

Course Materials

After you complete the course you can practice for the Intuit QuickBooks Bookkeeping Professional exam with the following practice exams:

- **Without Answers:** <https://quickbookstraining.com/wp-content/uploads/Bookkeeping-Practice-Test-No-Answers.pdf>
- **With Answers:** <https://quickbookstraining.com/wp-content/uploads/Bookkeeping-Practice-Test-Answers.pdf>

Crash Course in Bookkeeping

Accounting knowledge includes...



The order you'll learn it

Intro to accounting

- What is accounting? What is the "Accounting Equation"?

Recording activities in the "Books"

- Understanding and entering financial transactions

Debits & Credits

- Using T-accounts and making journal entries

Reconciliation & Financial Statements

- How to prepare financial statements and reconcile accounts

Accounts

- Naming and getting the "section" right

Day-to-day activities

- Entering transactions for money-in and money-out

More complex entries

- Accounting entries for retained earnings, fixed assets, inventory, & payroll

Bookkeeping Challenges

- Tips for tackling tricky transactions and concepts for bookkeepers

A B **C** **D** E F G H I
J K L M N O P Q
R S T U V W X Y Z

**Accounting
doesn't
always make
sense**



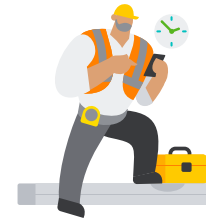
Chapter 1

Intro to accounting

Who does this accounting thing?



Bookkeepers



Accountants

Anybody with a
computer &
QuickBooks

What are Bookkeeping Ethics?



Bookkeepers



Accountants

Objectivity

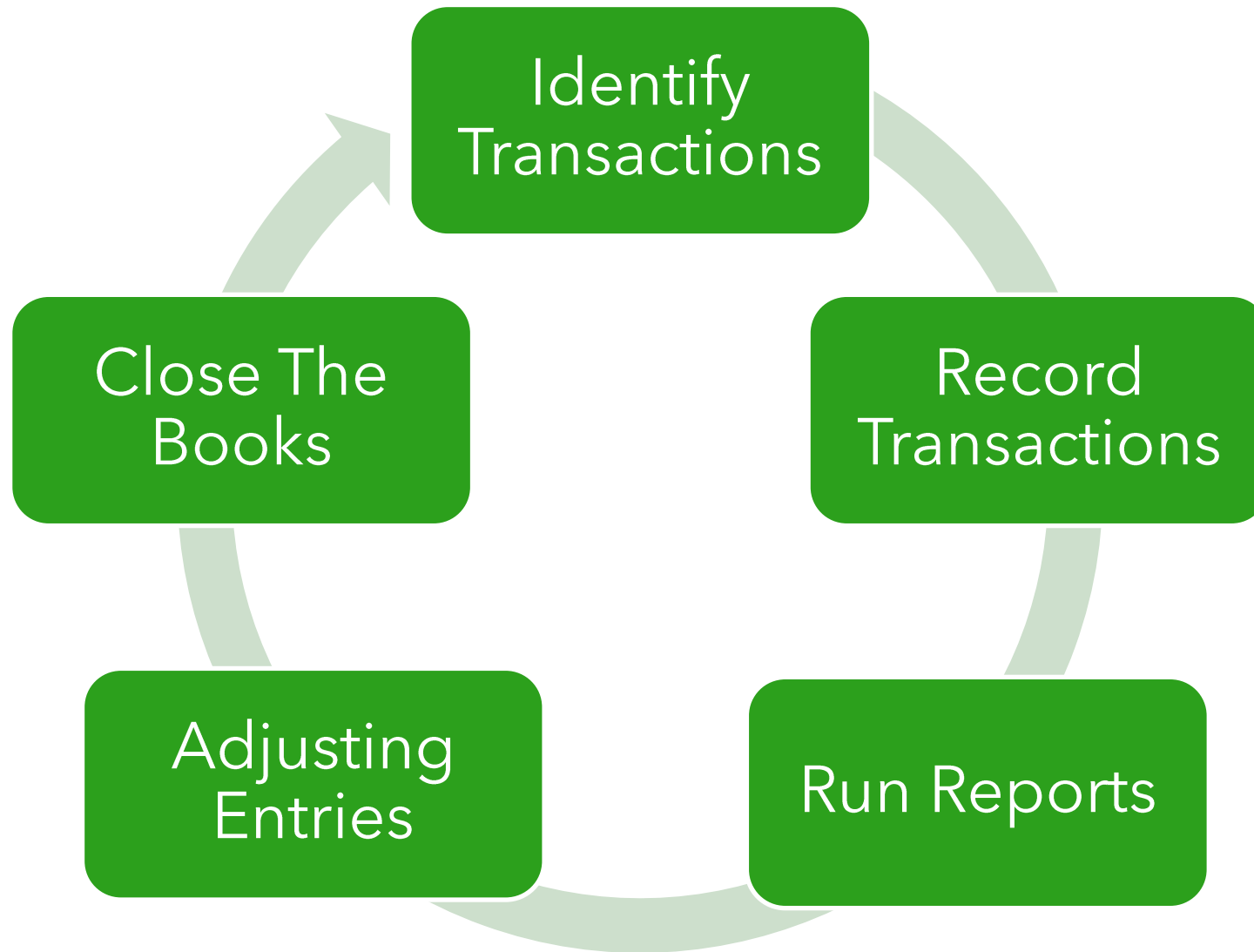
Competence

Integrity

Confidentiality

Professional Conduct

Bookkeeping Cycle



What is a business?

GOODS



Business

SERVICES



Customers

Another definition

$$2 + 2 = 7$$

Inputs

Outputs

A business adds value...
which represents **profit**

Where does accounting fit it?



Business



Stakeholders

- Management
- Owners
- Investors
- Lenders
- Government

Accounting communicates the **financial position** and **financial performance** of a business to stakeholders

Economic Entity principle



Isabella

Isabella is independently wealthy. She sent you one book that includes her personal wealth and her store.



Spencer

Spencer is quite the entrepreneur! He owns a store...and 20 other businesses. He sent one BIG book that includes all his businesses.



Karen

Karen keeps a separate book for her store. This excludes all personal money and any other business interests.



Economic Entity Principle

A business is a separate entity from owners and other businesses and must keep separate books.

Does it go in the business' book?

Yes

No

- | | | | |
|---|---|--------------------------|--------------------------|
| ① | Pay cash to the city for a business license | <input type="checkbox"/> | <input type="checkbox"/> |
| ② | Decide to take the family to dinner. You paid with cash. | <input type="checkbox"/> | <input type="checkbox"/> |
| ③ | Pay a lawyer to talk about the paperwork for your company. | <input type="checkbox"/> | <input type="checkbox"/> |
| ④ | Receive a bank loan to buy a delivery truck. | <input type="checkbox"/> | <input type="checkbox"/> |
| ⑤ | Buy a new sofa for your living room. | <input type="checkbox"/> | <input type="checkbox"/> |
| ⑥ | Open a business bank account with \$50,000 of your own savings. | <input type="checkbox"/> | <input type="checkbox"/> |
| ⑦ | A friend loans you money to buy a computer for the business. | <input type="checkbox"/> | <input type="checkbox"/> |

Click the blue box to check your work.

☐

What = **Who**

\$10,000 TV

=

\$10,000 You

\$1,000 Computer

=

\$1,000 You

Everything of value
has an owner...

What

=

Who

100,000 Car

=

90,000 Bank
10,000 You

300,000 Home

=

250,000 Bank
50,000 You

What

=

Who has Claim

What

=

Other's Claims
+
Your Claims

The accounting equation

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

$$\text{What} = \text{Other's Claims} + \text{Your Claims}$$

Assets

Liabilities
Other's Claims

Equity
Owner's Claims

What = Who



Chapter 2

Recording activity in the book

1st month's transactions

- ① You (owner) open a business bank account with 50,000 of your own savings.
Checking, Owners Contribution
- ② Write a check to buy kitchen equipment for 22,000.
Checking, Kitchen Equipment
- ③ Buy delivery truck for 30,000...1,000 down and 29,000 financed by the dealer.
Truck, Truck Loan, Checking

You do your first catering event!

- ④ Customer pays with a check for 15,000.
Catering Sales, Checking
- ⑤ Write a check for 2,500 of food (all used at event).
Food, Checking
- ⑥ Write a check for 500 of catering supplies (all used at event).
Supplies, Checking
- ⑦ Write a check to employment agency for 1,200 (temporary workers).
Labor, Checking

Assets

Liabilities
Other's Claims

Equity
Owner's Claims

What = Who

Assets

Account name goes here



Total 0

Account name goes here



Total 0

Account name goes here



Total 0

Assets 0

Liabilities

Account name goes here



Total 0

Account name Goes Here



Total 0

Equity

Account name goes here



Total 0

Liabs & Equity 0

Assets

Liabilities
Other's Claims

Equity
Owner's Claims

What = Who

Assets

Account name goes here



Total 0

Account name goes here



Total 0

Account name goes here



Total 0

Assets 0

Liabilities

Account name goes here



Total 0

Account name Goes Here



Total 0

Equity

Account name goes here



Total 0

Liabs &
Equity 0

Accounts

Used to categorize and group financial transactions so you can prepare meaningful financial reports.

1st month's transactions

- ① You (owner) open a business bank account with 50,000 of your own savings.
Checking, Owners Contribution
- ② Write a check to buy kitchen equipment for 22,000.
Checking, Kitchen Equipment
- ③ Buy delivery truck for 30,000...1,000 down and 29,000 financed by the dealer.
Truck, Truck Loan, Checking

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Catering Sales, Checking
- ⑤ Write a check for 2,500 of food (all used at event).
Food, Checking
- ⑥ Write a check for 500 of catering supplies (all used at event).
Supplies, Checking
- ⑦ Write a check to employment agency for 1,200 (temporary workers).
Labor, Checking

Assets

Checking	
1	50,000
▼	
▼	
▼	
▼	
▼	
▼	
Total	50,000

Account name goes here	
▼	
▼	
▼	
▼	
Total	0

Account name goes here	
▼	
▼	
▼	
Total	0

Assets 50,000

Liabilities

Account name goes here	
▼	
▼	
▼	
Total	0

Account name Goes Here	
▼	
▼	
▼	
Total	0

Equity

Account name goes here	
▼	
▼	
▼	
Total	0

Liabs & Equity 0

Let's talk about Equity...

Equity only increases when:

The owner makes a contribution to the company

Or...the company makes a profit

Assets

Checking

1	▼	50,000
2	▼	(22,000)
3	▼	(1,000)
4	▼	15,000
	▼	
	▼	
	▼	

Total 42,000

Kitchen Equipment

2	▼	22,000
	▼	
	▼	
	▼	

Total 22,000

Truck

3	▼	30,000
	▼	
	▼	
	▼	

Total 30,000

Assets 94,000

Liabilities

Truck Loan

3	▼	29,000
	▼	
	▼	
	▼	

Total 29,000

Account name Goes Here

Total 0

Equity

Owner Contribution

1	▼	50,000
	▼	
	▼	
	▼	

Total 50,000

Liabs & Equity 79,000

Where do sales go in the book?

Equity only increases when:

- The owner makes a contribution to the company
- Or...the company makes a profit**

Assets

Checking

1	50,000
2	(22,000)
3	(1,000)
4	15,000
5	(2,500)

Total 39,500

Kitchen Equipment

2	22,000
---	--------

Total 22,000

Truck

3	30,000
---	--------

Total 30,000

Assets 91,500

Liabilities

Truck Loan

3	29,000
---	--------

Total 29,000

Account name Goes Here

Total 0

Equity

Owner Contribution

1	50,000
---	--------

Total 50,000

Profit:Sales 15,000

Liabs & Equity 94,000

Where does "Food" go in the book?

To Assets like the Kitchen Equipment and Truck?

No...and here's why....

What = Who

\$10,000 TV

=

\$10,000 You

\$1,000 Computer

=

\$1,000 You

**Have future
value...**

Assets

\$2 Bottle of Water

=

\$2 You

\$5 Cleaning

=

\$5 You

Used now...

Expenses

Everything of value
has an owner...

Assets

Checking

1	50,000
2	(22,000)
3	(1,000)
4	15,000
5	(2,500)

Total 39,500

Kitchen Equipment

2	22,000
---	--------

Total 22,000

Truck

3	30,000
---	--------

Total 30,000

Assets 91,500

Liabilities

Truck Loan

3	29,000
---	--------

Total 29,000

Account name Goes Here

Total 0

Equity

Owner Contribution

1	50,000
---	--------

Total 50,000

Profit:Sales 15,000

Liabs & Equity 94,000

Where do Expenses go in the book?

Equity only increases when:

The owner makes a contribution to the company

Or...the company makes a **profit**

Assets

Checking	
1	50,000
2	(22,000)
3	(1,000)
4	15,000
5	(2,500)
Total	39,500

Kitchen Equipment	
2	22,000
Total	22,000

Truck	
3	30,000
Total	30,000

Assets 91,500

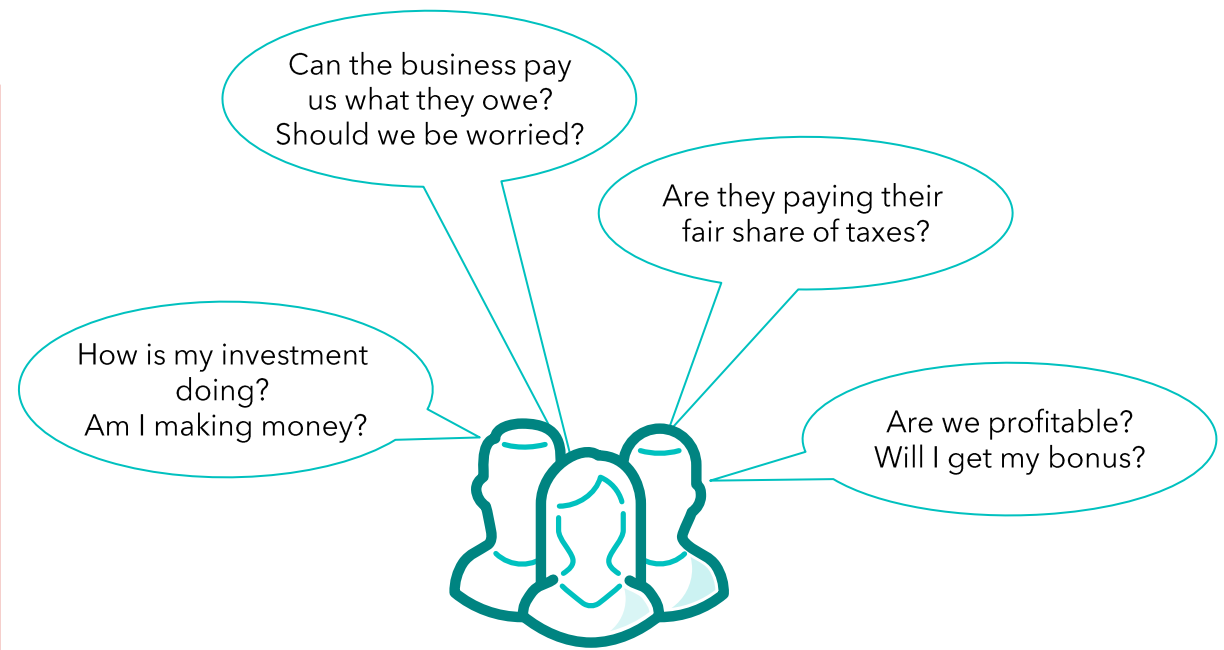
Liabilities

Truck Loan	
3	29,000
Total	29,000

Account name Goes Here	
Total	0

Equity

Owner Contribution	
1	50,000
Total	50,000
Profit:Sales	15,000
Profit:Food	(2,500)
Liabs & Equity	91,500



Stakeholders

- Management
- Owners
- Investors
- Lenders
- Government

Accounting communicates the financial position and financial performance of a business to stakeholders

Assets

Checking	
1	50,000
2	(22,000)
3	(1,000)
4	15,000
5	(2,500)
Total	39,500

Kitchen Equipment	
2	22,000
Total	22,000

Truck	
3	30,000
Total	30,000

Assets 91,500

Liabilities

Truck Loan	
3	29,000
Total	29,000

Account name Goes Here	
Total	0

Equity

Owner Contribution	
1	50,000
Total	50,000

Profit:Sales 15,000
Profit:Food (2,500)

Liabs & Equity 91,500

What is Financial Position?

Where the business stands...

- What the business **owns** (Assets)
- What the business **owes** (Liabilities)
- What the business **is worth** (Equity)

Accounting communicates the **financial position** and financial performance of a business to stakeholders

Assets

Checking	
1	50,000
2	(22,000)
3	(1,000)
4	15,000
5	(2,500)
Total	39,500

Kitchen Equipment	
2	22,000
Total	22,000

Truck	
3	30,000
Total	30,000

Assets 91,500

Liabilities

Truck Loan	
3	29,000
Total	29,000

Account name Goes Here	
Total	0

Equity

Owner Contribution	
1	50,000
Total	50,000

Profit:Sales 15,000
Profit:Food (2,500)

Liabs & Equity 91,500

What is Financial Performance?

How the business did...

- What the business earned from selling services & products (Income)
- What it cost to generate the income (Expenses)
- What's the profit (Income minus Expenses)

Accounting communicates the financial position and **financial performance** of a business to stakeholders

Assets

Checking	
1	50,000
2	(22,000)
3	(1,000)
4	15,000
5	(2,500)
Total	39,500

Kitchen Equipment	
2	22,000
Total	22,000

Truck	
3	30,000
Total	30,000

Assets 91,500

Liabilities

Truck Loan	
3	29,000
Total	29,000

Account name Goes Here	
Total	0

Equity

Owner Contribution	
1	50,000
Total	50,000

Profit:Sales	15,000
Profit:Food	(2,500)

Liabs & Equity 91,500

But here's the problem....

- Most businesses have LOTS of Sales and Expense accounts and MANY transactions flow through these accounts.
- Right now, the **financial performance** is "buried" in Equity.

Here's how accounting handles this....

Accounting communicates the financial position and **financial performance** of a business to stakeholders

Assets

Checking

1	▼	50,000
2	▼	(22,000)
3	▼	(1,000)
4	▼	15,000
5	▼	(2,500)

Total 39,500

Kitchen Equipment

2	▼	22,000
---	---	--------

Total 22,000

Truck

3	▼	30,000
---	---	--------

Total 30,000

Assets 91,500

Liabilities

Truck Loan

3	▼	29,000
---	---	--------

Total 29,000

Account name Goes Here

Total 0

Equity

Owner Contribution

1	▼	50,000
---	---	--------

Total 50,000

Profit:Sales 15,000
Profit:Food (2,500)

Liabs & Equity 91,500

Income

Catering Sales

4	▼	15,000
---	---	--------

Total 15,000

Account name goes here

Total 0

Expenses

Food

5	▼	2,500
---	---	-------

Total 2,500

Account name goes here

Total 0

Account name goes here

Total 0

Account name goes here

Total 0

12,500

Profit

Assets

Checking

1	▼	50,000
2	▼	(22,000)
3	▼	(1,000)
4	▼	15,000
5	▼	(2,500)

Total 39,500

Kitchen Equipment

2	▼	22,000
---	---	--------

Total 22,000

Truck

3	▼	30,000
---	---	--------

Total 30,000

Assets 91,500

Liabilities

Truck Loan

3	▼	29,000
---	---	--------

Total 29,000

Account name Goes Here

Total 0

Equity

Owner Contribution

1	▼	50,000
---	---	--------

Total 50,000

Liabs & Equity 79,000

Income

Catering Sales

4	▼	15,000
---	---	--------

Total 15,000

Account name goes here

Total 0

Expenses

Food

5	▼	2,500
---	---	-------

Total 2,500

Account name goes here

Total 0

Account name goes here

Total 0

Account name goes here

Total 0

12,500

Profit

Assets

Checking	
1	50,000
2	(22,000)
3	(1,000)
4	15,000
5	(2,500)
Total	39,500

Kitchen Equipment	
2	22,000
Total	22,000

Truck	
3	30,000
Total	30,000

Assets 91,500

Liabilities

Truck Loan	
3	29,000
Total	29,000

Account name Goes Here	
Total	0

Equity

Owner Contribution	
1	50,000
Total	50,000

Profit 12,500

Liabs & Equity 91,500

Income

Catering Sales		Account name goes here	
4	15,000		
Total	15,000	Total	0

Expenses

Food		Account name goes here	
5	2,500		
Total	2,500	Total	0

Account name goes here		Account name goes here	
Total	0	Total	0

12,500

Profit

1st month's transactions

- ① You (owner) open a business bank account with 50,000 of your own savings.
Checking, Owners Contribution
- ② Write a check to buy kitchen equipment for 22,000.
Checking, Kitchen Equipment
- ③ Buy delivery truck for 30,000...1,000 down and 29,000 financed by the dealer.
Truck, Truck Loan, Checking

You do your first catering event!

- ④ Customer pays with a check for 15,000.
Catering Sales, Checking
- ⑤ Write a check for 2,500 of food (all used at event).
Food, Checking
- ⑥ Write a check for 500 of catering supplies (all used at event).
Supplies, Checking
- ⑦ Write a check to employment agency for 1,200 (temporary workers).
Labor, Checking

Balance Sheet

Catering is US
As of 3/31/2024

Assets

Checking	\$37,800
Kitchen Equipment	22,000
Truck	<u>30,000</u>
Total Assets	\$89,800

Liabilities & Equity

Liabilities:	
Truck Loan	\$29,000
Equity:	
Owner Contribution	50,000
Profit	<u>10,800</u>
Total Equity	60,800
Total Liab's & Equity	\$89,800


Financial Position

Profit & Loss Statement

Catering is US
Month ended 3/31/2024

Income:	
Catering Sales	\$15,000
Expenses:	
Food	2,500
Labor	1,200
Supplies	<u>500</u>
Total Expenses	4,200
Profit	\$10,800

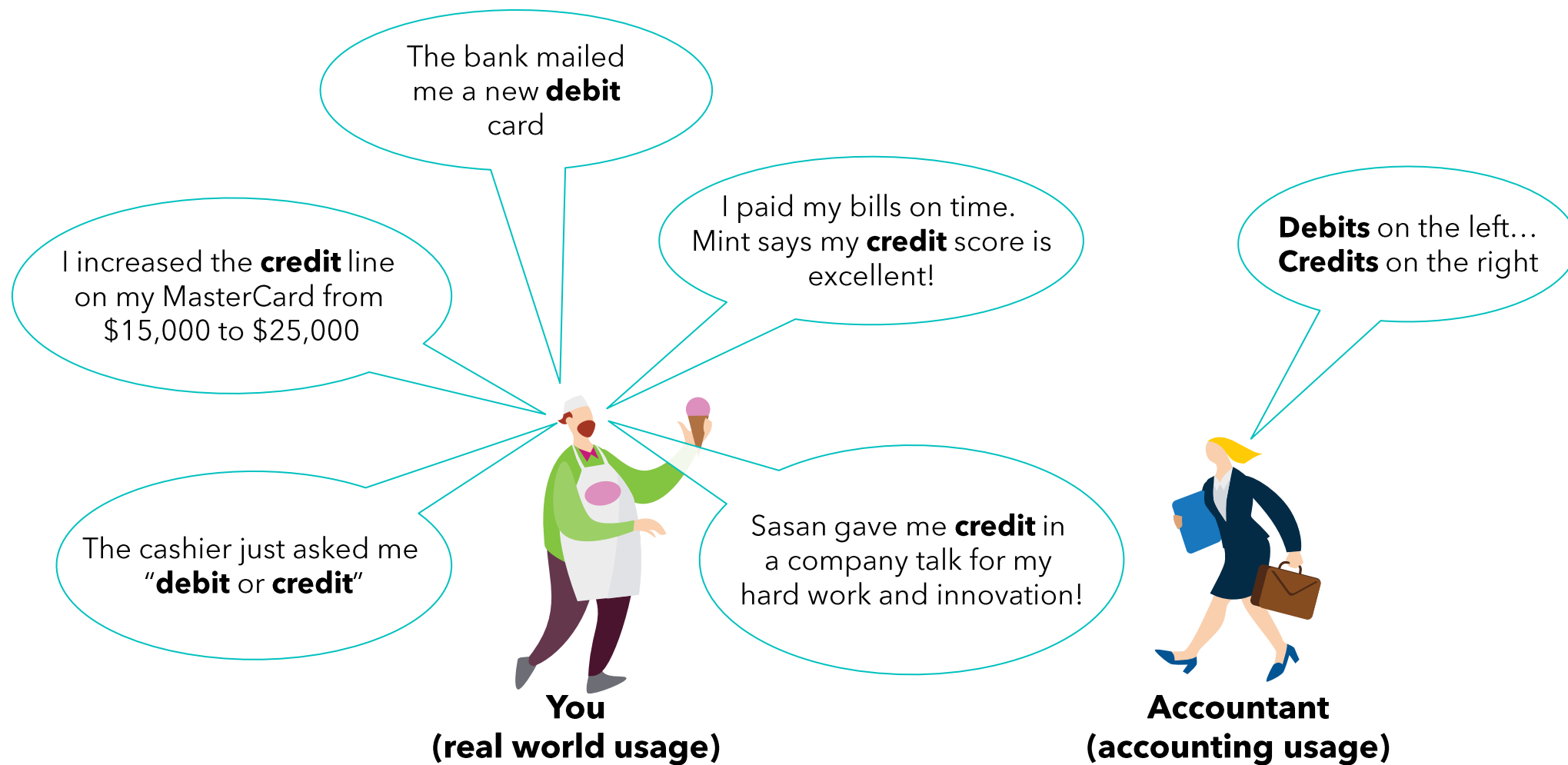
Financial Performance



Chapter 3

Debits & credits

The words debit & credit



T-account

Account Name	
Debits	Credits

T-account group practice

Checking	
Debits +	Credits -
① 50,000	② 22,000
④ 15,000	③ 1,000
	⑤ 2,500
	⑥ 500
	⑦ 1,200

T-account individual practice

- ① Deposit a 10,000 check from a customer.
- ② Pay a lawyer 500 for some legal work.
- ③ Pay 300 for office supplies.
- ④ The bank adds 10 to your bank account for interest.
- ⑤ Send a customer a refund for 1,500.
- ⑥ Pay a web designer 5,000 for building your website.
- ⑦ Your lawyer over-billed you and sends a 200 refund.
- ⑧ You pay 700 to repair your truck (engine issues).
- ⑨ You buy a pizza oven for 2,500...using your company credit card.

T-account calculate balance

Checking	
Debits	Credits
+	-
① 50,000	② 22,000
④ 15,000	③ 1,000
	⑤ 2,500
	⑤ 500
	⑦ 1,200
65,000	27,200
37,800	

Assets

Debit	Credit
+	-

Checking

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
0	

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
0	

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
0	

Assets = 0

Liabilities

Debit	Credit
-	+

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
▼	0

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
▼	0

Equity

Debit	Credit
-	+

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
▼	0

Profit 0

Liab/Equity = 0

Income

Debit	Credit
-	+

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
▼	0

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
▼	0

Expenses

Debit	Credit
+	-

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
0	

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
0	

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
0	

Account name goes here

▼	▼
▼	▼
▼	▼
▼	▼
▼	▼
0	

0 Profit

Debit or credit?

Debit

Credit

- ① Checking (Asset) increased by 1,000.
- ② Catering Income increased by 15,000.
- ③ Loan Payable (Liability) decreased by 2,000.
- ④ Trucks (Asset) increased by 30,000.
- ⑤ Kitchen Equipment (Asset) increased by 12,000.
- ⑥ Food (Expense) increased by 500.
- ⑦ Labor (Expense) increased by 1,500.
- ⑧ Owner's Contribution (Equity) increased by 15,000.
- ⑨ Cash (Asset) decreased by 5,000.

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Click the blue box to check your work.

☐

1st month's transactions

- ① You (owner) open a business bank account with 50,000 of your own savings.
Checking, Owners Contribution
- ② Write a check to buy kitchen equipment for 22,000.
Checking, Kitchen Equipment
- ③ Buy delivery truck for 30,000...1,000 down and 29,000 financed by the dealer.
Truck, Truck Loan, Checking

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Catering Sales, Checking
- ⑤ Write a check for 2,500 of food (all used at event).
Food, Checking
- ⑥ Write a check for 500 of catering supplies (all used at event).
Supplies, Checking
- ⑦ Write a check to employment agency for 1,200 (temporary workers).
Labor, Checking

Journal Entry

A way to document an accounting entry. Lists debits and credits and includes a description of the transaction.

Account/Description	Debit	Credit
Trucks	30,000	
Truck Loan		29,000
Checking		1,000
To record purchase or track and the related loan		

Transaction Journal

Transaction Journal		
All Transactions		
Account	Debit	Credit
▶ 10100 - Checking		1,000.00 ◀
Trucks	30,000.00	
Truck Loan		29,000.00
	30,000.00	30,000.00

Journal			
All Dates			
DATE	ACCOUNT	DEBIT	CREDIT
08/12/2021	Checking		\$1,000.00
	Trucks	\$30,000.00	
	Truck Loan		\$29,000.00
		\$30,000.00	\$30,000.00

General Ledger

Catering is US
As of 3/31/2024

Account	DEBIT	CREDIT
Checking	\$65,000	\$27,200
Kitchen Equipment	\$22,000	
Truck	\$30,000	
Truck Loan		\$29,000
Owner Contribution		\$50,000
Catering Sales		\$15,000
Food	\$2,500	
Labor	\$1,200	
Supplies	\$500	
Total	\$121,200	\$121,200

Why Use Debit and Credits?

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Why Use Debit and Credits?


$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

$$\text{Assets} = \text{Liabilities} + \text{Equity} + \text{Income} - \text{Expenses}$$

$\text{Expenses} + \text{Assets} =$	$\text{Liabilities} + \text{Equity} + \text{Income}$
-------------------------------------	--

Practice with debits & credits

- ① Write a check for \$200 of office supplies.
- ② Write a \$1,000 check to your lawyer for preparation of business formation documents.
- ③ Pay office rent for the month. The check is for \$2,500.
- ④ Write a check for truck repairs... \$1,200.
- ⑤ You return some faulty printer cartridges to the office supply store and receive a refund of \$20.
- ⑥ The bank pays you interest on the checking account for \$10.
- ⑦ You did a big catering event. The customer pays you with a check for \$15,000.
- ⑧ You need some spending money and transfer \$5,000 to your personal bank account.



Chapter 4

Reconciliation

What is reconciliation?



Business



Bank

Reconciliation compares your records to the bank's records to ensure your books are accurate.

Which accounts do I reconcile?



Bank Accounts



Credit Cards



Other
Liability/Equity/Asset
Accounts
with
Statements

Steps for Reconciling



Record all the transactions in your books throughout the statement period.



Collect your bank statement.



Identify the transactions in your books that match your bank statement.



Research missing transactions or unreconciled items.



Handle bank reconciling items and inaccurate items. Complete the reconciliation.

Step 1: Gather Data

Reconcile - Checking

For period: 01/31/2021

Hide transactions after the statement's end date

Checks and Payments				Deposits and Other Credits			
DATE	CHECK #	PAYEE	AMOUNT	DATE	CHECK #	MEMO	AMOUNT
01/01/2021	DEBIT		10.99	01/03/2021	Deposit	DEP	337.50
01/01/2021	84	Business Owner	1,286.82	01/03/2021	Deposit	DEP	699.00
01/01/2021	3333	Dallas Phone Co...	400.00	01/08/2021	Deposit	DEP	218.75
01/06/2021	85	Tania's Nursery	46.98	01/08/2021	Deposit	DEP	103.55
01/06/2021	1023	Tania's Nursery	108.09	01/09/2021	Deposit	DEP	408.00
01/07/2021	16	Books by Bessie	75.00	01/10/2021	Deposit	DEP	868.15
01/08/2021	DEBIT	Squeaky Kleen C...	19.99	01/29/2021	Deposit	DEP	2,500.00
01/08/2021	1020	Pye's Cakes	87.50	07/20/2021	Deposit	DEP	150.00
01/08/2021	1022	Brosnahan Insur...	2,000.00	07/20/2021	Deposit	DEP	22,209.40
01/09/2021	DEBIT	Dallas Bell	114.09	07/20/2021	Deposit	DEP	24.95
01/10/2021	75	Hicks Hardware	228.75				
01/10/2021	76						
01/29/2021	86						
02/28/2021	1						
02/28/2021	2						
03/10/2021	3						

Reset Statement ending date

Payments Deposits All

DATE	REF NO.	ACCOUNT	PAYEE	PAYMENT (USD)	DEPOSIT (USD)
06/24/2021	15	Job Expenses	Tania's Nursery	108.09	
07/03/2021	5664	Accounts Receivable (A/R)	Freeman Sportin...		86.40
07/03/2021	1008	Design income	Kate Whelan		225.00
07/05/2021		Accounts Receivable (A/R)	Amy's Bird Sanct...		105.00
07/07/2021	7	Accounts Payable (A/P)	Hicks Hardware	250.00	
07/10/2021	8	Landscaping Services:Job ...	Hicks Hardware	24.36	
07/19/2021		Automobile	Squeaky Kleen C...	19.99	
07/19/2021		Meals and Entertainment	Bob's Burger Joint	5.66	
07/19/2021		Legal & Professional Fees:L...	Tony Rondonuwu	100.00	
07/20/2021	70	Maintenance and Repair	Chin's Gas and Oil	185.00	
07/20/2021		Automobile:Fuel	Chin's Gas and Oil	52.14	
07/21/2021	11	Accounts Payable (A/P)	Hall Properties	900.00	
		e (A/R)	Cool Cars		694.00
			Mahoney Mugs	18.08	
		Materials	Hicks Hardware	215.66	

1 Collect your records. This is usually your accounting software, and most programs include a feature for reconciling.

Buildem, Inc.
5501 LBJ Freeway
Dallas, TX 75240

Account Summary

Opening Balance	\$50,000.00
Withdrawals	\$43,600.00
Deposits	\$40,030.00

Closing Balance on Jan 31, 2020 \$ 46,430.00

You are eligible for a \$100 bonus

Scan this QR code with your Smartphone
To find out more about a High Interest
Savings Account – with the first \$100
Deposit on us!



You may need to get a QR Code® reader from your SmartPhone App Store

Your Transaction Details

Date	Ref No.	Detail	Withdrawal	Deposit	Balance
01/01/2020		Opening Balance		50,000.00	50,000.00
01/02/2020	84	Jim Buildem	22,000.00		28,000.00
01/03/2020	3333	Mazda Finance	1,000.00		27,000.00
01/04/2020	85	Aaron's Photography Studio		15,000.00	42,000.00
		Restaurant Supply	2,500.00		39,500.00
		Party Warehouse	500.00		39,000.00
		Solfrank Agency	1,200.00		37,800.00
		ney's Office	200.00		37,600.00
		Seitz	1,000.00		36,600.00
		ay-echeck	2,500.00		34,100.00
		Mekanix	1,200.00		32,900.00
		ney's Office		20.00	32,920.00
		st Earned		10.00	32,930.00
		s Bird Sanctuary		15,000.00	47,930.00
			5,000.00		42,930.00

2 Retrieve your bank or credit card statement. Your financial institution often sends this to you on a monthly basis.

4

Determine the date range of the statement.

For Jan 01, 2020 to Jan 31, 2020

Account Number
00-123456
Branch Transit Number
098765

Contact Information

1-800-222-0123
Contact us by phone for questions, on this statement, change of personal information, and general inquiries, 24 hours a day, 7 days a week

TTY for the hearing impaired:

800-123-0007

Circle K North America

3 Identify the opening and closing balance.

Dallas, TX
75240

Step 2: Identify matching transactions

Your Transaction Details

Date	Ref No.	Detail	Withdrawal	Deposit	Balance
01/01/2020		Opening Balance		50,000.00	50,000.00
01/02/2020	84	Jim Buildem	22,000.00		28,000.00
01/03/2020	3333	Mazda Finance	1,000.00		27,000.00
01/04/2020	85	Aaron's Photography Studio		15,000.00	42,000.00
01/05/2020		Erik's Restaurant Supply	2,500.00		39,500.00
01/06/2020		Art's Party Warehouse	500.00		39,000.00
01/08/2020		Dylan Solfrank Agency	1,200.00		37,800.00
01/11/2020		Mahoney's Office	200.00		37,600.00
01/12/2020		Pam Seitz	1,000.00		36,600.00
01/13/2020		Autopay-echeck	2,500.00		34,100.00
01/14/2020		Otto Mekanix	1,200.00		32,900.00
01/15/2020		Mahoney's Office		20.00	32,920.00
01/16/2020		Interest Earned		10.00	32,930.00
01/17/2020	1023	Amy's Bird Sanctuary		15,000.00	47,930.00
01/18/2020		Transfer	5,000.00		42,930.00
01/21/2020		Travis Waldron		10,000.00	52,930.00
01/22/2020		Pam Seitz	500.00		52,430.00
01/23/2020		Mahoney's Office	300.00		52,130.00
01/25/2020	1020	Aaron's Photography Studio	1,500.00		50,630.00
01/28/2020	1022	Otto Mekanix	700.00		49,930.00
01/31/2020		Mastercard	3,500.00		46,430.00

Bank Statement

Catering is US
As of 1/31/2021

Bank Account

<input type="checkbox"/>	Date	No.	Account	Payee	Payment	Deposit
✓	1/1/2020		Owner's Contribu			50000.00
✓	1/2/2020	84	Kitchen Equipme	Jim Buildem	22000.00	
✓	1/3/2020	3333	Truck		1000.00	
✓	1/4/2020	85	Catering Sales	Aaron's Photog		15,000.00
✓	1/5/2020		Food	Erik's Restaura	2500.00	
✓	1/6/2020		Supplies	Art's Party War	500.00	
✓	1/8/2020		Labor	Dylan Solfrank	1200.00	
✓	1/11/2020		Office Supplies	Mahoney's	200.00	
✓	1/12/2020		Legal Fees	Pam Seitz	1000.00	
✓	1/13/2020		Rent		2500.00	
✓	1/14/2020		Vehicle Expenses	Otto Mekanix	1200.00	
✓	1/15/2020		Office Supplies	Mahoney's		20.00
✓	1/16/2020		Interest Income			10.00
✓	1/17/2020	1023	Catering Sales	Amy's BirdSan		15000.00
✓	1/18/2020		Owner' Draw		5000.00	
✓	1/21/2020		Catering Sales	Waldron Foun		10000.00
✓	1/22/2020		Legal	Pam Seitz	500.00	
✓	1/23/2020		Office Supplies	Mahoney's	300.00	
✓	1/25/2020	1020	Catering Sales	Aaron's Phot	1500.00	
	1/26/2020	CK # 86	Accounts Payable	Webs R Us	5000.00	
	1/27/2020		Legal	Pam Seitz	200.00	
✓	1/28/2020	1022	Vehicle Expenses	Otto Mekanix	700.00	

Your books

Step 3: Add missing transactions

Your Transaction Details

Date	Ref No.	Detail	Withdrawal	Deposit	Balance
01/01/2020		Opening Balance		50,000.00	50,000.00
01/02/2020	84	Jim Buildem	22,000.00		28,000.00
01/03/2020	3333	Mazda Finance	1,000.00		27,000.00
01/04/2020	85	Aaron's Photography Studio		15,000.00	42,000.00
01/05/2020		Erik's Restaurant Supply	2,500.00		39,500.00
01/06/2020		Art's Party Warehouse	500.00		39,000.00
01/08/2020		Dylan Solfrank Agency	1,200.00		37,800.00
01/11/2020		Mahoney's Office	200.00		37,600.00
01/12/2020		Pam Seitz	1,000.00		36,600.00
01/13/2020		Autopay-echeck	2,500.00		34,100.00
01/14/2020		Otto Mekanix	1,200.00		32,900.00
01/15/2020		Mahoney's Office		20.00	32,920.00
01/16/2020		Interest Earned		10.00	32,930.00
01/17/2020	1023	Amy's Bird Sanctuary		15,000.00	47,930.00
01/18/2020		Transfer	5,000.00		42,930.00
01/21/2020		Travis Waldron		10,000.00	52,930.00
01/22/2020		Pam Seitz	500.00		52,430.00
01/23/2020		Mahoney's Office	300.00		52,130.00
01/25/2020	1020	Aaron's Photography Studio	1,500.00		50,630.00
01/28/2020	1022	Otto Mekanix	700.00		49,930.00
01/31/2020		Mastercard	3,500.00		46,430.00

Bank Statement

Catering is US
As of 1/31/2021

Bank Account

<input type="checkbox"/>	Date	No.	Account	Payee	Payment	Deposit
✓	1/1/2020		Owner'sContrib			50000.00
✓	1/2/2020	84	Kitchen Equipm	Jim Buildem	22000.00	
✓	1/3/2020	3333	Truck		1000.00	
✓	1/4/2020	85	Catering Sales	Aaron's Photog		15,000.00
✓	1/5/2020		Food	Erik's Restaura	2500.00	
✓	1/6/2020		Supplies	Art's Party Wa	500.00	
✓	1/8/2020		Labor	Dylan Solfrank	1200.00	
✓	1/11/2020		Office Supplies	Mahoney's	200.00	
✓	1/12/2020		Legal Fees	Pam Seitz	1000.00	
✓	1/13/2020		Rent		2500.00	
✓	1/14/2020		Vehicle Expenses	Otto Mekani	1200.00	
✓	1/15/2020		Office Supplies	Mahoney's		20.00
✓	1/16/2020		Interest Income			10.00
✓	1/17/2020	1023	Catering Sales	Amy's BirdSan		15000.00
✓	1/18/2020		Owner' Draw		5000.00	
✓	1/21/2020		Catering Sales	Waldron Found		10000.00
✓	1/22/2020		Legal	Pam Seitz	500.00	
✓	1/23/2020		Office Supplies	Mahoney's	300.00	
✓	1/25/2020	1020	Catering Sales	Aaron's Phot	1500.00	
	1/26/2020	CK # 86	Accounts Paya	Webs R Us	5000.00	
	1/27/2020		Legal	Pam Seitz		200.00
✓	1/28/2020	1022	Vehicle Expenses		Otto Mekanix	700.00
✓	1/31/2020		Mastercard-5341		Mastercard	3500.00

Your books

Step 4: Research unreconciled items

Uncleared Checks (Outstanding checks):

If you record a check in your books, but the payee doesn't cash it immediately, it won't show on your bank statement.

Deposits in Transit:

If you record a deposit in your books, but the bank hasn't processed it yet, it won't show on your bank statement.

Duplicates/Errors:

Remove duplicate entries from your ledger and correct any errors you find.

Catering is US
As of 1/31/2021

Bank Account

<input type="checkbox"/>	Date	No.	Account	Payee	Payment	Deposit
✓	1/1/2020		Owner's Contri			50000.00
✓	1/2/2020	84	Kitchen Equipm	Jim Buildem	22000.00	
✓	1/3/2020	3333	Truck		1000.00	
✓	1/4/2020	85	Catering Sales	Aaron's Phot		15,000.00
✓	1/5/2020		Food	Erik's Restaur	2500.00	
✓	1/6/2020		Supplies	Art's Party Wa	500.00	
✓	1/8/2020		Labor	Dylan Solfrank	1200.00	
✓	1/11/2020		Office Supplies	Mahoney's	200.00	
✓	1/12/2020		Legal Fees	Pam Seitz	1000.00	
✓	1/13/2020		Rent		2500.00	
✓	1/14/2020		Vehicle Expenses	Otto Mekanix	1200.00	
✓	1/15/2020		Office Supplies	Mahoney's		20.00
✓	1/16/2020		Interest Income			10.00
✓	1/17/2020	1023	Catering Sales	Amy's BirdSan		15000.00
✓	1/18/2020		Owner' Draw		5000.00	
✓	1/21/2020		Catering Sales	Waldron Fo		10000.00
✓	1/22/2020		Legal	Pam Seitz	500.00	
✓	1/23/2020		Office Supplies	Mahoney's	300.00	
✓	1/25/2020	1020	Catering Sales	Aaron's Photo	1500.00	
✓	1/26/2020	CK # 86	Accounts Payab	Webs R Us	5000.00	
	1/27/2020		Legal	Pam Seitz		200.00
	1/28/2020	1022	Vehicle Expenses		Otto Mekanix	700.00
✓	1/31/2020		Mastercard-5341		Mastercard	3500.00

Your books

Step 5: CELEBRATE!





Chapter 5

Financial Statements

Balance Sheet

Catering is US
As of 3/31/2024

Assets

Checking	\$37,800
Kitchen Equipment	22,000
Truck	<u>30,000</u>
Total Assets	\$89,800

Liabilities & Equity

Liabilities:	
Truck Loan	\$29,000
Equity:	
Owner Contribution	50,000
Net Income	<u>10,800</u>
Total Equity	60,800
Total Liab's & Equity	\$89,800

Financial Position

Profit & Loss Statement

Catering is US
Month ended 3/31/2024

Income:	
Catering Sales	\$15,000
Expenses:	
Food	2,500
Labor	1,200
Supplies	<u>500</u>
Total Expenses	4,200
Net Income	\$10,800

Financial Performance

Comparative Balance Sheet

Catering is US

Account	This Year	Last Year	Change
Checking	55,435	52,435	3,000
Kitchen Equipment	22,000	22,000	0.00
Trucks	30,000	30,000	0.00
Acc. Depreciation	-2,800	-1,400	-1,400
Assets	\$104,635	\$103,035	\$1,600
Truck Loan	25,000	29,000	-4,000
Owner's Investment	50,000	50,000	0.00
Owner's Draw	-28,000	-12,000	-16,000
Retained Earnings	36,035		36,035
Net Income	21,600	36,035	-14,435
Liabilities & Equity	\$104,635	\$103,035	\$1,600

Comparative Income Statement

Catering is US

Account	Jan	Feb	March	Total
Catering Sales	\$8850	\$9,000	\$15,000	\$32,850
Party Planning	\$5,700	\$5,000	\$8,450	\$19,150
Total Income	\$14,550	\$14,000	\$23,450	\$52,000
Food	\$1,450	\$1,450	\$1,450	\$5,350
Labor	\$880	\$900	\$1,200	\$2,980
Supplies	\$295	\$300	\$500	\$1,095
Insurance	\$275	\$275	\$275	\$275
Rent	\$1,200	\$1,200	\$1,200	\$3,600
Utilities	\$238	\$242	\$235	\$714
Total Expenses	\$4,338	\$4,317	\$5,910	\$14,565
Total	\$10,212	\$9,683	\$17,540	\$37,435

Budget vs. Actual

Catering is US

Account	Actual	Budget	\$ Over	Budget %
Catering Sales	15,000	10,000	5,000	150%
Party Planning	8,450	5,500	2,950	154%
Total Income	\$23,450	\$15,500	\$7,950	151%
Food	2,500	1,500	1,000	166%
Labor	1,200	1,000	200	120%
Supplies	500	350	150	143%
Insurance	275	275	0.00	100%
Rent	1,200	1,200	0.00	100%
Utilities	235	250	-15	94%
Total Expenses	\$5,910	\$4,317	\$1,335	129%
Total	\$17,540	\$10,925	\$6,615	160%



Chapter 6

Accounts

Chart of Accounts

Catering is US

No.	Name	Type	Balance
1010	Checking	Bank	55,435.00
1020	Savings	Bank	26,320.01
1030	Petty Cash	Bank	500.00
1100	Accounts Receivable	Accounts Receiv	93,007.93
1200	Undeposited Funds	Other Current As	0.00
1500	Truck	Fixed Asset	30,000.00
1510	Kitchen Equipment	Fixed Asset	22,000.00
2000	Accounts Payable	Accounts Payable	26,636.92
2050	Visa	Credit Card	3500.00
2200	Sales Tax Payable	Other Current Lia	957.63
2300	Truck Loan	Long Term Liabil	29,000.00
3100	Owner's Contribution	Equity	50,000.00
3110	Owner's Draw	Equity	5,000.00
3200	Retained Earnings	Equity	
4010	Services	Income	
4030	Interest Income	Income	
5010	Cost of Goods Sold	Cost of Goods S	
6010	Food	Expense	
6020	Labor	Expense	
6030	Legal	Expense	
6040	Office Supplies	Expense	
6050	Rent	Expense	

How many accounts do you need?



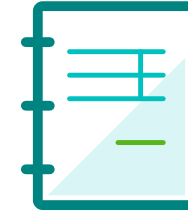
Must have enough detail for tax return. For example... "Travel Meals" must be a separate account.



Beyond this, must have enough detail to run the business and prepare meaningful financial statements.



Must balance "simplicity" against needs of business.



Must also consider if detail is tracked somewhere else. For example, the amount each customer owes is tracked on the customer list.

Are these the right level of detail?

Yes No

- | | | | |
|---|--|--------------------------|--------------------------|
| ① | Accounts Receivable-Cust 1, Accounts Receivable-Cust 2, Accounts Receivable-Cust 3, etc. | <input type="checkbox"/> | <input type="checkbox"/> |
| ② | Legal Costs | <input type="checkbox"/> | <input type="checkbox"/> |
| ③ | Copy Paper Used in Xerox Machine | <input type="checkbox"/> | <input type="checkbox"/> |
| ④ | Office Supplies | <input type="checkbox"/> | <input type="checkbox"/> |
| ⑤ | Stuff I Buy | <input type="checkbox"/> | <input type="checkbox"/> |
| ⑥ | Delivery Truck-1, Delivery Truck-2 (etc...all the way to Delivery Truck-45) | <input type="checkbox"/> | <input type="checkbox"/> |
| ⑦ | Sales Expense (includes all Travel & Entertainment) | <input type="checkbox"/> | <input type="checkbox"/> |
| ⑧ | Food Purchased from A-1 Food Supply | <input type="checkbox"/> | <input type="checkbox"/> |
| ⑨ | Checking Account, Savings Account, and Money Market Account | <input type="checkbox"/> | <input type="checkbox"/> |

Click the blue box to check your work.

☐

What should you name accounts?



There are a few standard names used in accounting... Accounts Receivable, Accounts Payable, and Depreciation Expense.



Beyond this, use whatever has **meaning to stakeholders** when they read financial statements.



Names should be short and concise.



Don't worry about getting the "exact" name (beyond standard names)...as long as the name meets the other criteria.

Are these good account names?

Good

Bad

① Office Papers, Pencils, and Other Supplies

☐☐

② Legal Costs

☐☐

③ Amounts Due from My Customers

☐☐

④ Delivery Vehicles

☐☐

⑤ Stuff I Buy

☐☐

⑥ Office Supplies

☐☐

⑦ What I Owe Suppliers

☐☐

⑧ Checking Account

☐☐

⑨ Catering Events...the Purpose of My Business

☐☐

⑩ Customer Refunds

☐☐

Click the blue box to check your work.

☐

<u>Assets</u>	Debit +	Credit -
Have future value...		

<u>Liabilities</u>	Debit -	Credit +
Owed to 3 rd parties...		

<u>Equity</u>	Debit -	Credit +
Owner's share of assets...		

<u>Income</u>	Debit -	Credit +
Earned from services performed and products sold		
<u>Expenses</u>	Debit +	Credit -
Used in current period		


Which section of the book?

Pick a choice

- ① Legal Fees (pay a lawyer for some legal work) ▾
- ② Office Supplies (pay for office supplies) ▾
- ③ Catering Sales (receive a check from a customer for a catering event) ▾
- ④ Customer Refunds (you send a customer a refund check for an event that didn't go as planned) ▾
- ⑤ Owners Withdrawal (you need cash and take a withdrawal from the company's bank account) ▾
- ⑥ Interest Income (the bank adds money to your bank account for interest) ▾
- ⑦ Note Payable (your dad loans money to the business) ▾
- ⑧ Kitchen Equipment (you buy a pizza oven) ▾
- ⑨ Prepaid Insurance (pay \$10,000 for 2 years of insurance...in advance) ▾

Click the blue box to check your work.





Chapter 7

Money-in

When to record revenue



You

- In **January**, you were hired to build some furniture. It's a \$10,000 job.
- You're busy...so you can't do the work until **February**. You send an invoice that month.
- The customer pays you \$10,000 in **March**.



Lalitha

Lalitha said to show the revenue in January...the month you were hired and agreed to the price.



Katie

Katie told you to show the revenue in February...when you did the work.



Trevor

Trevor says "cash is king"...and tells you to record the revenue in March...when you were paid.

Revenue Recognition principle

- Record income when you've earned it (do the work or sell the product) ...even if you haven't received the money yet.
- The balance that a customer owes is called **Accounts Receivable** (an asset).

Money-in practice

- ① Invoice* to Acme Hospitals for 10,000. This was for a catering event.
- ② Invoice* to Flopbox.com for 15,000. This was for a catering event.
- ③ Invoice* to Intuit for 7,500. This was for a catering event.
- ④ Invoice* to Flappy Birds, Inc. for 36,000:
 - a) 20,000 was for Catering
 - b) 16,000 was for Entertainment
- ⑤ Intuit pays you what they owe (7,500). You deposit the check in your bank account.

** Invoices to be paid later*

Accounts Receivable sub-ledger

The diagram illustrates the consolidation of Accounts Receivable from individual companies into a single consolidated account. It is divided into two main sections by a dashed green line.

Left Section: Consolidated Accounts Receivable

Accounts Receivable	
① 10,000	⑤ 7,500
② 15,000	
③ 7,500	
④ 36,000	
61,000	

Right Section: Individual Company Accounts Receivable

Acme Hospitals		Flopbox.com		Flappy Birds Inc.	
① 10,000		② 15,000			
10,000		15,000			
				Intuit	
				③ 7,500	⑤ 7,500
				0	36,000
				Total = 61,000	

The diagram shows that the total Accounts Receivable for the consolidated entity is 61,000, which is the sum of the individual Accounts Receivable for each company: Acme Hospitals (10,000), Flopbox.com (15,000), Intuit (0), and Flappy Birds Inc. (36,000).

Undeposited Funds

The bank records in QuickBooks must match the real banks' records **EXACTLY**.

Debit +	Credit -
Accounting Records	
Checking	
① 7,500	
② 10,000	
Accounts Receivable	
	① 7,500
	② 10,000

Bank's Records					
LAKE CITY NAT'L BANK					
263 Golden Street, P.O. Box 9638					
THIS STATEMENT COVERS					
JULY 1, 20X3 THROUGH JULY 31, 20X3					
STATEMENT FOR					
THE TABLE SHADY					
445 MAIN STREET					
LAKE CITY					
CHECKING	MONTHLY SUMMARY				
ACCOUNT #	PREVIOUS STATEMENT BALANCE ON 6-30-X3				
767888-0987	48,843.89				
	TOTAL OF 4 DEPOSITS FOR				
	31,209.11 +				
	TOTAL OF 16 WITHDRAWALS FOR				
	27,077.77 -				
	INTEREST EARNINGS FOR				
	119.24 +				
	SERVICE CHARGES FOR				
	55.00 -				
	NEW BALANCE				
	60,739.57				
CHECKS AND OTHER DEBITS	CHECK	DATE PAID	AMOUNT	CHECK	DATE PAID
	5484	2-JUL	4455.09	5465	16-JUL
	5457	3-JUL	345.00	5466	19-JUL
	5458	3-JUL	13.34	5467	23-JUL
	5459	10-JUL	66.14	5468	23-JUL
	5460	5-JUL	11995.20	5469	30-JUL
	5461	9-JUL	3000.00	5470	27-JUL
	5462	16-JUL	2119.44	5472	31-JUL
	ELECTRONIC FUNDS TRANSFER				
	NSF FEE				
	MONTHLY SERVICE FEE				
	17.00				
	48,722.57				
	DEPOSITS AND OTHER CREDITS				
	CUSTOMER DEPOSIT AT MAIN LOCATION				
	CUSTOMER DEPOSIT AT RIVER BRANCH LOCATION				
	COLLECTION ITEM - NOTE RECEIVABLE				
	CREDIT CARD POSTING - TRANSACTION 07679849657				
	INTEREST EARNINGS				
				25-JUL	3909.65
					48,843.89
					17,500



Small Business



Bank

Undeposited Funds

Undeposited Funds helps match the accounting records to the bank's records.

Debit		Credit			
+		-			
Accounting Records					
Checking		Undeposited Funds		Accounts Receivable	
③ 17,500		① 7,500	③ 17,500	① 7,500	
		② 10,000		② 10,000	


Bank's Records					
LAKE CITY NAT'L BANK 263 Golden Street • P.O. Box 6438 THIS STATEMENT COVERS JULY 1, 20X3 THROUGH JULY 31, 20X3 STATEMENT FOR THE TABLE SHADY 445 MAIN STREET LAKE CITY					
CHECKING ACCOUNT # 767888-0987	MONTHLY SUMMARY PREVIOUS STATEMENT BALANCE ON 6-30-23 48,843.89 TOTAL OF 4 DEPOSITS FOR 31,209.11 + TOTAL OF 16 WITHDRAWALS FOR 27,077.77 - INTEREST EARNINGS FOR 119.24 + SERVICE CHARGES FOR 55.00 - NEW BALANCE 52,739.57				
CHECKS AND OTHER DEBITS	CHECK	DATE PAID	AMOUNT	CHECK	DATE PAID
	5484	2-JUL	4455.09	5485	16-JUL
	5457	3-JUL	345.00	5466	19-JUL
	5458	3-JUL	13.34	5467	23-JUL
	5459	10-JUL	66.14	5468	23-JUL
	5480	5-JUL	11995.20	5469	30-JUL
	5481	9-JUL	3000.00	5470	27-JUL
	5482	16-JUL	2119.44	5472	31-JUL
	ELECTRONIC FUNDS TRANSFER				
	NSF RETURNED CHECK				
	NSF FEE				
	MONTHLY SERVICE FEE				
DEPOSITS AND OTHER CREDITS	CUSTOMER DEPOSIT AT MAIN LOCATION 17-JUL 457.00 CUSTOMER DEPOSIT AT RIVER BRANCH LOCATION 25-JUL 3909.65 COLLECTION ITEM - NOTE RECEIVABLE CREDIT CARD POSTING - TRANSACTION 07679849657 INTEREST EARNINGS				



Small Business



Bank



Chapter 8

Money-out

When to record costs



Vendor

- In **January**, you hire someone to repair your stove. It's a \$5,000 job.
- They're busy...so they can't do the work until **February**. They send an invoice that month.
- You pay the vendor \$5,000 in **March**.



Felipe

Felipe said to record the cost in January... the month you hired the vendor and agreed to the price.



Brittany

Brittany said to record the cost in February... when your vendor did the work.



Trevor

Trevor says "cash is king"...and tells you to record the cost in March...when you paid the vendor.

Matching principle

- To see true *performance* and *position* on financial statements, you record costs when you get the product/service.
- The balance that owe suppliers is called **Accounts Payable** (a liability).

Money-out practice

- ① 35,000 bill from A-1 Food Supply for Food.
- ② 10,000 bill from Spammy Kitchen Supply for Catering Supplies.
- ③ 24,000 bill from California Temps:
 - a) 15,000 is for Labor
 - b) 9,000 is for Entertainment Costs
- ④ You pay the 35,000 bill to A-1 Food Supply.

Accounts Payable sub-ledger

Accounts Payable	
④ 35,000	① 35,000
	② 10,000
	③ 24,000
	34,000

A-1 Food Supply		Spammy Kitchen Supply	
④ 35,000	① 35,000		② 10,000
	0		10,000
California Temps			
		③ 24,000	
		24,000	
Total = 34,000			

Cash Basis Accounting

QuickBooks Connect in November

- The fee was \$1,000,000!
- Your costs were \$800,000



Intuit pays you \$1,000,000 in November... thanks Intuit!

Your suppliers give you 30 days to pay...so you pay them in December.



You

November P&L on Cash Basis	
Sales	\$1,000,000
Expenses	\$0
Profit	\$1,000,000

December P&L on Cash Basis	
Sales	\$0
Expenses	\$800,000
Profit	(\$800,000)

Cash Basis Accounting

- **Revenue** recorded when \$ received...and **Costs** recorded when \$ paid.
- Easier to understand and manage cash flow.

Accrual Basis Accounting

QuickBooks Connect in November

- The fee was \$1,000,000!
- Your costs were \$800,000



Intuit pays you \$1,000,000 in November... thanks Intuit!

Your suppliers give you 30 days to pay...so you pay them in December.



You

November P&L on **Accrual Basis**

Sales	\$1,000,000
Expenses	\$800,000
Profit	\$200,000

December P&L on **Accrual Basis**

Sales	\$0
Expenses	\$0
Profit	\$0

Accrual Basis of accounting

- **Revenue** recorded when **earned**...and **Costs** recorded when you get product/service.
- This gives a "truer" representation of performance.

Statement of Cash Flow

Catering is US
January through March 2024

Operating Activities

Net Income	37,800
Accounts Receivable	(61,000)
Accounts Payable	34,000
Purchases on Credit Card	3,500
Sales Tax Payable	987
Acc. Depreciation	200
Net Cash from O.A.	15,487


Investing Activities

Kitchen Equipment	(22,000)
Trucks	(30,000)
Net Cash from I.A.	(52,000)

Financing Activities

Truck Loan	28,700
Owner Contribution	50,000
Net Cash from F.A.	78,700

Net Cash Increase	\$42,187
-------------------	-----------------



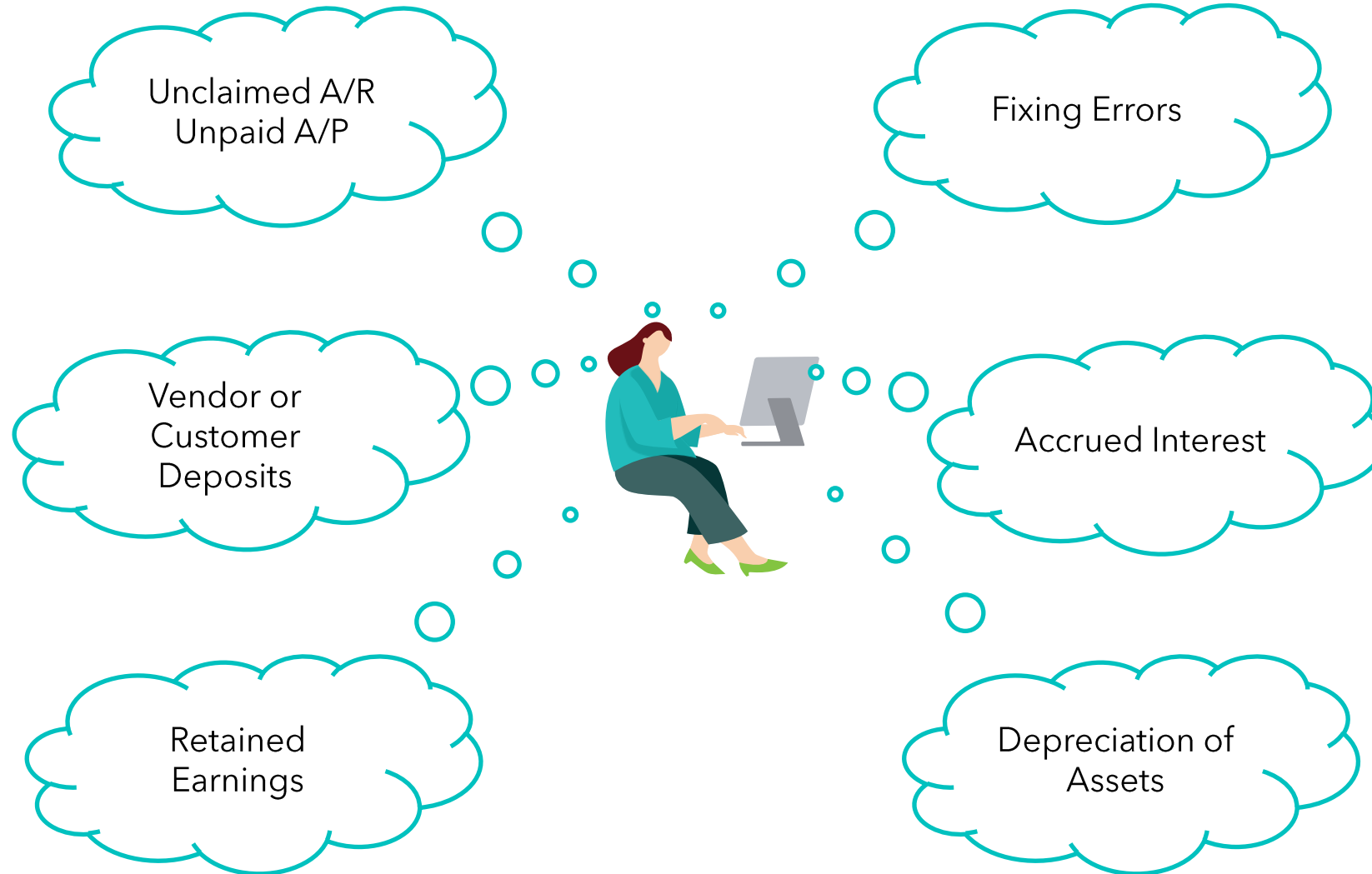
Chapter 9

Complex entries



Adjusting Entries

Adjusting Entry Examples





Retained Earnings

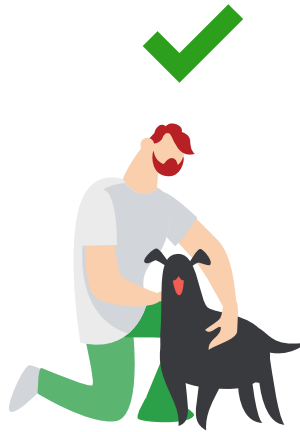
Which pet store is the best investment?



Cats 'R Us

Sales \$1,000,000

Profit **\$100,000**



Dogs 'R Us

Sales \$1,000,000

Profit **\$150,000**

Disturbing Fact!!!

- Cats 'R Us' Profit & Loss Statement was for one year...but...
- Dogs 'R Us' was for 3 years!!!!

Time Period Principle

- A business must finish the full accounting process over a specific operating time period (a year).
- To start a new year, the Profit and Loss accounts are "reset" to zero.

Balance Sheet

Catering is US
As of 1/1/2025

Assets

Checking	\$37,800
Kitchen Equipment	22,000
Truck	<u>30,000</u>
Total Assets	\$89,800

Liabilities & Equity

Liabilities:	
Truck Loan	\$29,000
Equity:	
Owner Contribution	50,000
Retained Earnings	<u>10,800</u>
Net Income	<u>0.00</u>
Total Equity	60,800
Total Liab's & Equity	\$89,800

Financial Position

Profit & Loss Statement

Catering is US
1/1/2025

Income:	
Catering Sales	\$0.00
Expenses:	
Food	0.00
Labor	0.00
Supplies	<u>0.00</u>
Total Expenses	0.00

Net Income	\$0.00
------------	---------------

Financial Performance

Statement of Owner's Equity

Catering is US
As of 3/31/2024

Beginning Capital	50,000
Additional Contribution	7,500
Retained Earnings	43,525
<u>Net Income</u>	<u>37,435</u>
Gross Equity	\$138,460
 Owner's Draw	 30,000
 <u>Net Equity</u>	 <u>\$108,460</u>



Depreciation

What = Who

\$10,000 TV

=

\$10,000 You

\$1,000 Computer

=

\$1,000 You

**Have future
value...**

Assets

\$2 Bottle of Water

=

\$2 You

\$5 Cleaning

=

\$5 You

Used now...

Expenses

**However...what if you
"use" something over
time?**

Fixed Assets

You bought a super-deluxe Tesla-like new delivery truck!

- You paid \$100,000 during January.
- The truck has a useful life of 4 years.



So...from an accounting perspective, you **use** $\frac{1}{4}$ of the truck each year...or \$25,000.

Fixed Asset

- **Tangible** assets you buy for long-term use that are not likely to be converted quickly into cash.
- Examples include furniture, equipment, machinery, and vehicles.

Full Year P&L w/o Depreciation

Sales	\$200,000
Expenses	\$150,000
Profit	\$50,000

Correct Full Year P&L

Sales	\$200,000
Expenses	\$150,000
Depreciation	\$25,000
Profit	\$25,000

Matching Principle

- You record the expense of generating income in the same period you record the income.
- For Fixed Assets, moving the cost from an asset to expenses is called **Depreciation**.

Balance Sheet

Catering is US
As of 12/31/2024

Assets

Checking	\$50,000
Accounts Receivable	25,000
Trucks	100,000
Less: Accumulated Depreciation	<u>(25,000)</u>
Net Trucks	75,000

Total Assets **\$150,000**

Liabilities & Equity

Liabilities:	
Accounts Payable	\$70,000

Equity:	
Profit	<u>80,000</u>

Total Liab's & Equity **\$150,000**

Financial Position

Profit & Loss Statement

Catering is US
Year ended 12/31/2024

Income:	
Catering Sales	\$300,000

Expenses:	
Depreciation	25,000

Food	120,000
------	---------

Labor	60,000
-------	--------

Supplies	<u>15,000</u>
----------	---------------

Total Expenses	220,000
----------------	---------

Profit **\$80,000**

Financial Performance

Cost principle



- I've been very tough on my truck! Someone told me they'd give me \$5,000 for it...and I paid \$100,000!
- Should I change the cost on the books?



- I bought a building and land in Silicon Valley about 20 years ago...for \$200,000.
- Now it's worth millions and millions (and millions).
- Should I change the cost on the books?

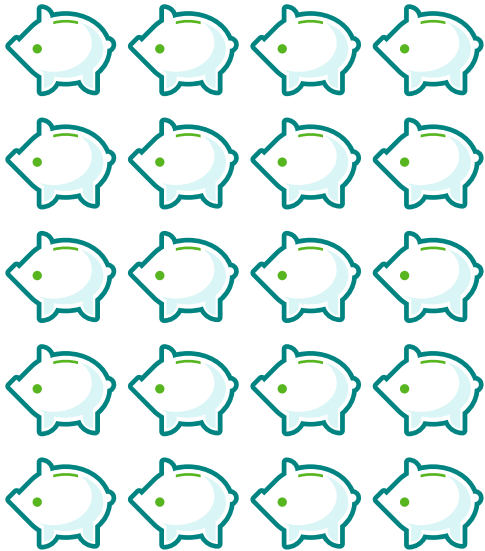
NO...because of the Cost Principle

Assets should always be recorded and presented at their **actual cost**...not the prevailing market value or future value.



Inventory

Inventory



**Piggy Banks
R' Us**



Accounting Records			
Debit +		Credit -	
Inventory		Checking	
① 15,000	② 1,000	③ 2,000	① 15,000
Debit -		Credit +	
Sales of Products		Cost of Goods Sold	
	③ 2,000	② 1,000	

Inventory

- Goods held for the ultimate purpose of resale to customers.
- Until you sell it, represents an asset because it has future value.



Customers

Inventory practice

- ① You buy inventory for 10,000. You pay on delivery...so money comes from bank account (doesn't go to "Accounts Payable" to pay later).
- ② You sell some inventory at an event. The customer pays with a check:
 - a) Sale was 1,000
 - b) Cost of inventory sold was 500
- ③ You sell inventory at a 2nd event. The customer pays with a check:
 - a) Sale was 2,000
 - b) Cost of inventory sold was 1,000

Inventory sub-ledger

Inventory	
① 10,000	② 500
	③ 1,000
8,500	

Desc	#	Cost	Total
Mugs	100	20	2,000
Caps	500	6	3,000
Shirts	60	25	1,500
Aprons	40	50	2,000
Total = 8,500			

Inventory cost

Day 1

You buy 100 piggy banks at \$10 each

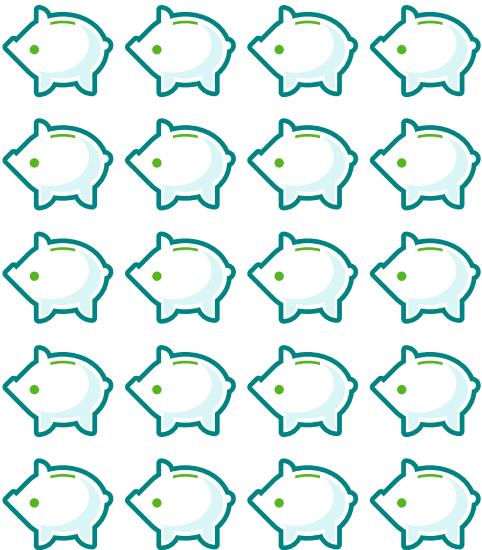
Day 2

You buy 100 piggy banks at \$20 each

Day 3

You sell 100 piggy banks for \$50 each

Which piggy banks did you sell...the \$10 or \$20 versions?



FIFO
First-in, First Out

First you buy is the first you sell

Sales	\$5,000
COGS	\$1,000
Profit	\$4,000
Inventory = \$2,000	

LIFO
Last-in, First Out


Last you buy is the first you sell

Sales	\$5,000
COGS	\$2,000
Profit	\$3,000
Inventory = \$1,000	

Average
Cost

Uses average cost of purchases

Sales	\$5,000
COGS	\$1,500
Profit	\$3,500
Inventory = \$1,500	



Chapter 10

Payroll

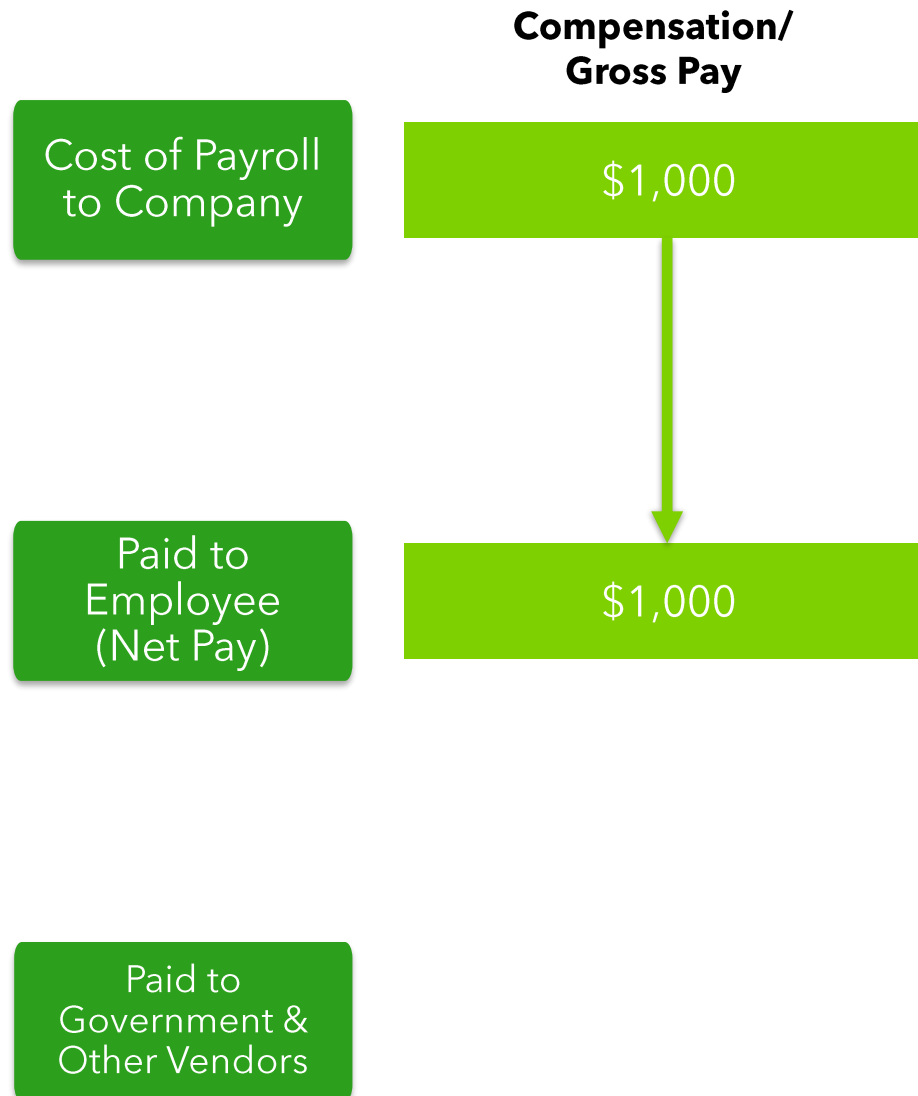
A paycheck

Cost of Payroll
to Company

Paid to
Employee
(Net Pay)

Paid to
Government &
Other Vendors

A paycheck

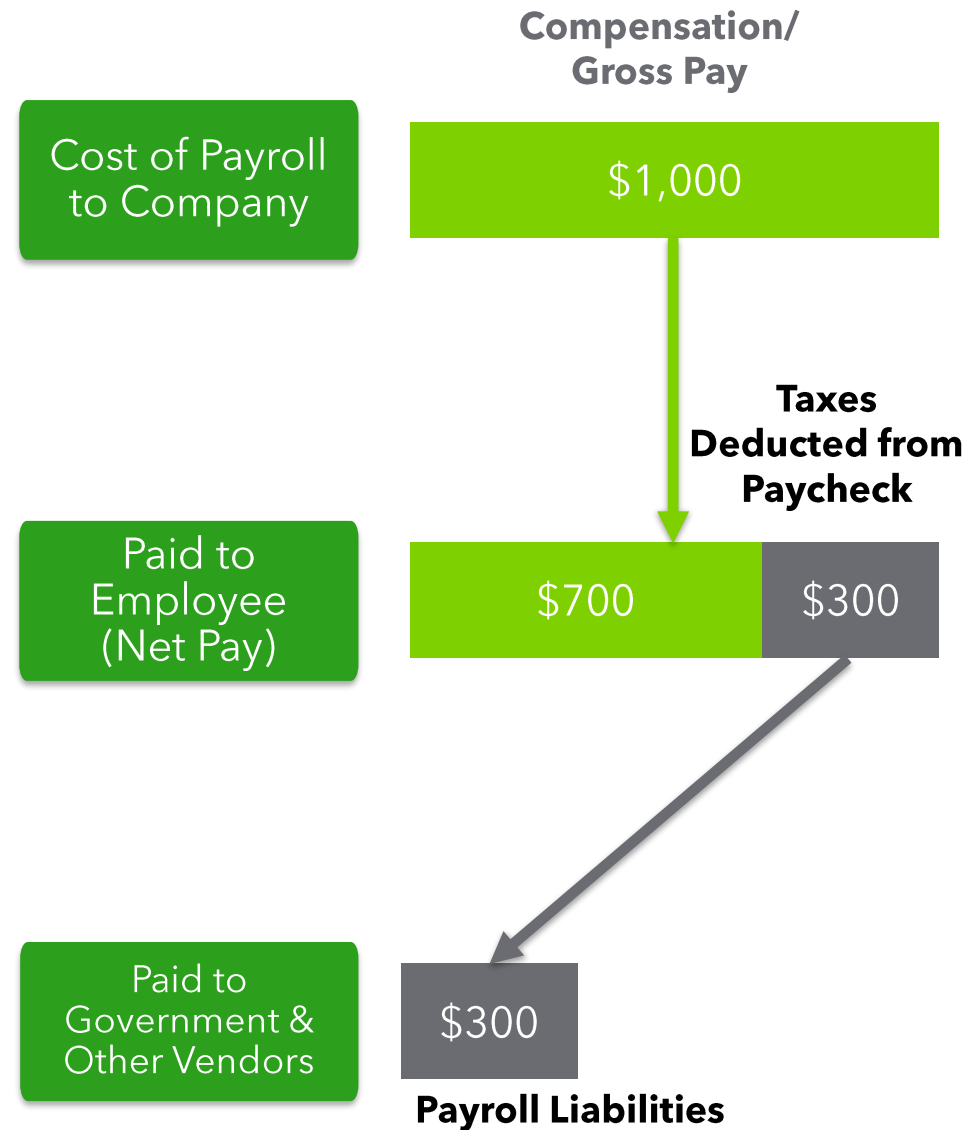


Payroll Entries

Time to pay your first employee!

- ① Enter the paycheck for \$1,000 without taxes or deductions.

A paycheck

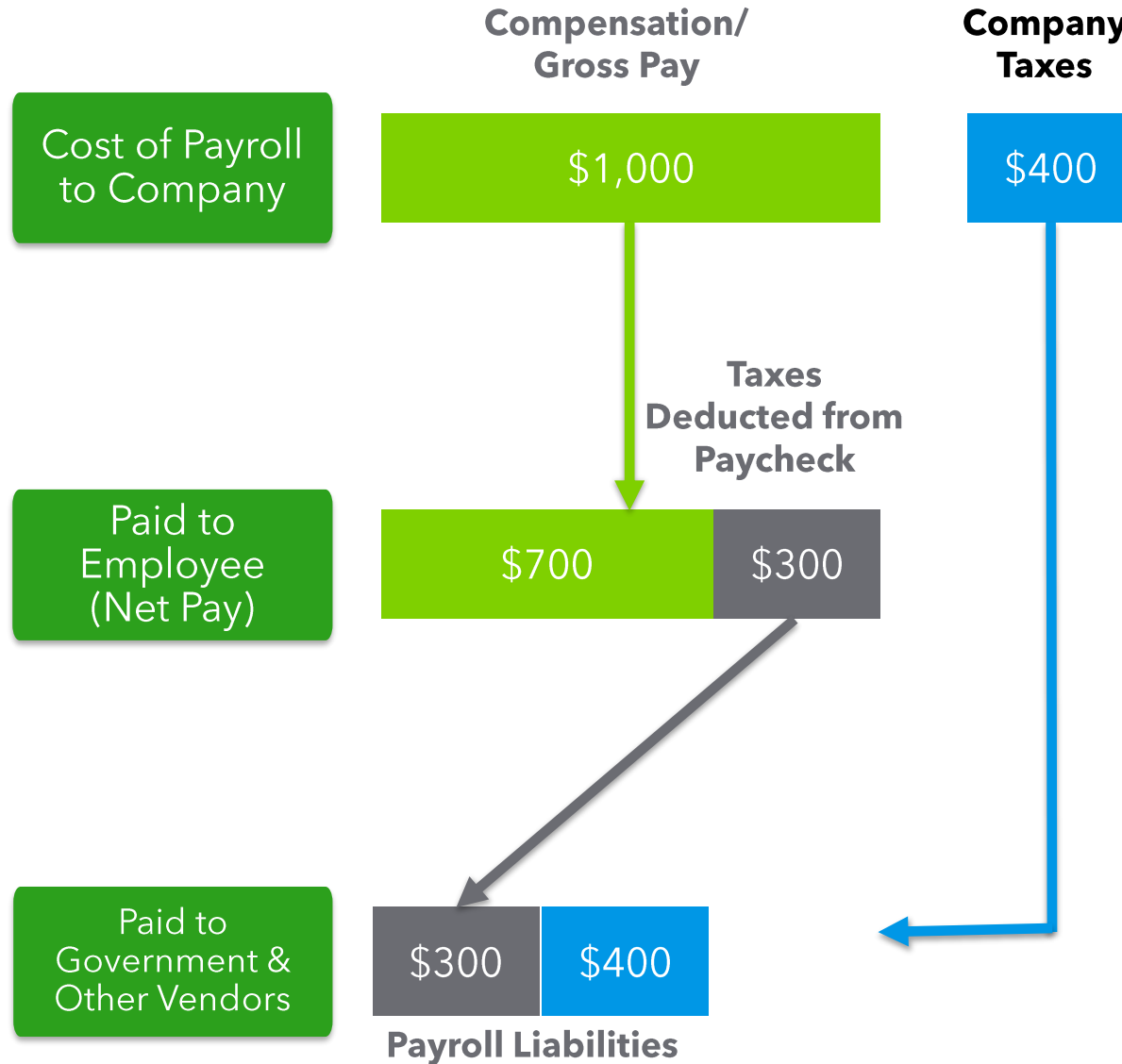


Payroll practice

Time to pay your first employee!

- ① Enter the paycheck for \$1,000 without taxes or deductions.
- ② The taxes deducted from the paycheck are \$300.

A paycheck

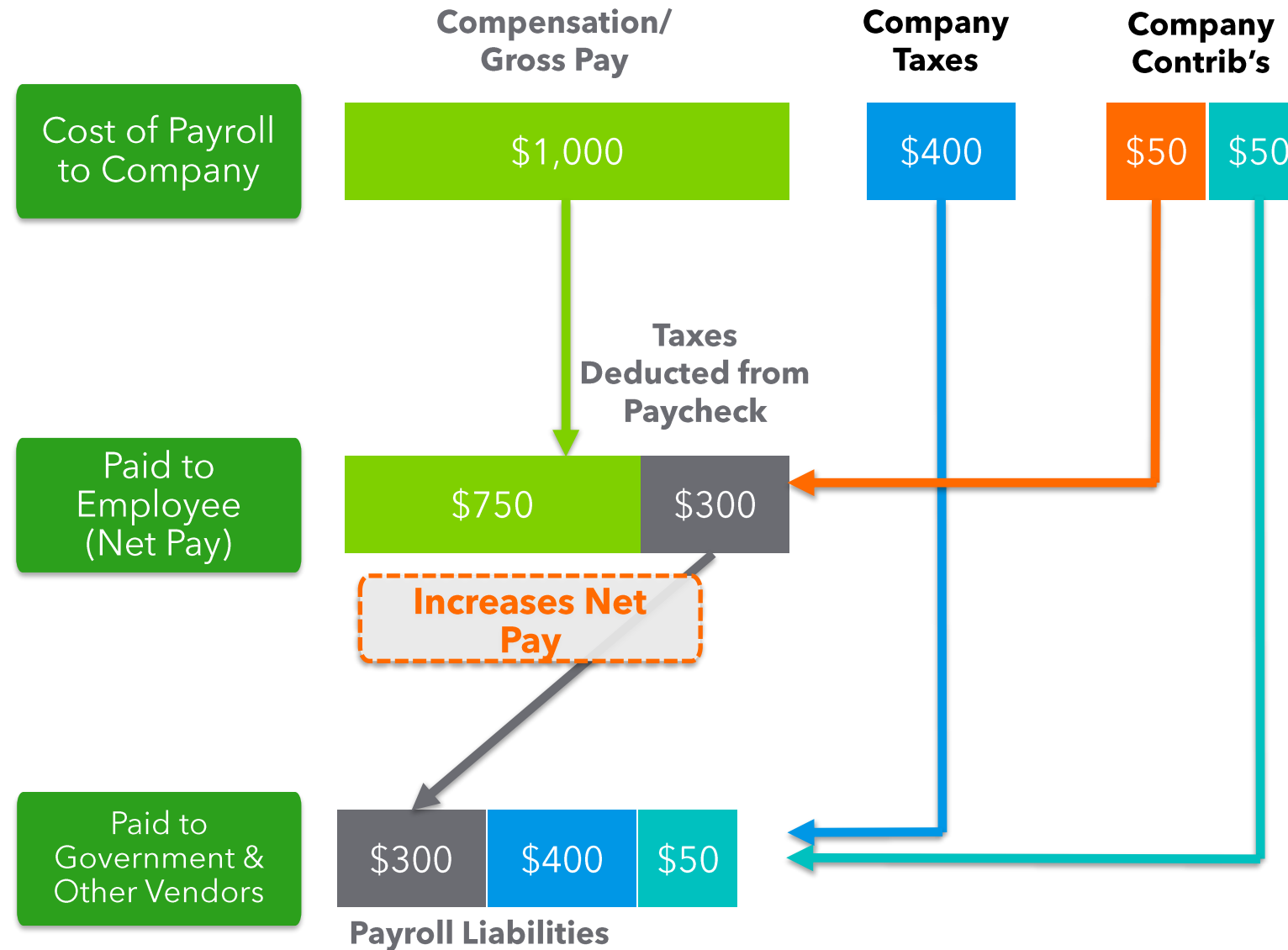


Payroll practice

Time to pay your first employee!

- ① Enter the paycheck for \$1,000 without taxes or deductions.
- ② The taxes deducted from the paycheck are \$300.
- ③ The company's share of payroll taxes are \$400.

A paycheck

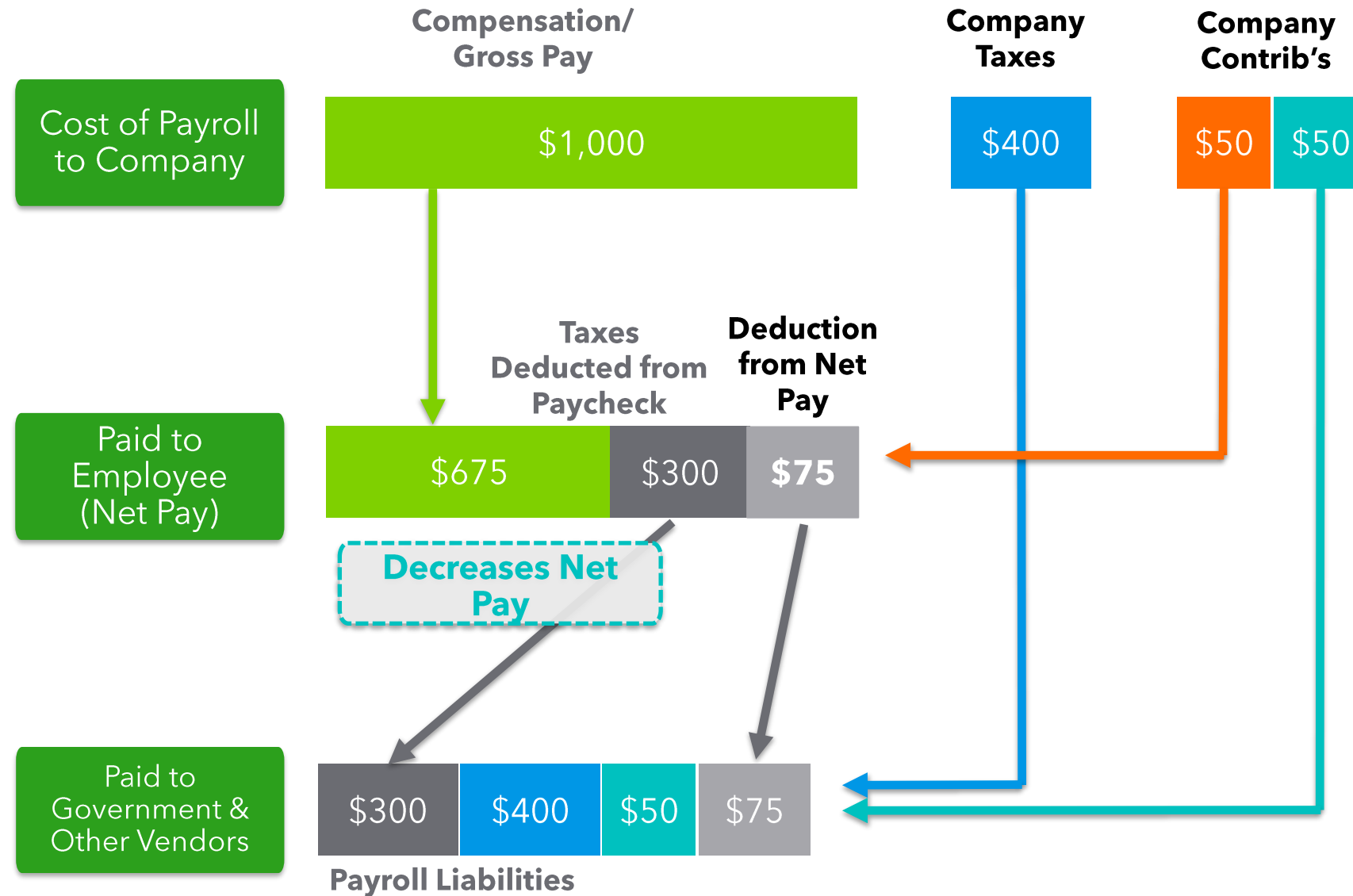


Payroll practice

Time to pay your first employee!

- ① Enter the paycheck for \$1,000 without taxes or deductions.
- ② The taxes deducted from the paycheck are \$300.
- ③ The company's share of payroll taxes are \$400.
- ④ Add a mobile phone reimbursement to the paycheck for \$50.
- ⑤ The company's contribution to the employee's health insurance is \$50.

A paycheck



Payroll practice

Time to pay your first employee!

- ① Enter the paycheck for \$1,000 without taxes or deductions.
- ② The taxes deducted from the paycheck are \$300.
- ③ The company's share of payroll taxes are \$400.
- ④ Add a mobile phone reimbursement to the paycheck for \$50.
- ⑤ The company's contribution to the employee's health insurance is \$50.
- ⑥ Your employee has a \$75 insurance deduction. Include this in the paycheck.

Payroll practice

Time to pay your employee!

- ① Enter the paycheck for \$2500 without taxes or deductions.
- ② The taxes deducted from the paycheck are \$750.
- ③ The company's share of payroll taxes are \$1000.
- ④ Your employee has a \$100 deduction for their retirement plan.
- ⑤ The company's contribution for retirement matching is \$100.

Payroll Journal Entry

Date: 1/31/2024			
Account/Description		Debits	Credits
Payroll Expenses		3600	
Payroll Liabilities			1950
Checking			1650
For employee paycheck			

Payroll Forms

Federal



941:
Employer's
Quarterly Federal
Tax Return



940:
Employer's
Annual Federal
Unemployment
(FUTA) Tax Return



W-2/W-3:
Annual Wage
and Tax
Statement &
Transmittal

State



Quarterly State
Unemployment
Insurance Forms



Annual State
Withholding
Forms

Always verify with your accountant!



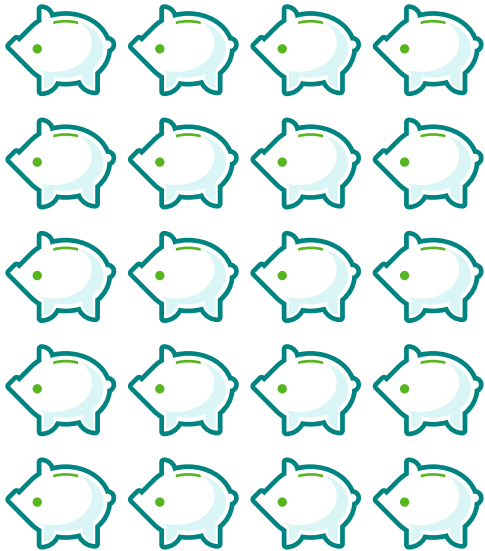
Chapter 11

Bookkeeping Extras



Inventory Adjustments

Inventory



**Piggy Banks
R' Us**

Accounting Records

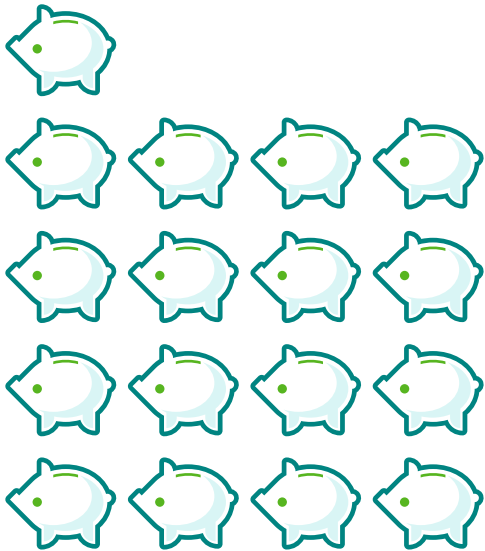
Debit		Credit	
+		-	
Inventory			
① 15,000		② 1,000	

Debit		Credit	
+		-	
Checking			
③ 2,000		① 15,000	

Debit		Credit	
+		-	
Sales of Products			
		③ 2,000	

Debit		Credit	
+		-	
Cost of Goods Sold			
② 1,000			

Inventory



Piggy Banks
R' Us

Accounting Records

Debit		Credit	
+		-	
Inventory			
① 15,000		② 1,000	
		2,000	

Debit		Credit	
+		-	
Checking			
③ 2,000		① 15,000	

Debit		Credit	
-		+	
Sales of Products			
		③ 2,000	

Debit		Credit	
+		-	
Cost of Goods Sold			
② 1,000			
2,000			

Inventory Adjustment

- No funds change hands.
- Non-Measurement Triggering Event

Customers

Balance Sheet

Catering is US
As of 06/15/2024

Assets

Checking	\$50,000
Inventory Asset	25,000
Trucks	100,000

Total Assets **\$175,000**

Liabilities

Liabilities:	
Accounts Payable	\$30,000
Truck Loan	40,000

Equity

Profit	105,000
--------	---------

Total Liab's & Equity **\$175,000**

Financial Position

Profit & Loss Statement

Catering is US
06/15/2024

Income

Sales	\$300,000
-------	-----------

Cost of Goods Sold

Inventory Costs	30,000
-----------------	--------

Expenses

Rent	90,000
Insurance	60,000
Utilities	15,000

Total Expenses **195,000**

Profit **\$105,000**

Financial Performance

Balance Sheet

Catering is US
As of 06/15/2024

Assets

Checking	\$50,000
Inventory Asset	23,000
Trucks	100,000

Total Assets **\$173,000**

Liabilities

Liabilities:	
Accounts Payable	\$30,000
Truck Loan	40,000

Equity

Profit	103,000
--------	---------

Total Liab's & Equity **\$173,000**

Financial Position

Profit & Loss Statement

Catering is US
06/15/2024

Income

Sales	\$300,000
-------	-----------

Cost of Goods Sold

Inventory Costs	30,000
Inventory Shrinkage	2,000

Expenses

Rent	90,000
Insurance	60,000
Utilities	15,000

Total Expenses **197,000**

Profit **\$103,000**

Financial Performance



Bad Debt

Balance Sheet

Catering is US
As of 06/15/2024

Assets

Checking	\$50,000
Accounts Receivable	23,000
Trucks	100,000

Total Assets **\$173,000**

Liabilities

Liabilities:	
Accounts Payable	\$30,000
Truck Loan	40,000

Equity

Profit	103,000
--------	---------

Total Liab's & Equity **\$173,000**

Financial Position

Profit & Loss Statement

Catering is US
06/15/2024

Income

Sales	\$300,000
-------	-----------

Cost of Goods Sold

Inventory Costs	30,000
Inventory Shrinkage	2,000

Expenses

Rent	90,000
Insurance	60,000
Utilities	15,000

Total Expenses **197,000**

Profit **\$103,000**

Financial Performance

Normal A/R Debits and Credits

Income	
Debits	Credits
-	+
	① 5,000

Account Receivable	
Debits	Credits
+	-
① 5,000	

Normal A/R Debits and Credits

Checking	
Debits	Credits
+	-
① 5,000	

Account Receivable	
Debits	Credits
+	-
	① 5,000

Balance Sheet

Catering is US
As of 06/15/2024

Assets

Checking	\$55,000
Accounts Receivable	18,000
Trucks	100,000

Total Assets **\$173,000**

Liabilities

Liabilities:	
Accounts Payable	\$30,000
Truck Loan	40,000

Equity

Profit	103,000
--------	---------

Total Liab's & Equity **\$173,000**

Financial Position

Profit & Loss Statement

Catering is US
06/15/2024

Income

Sales	\$300,000
-------	-----------

Cost of Goods Sold

Inventory Costs	30,000
Inventory Shrinkage	2,000

Expenses

Rent	90,000
Insurance	60,000
Utilities	15,000

Total Expenses **197,000**

Profit **\$103,000**

Financial Performance

Bad Debt Debits and Credits

Checking	
Debits	Credits
-	+
① 5,000	

Account Receivable	
Debits	Credits
+	-
	① 5,000

Balance Sheet

Catering is US
As of 06/15/2024

Assets

Checking	\$55,000
Accounts Receivable	18,000
Trucks	100,000

Total Assets **\$173,000**

Liabilities

Liabilities:	
Accounts Payable	\$30,000
Truck Loan	40,000

Equity

Profit	103,000
--------	---------

Total Liab's & Equity **\$173,000**

Financial Position

Profit & Loss Statement

Catering is US
06/15/2024

Income

Sales	\$300,000
-------	-----------

Cost of Goods Sold

Inventory Costs	30,000
Inventory Shrinkage	2,000

Expenses

Rent	90,000
Insurance	60,000
Utilities	15,000

Total Expenses **197,000**

Profit **\$103,000**

Financial Performance

Balance Sheet

Catering is US
As of 06/15/2024

Assets

Checking	\$55,000
Accounts Receivable	13,000
Trucks	100,000

Total Assets **\$168,000**

Liabilities

Liabilities:	
Accounts Payable	\$30,000
Truck Loan	40,000

Equity

Profit	98,000
--------	--------

Total Liab's & Equity **\$168,000**

Financial Position

Profit & Loss Statement

Catering is US
06/15/2024

Income

Sales \$295,000

Cost of Goods Sold

Inventory Costs	30,000
Inventory Shrinkage	2,000

Expenses

Rent	90,000
Insurance	60,000
Utilities	15,000

Total Expenses **197,000**

Profit **\$98,000**

Financial Performance



Tricks to Memorize Account Types

Balance Sheet
Catering is US
As of 06/15/2024

Assets

Checking	\$55,000
Accounts Receivable	13,000
Trucks	100,000

Total Assets **\$168,000**

Liabilities

Liabilities:	
Accounts Payable	\$30,000
Truck Loan	40,000

Equity

Profit	98,000
--------	--------

Total Liab's & Equity **\$168,000**

A. L. E.

Profit & Loss Statement
Catering is US
06/15/2024

Income

Sales	\$295,000
-------	-----------

Cost of Goods Sold

Inventory Costs	30,000
Inventory Shrinkage	2,000

Expenses

Rent	90,000
Insurance	60,000
Utilities	15,000

Total Expenses **197,000**

Profit **\$98,000**

I. C. E.

Account Types

Balance Sheet Position Accounts	Assets Bank Accounts Receivable Other Current Assets Fixed Assets Other Assets	Liabilities and Equity Accounts Payable Credit Cards Other Current Liabilities Long-Term Liabilities Equity
Profit & Loss Performance Accounts	Expenses Cost of Goods Sold Expenses Other Expenses	Income Income Other Income

Account Types

Balance Sheet (Position)

QuickBooks Type	Description	Examples
Bank	Your bank accounts	Checking and Savings
Accountants Receivable	What your customers owe you	Accounts Receivable
Other Current Asset	Assets likely turned to cash within a year	Inventory and Short-term Investments
Fixed Asset	Assets that last more than 1 year	Furniture, Fixtures and Equipment
Other Asset	Assets that do not belong in other types	Long-Term Investments
Accounts Payable	What you owe to vendors	Accounts Payable
Credit Card	Company credit cards	Amex and Visa
Other Current Liabilities	Liabilities to be paid within 1 year	Sales Tax Payable and Payroll Taxes
Long-Term Liabilities	Liabilities NOT to be paid within 1 year	Mortgage Payable
Equity	Owners' share of assets after liabilities	Owner Contribution and Owner Draws

Account Types

Profit & Loss Statement (Performance)

QuickBooks Type	Description	Examples
Income	Sources of your company's revenue	Product Sales and Service Income
Other Income	Income not a part of regular operations	Interest Income
Cost of Goods Sold	Tracks the cost of products sold	Materials and Cost of Sales
Expense	Normal operating expenses	Office Supplies and Rent
Other Expense	Non-operating expenses	Late tax penalties



Loans

Balance Sheet

Catering is US
As of 12/31/2024

Assets

Checking	\$37,800
Kitchen Equipment	22,000
Truck	<u>30,000</u>
Total Assets	\$89,800

Liabilities & Equity

Liabilities:

Truck Loan	\$29,000
------------	----------

Equity:

Owner Contribution	50,000
Net Income	<u>10,800</u>
Total Equity	60,800

Total Liab's & Equity **\$89,800**

Financial Position

Profit & Loss Statement

Catering is US
12/31/2024

Income:
Catering Sales \$15,000

Expenses:
Food 2,500
Labor 1,200
Supplies 500
Total Expenses 4,200

Net Income **\$10,800**

Financial Performance

Balance Sheet
Catering is US
As of 12/31/2024

Assets

Checking	\$37,000
Kitchen Equipment	22,000
Truck	<u>30,000</u>
Total Assets	\$89,000

Liabilities & Equity

Liabilities:	
Truck Loan	\$28,500
Equity:	
Owner Contribution	50,000
Net Income	<u>10,500</u>
Total Equity	60,500
Total Liab's & Equity	\$89,000

Financial Position

Profit & Loss Statement
Catering is US
12/31/2024

Income:	
Catering Sales	\$15,000
Expenses:	
Food	2,500
Interest Paid	300
Labor	1,200
Supplies	<u>500</u>
Total Expenses	4,200
Net Income	\$10,500

Financial Performance

Amortization schedule

Loan Data					
Amount	29,000				
Term (months)	36				
Interest Rate	5%				
Monthly Payment	869				
Month	Payment	Interest	Principal	Balance	
0				29,000	
1	869	121	748	28,252	
2	869	118	751	27,501	
3	869	115	755	26,747	
4	869	111	758	25,989	
5	869	108	761	25,228	
6	869	105	764	24,464	
7	869	102	767	23,697	
8	869	99	770	22,926	
9	869	96	774	22,153	
10	869	92	777	21,376	
11	869	89	780	20,596	
12	869	86	783	19,813	
13	869	83	787	19,026	
14	869	79	790	18,236	
15	869	76	793	17,443	
16	869	73	796	16,646	

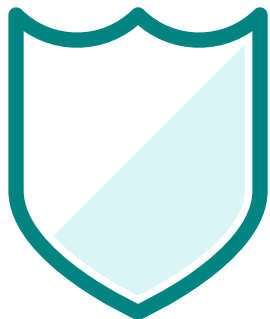
Loan practice

- ② The first month's loan payment is 869:
 - a) Principal 748
 - b) Interest 121
- ③ The second month's loan payment is 869:
 - a) Principal 751
 - b) Interest 118

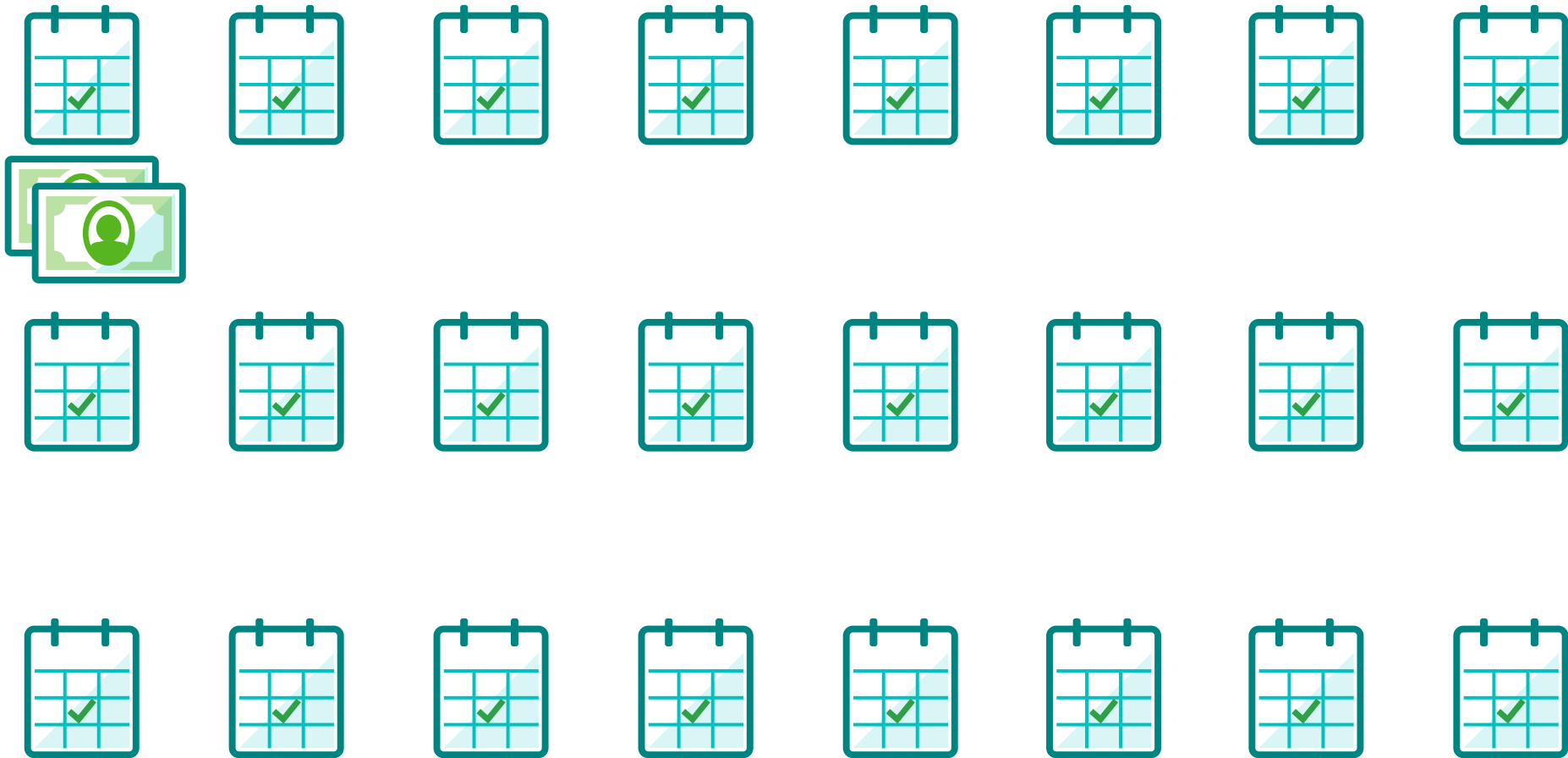


Prepaid Expenses

Prepaid Expenses



Insurance



Prepaid Expenses

Prepaid Insurance

Accounting Records					
		Debit +		Credit -	
Checking		Prepaid Insurance		Insurance Expense	
① 24,000		① 24,000	② 1,000	② 1,000	
			③ 1,000	③ 1,000	
			④ 1,000	④ 1,000	
		24,000			



Jan



Feb



Mar

Prepaid Expenses

Use a journal entry to record expenses you pay up front as assets, and expense out over a period of time.

Account/Description	Debit	Credit
Insurance Expense	1,000	
Prepaid Insurance (Asset)		1,000
To record monthly insurance expense paid up front.		

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