

Chapter 5 Accounting

Key Terms:

1. Temporary accounts –
2. Permanent accounts –
3. Revenue Recognition –

Section 1

Temporary and Permanent Accounts

- ❖ Revenues, expenses, and withdrawals could be recorded as increases or decreases in the capital account.
- ❖ A better way to record these transactions is to set up separate accounts for each type of revenue or expense

Using Temporary Accounts: Use _____ to temporarily record information for revenues, expenses and withdrawals.

Temporary accounts

- start the accounting period _____,
- Accumulate amounts for one accounting period, and _____ to the owner's capital account at the end of the period.

Using Permanent Accounts: In contrast to temporary accounts _____ continue accumulating from one accounting period to the next. The owner's capital account and the asset and liability accounts are permanent accounts.

Permanent accounts show

- the _____ or amounts owed at any time
- The day-to-day account changes.

The Rules of Debit and Credit for Temporary Accounts

First let's review the T account showing the rules of debit and credit for the owner's capital account:

Owner's Capital Account	
Debit - Decrease Side	Credit + Increase Side Normal Balance

Types of Owner's Equity accounts:

1. Revenue

Rules for Revenue Accounts

These rules of debit and credit are used for revenue accounts:

- A revenue account is _____.
- A revenue account is _____.
- The *normal balance* for a revenue account is _____. Revenue accounts normally have credit balances.

Revenue Accounts		Fees	
Debit - (2) Decrease Side	Credit + (1) Increase Side (3) Normal Balance	Debit - 200	Credit + 500 1,000 2,000 Bal. 3,300

2. Expenses –

Rules for Expense Accounts

These rules of debit and credit are used for expense accounts:

- An expense account is _____.
- An expense account is _____.
- The *normal balance* for an expense account is the *increase* or the *debit* side. Expense accounts normally have debit balances.

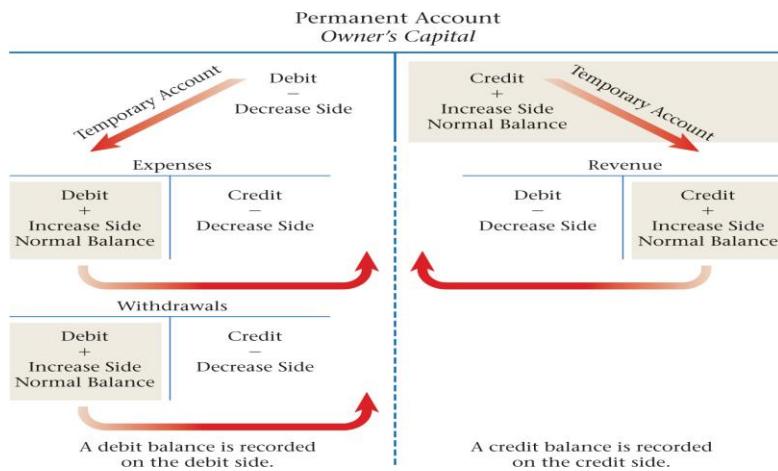
3. Withdrawals

Rules for Withdrawals Accounts

These rules of debit and credit are used for withdrawals accounts:

- A withdrawals account is _____
- A withdrawals account is _____
- The *normal balance* for a withdrawals account is the *increase* or the *debit* side. Withdrawals accounts normally have debit balances.

Summarize the owner's equity account:



Chapter 5 transactions:

Business Transaction 8

On October 15 Roadrunner provided delivery services for Sims Corporation. A check for \$1,200 was received in full payment.

ANALYSIS

Identify Classify

+/-

1. The accounts **Cash in Bank** and **Delivery Revenue** are affected.
2. **Cash in Bank** is an asset account. **Delivery Revenue** is a revenue account.
3. **Cash in Bank** is increased by \$1,200. **Delivery Revenue** is increased by \$1,200.

Business Transaction 9

On October 16 Roadrunner mailed Check 103 for \$700 to pay the month's rent.

ANALYSIS

Identify Classify

+/-

1. The accounts **Rent Expense** and **Cash in Bank** are affected.
2. **Rent Expense** is an expense account. **Cash in Bank** is an asset account.
3. **Rent Expense** is increased by \$700. **Cash in Bank** is decreased by \$700.

Business Transaction 10

On October 18 Beacon Advertising prepared an advertisement for Roadrunner. Roadrunner will pay Beacon's \$75 fee later.

ANALYSIS *Identify*

Classify

+/-

1. The accounts **Advertising Expense** and **Accounts Payable—Beacon Advertising** are affected.
2. **Advertising Expense** is an expense account. **Accounts Payable—Beacon Advertising** is a liability account.
3. **Advertising Expense** is increased by \$75. **Accounts Payable—Beacon Advertising** is increased by \$75.

Business Transaction 11

On October 20 Roadrunner billed City News \$1,450 for delivery services.

ANALYSIS *Identify*

Classify

+/-

1. The accounts **Accounts Receivable—City News** and **Delivery Revenue** are affected.
2. **Accounts Receivable—City News** is an asset account. **Delivery Revenue** is a revenue account.
3. **Accounts Receivable—City News** is increased by \$1,450. **Delivery Revenue** is increased by \$1,450.

Business Transaction 12

On October 28 Roadrunner paid a \$125 telephone bill with Check 104.

ANALYSIS *Identify*

Classify

+/-

1. The accounts **Utilities Expense** and **Cash in Bank** are affected.
2. **Utilities Expense** is an expense account. **Cash in Bank** is an asset account.
3. **Utilities Expense** is increased by \$125. **Cash in Bank** is decreased by \$125.

Business Transaction 13

On October 29 Roadrunner wrote Check 105 for \$600 to have the office repainted.

ANALYSIS

*Identify
Classify*

+/-

1. The accounts **Maintenance Expense** and **Cash in Bank** are affected.
2. **Maintenance Expense** is an expense account. **Cash in Bank** is an asset account.
3. **Maintenance Expense** is increased by \$600. **Cash in Bank** is decreased by \$600.



Business Transaction 14

On October 31 Maria Sanchez wrote Check 106 to withdraw \$500 cash for personal use.

ANALYSIS

Identify

Classify

+/-

1. The accounts **Maria Sanchez, Withdrawals** and **Cash in Bank** are affected.
2. **Maria Sanchez, Withdrawals** is an owner's equity account. **Cash in Bank** is an asset account.
3. **Maria Sanchez, Withdrawals** is increased by \$500. **Cash in Bank** is decreased by \$500.

