. Edit. Analyze. Fields, Items, sets. Find From list.  select Dropdown from name Bar. Select Field  Modify. OK

Comparing Values - Change summary calculation or apply a comparison. Percentage, Rank or difference. Edit Value Field - Open Pivot Table Panel.  dropdown value field. Value Field Settings. Change calculation  Average. Number Format - set numerical type for the calculation  Currency.

Add Comparison - "Show value As" Tab. Default is No calculation. dropdown for more Options: % of Grand Total, % of etc. On. Values in the Pivot table will All be % of Grand total

Change calculation - Right click. Summarize values by. And Show values as. Custom Comparison - Select Value. Right click. Value Field settings. "Show value as" Tab. Dropdown menu. % of. Select Base Field. Choose Base Item

Inserting A Pivot Chart - Create or Make From Pivot Table. Pivot chart controls

From Scratch - Select Range. Insert Tab. Pivot Chart. Configure Selection. Location: On. Pivot Table will also be inserted.

From existing Table - Select Table · Analyze Tab · Pivot Chart · Select style · Ok  
+, - Icons to expand or contract Fields · Switch · Row/colspan from Data

Modifying - Edit Pivot chart · Chart type · Style · Layout · Adding elements

Pivot Charts Change chart Type - Right click chart · Change chart type · Chart Menu OR  
Design Menu · Change chart type

Apply chart style - Design tab · Expand style menu · Select style

Change Colour - Design tab · Change colour · Apply Colour Scheme

Change Layout - Design tab · Click layout to change displayed elements

OR Select green + icon next to chart OR In design tab add  
Chart element

Change Formatting - Format Tab · Select element · Shape styles, effects · Text

Configuring - Pivot table options - Change how null and errors are displayed, customize  
Your Pivot Table Data controls · Ensure Refresh upon opening workbook

Configure Display options - Design Tab · Grand Totals · Show/Hide Rows/Columns · OR Analyze · Pivot Table menu · Totals & Filters ·  Show Grand totals for Rows/columns

Layout & Format Tab - Set custom text or Images for Error Values ·   
· Insert Text or Symbol ·  Empty cells show Text or Symbol

Printing Options - Analyze · Pivot Table · Manual Printing · ; Print expand/collapse Buttons, Report Row Labels, set Print Titles

Customize Pivot Table Controls - Basis Analyze · Pivot Table · Display ·  show expand/collapse Buttons · Field captions & Filter dropdowns

Deactivate Show detail tool - Analyze · Pivot Table Data Tab ·  Enable Show detail  
Double clicking Row Item won't open show detail

Refresh Data When opening File - Analyze · Pivot Table · Data ·  Refresh data..

- Fin -

## 2 Bookkeeping (Intuit Academy)

### Bookkeeping Basics

#### Get Started

##### What is Bookkeeping

- Tracking and Recording financial Transactions of a business
- ex Reconciling Bank accounts and working with tax preparers
- Working with sensitive information - uphold ethical standards
- Show - Honesty, objectivity, confidentiality, Professionalism

#### Glossary, PDF

What will I do - Accounts Payable - Money a business owes to others for goods + Services as a Bookkeeper? Accounts Receivable - Money that is owed to a business for providing goods +

Responsibilities - Record Financial Transactions: Systematically documenting financial Events

Reconcile Bank accounts - Comparing and Matching transactions in accounting Records with those of a Bank statement: Accuracy + Discrepancies

Manage Accounts Receivable with Accounts Payable - Track money owed and money that is owed to you

Work with tax preparers and assist with tax compliance - Collaborating with professionals; CPAs + Tax advisors, Ensure accurate Tax reporting and adherence to tax regulation

Generate Financial Statements - Preparing core financial Documents that summarize financial Activities, Performance, position,

##### Ethical

Responsibilities - Components of ethics - Honesty - Report financial data in an accurate and timely manner

- Own any mistakes and do everything you can do to fix them

- Be open and transparent with your client about the state of Business

Objectivity - Never - Take a job that might pose a conflict of interest

- Never allow another Party to influence your Findings

- Never let personal Bias get in the way of your duties

Professionalism - Being considerate of Business owner's needs

- Avoid Personal or Professional Activities that shame business

- Maintain Proper credentials and keep up skills

Confidentiality - Never discuss anything with a client outside of a job

- Never using client information for personal gain

The Accounting Cycle

## Accounting Basics

Overview - Accounting equation, Assets, Liabilities, equity, Revenue, Expenses, Assumptions and Principles

Accounting Equation -  $Assets = Liabilities + Equity$ , Balance Sheet - Snapshot of financial position

Equation will help you Explain why events happen, the way they do in the accounting process. Communicate Reasons Behind decisions or discrepancies

• Spot Errors or inconsistencies

Parts of the Equation

Assets - Value of Resources a Business owns - Cash, Accounts Receivable, Inventory, investments, equipment, IPs

Liabilities - Obligations the business owes to others, Loans, mortgage, payroll, sales tax, credit cards, etc.

Equity - Owner's stake in a Business, One or more owner investments and accumulated Profits or Losses over time. Net worth

The Balance Sheet - See how the business's assets are financed, Displays Assets, Liabilities and equity. Shows relationship between what the business owns, owes and how much the owners have invested

Assess - Liquidity, Solvency and stability

Categorizing Transactions Revenue - income clients earn through their business operations. Gross Proceeds from sales

Expenses - Cost of doing Business - Labour, salaries, Benefits, utilities, Rent, Insurance, Taxes, Advertising

Income statement - Revenue and expenses come together. Summarizes

Financial Performance. Revenue minus expenses. Determine client's net income for specified time periods

✖ Negative values are shown in parenthesis ex (\$6,000)

Debits + Credits - Debits - Increase in assets or expenses OR decrease in liabilities, owner's equity or revenue

Credits - decrease in assets, expenses, OR increase in liabilities, owner's equity or revenue

accounting principles

→ Maintains integrity, provide standardized framework guides recording. Make informed decisions. Build trust. Maintain transparency

First 8 Accounting Principles

Economic Entity assumption - The business is its own separate entity, distinct from its owners. Keep financial activities separate from personal finances

Reliability Assumption - Information you record in client's documents is verifiable and backed by documentation. Must have Invoice, receipt or Bank statement to be recorded

Full disclosure principle - Information lenders or investors might need to make informed decisions should be disclosed in statements or notes

Conservation Assumption - When you are unsure how to record an item, Err on the side of Caution. Choose Options that show less income or Benefit. Potential losses recorded but not gains

Materiality Principle - If an accounting standard has such small impact it can be ignored. ex Rounding to whole dollar. Use caution

Consistency Principle - Once a business adopts a specific method for recording, it commits to entering all similar items in the same way

Monetary Unit assumption - You use one currency throughout all accounting activities. ex Don't worry about inflation or changes in currency values. ex Piece of land purchased, don't adjust to current market price, only Purchase Price

Going Concern Assumption - The business is stable enough to operate

and meet its obligations for the foreseeable future. Acts with the intention of continuing to run the business. If no longer a going concern essential to report issues such as, Ongoing losses, credit denials, lawsuits

Bookkeeping - Principles And Assumptions, PDF

## The Accounting Cycle

1. Collect + Analyze Transactions
2. Record + Post transactions
3. Prepare unadjusted Trial Balance
4. Prepare adjusting entries
5. Prepare adjusted Trial Balance
6. Prepare Financial statements

What is the Accounting Cycle - Journey from beginning of a transaction to its inclusion in Financial statements

1. Collect + Analyze Transactions - Gather supporting documents, Get List of Accounts called Chart of Accounts

Audit Checklist - What are the different types of income generated, What are the regular expenses, How many credit cards, chequing accounts, Loans  
Look for reserve or savings accounts

2. Record and Post Transactions - POS system, online, Banking + Accounting software  
Some need to be manually entered. Ensure transactions are correctly categorized and Assigned to Correct Accounts. Post summary entries to the General Ledger. Then Reconcile All Transactions against source documents, e.g. Bank statements

General Ledger - Record of each financial transaction during the life of an operating Business, Contains All accounts needed for financial statements

3. Prepare unadjusted Trial Balance - Verify that credits and debits are balanced  
e.g. It's an initial Draft. Check for Errors or omissions

Unadjusted Trial Balance - A Form that Lists the titles and Balances of all Ledger Accounts Before adjusting Entries

4. Prepare adjusting entries - Provided by CPA, accounts for depreciation of larger equipment. Spreads cost out over span of equipment's life

Adjusting Entries - Creating new entries to Record Depreciation and Accrual Adjustments

5. Prepare adjusted Trial Balance: Final Review for Accuracy. Provides a Summary of the ending Balances *Voice - CPA steps in to make adjustment*

6. Prepare Financial statements:

Income Statement - Shows Revenues and expenses (Profit and loss statement)

Balance Sheet - Snapshot of Assets, Liabilities, and Equity

Statement of Equity - Tracking Changes in Business equity, from open to close Balance

Statement of Cash Flow - Information about sources and uses of cash

Financial Statements - Set of reports that show how a business is performing financially and all related activities

Bookkeeping - Accounting Cycle - Checklist, PDF

How Often do I Go through Accounting Cycle - The accounting cycle is a regular process. The business decides when and how often. Monthly, Quarterly or Annual Basis. Quarterly - Estimated Tax payments

Questions To Ask - What time periods do you normally look at, What information do you need to obtain on a regular basis? Month to month or quarter to quarter? Always year over year comparisons

Define The Period - Businesses don't always use same time periods. It's important to clearly show the date or time period.

Foundational Principles -

Periodicity Assumption - A business can report its financial results within specific time periods. Report results and cash flows, M/Q/Y

Revenue Recognition Principle - Recognizes revenues when goods or services are provided, regardless of when payment is received. Accrual accounting. But if money arrives early it counts as money owed.

Matching Principle - Revenues and associated expenses should be recognized in the same reporting period. Links expenses to revenue

Accounting Software

- Advantages + Basic calculations and sums. Software takes care of them. saves time and ensures accuracy. Creditors + Debiting - Handles based on accounts types. Ensures Balance. Simultaneous updating of accounts - Whenever you enter a transaction software updates all relevant accounts at once

Limitations - Data Entry Accuracy: Software won't stop you from accidentally miscategorizing transactions or typing in wrong amounts. No ability to reason can't replace expertise and knowledge.

## Step 1 - Collect and Analyze Transactions

Transaction - Used to list the details of an individual Event. Listings in transactional Journal makes it easier to see.

Types of Events that get recorded - Sales transactions, Cash receipts, Credit Purchases, Cash disbursements, Other; es; depreciation, interest, income, interest expense.

What to include? Date, Transaction Type; Cheque, expense, sales, Bill payment, invoice. Name - Customer or Vendor, or Email. Memo OR description - Brief explanation Account - The accounts impacted

Chart - Chart of Accounts - Lists all chart accounts and sub accounts. Can customize Account Types, numbers assigned to account in chart of accounts.

General Ledger Tip - Use the first digit of account to indicate type of account. ex: 101 represents Assets, 201 represents Liabilities.

General Ledger Overview - Record of all financial transactions, organized by account. Groups transactions by account type, shows Balances. Used to prepare financial statements and other reports. Shows example.

Tip - The "Split" column shows other accounts impacted.

## Step 2 - Record and Post Transactions

Double Entry Bookkeeping - Double entry Bookkeeping - A method of recording financial transactions that ensures Accuracy and Balance. Follows the principle that every transaction has two aspects: Debit and Credit.

Balancing - Keep track of increases with and decreases with debit + Credit columns. Every transaction has at least one debit and credit entry.

Reporting - Report using a T-Chart or T-Account. Left side - Debits, Represents an increase in Assets or Expenses. Right side - Credits, increase in Liabilities, equity or Revenue.

Debits - Increase in Assets or Expenses, or decrease in Liabilities, equity or Revenue

Credits - Decrease in Assets or expenses, OR an increase in Liabilities, equity or Revenue

Dea/LER -

DEA - Dividends, Expenses, Assets: When you debit you increase its value. ex: Office Supplies, equipment, inventory, then Debit Left side of equation

LER - Liabilities, Equity, Revenue: When credit represents

Increase ex: Loans, Accounts Payable, Owner investments, Retained earnings, Sales of services you credit, Right side

Reconciling Transactions -

Verify that all transactions have been recorded precisely. Compare Balance of a ledger account to the Balance of a supporting document ex: Bank statement

Step 1 - Gather documentation - Receipts, Invoices, Bank statements. These will be reference for comparing and validating the recorded transactions

Step 2 - Compare entries - Compare entries in the ledger/Journal with the corresponding documentation. Ensure: Transactions, amounts and dates

Step 3 - Check for Accuracy - Verify Accuracy of the recorded transactions. Look for discrepancies, such as errors or missing entries

Step 4 - Identify discrepancies - Identify the reasons for errors or omissions ex: Data entry errors, missing documents, incorrect categorizing

Step 5 - Make adjustments - Make adjustments to rectify discrepancies. or Correcting errors, adding missing entries, reallocating transactions

Step 6 - Reconcile and document - Once all adjustments are made ensure Ledger/Journal entries match the documentation and any changes provide a clear audit trail and reference for future analysis

## T-Accounts

- T-accounts - Visual representation used to visualize the flow of debits and credits. Two sides - Left side represents debits; Right side represents credits. Total Debits and total credits for a transaction have to be balanced.

## Cash-Basis Accounting

- Cash Basis accounting method is where Revenues and expenses are recognized Based on Actual Receipt of Payment, Rather than completion of work. Transactions are recorded as they occur. Does not have accounts payable or accounts receivable. Everything is recorded when it happens. Cannot be used if you have credit or have inventory. Favourite of small Businesses, doesn't give a full picture. Because you are not tracking future transactions.

## Accrual Accounting Method

- Accrual accounting - is a way of recording revenue and expenses when they happen, not when cash is received or paid. Is more accurate because it represents the true financial position. Ensures the business' income statements reflect the full amount of revenue.

- Required By GAAP - (Generally accepted Accounting Principles) -  
Businesses that use Accrual Accounting are more likely to be compliant with accounting regulations.

## Modified Cash-Basis Accounting

- Modified cash-Basis accounting - A hybrid approach that combines elements of Both cash Basis and accrual accounting. Use Accrual Basis for specific transactions. Using cash Basis for others. May Track revenues owed via accounts receivable, But recognize expenses when paid. A cafe recording catering an event as receivable when the work is completed. Also, if they purchased supplies on credit. Official Reports would not reflect the accounts payable and receivable, they are only for tracking purposes. Not applicable if they have pre-paid expense accounts, Accrual would be better.

## Steps 3-5 - Prepare unadjusted Trial Balance, Adjustments, and adjusted Balance

### Step 3 - Preparing unadjusted Trial Balance

- Unadjusted Trial Balance - Provides a list of account Balances from the general ledger at a specific date, Before any adjustments.

Contains Account Name (often account number), Account's natural Balance, (whether it is debit or credit)

Step 4-5  
Adjustment  
Process and  
Adjusted Trial Bal.

- At the end of each accounting period you will prepare adjusting entries to ensure the financial statements reflect activities accurately. Once you've recorded the adjusting entries you'll prepare the Adjusted Trial Balance - Which shows the updated and final Balances of all accounts.

Preparing adjusting entries - Analyze the unadjusted trial balance and perform updates by recording adjusting entries; Deferals, Accruals, and Tax adjustments.

Video - Adjusting entries are made on the last day of an accounting period. Include Transactions that are not yet recorded. <sup>ex</sup> Transactions involving future Expenses, Transactions that Belong in a different time period, Tax adjustments

Adjusting entry Process - Analyzing the current Account Balance, Determining the Desired Balance, Recording adjusting entry. CPA or Accountant will prepare adjustments, Bookkeepers make adjustments.

Types of adjustments - When using Accrual Accounting adjusting entries help you apply the Matching Principle.

Record Revenues - Record Revenues when they are earned.

Record Expenses - When they are incurred

Deferals - Remove transactions that belong in a different time period.

<sup>ex</sup> A Business Buys a lawnmower. But hasn't used it yet; none of its value should be attributable to the revenue earned in the period.

Client Pays in advance - Revenue should be adjusted to match completion of the job, <sup>ex</sup> pre-pay for insurance costs.

Accrual - Oppost of Deferals. Include transactions involving future payments or expenses <sup>ex</sup> Finishes Job, sends Bill to customer. But payment hasn't been received yet. Record Revenue and Expenses in the period they occur. <sup>ex</sup> Adjusting for wages that haven't been paid

Entries can be made for missing or improperly recorded transactions. <sup>ex</sup> Bank fees  
Tax adjustments - Typically happen once per year <sup>ex</sup> Files a return and receives a tax credit. <sup>ex</sup> Depreciation - Spreads out cost of asset over its expected life <sup>ex</sup> \$50h truck, initially recorded as asset, expense is spread out over multiple accounting periods to reflect the item's useful life and to match expense with revenue the item is used to produce <sup>ex</sup> ~~the truck is used to make a profit~~

Step 5-Prepare To ensure accurate financial records, record adjusting entries in Batch journal  
Adjusted Trial and ledger and balance sheet and income statement

Adjusted Trial and ledger. The closing works of last year will be closed, and the

Start from the unadjusted Trial Balance - Make sure each account has a

Start from the unadjusted Trial Balance - Make sure each account has a current balance

Make the adjustments, marking all clearly - Add the adjusting entries. All should be clearly marked to indicate the affected accounts and the amount.

Prepare the adjusted Balance. After adjustments have been made, this balance reflects the final balance of the account.

reflects the final balance at the end of the accounting period.

## Step 6 - Prepare Financial Statements

Get Started - Four main Financial statements to prepare - Income statement, At A Glance, Profit and Loss, Balance sheet, Statement of equity, Statement of cash flows.

Closing the Books - At the point where you decide no more changes can be made to the accounts you will close the Books for the accounting period. Review all previous steps and address any outstanding issues. Any additional changes need to be done in the current period.

Income Statement - Profit & loss, shows Revenues and expenses

Shows profitability by detailing revenues (Money in) and expenses (money out)

Shows snapshot of financial performance in a time period

Includes: Total Revenue - All income generated from sales

Costs of goods sold - Expenses associated with producing Revenue

Hilow

Gross Profit - Total profit minus costs of goods sold

Other Expenses - <sup>ex</sup> Rent, Salaries, Advertising costs

Net Profit • Revenue - Total expenses - Taxes = Net income

Balance Sheet - Shows assets, liabilities, and equity at a specific point in time. Assets on the left, Liabilities and equity on the right. Begins with most liquid assets, Cash, Bank accounts, followed by accounts receivable, Next is long term assets, <sup>ex</sup> Vehicles, Unrealized Gains. Second part (Liabilities) - What is owed to external parties, Accounts payable or unpaid bills, credit card balances, lines of credit, Long term liabilities, <sup>ex</sup> Longer Loans. Equity - Reflects what owners would have left if they sold all assets and paid all debts.

Statement of Equity - The money shareholders have invested in the company. The statement is the equity portion of the Balance sheet pulled into its own statement.

Owner's equity - Beginning equity, Changes +/-, Ending equity

Changes - Earned profits that have been Retained

Beginning Capital + Owner contributions/Net income = Total capital/income

- Losses/capital withdrawal = Equity Increase/decrease

Accumulated Retained earnings - Portion of income that is not distributed to shareholders/Dividends at end of year

Statement of Cash flows - Balance sheet + Income statement = statement of cash flows

Shows where and from cash flows into and out of a business

Shows source of cash <sup>ex</sup> Sales, Financing

Not included in Balance sheet - Changes in Assets, equity and Liabilities

Summary Activity: Bookkeeping Basics - Quiz / Exam

## Tracking Assets and Sales

**Review of The Accounting Equation**

1. Find and/or List assets in the business
2. Accurately record any transaction that impacts assets
3. Find Assets on financial statements
4. Check all financial records for accuracy

**Asset Related Transactions** - Assets have a normal Debit Balance, meaning the balance is expected on the debit side of the equation

To increase an asset you Debit. To decrease an asset you Credit  
**Property, Plant & Equipment** - Long term assets that are expected to generate economic benefits for many years. Investment in PP&E is called a Capital investment.

**Sales Transactions** - Generate primary operating Revenue. ex. Selling goods for cash or cash equivalents, Rent received from tenants, providing professional services to customers

**Inventory** - Goods a Business holds in stock for sale to customers

**Depreciation** - Spreads the cost of an item over its lifetime instead of deducting the full up-front. Calculated Based on asset's Lifespan

**Why Bookkeepers Track Assets** - Provide accurate and timely information about financial performance, resources and obligation. Critical for making informed decisions, pricing, marketing and operations

## What are Assets?

**Get Started** - **Asset** - anything that a business owns or provides as a service that has the potential to be turned into cash. Current & Fixed

**Current VS Long Term Assets** - **Current Assets** - or Short term assets, include cash and items that can be converted into cash quickly (under 1 Year). Help meet financial obligations.

### Examples:

Cash and Cash Equivalents - <sup>ex</sup> Accessible money, Funds in Bank, short term, high quality investments that can be easily accessed under 90 days

Accounts Receivable - Amount of money clients owe <sup>to</sup> in exchange

Inventory - Raw material used in the production of finished goods, and purchased merchandise held for sale

Prepaid Expenses - Payments paid in advance <sup>ex</sup> paying 6 months of insurance premiums. Considered an asset because the cost has already been incurred.

Investments - <sup>ex</sup> Money Market Accounts, stocks, Bonds. Some may be Noncurrent but most are current. Are Marketable Securities

Notes Receivable - Amounts owed <sup>to</sup> that will be paid within 12 months

Fixed Assets - or Long Term investments, Assets that are Acquired to Benefit the business Long Term. Extends past one year. Acquired for productive use in its operation and not intended for sale.

Property, Plant & Equipment <sup>ex</sup> Vehicles and equipment used to produce Revenue. Decrease in value over time. Depreciation expense is <sup>Posted</sup> recorded to record the decline in value of fixed assets. Note: Land is posted to this category but does not depreciate.

Intangible Assets - No physical Manifestation <sup>ex</sup> Copyrights, Patents, Intellectual Properties. Some hold future Value. <sup>ex</sup> Domain name, patents, Trade marks. <sup>ex</sup> Goodwill, Purchase business for \$10k but value of assets is only \$7k, \$3k reflects reputation, prestige and name recognition of the business

Tracking Assets - The process you should follow to track assets

Chart of Accounts, When a client acquires a new asset follow these steps

1. Identify the asset type 2. Check if there's an existing account for the asset type in the Chart of Accounts 3. If needed, Add the account 4. Record the asset - use the account to record the asset in the journal

Purchasing - Lease - Agreement to pay rent for a specific period of time for

VS Leasing the right to use an asset

Asset Lessor - The party who owns the asset and is Renting it out

Lessee - The party paying Rent to use the asset

Types of Leases -

Operating Lease - There is no intention for ownership of the asset to transfer hands at the end of the lease

Capital (Financing) Lease - Intends to take ownership of the asset from the Lessor at end of lease

Difference - Operating Leases are expenses, Not an asset

Capital/Financing Leases are added as Assets

Natural Account - Natural (Normal) account Balance - The expectation that a particular Balance type of account will have either a debit or Credit Balance

Based on its classification within the chart of accounts

Assets = Debit Balance, Liabilities + Equity = Credit Balance

Debit = increase in asset, Credit = decrease in asset

Ex - Recording Sales Transactions

Get Started - When something is sold <sup>payment</sup> it can be made immediately (Cash sales) or at a later date (credit sales or invoicing)

Handwritten: Credit sales, cash sales, journal entries, ledger entries

Cash Sales - Cash sales - Transactions where the customer pays for goods or services immediately with Cash, Cheque, debit or Credit card

Manual Recording - Cash sales are recorded by creating a journal entry or using Accounting Software

Automatically - Cash sales are recorded by processing the transaction through a POS system (Point of Sale)

Statements Affected By Cash sales - Income Statement, Balance Sheet, Cash Flow statement

Manually Entering Sales Receipts - Keep a copy of sales receipts for accounting purposes and for maintaining an Audit trail for tax purposes.

Business Info - Business Name, Address, and Contact info

The Purchase - Items and quantity purchased

Taxes - Sales tax in dollars

Total - The total amount the customer owes

Payment Method - Credit card number represents a cash sale

When to manually enter sales receipts - Daily, weekly, monthly, quarterly

No defined standard, more about volume. In some cases Immediately

Daily - May total daily sales at End of day (EOD)

Weekly, Monthly, Quarterly - Business operate on different schedules. Adapt practices to unique requirements.

POS Systems -

Hardware plus Software - A POS system is a combination of hardware and software

Typical Components - Computer or Tablet, Cash register or Card reader and Software that allows to manage inventory, track sales and process payments

Automatically record sales transactions ex. Date, Time, Items sold, Payment Method

Verify By checking POS Reports Against: Sales, Sales Tax, Returns, etc.

Invoice Transactions

Invoicing (credit Sales) - Allows customers to defer payments

Flexible Payment - Unlike cash credit sales are flexible involving Payment

Credit Terms - Many credit sales include credit terms which

Outline when payment is Due, discounts, interest fees/Late fees

Invoices - When delivers product on credit they prepare an invoice that says how much the customer owes.

An Invoice is an itemized Bill, Usually carry terms to record credit sales. ex A due date (Payable in 30 days)

Elements of an Invoice

Business information - Name, address, website, Phone number

Customer information - Name, address, email, Phone number, etc

Invoice Number - A unique invoice Number

Purchase information - List of items, Quantities, unit/Total Price

Taxes, Discounts - a \$50 discount and 12% tax rate applied

Balance Due - Total Amount customer owes after discount and Tax

Terms - Terms and instructions related to Payment and Warranty

Accounts Receivable - Money that a Business is Waiting to Receive

The Outstanding Amount becomes part of Accounts Receivable

The Business expects to get paid before the due date on the Invoice

Most Businesses use modified cash accounting, meaning they don't count the money on the Books until they Receive the money.

Instead they run an Accounts Receivable Report to see who owes what.

Note: Accounts Receivable is an asset and can be used as collateral

Debit/Credit - When an invoice is Recorded: Debit Accounts Receivable

Credit Sales/Income account

When an invoice is paid - Credit accounts Receivable, Debit the Bank account

If Business sends Invoice Mar 15, payable within 30 days, and it is paid April 10 - Debit In March - Debit Receivable and credit sales in march, In April - Credit Receivable and Debit Bank account

Impact of Sales Transactions - Video explaining Accounting equation again, Practice, Video on correcting errors, Debit/credit the difference

## Recording other Notes and Uncollectable Accounts

Get Started - Notes, Loans and Bad Debt - Standardized methods -

Promissory Notes, Interest calculations, Notes Receivable and payable, Doubtful accounts, Uncollectable Accounts, Bad Debt write offs.

Promissory Notes - Promissory Note - A legal document that shows a promise to repay a specific amount of money by a certain date. Personal Loans, Business Loans, real estate deals

Indicates a debt owed to or owed by

Reasons for a Promissory Note -

Inter-company Loans - When one business (in a group of related companies) loans money to another business (in the same group of companies)

Converting Overdue Payments - When a customer or vendor is overdue on a payment and agrees to a payment plan with interest.

What is included on a promissory note?

Name and address of Borrower and lender, Maturity Date, Sum Borrowed, Payment Schedule, Interest Rate and how it is calculated, Prepayments process, Overdue payment interest charged, Default, Waivers, Amendments and governing Law

Accounts - Notes Payable and Notes Receivable

Notes Receivable - Money owed to a business, an Asset

Notes Payable - Money a business owes, a Liability

Uncollectable Accounts - When you tend to extend credit to customers there is the chance they may not pay the money owed, This loss is called Bad Debt

$$\text{Principle} \times \text{Interest Rate} \times \text{Time} = \text{Interest}$$

When a customer buys on credit the business assumes the customer will pay back the credit amount. Some customers may be unwilling or unable to pay it back. <sup>ex</sup> Invoices or Loans may go unpaid.

Because of this we have Accounts uncollectable and a process for recognizing money that will not be paid back.

The collection process -

1. Accounts Receivable - Customer pays for something on credit, Amount posted under Accounts Receivable
2. Accounts Receivable Aging Report - Bookkeeper runs Accounts Receivable aging Reports every 30 days
3. Doubtful Account - If more time passes with no payment the money moves to a doubtful account
4. Accounts Uncollectable - Then the money moves to Accounts Uncollectable

Accounts Receivable Aging Report - Check unpaid invoices by running a report at regular intervals. A report which invoices or credit are still outstanding. Categorizes Accounts receivable according to length of time an invoice has been outstanding.

Doubtful Account - A dollar amount to cover unpaid debt

Accounts Uncollectable - When it is determined the customer will not repay the debt the money moves to Accounts Uncollectable, Can be recorded as Bad Debt Expenses on income statement

Note! Many small Businesses don't use Doubtful or uncollectable accounts, leave money in receivable and run aging reports

Video Solutions to Bad Debt - Write off, Write down, Credit Memo if sales tax is involved, create credit memo, avoid remitting tax to government. Don't void invoices from previous periods.

Writing off - Direct Write off - Adding the debt as an expense, most

straightforward, used by small Businesses

Pros - Simple, Only takes one journal entry

Follow

Writing off -

Bad  
Debt

30. ~~Cost of Goods Sold~~ - ~~Cost of Goods Sold~~ - ~~Cost of Goods Sold~~

Cons - Does not follow matching principle, could make a Business seem more profitable than it is

Allowance - A guess as to Bad debts, Rarely used by small Businesses, Adheres to matching principle, More accurate

Note: Bad debt can only Be written off if it was included in Previously Reported revenues

## Tracking Merchandise Inventory

Merchandise - <sup>video</sup> Inventory - Refers to the physical goods a Business holds for sale or uses for the production process. <sup>ex</sup> Raw materials, work in-progress, finished goods and merchandise

Raw materials - Materials a Business uses to create its products. For example, Clothing <sup>ex</sup> Fabrics, Buttons, zippers

Work-in-progress - AKA Goods-in-progress - Represents raw materials in the process of Being transformed into finished products

Finished Goods - Completed products ready for sale

Merchandise - Finished goods purchased from a supplier for resale

Costs of Goods Sold - Costs of Goods Sold - Total expense incurred in manufacturing the goods a Business sells. <sup>ex</sup> Raw materials, Parts, Labour costs, supplies, overhead costs, Shipping

COGS, refers to direct expenses incurred Associated with producing the goods a Business sells during a specific time

Not included - Rent, Marketing, Advertising, Utilities

Inventory Valuation - Inventory Valuation - Process of assigning cost to inventory items listed on the Balance sheet. Involves adjusting for errors like miscounting or inventory Loss

Choosing an inventory valuation method - choose a method and apply it consistently to ensure accuracy and consistency in reporting

First-in, First Out (FIFO) First things purchased are the first things sold.

<sup>ex</sup> If prices are going up using FIFO makes the inventory seem more valuable than it is and the costs of goods lower.

You buy shipment of apples for \$10 each, the remaining apples from the last shipment were \$0.90 each. A customer buys 5 apples. With FIFO you record the costs of goods based on the older prices. You would use the \$0.90 to calculate price.

Last-in, First-out Assumes the most recently bought things are the first ones sold. If prices are going up using

LIFO makes inventory seem less valuable and costs higher

<sup>ex</sup> Buy hammers at \$10/ea, but you still have hammers left from last purchase valued at \$9/ea. You record costs of goods based on the most recent prices.

Average cost method (AVCO) - Calculate the average cost

By adding up the prices of all bought and dividing it by the total number of items used by small businesses for simplicity

<sup>ex</sup> 50 televisions ranging from \$800-\$900 each. At the end of the month you calculate the average cost per TV by dividing the total cost of all televisions by the total number of units.

<sup>ex</sup> Total cost \$40,000, 50 TVs, Average cost \$800

Used to find both cost of TVs sold and value of remaining

Perishable goods likely use FIFO. If business decides to change valuation method, not a quick change, Required to file forms

Inventory Balance - Tracking methods: Perpetual and Periodic Systems

Perpetual Inventory System - Inventory Account is

continuously updated as products are bought and sold

Immediate insights, Efficient inventory Management. Each sale is recorded by Debiting the asset and crediting cost of goods sold

Periodic inventory system - Inventory account is updated at specific intervals, ex. End of accounting Period

COGS determined by - Initial Inventory + Purchases made - remaining inventory. I

Pros: Simpler to set up, suitable for smaller businesses

Cons: Lacks Real-Time visibility

Crucial: Consistent tracking and periodic physical inventory

cost of addition  
Inventory

Counting inventory - Important to count inventory at least once a year. Recorded and compared to inventory records. If there are any differences the inventory value is adjusted

Inventory Errors - Something got miscalculated, The vendor doesn't send the correct amount of inventory, Owner counted wrong, Owner had wrong value

Why inventory Accuracy is Important:

Impact on Balance sheet and income statement - It's important to make sure the inventory shows the correct value of goods owned

Adjustments for inventory Errors - Mistakes can happen for different reasons. ex. Wrong calculations, errors in shipments from vendors, or mistakes counting

Timely Identification of Errors - Regular inventory counts and reviewing financial documents help quickly catch differences

Compliance and Reporting - Accurate Records are important for regulatory requirements and providing reliable information to stakeholders

Impact on Balance sheet and income statement - If a

Business overestimates the value of its inventory it will make the assets on the Balance sheet seem higher than

they really are. Affects calculation for net income on the income statement. Because Higher inventory amounts can lead to lower costs of goods sold and higher profits.

Important for showing True financial position

Adjusting for Inventory Errors - Adjust through Journal entries to ensure correct inventory value

Timely identification of Errors - If physical count of inventory is very different it indicates a potential mistake.

Fix Before they affect the accuracy of financial statements

Compliance and reporting - Tax Authorities may need accurate inventory values for tax reporting

Fixing inventory Errors - Can collaborate with accountant

Accuracy of Financial Records - Mistakes in inventory can affect accuracy of financial records and give the wrong impression of financial position.

Must correct errors to accurately reflect the inventory asset and cost of goods sold. Fix by making Journal Entries and adjusting Inventory Assets and COGS accounts

Consistency and Transparency - When correcting Errors.

Bookkeepers achieve this by including a note in the updated financials that explain any adjustments. Helps people reviewing understand why what was done and why.

Compliance and Audit Trail - Adjusting inventory records correctly to adhere to accounting standards and regulations

Adding a disclosure creates an audit trail that helps external auditors understand and validate adjustments

Impact of Inventory - Impact of purchasing and selling inventory on the Accounting equation.

If Ending Inventory is overstated - effects on statement

1. Assets are overstated, if recorded at higher value it inflates the overall asset value, overreporting assets
2. Equity is overstated: Overstating Assets affects equity directly. Equity is affected by net income and COGS affects net income. A lower COGS is an overstatement of equity
3. Liabilities remain unaffected: Could indirectly affect equity if overstatement leads to wrong expense or Payable

If Ending Inventory is understated -

1. Assets are understated - When recorded value is lower than actual worth, leads to understatement of assets
2. Equity is understated: Directly affect equity. With lower asset values equity is also decreased
3. Liabilities Remain unaffected - Inventory errors do not generally impact liabilities or payable accounts, Could result in incorrect calculations of expenses

## Reporting Depreciation

Property  
Plant and  
Equipment

- PP&E are long term assets ex Buildings and machinery. The method of depreciation calculation for long term assets impacts how depreciation is reflected

Purchase of PP&E signal that management have faith in the long term outlook and profitability

May be separate accounts for Buildings, machines, vehicles

On Balance Sheet there is a separate line for PP&E, chart of accounts has accounts for each type

Service Life -  
Depreciation

Distributing expense across life of an asset

Life of an Asset - How long something can be used

Depreciation - Recording the decrease in value over time

35

Accumulated Depreciation - Total Amount of depreciation over time

Recorded as a Contra Asset Account, reduces overall value of Assets on a Balance sheet. Offsets original Value

Book Value - Historical cost minus depreciation

Depreciation Schedule - A table that shows how much asset will Decrease

Includes, year, Depreciation expense, Accumulated depreciation and Book Value

Depreciation Expense - The amount an asset has been <sup>ex</sup> depreciated for a specific Period. <sup>ex</sup> Per year

Note: Spreads expense of high value items over time. Helps to spread Tax obligations over time

Depreciation Methods

Straight Line Depreciation - The same amount of depreciation expense is recorded each accounting period. Most is counted this way

Accelerated Depreciation - Asset is depreciated at a higher Rate at the Beginning of its Life. <sup>ex</sup> Double-

Declining method - 5 year Lifespan  $(2/5) \times \text{Principal}$

Units of Production - Considers how much of the Asset is used each year. Calculated By dividing total units produced or Actual usage by Estimated

Service Life <sup>ex 25000hr</sup> <sub>150000hr</sub> <sup>ex</sup> Actual Life

Reporting - Lifecycle of an Asset

Depreciation Acquisition - When an asset is acquired accurately track and record its value over time

Asset account and accumulated depreciation Account -

When an asset is acquired create an asset account to represent initial Value. Also create sub-Account for Accumulated Depreciation

Notes

Calculating Accumulated Depreciation - Increases each year, offsetting Value of Asset <sup>ex) \$50k Truck</sup>. Depreciates \$10k each year. Accumulated for 1 year is \$10k, year 2 is \$20k.

Contra Asset Account - Accumulated Depreciation is a type of contra-Asset. Set up to offset the Balance of another account on Balance sheet. Credit Balance.

Sub-Account in the Chart of Accounts - Accumulated depreciation is set up as a sub-account. Nested under main Account.

Disposition - When an asset reaches the end of its service life it is either sold, removed or disposed of.

Zeroing the Accounts - At the end of its service life the net effect on the Balance should be zero. Asset and accumulated depreciation accounts should equal.

Disposal of Asset with no Book value - There may be a gain or loss on Asset disposal. First Record a journal entry to zero-out accounts. Second, entry to Other income to record any gain OR Expense account if Loss. Gain - Debit Cash, Credit Other income, Loss - Debit expense, Credit Cash.

Disposal of Asset with Remaining Book Value - A long term asset may be disposed with remaining Book value. May be to disposal Before Being depreciated or may have salvage value.

Salvage Value - Remaining Book value of an asset that has been fully depreciated or at the end of its Service Life. <sup>ex) Vehicle has salvage of \$2k</sup> means a Business can likely sell it for that amount at end of service Life. OR sometimes an asset is sold for less than its Book value. Realizes a loss, Must Expense.

37 ex Vehicle with Book value of \$2k. Sells for \$5k. Credit Cash \$5k, Debit  
credit Accumulated Depreciation \$2k, Credit Other Income \$3k  
Journal Entry with Gain- Debit cash, Credit Accumulated Deprec.  
Credit other income. ~~Non-Operating Income~~

Journal Entry with Loss- Debit cash, Debit Other Expenses,  
Credit accumulated depreciation

### Tracking Expenses, Liabilities and Equity

### Tracking Financial Obligations

Liabilities - Assets (Debit) - Cash, Accounts Receivable, Inventory, Equipment, and Natural Buildings, Pre-Paid expenses

Account Balances Liabilities + Equity (Credit) - Accounts Payable, Notes payable, Accrued expenses, Long-Term Debt, Shareholder equity

Equity (Credit) - Equity, Common stock, Preferred stock, Retained Liabilities earnings, Additional Paid-In Capital, Dividends

Liability and Expense difference - Expenses are immediate and liabilities are postponed

The Effects - When a Business can't pay its debts creditors have the authority of Business to seize assets to cover what is owed. Some Business types Structures offer Protection, keeps owner's personal Assets separate.

Business structure determines how much personal Assets are protected. Affects how owners get paid, Through Pay cheques or Based on Business Performance where they receive a share of profits or dividends

### Types of Business Entities

Sole Proprietorship - Owned by one person, Unlimited personal liability, Income is taxed as Personal income

Partnership - Owned by two or more. Unlimited personal liability unless structured as an LLC. Income is taxed as personal income.

Limited Liability Company - Owned by one or more. Owners are not personally liable.

C corporation - Owned by one or more shareholders. Owners are not personally liable.

S corporation - Owned by up to 1000 shareholders. All must be U.S. citizens. Has a Board of directors and has strict rules for operating.

Nonprofit corporations - Founded by one or more, no single person or group owns it. Considered public organization governed by a Board of directors. No personal liability.

Current VS Longterm Liabilities -

Current Liabilities - Compensation Payable - Amount due to employees for work they have completed within a specific time period.

Includes wages, salaries, benefits "Medical Insurance"

Payroll Taxes Payable - Taxes owed to local, state, federal. Based on work performed by employees during a specific period. Ensure compliance and meet deadlines.

Current Loans - Formal promises to repay loans within a year. Record loan amounts, track payments schedule, ensure timely payments.

Credit card Balances - Outstanding balances on business credit cards. Reconcile credit card statements, record transactions, ensure timely payments.

Deferred Revenue (unearned) - Money received in advance or pre-payment for future goods or services that the business has an obligation to complete. Track and recognize as revenue once earned.

Employee reimbursement Payable - If an employee purchases something with their own money for business purposes and will be reimbursed, it is noted as an expense to be paid.

Accounts Payable - Money a business owes to others for goods or services received on credit.

Notes Payable - (Long Term Liability) - Money a business owes for long term loans, promissory notes or mortgages.

### Recording Current Liabilities

Accounts Payable - Accounts Payable - A liability where a business owes money to its creditors <sup>or</sup> suppliers. A current liability.

Business Line of credit - Helps with cash flow. Allows credit account with vendors, suppliers, credit card companies, or banks. Only considered a current asset if payment is due within a year. If a business opens a line of credit with a vendor, allows purchase of goods and services and pay for them month-to-month. A revolving account, borrow and repay funds multiple times. May incur interest if not repaid in agreed-upon time-frame.

Commercial Loan - Lender provides funds for a specific purpose. A form of debt financing. From banks, credit unions, online lenders, government programs. Can be current or long-term. Current if repaid under 1 year.

Video - Line of credit, starts with zero-balance until money is drafted. Credit to line of credit, debit to bank account. Opposite for repayment. Commercial Loan - Secured or unsecured. May need to pledge some asset as collateral. Lender may want access to financial statements.

Other Forms of Current Liabilities - Cash payments - Notes and coins, other currencies, any transaction method that immediately affects the bank account or a cheque deposited.

When cash payments affect Liabilities - only when they are made to settle outstanding obligations.

Deferred Revenue - Money accepted but not yet earned. Can accept Up-Front Payment to cover order costs  
Note: In accrual Based accounting cash flow is recorded immediately. Could mean Revenue and cash flow will be recorded in different periods.

Sales Tax Payable - Special Account on Balance sheet. Tracks sales tax collected from customers. Belongs to government. Business is responsible for paying sales tax at a later time.  
A Liability account. Sales tax can differ by country. Shipping may or may not be taxable. Different Tax policies

Impact of current Liabilities - Using Accounts payable - Recording transactions - Two ways

1. When the transaction is for the purchase of an Asset
2. When the transaction is NOT for the purchase of an Asset

What makes an asset an asset? - is it enough value?

Asset - More Than \$2,500 = Asset

Not an Asset - Less than \$2,500

## Recording Long Term Liabilities

Long Term Liabilities - Long term Liability - Obligations that extend Beyond one year  
Assess Loan structure, Interest Rate, Amortization Schedule and Notes payable

Mortgage - Long term used to finance the purchase of a structure. Secured By property

Commercial Loan - Debt-Based funding with Financial Institution

can be secured or unsecured. Secured - Asset as collateral.

Working Capital Loans - Used to finance day-to-day operations

Manage cash flow, cover operating expenses, Growth opportunities

Amortization - Amortization - Gradually reduces the value of a loan over time or asset.

Involves making regular payments that include both principal and interest. Full payment by end of specific period.

Amortization Schedule - Provided by lenders to borrowers.

Outlines repayment plan. Includes: Payment amounts, dates, Interest Rate, division of payments (Interest/Principal).

Recording Amortization - <sup>ex</sup> Loan Payment 4 - Total \$12,950,

Principal - \$9,204, Interest - \$3,747. Debit: Interest Expense, Loan Payable, Credit: Cash.

Journal entry: Interest Expense \$3,747 Debit  
Loan Payable \$9,204 Credit

Recording - Common method is to use amortization schedule.

<sup>ex</sup> \$5k Loan, Annual Payments of \$7k, Credit Current Liabilities \$7k

Loans as the payment due within 1 year. Credit Long Term Liabilities \$4k, the remaining amount beyond the current year. In the final year \$7k is still in current liabilities, Long term \$0

Recording Payroll

Tracking Payroll - Income tax <sup>rate</sup> calculations, Unemployment insurance, Pay frequency, state and federal withholdings, Social Security, Medicare

Manual Payroll - Least commonly used method, all work is done by hand in a spreadsheet. Too many numbers, updates, regulations to be aware of. Lacks confidence.

Outsourcing Payroll - Pays someone else to do everything, timesheets, bookkeeping, taxes.

Payroll Software - A favorite among small Business. Assists with tracking compliance, local, state, Federal Taxes, updates Benefits, and healthcare.

### Employee-related costs and Benefits

Gross Pay or Gross Wages - Total amount earned by employee before deductions. Represents full compensation. Gross Includes regular Wages, additional earnings, Bonuses, commissions, Overtime

Net Pay or Take home Pay, Income minus deductions & taxes, insurance premiums, retirement contributions. Actual Paycheck

Paid Time off (PTO) - refers to designated time that an employee is granted off from work while receiving regular pay. Vacation Days, Sick Leave, Personal Days, Holidays. Considered a Benefit and not offered in every Job.

Categorized under PTO Headings on paystub.

### Federal Tax withholdings

Taxable Wages - Earnings from which Employers must withhold Taxes. Does not include non-taxable wages ex contributions to a health savings account.

FICA - Federal Insurance Contributions Act - Taxes going into Medicare + Social Security. Paid By employees and Employers, Amount shown on paystub. Parts: OASDI / Social Security, Old age, survivors, disability insurance. H.I (Hospital Insurance) or Medicare Tax

FUTA - Federal Unemployment Tax Act - Payroll Tax that only employers Pay

SUTA - State Unemployment Tax Act - State administered unemployment Programs

SDI - State disabilities insurance - Less Common, payroll tax that funds employees financially if they are injured on the Job.

## Reading a Paystub

Employer and Employee information - Top of paystub, inc.

Pay period and Date

Gross Wages - Total Amount of money earned in a pay period.

Before Deductions

Deductions - Payroll deductions, Federal/State Taxes, FICA.

FUTA + SUCA are not deducted from employee pay.

Net Wages - Final amount on Paycheque after subtracting

Deductions from Gross Wages. Take-home pay.

Year-to-Date (YTD) Gross Wages - Total earnings from start

of year until Present date, Before deductions

Year-to-Date (YTD) Deductions - Total Amount of taxes and other withholdings since the start of the year to present.

Federal/State taxes, Local Taxes, Social Security/Medicare

Year-to-Date (YTD) Net Wages - Total amount of earnings

after Deductions since start of year to present date.

Wage Garnishment - Legal procedure where a person's earnings are required by court order to be withheld by an employer for the payment of debt. <sup>ex: Child Support, Unpaid Taxes, Credit Card Debt, Defaulted Student Loans, Medical Bills, Court Fees</sup>

Note - Always Recorded as a <sup>Payable</sup> Liability Account once withheld, until Funds can be remitted

## Payroll Policies

Policies

Pay Periods - When determining pay periods, must comply with state and federal laws. Can choose Monthly, semi-monthly, Bi-Weekly or weekly

Cash Flow - Don't Think of Timing. Is there a time when customers make payments? May be a good time to Issue Cheques.

Sensitive Information - Ensure Client has a method for securing and disposing of digital and paper information to avoid compromising Business or employees

### Payroll Timing Definitions

YTD - Year to date - Used to show accumulated withholdings, Taxes or Accrued compensation

Pay or Cheque Date - Date pay is given to employee. Pay Day

Pay Period - Time frame in which a Business runs its Payroll

Must comply with Laws and may differ with occupation

Accrual Basis Accounting - Matching principle ensures wages are

Recorded in the same period as the work, Rather than when

payment is made. <sup>ex</sup> Employee worked in march but received pay in April 1st, wages Recorded in march.

Cash-Basis Accounting - Only money paid or withheld

during the current period is recorded for that period

Excludes any future Benefits or payments that haven't yet been made

### Types of Workers

Employee - Someone who may be eligible for Benefits <sup>ex</sup> medical Insurance coverage. Business is responsible for collecting and paying income taxes on them

Independent Contractor - Independent from your Benefits, must Be taxed on their earnings themselves. Considered Self-employed and are contracted to provide services as a non-employee

Exempt Vs Non-Exempt - A non-exempt classification indicates an employee is eligible for overtime pay Benefits once they have worked over 40 hours per week.

Exempt - Not Eligible for overtime pay.

Typically hourly employee is non-exempt, Salaried is Exempt