

Chart of Account

Types of account

1. Assets (building)
2. Liability (Paybacks / loan / Payoff)
3. Owner Capital / equity (ownership)
4. Revenues expense + profit
5. Expense

i. Assets

- Assets are further divided into 2 categories

1. Short term (utilization within 1 year)
2. Long term (assets with life more than 1 year)

Long term assets depreciate except land and gold.



Agreement is commitment (Finance)
Account is real transaction (realization)

Asset:

1. Account Receivable (verbal)
2. Note Receivable (written agreement and fixed time)

Liability:

1. Account Payable
2. Note Payable

Assets

short-term

cash

Prepaid

Inventory

Raw

Material

S-N/R

S-A/R

Difference b/w Income Statement
and Cash flow Statement

- Income Statement ~~at~~ focus on both cash and accrual (amount receivable).

An invoice is a time-stamped commercial document that itemizes and records a transaction between a buyer and a seller.

- Cash flow statement focus on received and payed cash. It emphasize on invoices.

a charge for work that has been done but not yet invoiced, for which provision is made at the end of a financial period.

Income Statement = Cash + accrual

Cash flow Statement = Cash



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Financial Accounts

chart of Accounts

Assets	Liability	OC/OE	Rev	Exp.
short-term	long-term			
		Account / Note Payable		fees - Payable
- cash	- land { never			
- Prepaid	- gold } depre- idle			
- inventory	- building			
- Raw Material	- vehicle			
- S-N/R	- equipment			
- S-A/R	Natural Resources			



Income Statement

ABC Company

Income Statement - Report Name

For the period ending DEC 2021 - Duration

\$

Revenue

Sales Revenue	100,000
Service Revenue	150,000
	<u>250,000</u>

Expenses

Salary Expense	50,000
Utility Expense	10,000
Interest Expense	20,000
Maintaince Expense	30,000
COGS (Costs of good sold.)	<u>40,000</u>
	<u>150,000</u>

Net Income 100,000

Revenue - Expense



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Owner Equity Statement

ABC Company
Owner Equity Statement
For the period ending Dec 2021

\$

Beginning Balance of O.C	250,000
Add : NI (net income)	100,000
less : Owner withdrawal	(20,000) shows
ending balance of O.C	330,000 -ve value

Add : More investment

if any additional investment



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Balance Sheet

ABC Company
Balance Sheet
As of DEC 31, 2021

Assets	Liability and OE	
	Liability	
Cash	200,000	N/P
Land	50,000	Net Payable
Inventory	10,000	
machines		
CM/C	120,000	
Vehicle	50,000	
		O.E
TA	430,000	ending balance
		330,000
		X
		430,000

from last sheet, Owner
Equity statement

Total Assets and
(Liability and OE)
Should be equal.
must



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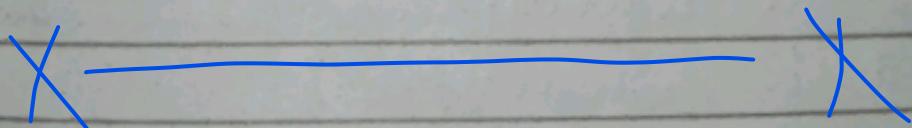
Cash Flow Statement

ABC Company
Cash Flow Statement
For Period ending DEC 2021

Cash Receipts

Sales 50,000

Cash Payments



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Accounting Cycle

1. Journalizing: (Gen. Journal)
2. Posting to the accounts. (Store in DB)
3. Trial Balance (verification statement)
4. Adjustments.
5. Adjusted Trial Balance
6. Financial statements
7. Closing entries
8. Post closing Trial Balance

Principles

① GAA P:

- Assets increase will be recorded in debit side
- Increase in liability and owner equity, will be recorded in credit side.

$$\begin{array}{c} \uparrow A = L + OE \uparrow \\ D = C \end{array}$$

②

- Asset decrease will be recorded in credit side
- L and OE decrease will be recorded in debit side.

$$\begin{array}{c} \downarrow A = L + OE \downarrow \\ D = C \end{array}$$

T account →

debit

Cash	
D	C

Credit



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$$A = L + OE$$

Problem no 1 | **Debit** **Credit**

Step 1: Journalizing (General Journal)

Date	Accts and Explanation	Debit \$	Credit \$
Jan 1	Cash Owner Capital (Investment in business)	30,000	30,000
Jan 2	Land Cash (Purchase Land for office)	20,000	20,000
Jan 3	Office Supplies Account Payable (Purchase A/P)	500	500
Jan 4	Account Payable Cash (Partial Payment)	300	300
Jan 6	Owner withdrawal Cash (withdrawal)	2100	2100
Credit tab by KW 11/21/21			

GAAP → Generally Accepted Accounting Principle



No. 50
Step 2: Posting to the Accounts

Cash A		Owner Capital	
D	C	D	C
30,000	20,000		30,000
	300		
	2100		
N.T.	30,000	22,400	
B =	7600		

Land A		Supplies A	
D	C	D	C
30,000		500	

Account Payable L		Owner Withdrawal	
D	C	D	C
300	500	2100	
B	200	200	



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Date

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No.

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Step 3: Trial Balance

- Assets
- Liabilities
- Owner Capital
- Owner Withdrawal
- Revenue
- Expense

Accounts A/C's	Debit	Credit
Cash	\$ 7600	
Land	20,000	
Supplies	500	
Account Payable		200
Owner Capital		30,000
Owner Withdrawal	2100	
	30200	= 30200

- **Assets Balance** should always be **debit side** (debit Balance account)
- **Liability Balance** should always be **credit side** (credit Balance account)



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No.

Problem 2

Step 1: General Journal

Date	A/c's and Explanation	debit \$	Credit \$
July 1	Cash O.C (Initial Investment)	10,000	10,000
July 2	Cash Service Revenue (cash for service)	3,000	3,000
July 3	Account Receivable Service Revenue (To be paid for Service)	500	500
July 4	Cash Account Receivable Service Revenue (Partial Payment)	300 400 700	300 200 S.T 13800 4120 balance 9380
July 5	Office Rent Expense Salary Expense Utilities Expense <u>Cash</u> (<u>-----</u>) telephone expense	900 1500 500 120 2900	9280 Service D
July 6	Account Payable <u>Cash</u> (<u>-----</u>)	120 200	120 S.T
July 7	Account Receivable	200	

July 8

July 9

Step 2

Cash

D

10,000

3000

300

200

S.T 13800

4120

balance 9380

9280

Service

D



	July 8	Account Payable Cash (Payment of telephone)	120	120
Credit \$				

10,000

3,000

Step 2: Posting to the Accounts

Cash (A)

Owner Capital (DE)

D C

D C

500

10,000 2900

10,000

3000 120

300 1100

200

Account Receivable (B)

700

ST 13800 - 4120 = 9380

balance 9380 80

D C

500 200

400

Service Revenue (DE)

ST 900 200

B. \$00

100

3000

500

Office Rent Expense

0

700

(DE) D

C

0

ST

4200

900



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Date

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ON
Salary Expense
D C
1500

Utility Expense
D C
500

Telephone Expense
D C
120

Account Payable
D C
120 120
B. O

Owner Withdrawal
D C
1100

Step 3: Trial Balance

Account's	Debit	Credit
Cash	9380	
Account Receivable	700	
Account Payable		0
Owner Capital		10,000
Owner Withdrawal	1100	
Service Revenue		
Office Rent Expense	900	4200
Salary expense	1500	
Utilities expense	560	
Telephone Bill expense	1200	



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Net Total

14200

14200

= 14200
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X — X

$$A = L + O.E$$
$$\begin{array}{cccc} \nearrow & \downarrow & \searrow & \\ \uparrow O.C & \uparrow O.W & \uparrow R & \uparrow E \\ O.E = & \begin{array}{c} \uparrow \\ credit \end{array} & \begin{array}{c} \downarrow \\ debit \end{array} & \begin{array}{c} \uparrow \\ credit \end{array} \\ & & & \begin{array}{c} \downarrow \\ debit \end{array} \end{array}$$



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