

Contents

Preface

vi

UNIT 1 ACCOUNTING SKILLS

LESSON 1 GETTING STARTED WITH ACCOUNTING 4

| | |
|---------------------------|----|
| Terms You Will Learn | 5 |
| What Is Accounting? | 6 |
| The Sumerians | 6 |
| The Tally Stick | 7 |
| Luca Pacioli | 7 |
| Business Entities | 8 |
| Sole Proprietorship | 8 |
| Partnership | 8 |
| Corporation | 9 |
| Limited Liability Company | 9 |
| Journals and Ledgers | 11 |
| Accounting Software | 13 |
| Summary | 14 |
| Concepts Review | 15 |
| Skill Builders | 17 |

LESSON 2 INTRODUCING THE ACCOUNTING EQUATION 20

| | |
|---|----|
| Terms You Will Learn | 21 |
| The Basic Accounting Equation | 22 |
| Business Transactions | 23 |
| Effects of Business Transactions on the Accounting Equation | 24 |
| Investment by Owner: Starting a Business | 24 |
| Cash Payment Transactions | 25 |
| Credit Transactions | 26 |
| To Make a Purchase on Account | 26 |
| To Make a Payment on Account | 27 |
| To Make a Sale on Account | 29 |
| Revenue and Expense Transactions | 29 |
| Withdrawal by the Owner | 30 |
| Summary | 31 |
| Concepts Review | 32 |
| Skill Builders | 35 |
| Assessments | 37 |

LESSON 3 WORKING WITH DEBITS AND CREDITS 40

| | |
|--|----|
| Terms You Will Learn | 42 |
| T Accounts | 42 |
| Recording a Cash Investment | 43 |
| Recording the Cash Purchase of Equipment | 44 |
| Recording the Credit Purchase of Equipment | 44 |
| Recording the Cash Purchase of Supplies | 44 |
| Working with the Rules of Debits and Credits | 46 |
| Rules for Asset Accounts | 46 |
| Rules for Liability and Owner's Equity Accounts | 47 |
| The Rules of Debits and Credits for Temporary Capital Accounts | 49 |
| Rules for Revenue Accounts | 50 |
| Rules for Expense Accounts | 51 |
| Rules for Withdrawal Accounts | 52 |
| Summary of Rules of Debit and Credit | 53 |
| The Trial Balance | 53 |
| Solution: Deep Divers Trial Balance | 56 |
| Summary | 57 |
| Concepts Review | 58 |
| Skill Builders | 60 |
| Assessments | 64 |

UNIT 2 BEYOND THE BASICS

LESSON 4 WORKING WITH THE ACCOUNTING CYCLE 68

| | |
|---|----|
| Terms You Will Learn | 70 |
| Introducing the Accounting Cycle | 70 |
| Generally Accepted Accounting Principles (GAAP) | 71 |
| The Steps in the Accounting Cycle | 72 |
| Step 1: Collect and Verify the Source Documents | 72 |
| Step 2: Analyze the Business Transactions | 73 |
| Step 3: Record the Business Transactions in a Journal | 74 |

| | |
|--------------------|----|
| Compound Entries | 77 |
| Correcting Entries | 78 |
| Summary | 81 |
| Concepts Review | 82 |
| Skill Builders | 85 |
| Assessments | 87 |

LESSON 5 WORKING WITH THE GENERAL LEDGER **90**

| | |
|--|-----|
| Terms You Will Learn | 91 |
| The General Ledger | 92 |
| Step 4: Post Each Journal Entry to the Ledger Accounts | 92 |
| Other Journals | 99 |
| Depreciation | 102 |
| Recording Depreciation | 103 |
| Continuing with the Accounting Cycle | 104 |
| Step 5: Prepare the Trial Balance | 105 |
| Summary | 110 |
| Concepts Review | 111 |
| Skill Builders | 113 |
| Assessments | 116 |
| Critical Thinking | 134 |

LESSON 6 GENERATING FINANCIAL STATEMENTS **136**

| | |
|--|-----|
| Terms You Will Learn | 138 |
| Step 6: Preparing the Worksheet | 139 |
| Heading | 139 |
| Trial Balance | 139 |
| Adjustments | 140 |
| Adjusted Trial Balance | 144 |
| Income Statement | 145 |
| Balance Sheet | 145 |
| Step 7: Generating the Financial Statements | 148 |
| Preparing the Income Statement | 148 |
| Preparing the Statement of Owner's Equity | 150 |
| Preparing the Balance Sheet | 151 |
| Preparing Financial Statements on the Computer | 154 |
| Summary | 154 |
| Concepts Review | 155 |
| Skill Builders | 158 |
| Assessments | 163 |
| Critical Thinking | 167 |

LESSON 7 WORKING WITH ADJUSTING AND CLOSING ENTRIES **168**

| | |
|---|-----|
| Terms You Will Learn | 170 |
| Step 8: Journalizing and Posting | |
| Closing Entries | 170 |
| The Closing Process | 170 |
| Posting the Closing Entries to the General Ledger | 175 |
| Step 9: Preparing the Post-Closing Trial Balance | 182 |
| Summary | 183 |
| Concepts Review | 184 |
| Skill Builders | 186 |
| Assessments | 192 |

UNIT 3 ADVANCED SKILLS

LESSON 8 ACCOUNTING PRACTICE SET **204**

| | |
|---|-----|
| Deep Divers Practice Set | 205 |
| Directions with Forms, Ledgers, and Journal Pages | 206 |
| Concepts Review | 230 |
| <i>Glossary</i> | 232 |
| <i>Index</i> | 235 |