

ACC 211 Class Notes 2

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August 26, 2024

Section: Equation of accounting. $\text{Assets} = \text{Liabilities} + \text{Equity}$
 $\text{Assets} = \text{Liabilities} + \text{Common Stock} - \text{Dividends} + \text{Revenue} - \text{Expense}$

Accounts payable := short term credit payments due (usually less than 1 yr, credit card to buy inventory, etc.)
notes payable := long term credit payments due (usually over 1 yr long loans from bank, etc.)

Revenue increases equity when expenses increase, equity decrease (opposite of revenue)

Accounts receivable is money owed from customer on credit

Dividends paid out reduce equity (obviously reduce cash from payment)

Common mistakes in populating excel tables: Remember to put '-' to decrease if Assets != Liabilities + Equity then there is a mistake in the table

Section: income Statement, statement of retained earnings and balance sheet. Income Statement := Revenues - Expenses = Net income

Statement of retained earnings := retained earnings (prev. earnings) + net income - dividend = ending retained earnings (time based)

Cash Flow Statement := all of cash sources that company received, and payments that company made

Section: Practice Exercises. Given Assets and Liabilities, calculate equity Use accounting equation $A = L + E$ substitute and linearly combine

1.10:

$$A = L + E$$

Cash + Accounts Receivable = Accounts Payable + Common Stock - Dividends + Revenues - Expenses
a. The company completed consulting work for a client and immediately completed 5,500 cash

Cash(+5,500) + Accounts Receivable = Accounts Payable + Common Stock - Dividends + Revenues(5,500) - Expenses

b. The company completed work for a client that was sent a bill of 4000, to be paid within 30 days.

Cash(+5,500) + Accounts Receivable(4,000) = Accounts Payable + Common Stock - Dividends + Revenues(5,500)+(4,000) - Expenses