

Drawing:

Increase in Drawings is debited.
Decrease in Drawing is credited.

— Separate Entity principle

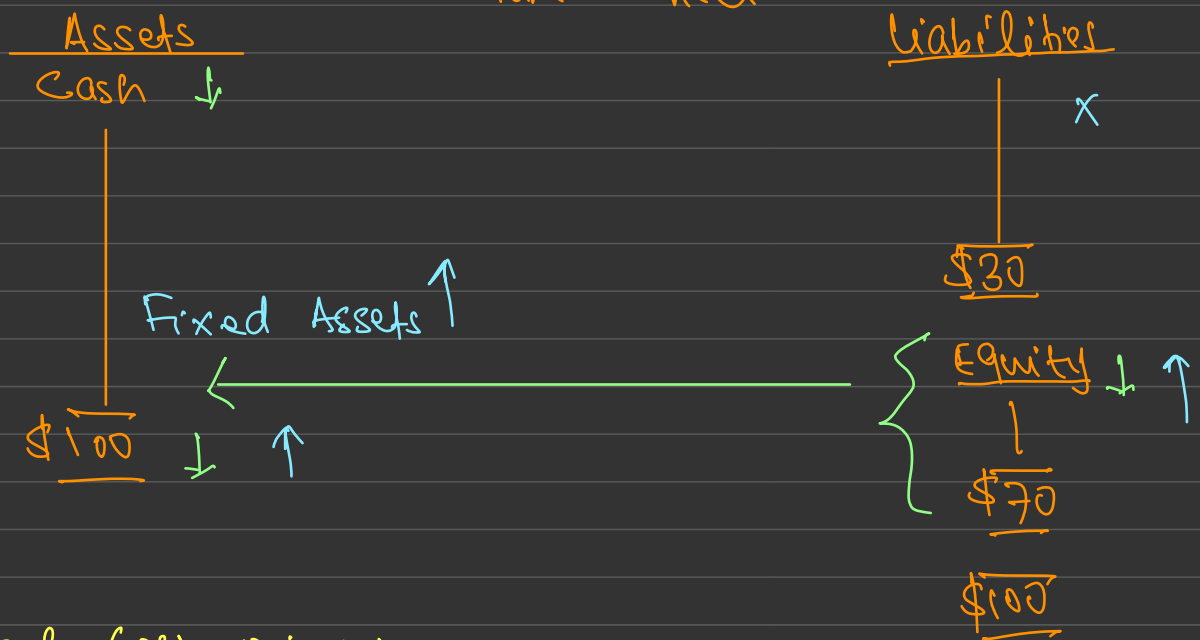
Legal perspective
Accounting perspective.

① Sole proprietorship:

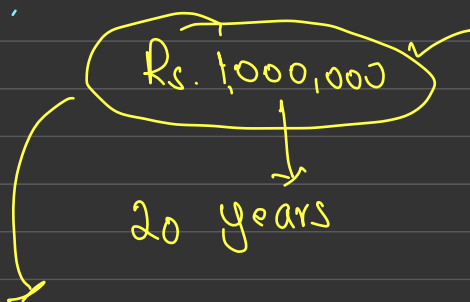
② Partnership:

③ Corporations: → artificial person

Balance Sheet.



Historical Cost principle.



→ Objectivity

→ Subjectivity

— Transaction and event:



<u>Date</u>	Salaries Expense Alc	Cash Alc
	500,000	500,000

Vehicle A/c 1,000,000)
Cash A/c 500,000)
Accounts Payable A/c 500,000) Compound Entry

Bought Car Reg. # 1027 from ABC. paid
\$5000 in cash, the remainder to be paid in 6 months.

1st Jan., 2021:

Cash ↑ by \$80,000 → Asset ↑ → debited

Equity ↑ by \$80,000 → credited

Balance sheet
Auto repair
2/1-1-2021

Revenue

Expenses

Net Income

Assets

Liab. and Equity

Cash	10,600	
Pre-paid Rent	6,000	
Land	52,000	
Building	36,000	↑
Tools & Equipment	13,800	12,000 ↓
Accounts Receivable	1,200	↑

N / payable	\$30,000
A / payable	7,000
liabilities	$ \begin{array}{r} \underline{\$30,000} \\ \underline{7,000} \\ \hline 37,000 \end{array} $
equity	\$30,800

Total Assets

$\overline{\$80,000}$
 $\rightarrow \$110,000$
 $\rightarrow \$117,800$

Total liab. & eq. \$70,000

~~\$110,000~~
\$117,800

- Assets, liabilities, Equity, revenue or expenses
- 2nd of Jan. → \$6,000 as advance rent for 6 months.
- Land for \$52,000 Cash.
- Building for \$36,000 → \$6,000 → \$30,000 in 6 months.
- purchases Tools and Equipment for \$13,800 on Credit.
- partial payment of A/Payable of \$6,800
- Collection of Revenue from Customers. \$2,200

Date	Alc Title	Dr	Cr.
1-1-2021	Cash Alc Equity Alc	80,000	80,000
2-	Pre-paid Rent Alc Cash Alc	6,000	6,000
3-	Land Alc Cash Alc	52,000	52,000
5-	Building Alc Cash Alc N/Payable Alc	36,000	6,000 30,000
	Tools and Equipment Alc A/Payable Alc	13,800	13,800
	A/Receivable Alc Tools & Equipment Alc	1,800	1,800
25-	Cash Alc A/Receivable	600	600
26-	A/Payable Alc Cash Alc	6,800	6,800
30-	Cash Alc Revenue Alc	2,200	2,200
30-	Salaries Expense Alc utility Expense Alc Cash Alc	1,200 200	1,400
1-2-	Promotion Expense Alc Cash Alc	360	360
2-2-	Promotion Expense Alc A/Payable	470	470

Matching principle:

Accounting period

