

# ACCOUNTING

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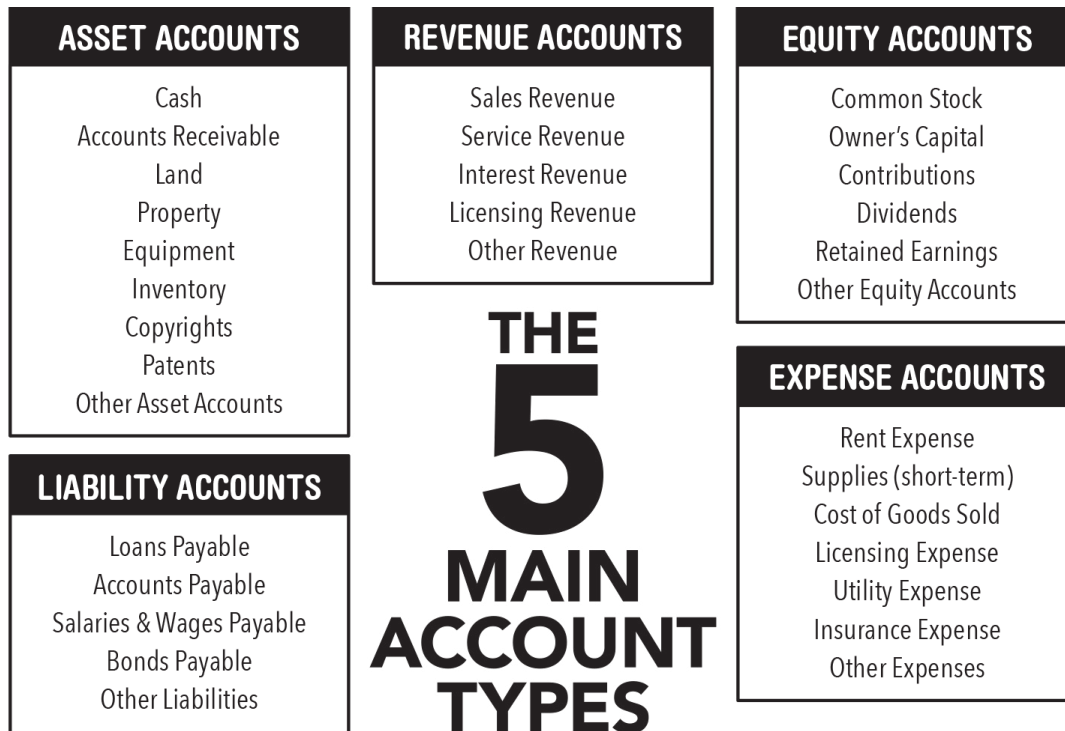
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# CHAPTER 1

## Accounting as a Tool of Business

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fig. 1



## CHAPTER 2

### Introduction to Financial Statements

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fig. 2

<b>KATHI'S JEWELRY DESIGN</b>		
<b>Income Statement</b>		
<i>For the Month Ending on 11/30/17</i>		
<i>Revenues</i>		
Online sales revenue	\$	5,900
Brick-and-mortar sales revenue	\$	<u>2,300</u>
<b>TOTAL REVENUES</b>	\$	<b>8,200</b>
<i>Expenses</i>		
Rent expense	\$	2,500
Wage expense	\$	1,800
Advertising expense	\$	1,000
Supplies expense	\$	450
Insurance expense	\$	<u>70</u>
<b>TOTAL EXPENSES</b>	\$	<b><u>5,820</u></b>
<i>Net income</i>	\$	<b><u>2,380</u></b>

fig. 3

<b>KATHI'S JEWELRY DESIGN</b>		
<b>Statement of Owner's Equity</b>		
<i>For the Month Ending on 11/30/17</i>		
OWNER'S EQUITY ON 10/31/17	\$	19,200
Owner's contributions	\$	-
Owner's withdrawals	\$	(2,000)
Net income for the month	\$	<u>2,380</u>
<b>TOTAL</b>	\$	<b>380</b>
OWNER'S EQUITY ON 11/30/17	\$	<b><u>19,580</u></b>

fig. 4

<b>KATHI'S JEWELRY DESIGN</b>	
<b>Balance Sheet</b>	
<i>11/30/17</i>	
<b><u>Assets</u></b>	
Cash	\$ 12,500
Accounts receivable	\$ 410
Inventory	\$ 7,080
Equipment	\$ 12,570
Other assets	\$ 1,100
	<hr/>
TOTAL ASSETS	\$ 33,660
	<hr/> <hr/>
<b><u>Liabilities &amp; Equity</u></b>	
<b><u>Liabilities</u></b>	
Accounts payable	\$ 10,300
Unearned sales revenue	\$ 1,950
Salaries and wages payable	\$ 1,790
Interest payable	\$ 40
	<hr/>
TOTAL LIABILITIES	\$ 14,080
<b><u>Equity</u></b>	
Kathi Williams, capital balance	\$ 19,580
	<hr/>
TOTAL EQUITY	\$ 19,580
	<hr/> <hr/>
<b>TOTAL LIABILITIES PLUS TOTAL EQUITY</b>	<b>\$ 33,660</b>

fig. 5

<b>KATHI'S JEWELRY DESIGN</b>			
<b>Balance Sheet</b>			
<i>11/30/17</i>			
<b><u>Assets</u></b>		<b><u>Liabilities &amp; Equity</u></b>	
Cash	\$ 12,500		
Accounts receivable	\$ 410	<b><u>Liabilities</u></b>	
Inventory	\$ 7,080	Accounts payable	\$ 10,300
Equipment	\$ 12,570	Unearned sales revenue	\$ 1,950
Other assets	\$ 1,100	Salaries and wages payable	\$ 1,790
	<hr/>	Interest payable	\$ 40
			<hr/>
		TOTAL LIABILITIES	\$ 14,080
		<b><u>Equity</u></b>	
		Kathi Williams, capital balance	\$ 19,580
			<hr/>
		TOTAL EQUITY	\$ 19,580
			<hr/> <hr/>
<b>TOTAL ASSETS</b>	<b>\$ 33,660</b>	<b>TOTAL LIABILITIES PLUS TOTAL EQUITY</b>	<b>\$ 33,660</b>
	<hr/> <hr/>		<hr/> <hr/>

fig. 6

<h2 style="text-align: center;">KATHI'S JEWELRY DESIGN</h2> <h3 style="text-align: center;">Statement of Cash Flows</h3> <p style="text-align: center;">For the Month Ending on 11/30/17</p>		
<b>Cash Flows from Operating Activities</b>		
Cash flows from sales	\$ 6,760	
Outgoing cash from operating activities	\$ (5,650)	
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>\$ 1,110</b>	
<b>Cash Flows from Investing Activities</b>		
Equipment purchase	\$ (4,905)	
<b>NET CASH FLOW FROM INVESTING</b>	<b>\$ (4,905)</b>	
<b>Cash Flows from Financing Activities</b>		
Owner's withdrawal	\$ (2,000)	
<b>NET CASH FLOW FROM FINANCING</b>	<b>\$ (2,000)</b>	
<b>Net Cash Flow</b>	<b>\$ (5,795)</b>	
Cash position at the beginning of the period	\$ 18,295	
<b>Current cash position</b>	<b>\$ 12,500</b>	

fig. 7

<h3 style="text-align: center;">KATHI'S JEWELRY DESIGN</h3> <h4 style="text-align: center;">Income Statement</h4> <p style="text-align: center;">For the Month Ending on 11/30/17</p>	
<b>Revenues</b>	
Online sales revenue	\$ 5,900
Brick and mortar sales revenue	\$ 2,300
<b>TOTAL REVENUES</b>	<b>\$ 8,200</b>
<b>Expenses</b>	
Rent expense	\$ 2,500
Wage expense	\$ 1,800
Advertising expense	\$ 1,000
Supplies expense	\$ 450
Insurance expense	\$ 70
<b>TOTAL EXPENSES</b>	<b>\$ 5,820</b>
<b>Net income</b>	<b>\$ 2,380</b>

<h3 style="text-align: center;">KATHI'S JEWELRY DESIGN</h3> <h4 style="text-align: center;">Statement of Owner's Equity</h4> <p style="text-align: center;">For the Month Ending on 11/30/17</p>	
OWNER'S EQUITY ON 10/31/17	\$ 19,200
Owner's contributions	\$
Owner's withdrawals	\$ (2,000)
Net income for the month	<b>\$ 2,380</b>
<b>TOTAL</b>	<b>\$ 380</b>
OWNER'S EQUITY ON 11/30/17	<b>\$ 19,580</b>

<h3 style="text-align: center;">KATHI'S JEWELRY DESIGN</h3> <h4 style="text-align: center;">Balance Sheet</h4> <p style="text-align: center;">11/30/17</p>	
<b>Assets</b>	
Cash	<b>\$ 12,500</b>
Accounts receivable	\$ 410
Inventory	\$ 7,080
Equipment	\$ 12,570
Other assets	\$ 1,100
<b>TOTAL ASSETS</b>	<b>\$ 33,660</b>
<b>Liabilities &amp; Equity</b>	
<b>Liabilities</b>	
Accounts payable	\$ 10,300
Unearned sales revenue	\$ 1,950
Salaries and wages payable	\$ 1,790
Interest payable	\$ 40
<b>TOTAL LIABILITIES</b>	<b>\$ 14,080</b>
<b>Equity</b>	
Kathi Williams, capital balance	<b>\$ 19,580</b>
<b>TOTAL EQUITY</b>	<b>\$ 19,580</b>
<b>TOTAL LIABILITIES PLUS TOTAL EQUITY</b>	<b>\$ 33,660</b>

<h3 style="text-align: center;">KATHI'S JEWELRY DESIGN</h3> <h4 style="text-align: center;">Statement of Cash Flows</h4> <p style="text-align: center;">For the Month Ending on 11/30/17</p>	
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Outgoing cash from operating activities	\$ (5,650)
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>\$ 1,110</b>
<b>Cash Flows from Investing Activities</b>	
Equipment purchase	\$ (4,905)
<b>NET CASH FLOW FROM INVESTING</b>	<b>\$ (4,905)</b>
<b>Cash Flows from Financing Activities</b>	
Owner's withdrawal	\$ (2,000)
<b>NET CASH FLOW FROM FINANCING</b>	<b>\$ (2,000)</b>
<b>Net Cash Flow</b>	<b>\$ (5,795)</b>
Cash position at the beginning of the period	\$ 18,295
<b>Current cash position</b>	<b>\$ 12,500</b>

—— Net income (output from income statement) is recorded on the Statement of Owner's Equity

..... Owner's equity is recorded on the Balance Sheet

- - - - Cash on Balance Sheet should be equal to current cash position on Statement of Cash Flows



## CHAPTER 3

### Financial Statement Analysis

---

fig. 8

<b>PrintCo</b>		
<b>Income Statement</b>		
<i>For the Year Ending on 12/31/17 (all dollar amounts in millions)</i>		
<i>Revenues</i>		
Sales revenue	\$	9,867
<b>TOTAL REVENUES</b>	\$	<b>9,867</b>
<i>Expenses</i>		
Cost of goods sold	\$	4,719
Selling/General/Admin expense	\$	3,080
Depreciation/Amortization	\$	105
Income tax expense	\$	<u>698</u>
<b>TOTAL EXPENSES</b>	\$	<b><u>8,602</u></b>
<i>Net income</i>	\$	<b><u>1,265</u></b>

fig. 9

<b>PrintCo</b>		
<b>Retained Earnings Statement</b>		
<i>For the Month Ending on 12/31/17 (all dollar amounts in millions)</i>		
Retained Earnings as of January 1	\$	680
Plus: Net income	\$	<u>1,265</u>
	\$	1,945
Less: Dividends issued	\$	<u>300</u>
<i>Retained Earnings as of December 31</i>	\$	<b><u><u>1,645</u></u></b>

fig. 10

<b>PrintCo</b>			
<b>Income Statements</b>			
<i>2015 - 2017 (all dollar amounts in millions)</i>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><u>Revenues</u></b>			
Sales revenue	\$ 9,867	\$ 11,354	\$ 7,364
<b>TOTAL REVENUES</b>	<b>\$ 9,867</b>	<b>\$ 11,354</b>	<b>\$ 7,364</b>
<b><u>Expenses</u></b>			
Cost of goods sold	\$ 4,019	\$ 5,105	\$ 3,565
Selling/General/Admin expense	\$ 3,120	\$ 3,420	\$ 2,730
Depreciation/Amortization	\$ 765	\$ 805	\$ 830
Income tax expense	\$ 698	\$ 820	\$ 624
<b>TOTAL EXPENSES</b>	<b>\$ 8,602</b>	<b>\$ 10,150</b>	<b>\$ 7,749</b>
<b><u>Net income/loss</u></b>	<b>\$ 1,265</b>	<b>\$ 1,204</b>	<b>\$ (385)</b>

fig. 11

$$\text{EARNINGS PER SHARE} = \frac{\text{NET INCOME} - \text{PREFERRED DIVIDENDS}}{\text{WEIGHTED AVERAGE OF OUTSTANDING COMMON STOCK SHARES}}$$

fig. 12

<b>PrintCo</b>			
<b>Balance Sheet</b>			
12/31/17 (all dollar amounts in millions)			
<i>Assets</i>		<i>Liabilities</i>	
Cash and cash equivalents	\$ 1,924	Accounts payable	\$ 1,286
Accounts receivable	\$ 1,540	Notes payable	\$ 955
Other current assets	\$ 230	Other current liabilities	\$ 334
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 3,694</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 2,575</b>
Property	\$ 1,209	Long-term debt	\$ 463
Equipment	\$ 415	Other long-term liabilities	\$ 98
Long-term investments	\$ 765	<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 561</b>
Other assets	\$ 198	<b>TOTAL LIABILITIES</b>	<b>\$ 3,136</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>\$ 2,587</b>		
		<i>Equity</i>	
<b>TOTAL ASSETS</b>	<b>\$ 6,281</b>	Stockholder equity	\$ 1,500
		Retained earnings	\$ 1,645
		<b>TOTAL EQUITY</b>	<b>\$ 3,145</b>
		<b>TOTAL LIABILITY PLUS EQUITY</b>	<b>\$ 6,281</b>

fig. 13

<b>QUICK RATIO</b>	<b>HOW TO EVALUATE</b>
$\text{QUICK RATIO} = \frac{\text{CASH} + \text{AR} + \text{MARKETABLE SECURITIES}}{\text{CURRENT LIABILITIES}}$ <p><b>Current assets</b> are assets a company holds that should be fairly easy to convert into cash within a year's time. <b>Current liabilities</b> are short-term debts, usually payable within a year.</p>	<p>The quick ratio is similar to the current ratio but includes only highly liquid assets as opposed to all current assets. A quick ratio of at least 1 is therefore more assuring than a current ratio of the same value.</p>
<b>CASH RATIO</b>	<b>HOW TO EVALUATE</b>
$\text{CASH RATIO} = \frac{\text{CASH}}{\text{CURRENT LIABILITIES}}$	<p>The cash ratio is "quicker" than a quick ratio, as it only considers cash assets. A cash ratio of 1 is more assuring than a current or quick ratio of the same value.</p>

fig. 14

<b>PrintCo</b>	
<b>Retained Earnings Statement</b>	
<i>For the Month Ending on 12/31/17 (all dollar amounts in millions)</i>	
Retained Earnings as of January 1	\$ 680
Plus: Net income	\$ 1,265
	<u>\$ 1,945</u>
Less: Dividends issued	\$ 300
<i>Retained Earnings as of December 31</i>	<u><u>\$ 1,645</u></u>

fig. 15

<b>KATHI'S JEWELRY DESIGN</b>	
<b>Statement of Owner's Equity</b>	
<i>For the Month Ending on 11/30/17</i>	
OWNER'S EQUITY ON 10/31/17	\$ 19,200
Owner's contributions	\$ -
Owner's withdrawals	\$ (2,000)
Net income for the month	\$ 2,380
TOTAL	<u>\$ 380</u>
OWNER'S EQUITY ON 11/30/17	<u><u>\$ 19,580</u></u>

fig. 16

<b>PrintCo</b>			
<b>Balance Sheet (Partial)</b>			
12/31/17			
<i>Assets</i>			
Cash and cash equivalents		\$	1,924
Accounts receivable		\$	1,540
Other current assets		\$	<u>230</u>
<b>TOTAL CURRENT ASSETS</b>		\$	<b>3,694</b>
Property		\$	1,209
Equipment	\$	865	
Less: Accumulated depreciation - equipment	\$	<u>450</u>	\$ 415
Long-term investments		\$	765
Equipment		\$	<u>198</u>
<b>TOTAL LONG-TERM ASSETS</b>		\$	<b><u>2,587</u></b>
<b>TOTAL CURRENT ASSETS</b>		\$	<b><u><u>6,281</u></u></b>

fig. 17

<b>PrintCo</b>			
<b>Statement of Cash Flows</b>			
<i>For the Year Ending on 12/31/17 (all dollar amounts in millions)</i>			
<i>Cash Flows from Operating Activities</i>			
Cash flows from sales		\$	8,627
Outgoing cash from operating activities		\$	<u>(7,760)</u>
<b>NET CASH FLOW FROM OPERATIONS</b>		\$	<b>867</b>
<i>Cash Flows from Investing Activities</i>			
New business purchase (net cash acquired)		\$	(51)
Property purchase		\$	(96)
Property sale		\$	14
Equipment purchase		\$	<u>(60)</u>
<b>NET CASH FLOW FROM INVESTING</b>		\$	<b>(193)</b>
<i>Cash Flows from Financing Activities</i>			
Repurchase of common stock		\$	(100)
Dividends paid		\$	(300)
Issuance of notes payable		\$	<u>65</u>
<b>NET CASH FLOW FROM FINANCING</b>		\$	<b><u>(335)</u></b>
<i>Net Cash Flow</i>		\$	<b>339</b>
Cash position at the beginning of the period		\$	<u>1,585</u>
Current cash position		\$	<u><u>1,924</u></u>

## CHAPTER 4

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


---

fig. 18

<b>JAMES' PRINTCO FRANCHISE</b>			
<b>Balance Sheet (Partial)</b>			
12/31/19			
<u>Assets</u>			
Cash	\$	6,246	
Accounts receivable	\$	395	
Inventory	\$	2,100	
<b>TOTAL CURRENT ASSETS</b>			<b>\$ 8,741</b>
Equipment	\$	2,570	
Less: Accumulated depreciation - equipment	\$	1,028	<b>\$ 1,542</b>
<b>TOTAL PROPERTY, PLANT, EQUIPMENT</b>			<b>\$ 1,542</b>
Franchise/licensing	\$	45,000	
Less: Accumulated amortization - franchise/licensing	\$	9,000	<b>\$ 36,000</b>
<b>TOTAL INTANGIBLE ASSETS</b>			<b>\$ 36,000</b>
<b>TOTAL CURRENT ASSETS</b>			<b>\$ 46,283</b>

fig. 19

TRANSACTION RECORD	NOTE	DATE	ACCOUNT	<u>ASSETS</u>	=	ACCOUNT	<u>LIABILITIES</u>	+	ACCOUNT	<u>EQUITY</u>
1	Record Company Pays E-Slice	5/1/2018	Cash	\$ 100,000		Unearned Revenue	\$ 100,000		Revenue	\$ -

fig. 20

TRANSACTION RECORD	NOTE	DATE	ACCOUNT	<u>ASSETS</u>	=	ACCOUNT	<u>LIABILITIES</u>	+	ACCOUNT	<u>EQUITY</u>
2	E-Slice Records the Track	6/1/2015	Cash	\$ 100,000		Unearned Revenue	\$ -		Revenue	\$ 100,000

fig. 21

	<b>ASSETS</b>	<b>LIABILITIES</b>
<b>CREDITS:</b>	Decrease Assets	Increase Liabilities
<b>DEBITS:</b>	Increase Assets	Decrease Liabilities

fig. 22

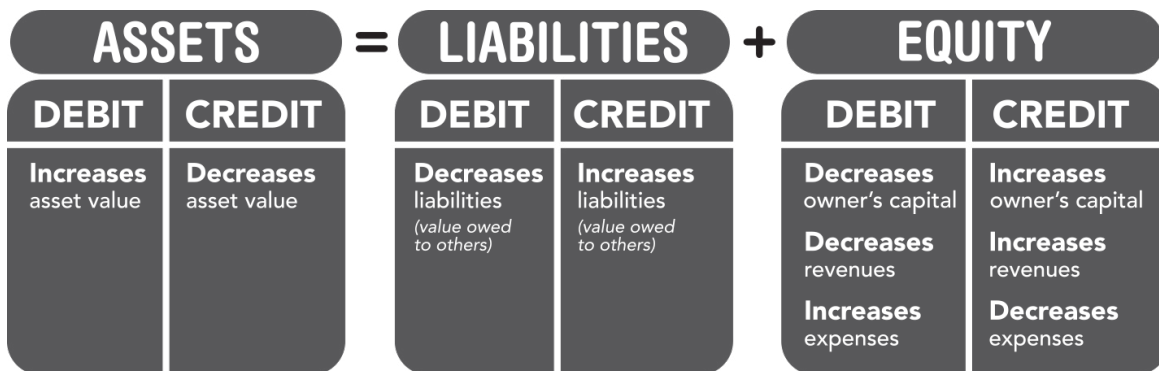


fig. 23

TRANSACTION RECORD	NOTE	DATE	ACCOUNT	<b>ASSETS</b>	=	ACCOUNT	<b>LIABILITIES</b>	+	ACCOUNT	<b>EQUITY</b>
1	Financing	3/1/2019	Cash	\$ 5,000,000		Notes Payable	\$ 5,000,000		Revenue	\$ -

fig. 24

TRANSACTION RECORD	NOTE	DATE	ACCOUNT	<b>ASSETS</b>	=	ACCOUNT	<b>LIABILITIES</b>	+	ACCOUNT	<b>EQUITY</b>
2	Accumulated Interest	4/1/2019		\$ -		Interest Payable	\$ 25,000		Expense	\$ (25,000)
3		5/1/2019		\$ -			\$ 25,000			\$ (25,000)
4		6/1/2019		\$ -			\$ 25,000			\$ (25,000)

fig. 25

TRANSACTION RECORD	NOTE	DATE	ACCOUNT	ASSETS	=	ACCOUNT	LIABILITIES	+	ACCOUNT	EQUITY
5	Loan Payment	6/15/2019	Cash	\$ (107,741.62)		Interest Payable	\$ (75,000.00)			
						Notes Payable	\$ (32,741.62)			

fig. 26

TRANSACTION RECORD	NOTE	DATE	ACCOUNT	ASSETS	=	ACCOUNT	LIABILITIES	+	ACCOUNT	EQUITY
6	Accumulated Interest	7/15/2019		\$ -		Interest Payable	\$ 24,836.29		Expense	\$ (24,836.29)
7		8/15/2019		\$ -			\$ 24,836.29			\$ (24,836.29)
8		9/15/2019		\$ -			\$ 24,836.29			\$ (24,836.29)
9	Loan Payment	9/15/2019		\$ (107,741.62)			\$ (74,508.87)			
						Notes Payable	\$ (33,232.75)			

fig. 27

AMORTIZATION SCHEDULE						
No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						5,000,000.00
1	6/15/19	107,741.62		75,000.00	32,741.62	4,967,258.38
2	9/15/19	107,741.62		74,508.88	33,232.74	4,934,025.64
3	12/15/19	107,741.62		74,010.38	33,731.24	4,900,294.40
4	3/15/20	107,741.62		73,504.42	34,237.20	4,866,057.20
5	6/15/20	107,741.62		72,990.86	34,750.76	4,831,306.44
6	9/15/20	107,741.62		72,469.60	35,272.02	4,796,034.42
7	12/15/20	107,741.62		71,940.52	35,801.10	4,760,233.32
8	3/15/21	107,741.62		71,403.50	36,338.12	4,723,895.20
9	6/15/21	107,741.62		70,858.43	36,883.19	4,687,012.01
10	9/15/21	107,741.62		70,305.18	37,436.44	4,649,575.57
11	12/15/21	107,741.62		69,743.63	37,997.99	4,611,577.58
12	3/15/22	107,741.62		69,173.66	38,567.96	4,573,009.62
13	6/15/22	107,741.62		68,595.14	39,146.48	4,533,863.14
14	9/15/22	107,741.62		68,007.95	39,733.67	4,494,129.47
15	12/15/22	107,741.62		67,411.94	40,329.68	4,453,799.79
16	3/15/23	107,741.62		66,807.00	40,934.62	4,412,865.17
17	6/15/23	107,741.62		66,192.98	41,548.64	4,371,316.53
18	9/15/23	107,741.62		65,569.75	42,171.87	4,329,144.66
19	12/15/23	107,741.62		64,937.17	42,804.45	4,286,340.21



fig. 28

	ASSETS		=	LIABILITIES	+	OWNER'S EQUITY	
	Cash					Owner's Contributions	
(1)	\$	100,000				\$	100,000

fig. 29

	ASSETS			=	LIABILITIES	+	OWNER'S EQUITY	
	Cash	Sec. Deposits				Owner's Contributions	Expense	
(1)	\$	100,000				\$	100,000	
(2)	\$	(4,500)	\$	3,000			\$	(1,500)
	<b>Total Assets</b>				<b>Total Liabilities</b>		<b>Total Equity</b>	
	\$	98,500	\$	-	\$	98,500		

fig. 30

	ASSETS			=	LIABILITIES	+	OWNER'S EQUITY			
	Cash	Sec. Deposits	Equipment			Owner's Contributions	Expense			
Previous Balances	\$	95,500	\$	3,000	\$	-	\$	100,000	\$	(1,500)
(3)	\$	(25,000)	\$	25,000						
New Balances	\$	70,500	\$	3,000	\$	25,000	\$	100,000	\$	(1,500)
	<b>Total Assets</b>				<b>Total Liabilities</b>		<b>Total Equity</b>			
	\$	98,500	\$	-	\$	98,500				

fig. 31

	ASSETS			=	LIABILITIES	+	OWNER'S EQUITY			
	Cash	Sec. Deposits	Equipment		Accounts Payable		Owner's Contributions	Expense		
Previous Balances	\$	70,500	\$	3,000	\$	25,000	\$	100,000	\$	(1,500)
(4)					\$	750		\$	750	
New Balances	\$	70,500	\$	3,000	\$	25,000	\$	100,000	\$	(2,250)
	<b>Total Assets</b>				<b>Total Liabilities</b>		<b>Total Equity</b>			
	\$	98,500	\$	750	\$	97,750				

fig. 32

	ASSETS			=	LIABILITIES		+	OWNER'S EQUITY		
	Cash	Sec. Deposits	Equipment		Accounts Payable	Accrued Payroll		Owner's Contributions	Expense	Revenue
Previous Balances	\$ 70,500	\$ 3,000	\$ 25,000		\$ 750			\$ 100,000	\$ (2,250)	\$ -
(5) (6)	\$ 4,235					\$ 630			\$ (630)	\$ 4,235
New Balances	\$ 74,735	\$ 3,000	\$ 25,000		\$ 750	\$ 630		\$ 100,000	\$ (2,880)	\$ 4,235
	<b>Total Assets</b>				<b>Total Liabilities</b>			<b>Total Equity</b>		
	\$ 102,735				\$ 1,380			\$ 101,355		

fig. 33

	ASSETS				=	LIABILITIES		+	OWNER'S EQUITY		
	Cash	Sec. Deposits	Prepaid Exp.	Equip.		Accounts Payable	Accrued Payroll		Owner's Contributions	Expense	Revenue
Previous Balances	\$ 74,735	\$ 3,000		\$ 25,000		\$ 750	\$ 630		\$ 100,000	\$ (2,880)	\$ 4,235
(7)	\$ (500)	\$ (3,000)	\$ 3,500								
(8) (9)	\$ 3,910						\$ 690			\$ (690)	\$ 3,910
(10)	\$ (1,320)						\$ (1,320)				
New Balances	\$ 76,825	\$ -	\$ 3,500	\$ 25,000		\$ 750	\$ -		\$ 100,000	\$ (3,570)	\$ 8,145
	<b>Total Assets</b>					<b>Total Liabilities</b>			<b>Total Equity</b>		
	\$ 105,325					\$ 750			\$ 104,575		

fig. 34

	ASSETS			=	LIABILITIES		+	OWNER'S EQUITY			
	Cash	Prepaid Exp.	Equipment		Accounts Payable	Accrued Payroll		Owner's Contrib.	Owner's Withdr.	Expense	Revenue
Previous Balances	\$ 76,825	\$ 3,500	\$ 25,000		\$ 750	\$ -		\$ 100,000		\$ (3,570)	\$ 8,145
(11)					\$ 276					\$ (276)	
(12)	\$ 150	\$ (3,500)								\$ (3,350)	
(13) (14)	\$ 4,690					\$ 720				\$ (720)	\$ 4,690
(15)	\$ (750)				\$ (750)						
(16) (17)	\$ (3,200)				\$ 1,030				\$ (3,200)	\$ (1,030)	
New Balances	\$ 77,715	\$ -	\$ 25,000		\$ 1,306	\$ 720		\$ 100,000	\$ (3,200)	\$ (8,946)	\$ 12,835
	<b>Total Assets</b>				<b>Total Liabilities</b>			<b>Total Equity</b>			
	\$ 102,715				\$ 2,026			\$ 100,689			

fig. 35

	ASSETS			=	LIABILITIES		+	OWNER'S EQUITY			
	Cash	Prepaid Exp.	Equipment		Accounts Payable	Accrued Payroll		Owner's Contrib.	Owner's Withdr.	Expense	Revenue
Previous Balances	\$ 76,825	\$ 3,500	\$ 25,000		\$ 750	\$ -		\$ 100,000		\$ (3,570)	\$ 8,145
(11)					\$ 276					\$ (276)	
(12)		\$ (3,500)								\$ (3,350)	
(13) (14)	\$ 4,690					\$ 720				\$ (720)	\$ 4,690
(15)	\$ (750)				\$ (750)						
(16) (17)	\$ (3,200)				\$ 1,030				\$ (3,200)	\$ (1,030)	
New Balances	\$ 77,565	\$ -	\$ 25,000		\$ 1,306	\$ 720		\$ 100,000	\$ (3,200)	\$ (8,946)	\$ 12,835
	<b>Total Assets</b>				<b>Total Liabilities</b>			<b>Total Equity</b>			
	\$ 102,565				\$ 2,026			\$ 100,689			

fig. 36

ASSET ACCOUNTS		VALUE
Cash		\$ 77,715.00
Equipment		\$ 25,000.00
<b>LIABILITY ACCOUNTS</b>		
Accounts Payable		\$ 1,306.00
Accrued Payroll		\$ 720.00
<b>OWNER'S EQUITY ACCOUNTS</b>		
Owner's Contributions		\$ 100,000.00
Owner's Withdrawals		\$ (3,200).00
Expense		\$ (8,946).00
Revenue		\$ 12,835.00

fig. 37

EXPENSES	VALUE
Rent	\$ 1,500.00
Materials	\$ 1,780.00
Payroll	\$ 2,040.00
Maintenance and Repairs	\$ 3,626.00

fig. 38

	ASSETS			=	LIABILITIES		+	OWNER'S EQUITY			
	Cash	Prepaid Exp.	Equipment		Accounts Payable	Accrued Payroll		Owner's Contrib.	Owner's Withdr.	Expense	Revenue
Previous Balances	\$ 76,825	\$ 3,500	\$ 25,000		\$ 750	\$ -		\$ 100,000		\$ (3,570)	\$ 8,145
(11)					\$ 276					\$ (276)	
(12)	\$ 150	\$ (3,500)								\$ (3,350)	
(13) (14)	\$ 4,690					\$ 720				\$ (720)	\$ 4,690
(15)	\$ (750)				\$ (750)						
(16) (17)	\$ (3,200)				\$ 1,030			\$ (3,200)	\$ (1,030)		
New Balances	\$ 77,715	\$ -	\$ 25,000		\$ 1,306	\$ 720		\$ 100,000	\$ (3,200)	\$ (8,946)	\$ 12,835
	<b>Total Assets</b>				<b>Total Liabilities</b>			<b>Total Equity</b>			
	\$ 102,715				\$ 2,026			\$ 100,689			

fig. 39

<b>Becky's Donut Shop</b>		
<b>Income Statement</b>		
<i>For the Month Ending on 8/31/18</i>		
<i>Revenues</i>		
Sales revenue	\$	<u>12,835</u>
<b>TOTAL REVENUES</b>	\$	<b>12,835</b>
<i>Expenses</i>		
Rent expense	\$	1,500
Materials expense	\$	1,780
Payroll expense	\$	2,040
Maintenance and repairs expense	\$	<u>3,626</u>
<b>TOTAL EXPENSES</b>	\$	<u><b>8,946</b></u>
<i>Net income</i>	\$	<u><b>3,889</b></u>

fig. 40

<b>Becky's Donut Shop</b>		
<b>Statement of Owner's Equity</b>		
<i>For the Month Ending on 8/31/18</i>		
OWNER'S EQUITY ON 7/31/18	\$	-
Owner's contributions	\$	100,000
Owner's withdrawals	\$	(3,200)
Net income for the month	\$	<u>3,889</u>
<b>TOTAL</b>	\$	<b>100,689</b>
OWNER'S EQUITY ON 8/31/18	\$	<u><u><b>100,689</b></u></u>

fig. 41

<b>Becky's Donut Shop</b>		
<b>Balance Sheet</b>		
8/31/18		
<u>Assets</u>		
Cash		\$ 77,715
Equipment		<u>\$ 25,000</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 102,715</u></u>
<u>Liabilities and Equity</u>		
Liabilities		
Accounts payable	\$ 1,306	
Accrued payroll	<u>\$ 720</u>	
<b>TOTAL LIABILITIES</b>		\$ 2,026
Equity		
Becky Robinson, contributions	\$ 100,000	
Becky Robinson, withdrawals	\$ (3,200)	
Current revenue	<u>\$ 3,889</u>	
<b>TOTAL EQUITY</b>		\$ 100,689
<b>TOTAL LIABILITIES PLUS TOTAL EQUITY</b>		<u><u>\$ 102,715</u></u>

fig. 42

<b>Becky's Donut Shop</b>		
<b>Balance Sheet</b>		
8/31/18		
<u>Assets</u>		
Cash		\$ 77,715
Equipment		<u>\$ 25,000</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 102,715</u></u>
<u>Liabilities and Equity</u>		
Liabilities		
Accounts payable	\$ 1,306	
Notes payable	\$ 100,000	
Accrued payroll	<u>\$ 720</u>	
<b>TOTAL LIABILITIES</b>		\$ 102,026
Equity		
Becky Robinson, contributions	\$ -	
Becky Robinson, withdrawals	\$ (3,200)	
Current revenue	<u>\$ 3,889</u>	
<b>TOTAL EQUITY</b>		\$ 689
<b>TOTAL LIABILITIES PLUS TOTAL EQUITY</b>		<u><u>\$ 102,715</u></u>

fig. 43

<b>Becky's Donut Shop</b>		
<b>Statement of Cash Flows</b>		
<i>For the Month Ending on 8/31/18</i>		
<i>Cash Flows from Operating Activities</i>		
Cash flows from sales	\$ 12,835	
Outgoing cash from operating activities	\$ (3,570)	
<b>NET CASH FLOW FROM OPERATIONS</b>		<b>\$ 9,265</b>
<i>Cash Flows from Investing Activities</i>		
Equipment purchase	\$ (25,000)	
Security deposits	\$ (3,000)	
Fire damage repair	\$ (350)	
<b>NET CASH FLOW FROM INVESTING</b>		<b>\$ (28,350)</b>
<i>Cash Flows from Financing Activities</i>		
Owner's Contributions	\$ 100,000	
Owner's Withdrawal	\$ (3,200)	
<b>NET CASH FLOW FROM FINANCING</b>		<b>\$ 96,800</b>
<i>Net Cash Flow</i>		<i>\$ 77,715</i>
Cash position at the beginning of the period		\$ -
Current cash position		\$ 77,715

fig. 44

**ASSETS = LIABILITIES + STOCKHOLDERS' EQUITY**

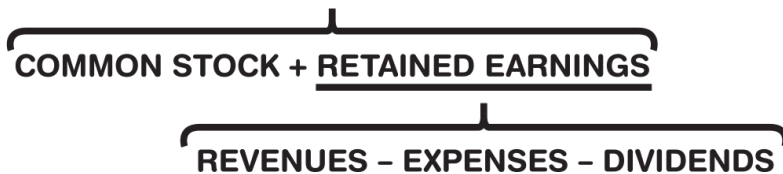


fig. 45

**ASSETS = LIABILITIES + STOCKHOLDERS' EQUITY**



fig. 46

* ALL NUMBERS IN THOUSANDS	ASSETS			=	LIABILITIES		+	STOCKHOLDER'S EQUITY			
	Cash				Notes Payable			Common Stock	Revenue	Expenses	Dividends
(1) (2)	\$ 17,000				\$ 7,000			\$ 10,000			

\*\* ALL NUMBERS IN THOUSANDS \*\*

fig. 47

	ASSETS			=	LIABILITIES		+	STOCKHOLDER'S EQUITY			
	Cash	Other Assets	Accts. Rec.		Notes Payable	Accts. Payable		Common Stock	Revenue	Expenses	Dividends
(1) (2)	\$ 17,000				\$ 7,000			\$ 10,000			
Previous Balances	\$ 17,000				\$ 7,000			\$ 10,000			
(3)	\$ (100)				\$ (100)						
(4)	\$ (12,000)	\$ 12,000									
(5)	\$ 2,563		\$ 2,000					\$ 4,563			
(6)	\$ (2,055)					\$ 1,000				\$ (3,055)	
(7)	\$ (500)										\$ (500)
New Balances	\$ 4,908	\$ 12,000	\$ 2,000		\$ 6,900	\$ 1,000		\$ 10,000	\$ 4,563	\$ (3,055)	\$ (500)
	<b>Total Assets</b>				<b>Total Liabilities</b>			<b>Total Stockholder Equity</b>			
	\$ 18,908				\$ 7,900			\$ 11,008			

\*\* ALL NUMBERS IN THOUSANDS \*\*

fig. 48

<h1>Corporation X</h1> <h2>Retained Earnings Statement</h2> <p><i>End of Quarter (all dollar amounts in thousands)</i></p>	
Retained Earnings at the beginning of the period	\$ -
Plus: Net income	\$ 1,508
	<u>\$ 1,508</u>
Less: Dividends issued	\$ 500
Retained Earnings at the end of the period	<u><u>\$ 1,008</u></u>

fig. 49

<b>Corporation X</b>		
<b>Balance Sheet</b>		
<i>End of Quarter (all dollar amounts in thousands)</i>		
<u>Assets</u>		
Cash	\$	4,908
Accounts receivable	\$	2,000
Other Assets	\$	12,000
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>18,908</b>
<u>Liabilities and Equity</u>		
Liabilities		
Accounts payable	\$	1,000
Accrued payroll	\$	6,900
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>7,900</b>
Stockholders' Equity		
Common stock	\$	10,000
Retained earnings	\$	1,008
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$</b>	<b>11,008</b>
<b>TOTAL LIABILITIES PLUS TOTAL EQUITY</b>	<b>\$</b>	<b>18,908</b>

fig. 50

<b>Corporation X</b>		
<b>Retained Earnings Statement</b>		
<i>End of Second Quarter (all dollar amounts in thousands)</i>		
Retained Earnings at the beginning of the period	\$	1,008
Plus: Net income	\$	1,000
	\$	2,008
Less: Dividends issued	\$	500
<b>Retained Earnings at the end of the period</b>	<b>\$</b>	<b>1,508</b>



# CHAPTER 5

## Recording Business Transactions

fig. 51

ENTRY YEAR	ENTRY DATE	ACCOUNT	DEBIT	CREDIT
2018	March 31	Dividends	500,000	
		Cash		500,000
	April 1	Expense	102,500	
		Accrued Payroll		102,500
		Expense	63,000	
		Insurance Premium		63,000
	April 4	Cash	385,000	
		Sales Revenue		385,000

fig. 52

<b>GENERAL LEDGER FOR BECKY'S DONUT SHOP</b>					
<b>CASH</b>		<b>ACCOUNTS PAYABLE</b>		<b>EXPENSE</b>	
AUG 1 <sup>st</sup> 100,000	AUG 3 <sup>rd</sup> 4,500	AUG 13 <sup>th</sup> 750	AUG 7 <sup>th</sup> 750	AUG 3 <sup>rd</sup> 1,500	
7 <sup>th</sup> 4,235	5 <sup>th</sup> 25,000		13 <sup>th</sup> 276	7 <sup>th</sup> 750	
10 <sup>th</sup> 3,910	10 <sup>th</sup> 500		13 <sup>th</sup> 1,030	7 <sup>th</sup> 630	
13 <sup>th</sup> 150	10 <sup>th</sup> 1,320		<b>BAL 1,306</b>	10 <sup>th</sup> 690	
13 <sup>th</sup> 4,690	13 <sup>th</sup> 750			13 <sup>th</sup> 276	
	13 <sup>th</sup> 3,200			13 <sup>th</sup> 3,350	
<b>BAL 77,715</b>				13 <sup>th</sup> 720	
				13 <sup>th</sup> 1,030	
				<b>BAL 8,946</b>	
<b>SECURITY DEPOSITS</b>		<b>ACCRUED PAYROLL</b>		<b>REVENUE</b>	
AUG 3 <sup>rd</sup> 3,000	AUG 10 <sup>th</sup> 3,000	AUG 10 <sup>th</sup> 1,320	AUG 7 <sup>th</sup> 630		AUG 7 <sup>th</sup> 4,235
<b>BAL 0</b>			10 <sup>th</sup> 690		10 <sup>th</sup> 3,910
			13 <sup>th</sup> 720		13 <sup>th</sup> 4,690
			<b>BAL 720</b>		<b>BAL 12,835</b>
<b>PREPAID EXPENSE</b>		<b>OWNER'S CONTRIBUTIONS</b>			
AUG 10 <sup>th</sup> 3,500	AUG 13 <sup>th</sup> 3,500		AUG 1 <sup>st</sup> 100,000		
<b>BAL 0</b>			<b>BAL 100,000</b>		
<b>EQUIPMENT</b>		<b>OWNER'S WITHDRAWALS</b>			
AUG 5 <sup>th</sup> 25,000		AUG 13 <sup>th</sup> 3,200			
<b>BAL 25,000</b>		<b>BAL 3,200</b>			

fig. 53

<b>GENERAL LEDGER FOR BECKY'S DONUT SHOP</b>					
<b>CASH</b>		<b>ACCOUNTS PAYABLE</b>		<b>EXPENSE</b>	
AUG 1 <sup>st</sup> 100,000	AUG 3 <sup>rd</sup> 4,500	AUG 13 <sup>th</sup> 750	AUG 7 <sup>th</sup> 750	AUG 3 <sup>rd</sup> 1,500	
7 <sup>th</sup> 4,235	5 <sup>th</sup> 25,000		13 <sup>th</sup> 276	7 <sup>th</sup> 750	
10 <sup>th</sup> 3,910	10 <sup>th</sup> 500		13 <sup>th</sup> 1,030	7 <sup>th</sup> 630	
13 <sup>th</sup> 150	10 <sup>th</sup> 1,320		<b>BAL 1,306</b>	10 <sup>th</sup> 690	
13 <sup>th</sup> 4,690	13 <sup>th</sup> 750			13 <sup>th</sup> 276	
	13 <sup>th</sup> 3,200			13 <sup>th</sup> 3,350	
<b>BAL 77,715</b>				13 <sup>th</sup> 720	
				13 <sup>th</sup> 1,030	
				<b>BAL 8,946</b>	
<b>SECURITY DEPOSITS</b>		<b>ACCRUED PAYROLL</b>		<b>REVENUE</b>	
AUG 3 <sup>rd</sup> 3,000	AUG 10 <sup>th</sup> 3,000	AUG 10 <sup>th</sup> 1,320	AUG 7 <sup>th</sup> 630		AUG 7 <sup>th</sup> 4,235
<b>BAL 0</b>			10 <sup>th</sup> 690		10 <sup>th</sup> 3,910
			13 <sup>th</sup> 720		13 <sup>th</sup> 4,690
			<b>BAL 720</b>		<b>BAL 12,835</b>
<b>PREPAID EXPENSE</b>		<b>OWNER'S CONTRIBUTIONS</b>			
AUG 10 <sup>th</sup> 3,500	AUG 13 <sup>th</sup> 3,500		AUG 1 <sup>st</sup> 100,000		
<b>BAL 0</b>			<b>BAL 100,000</b>		
<b>EQUIPMENT</b>		<b>OWNER'S WITHDRAWALS</b>			
AUG 5 <sup>th</sup> 25,000		AUG 13 <sup>th</sup> 3,200			
<b>BAL 25,000</b>		<b>BAL 3,200</b>			

fig. 54

<b>Trial Balance</b>		
<b>XYZ Trading</b>		
<i>As of 30 June 2010</i>		
<b>GENERAL LEDGER ACCOUNTS (DR. – DEBIT) (CR. – CREDIT)</b>		
Cash at bank	\$	10,000
Inventory	\$	40,000
Vehicles	\$	30,000
Fixtures & Fittings	\$	32,000
Accounts Receivable	\$	15,000
Credit Cards Payable		\$ 12,000
Accounts Payable		\$ 15,000
Bank Loan		\$ 50,000
Sales		\$ 175,000
Purchases	\$	60,000
Advertising	\$	5,000
Wages	\$	65,000
Rent	\$	15,000
Electricity	\$	5,000
Owners' Capital		\$ 25,000
<b>TOTAL</b>	<b>\$</b>	<b>277,000</b> <b>\$ 277,000</b>

fig. 55

<u>ENTRY DATE</u>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
2018 Jan 31	Prepaid Advertising	15,000	
	Cash		15,000

fig. 56

<u>ENTRY DATE</u>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
2018 Jan 31	Prepaid Advertising	15,000	
	Cash		15,000
2018 Feb 28	Advertising Expense	2,500	
	Prepaid Advertising		2,500

fig. 57

<u>ENTRY DATE</u>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
2018 Jan 31	Cash	15,000	
	Unearned Revenue		15,000

fig. 58

<u>ENTRY DATE</u>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
2018 Jan 31	Cash	15,000	
	Unearned Revenue		15,000
	Unearned Revenue	2,500	
	Sales Revenue		2,500

fig. 59

<u>ENTRY DATE</u>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
2019 Jul 31	Prepaid Supplies	17,000	
	Cash		17,000
2019 Aug 31	Supplies Expense	5,100	
	Prepaid Supplies		5,100

fig. 60

<u>ENTRY DATE</u>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
2019 Jul 31	Prepaid Supplies	17,000	
	Cash		17,000
2019 Aug 31	Supplies Expense	5,100	
	Prepaid Supplies		5,100
2019 Sept 31	Supplies Expense	1,000	
	Prepaid Supplies		1,000

# CHAPTER 6

## Managerial Accounting

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fig. 61

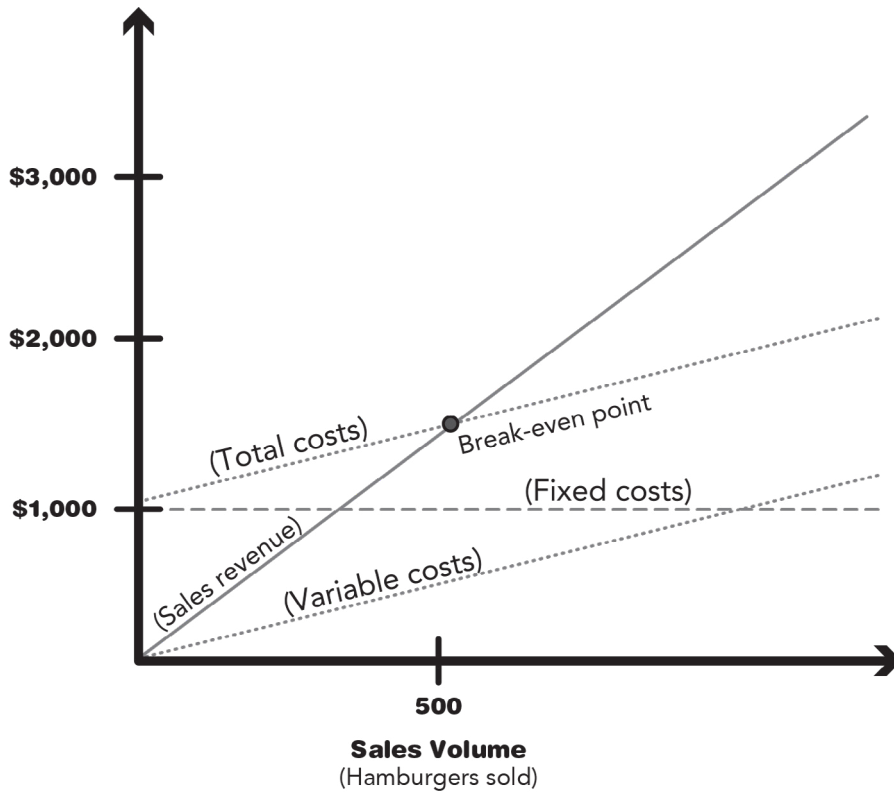


fig. 62

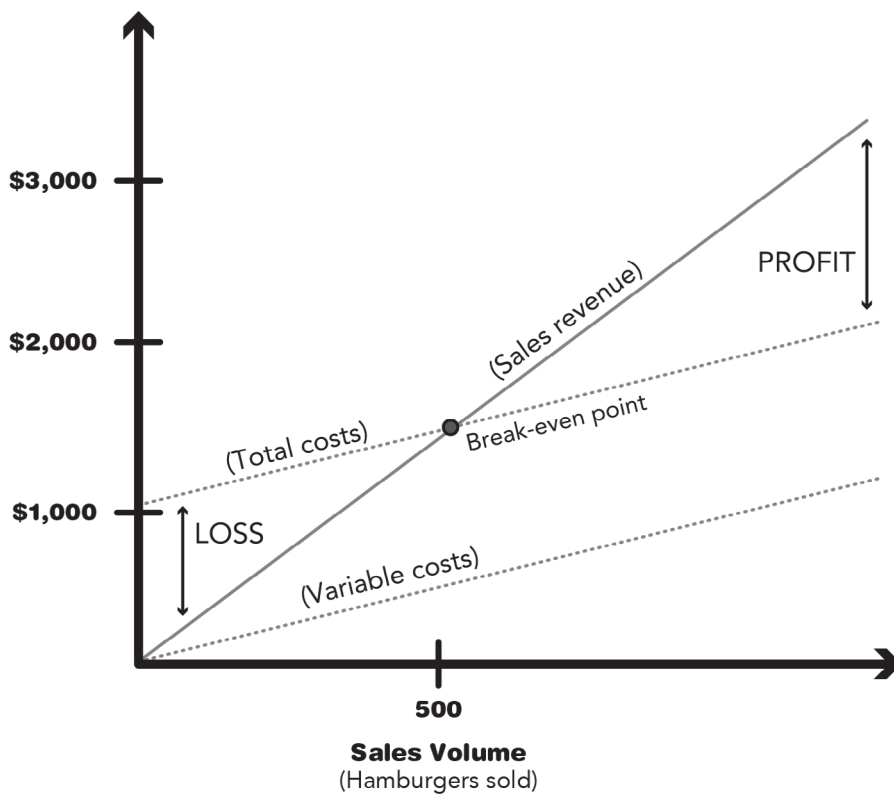


fig. 63

<u>PRODUCT</u>	<u>COST PER UNIT</u>	<u>SALES PRICE</u>	<u>CONTRIBUTION MARGIN PER UNIT</u>
Wooden Rings	\$ 80	\$ 150	\$ 70
Bracelets	\$ 20	\$ 100	\$ 80
Necklaces	\$ 10	\$ 65	\$ 55

fig. 64

<b>SALES MIX</b>				<b>TOTAL SALES</b>
	<u>Wooden Rings</u>	<u>Bracelets</u>	<u>Necklaces</u>	<u>Total Units Sold</u>
Units sold	36	23	19	<b>78</b>
Sales revenue	\$ 5,400	\$ 2,300	\$ 1,235	<b>\$ 8,935</b>
Cost	\$ 2,880	\$ 460	\$ 190	<b>\$ 3,530</b>
Contribution margin	\$ 2,520	\$ 1,840	\$ 1,045	<b>\$ 5,405</b>

fig. 65

<b>SALES MIX</b>				<b>TOTAL SALES</b>
	<u>Wooden Rings</u>	<u>Bracelets</u>	<u>Necklaces</u>	<u>Total Units Sold</u>
Units sold	36	23	19	<b>78</b>
Sales revenue	\$ 5,400	\$ 2,300	\$ 1,235	<b>\$ 8,935</b>
Sales revenue %	60%	26%	14%	
Cost	\$ 2,880	\$ 460	\$ 190	<b>\$ 3,530</b>
Contribution margin	\$ 2,520	\$ 1,840	\$ 1,045	<b>\$ 5,405</b>
Contribution margin %	47%	80%	85%	<b>60%</b>

fig. 66

<b>SALES MIX</b>				<b>TOTAL SALES</b>
	<u>Wooden Rings</u>	<u>Bracelets</u>	<u>Necklaces</u>	<u>Total Units Sold</u>
Units sold	36	33	34	<b>103</b>
Sales revenue	\$ 5,400	\$ 3,300	\$ 2,210	<b>\$ 10,910</b>
Sales revenue %	49%	30%	20%	
Cost	\$ 2,880	\$ 660	\$ 340	<b>\$ 3,880</b>
Contribution margin	\$ 2,520	\$ 2,640	\$ 1,870	<b>\$ 7,030</b>
Contribution margin %	47%	80%	85%	<b>64%</b>

fig. 67

<u>PRODUCT</u>	<u>COST PER UNIT</u>	<u>SALES PRICE</u>	<u>CONTRIBUTION MARGIN PER UNIT</u>
Wooden Rings	\$ 80	\$ 150	\$ 70
Bracelets	\$ 20	\$ 100	\$ 80
Necklaces	\$ 10	\$ 65	\$ 55

fig. 68

<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>	<b>OR</b>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
Inventory	2,700			Inventory	2,700	
Accounts Payable		2,700		Cash		2,700

fig. 69

<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>	<b>OR</b>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
Accounts Payable	300			Cash	300	
Inventory		300		Inventory		300

fig. 70

<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>	<b>AND</b>	<u>ACCOUNT</u>	<u>DEBIT</u>	<u>CREDIT</u>
Cost of Goods Sold	900			Cash	1,350	
Inventory		900		Revenue		1,350

fig. 71

ACCOUNT	DEBIT	CREDIT	OR	ACCOUNT	DEBIT	CREDIT
Inventory	2,745			Inventory	2,745	
Accounts Payable		2,745		Cash		2,745

fig. 72

ACCOUNT	DEBIT	CREDIT
Cost of Goods Sold	915	
Inventory		915

fig. 73

ACCOUNT	DEBIT	CREDIT	OR	ACCOUNT	DEBIT	CREDIT
Freight Out Expense	45			Freight Out Expense	45	
Accounts Payable		45		Cash		45

fig. 74

<b>PrintCo</b> <b>Marketing Budget</b> <i>For the Year Ending on 12/31/18 (all dollar amounts in thousands)</i>	
Online advertising	\$ 2,069
Catalogs and brochures	\$ 1,435
Conventions	\$ 710
Trade shows	\$ 635
Magazines	\$ 922
Publications	\$ 543
Promotional items	\$ 419
Radio	\$ 501
Other print media	\$ 968
	\$ 8,202



fig. 75

<b>KATHI'S JEWELRY DESIGN</b>		
<b>Statement of Cash Flows</b>		
<i>For the Month Ending on 11/30/17</i>		
<i>Cash Flows from Operating Activities</i>		
Cash flows from sales	\$	6,760
Outgoing cash from operating activities	\$	(5,650)
<b>NET CASH FLOW FROM OPERATIONS</b>	\$	<b>1,110</b>
<i>Cash Flows from Investing Activities</i>		
Equipment purchase	\$	(4,905)
<b>NET CASH FLOW FROM INVESTING</b>	\$	<b>(4,905)</b>
<i>Cash Flows from Financing Activities</i>		
Owner's withdrawal	\$	(2,000)
<b>NET CASH FLOW FROM FINANCING</b>	\$	<b>(2,000)</b>
<i>Net Cash Flow</i>	\$	<b>(5,795)</b>
Cash position at the beginning of the period	\$	18,295
Current cash position	\$	<b>12,500</b>

fig. 76

<b>KATHI'S JEWELRY DESIGN</b>		
<b>Cash Budget</b>		
<i>Projected for Q1 2018</i>		
<u><i>Cash Sources</i></u>		
Beginning cash on hand	\$	14,950
Sales (storefront)	\$	9,700
Sales (online)	\$	10,900
Asset sales	\$	-
<b>PROJECTED TOTAL CASH AVAILABLE</b>	\$	<b>35,550</b>
<u><i>Cash Expenditures</i></u>		
Materials	\$	3,590
Payroll	\$	7,300
Overhead	\$	8,500
Equipment	\$	-
<b>TOTAL CASH EXPENDITURE</b>	\$	<b>19,390</b>
<b>PROJECTED TOTAL CASH AVAILABLE</b>	\$	<b>16,160</b>

# CHAPTER 7

## Monitoring Stocks & Investments

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fig. 77

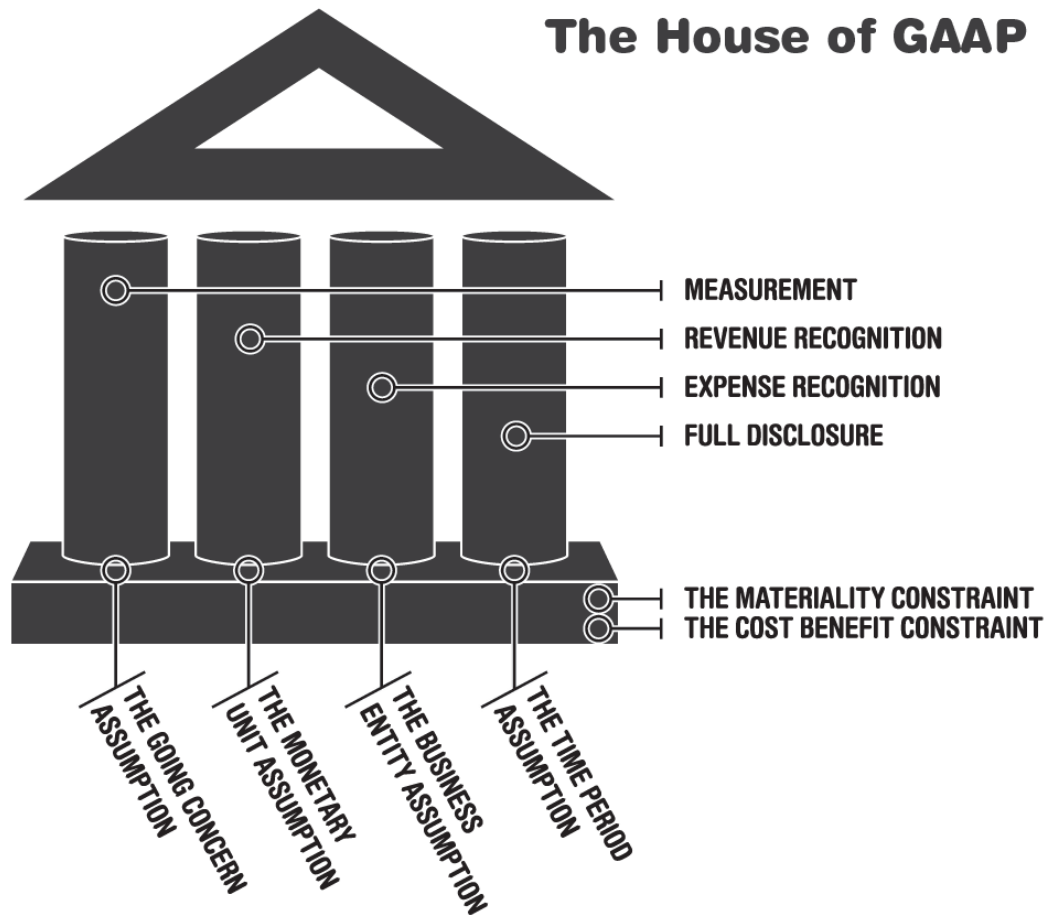


fig. 78

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

fig. 79

$$\text{PRICE TO EARNINGS (P/E) RATIO} = \frac{\text{MARKET CAP}}{\text{TOTAL EARNINGS}} \text{ OR } \frac{\text{SHARE PRICE}}{\text{EARNINGS PER SHARE}}$$

# CHAPTER 8

## Income Tax Accounting

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fig. 80



fig. 81

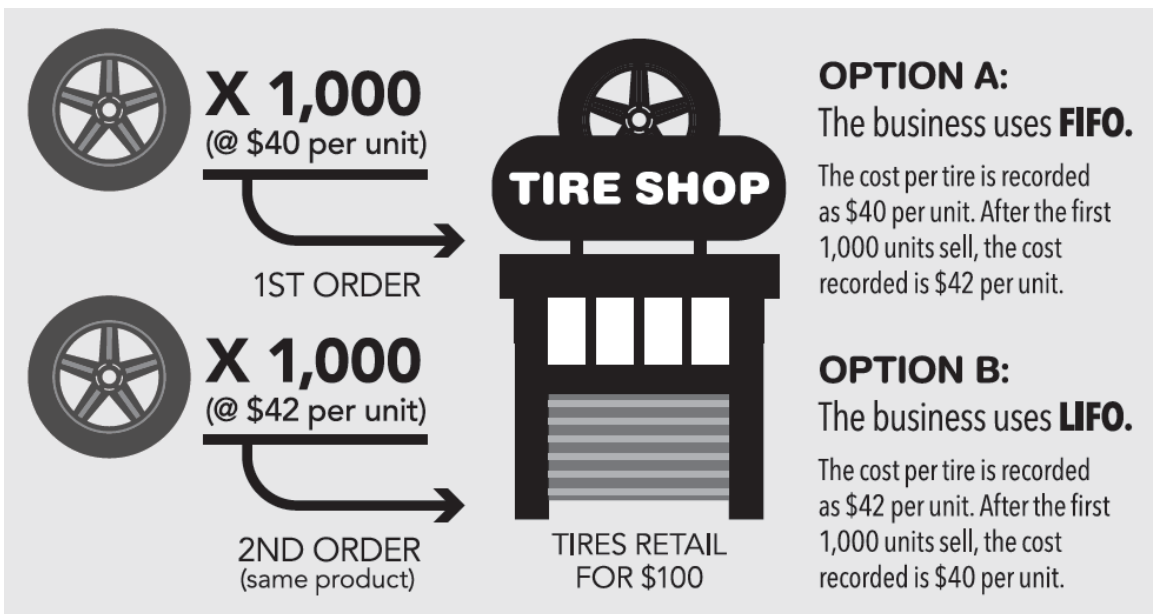
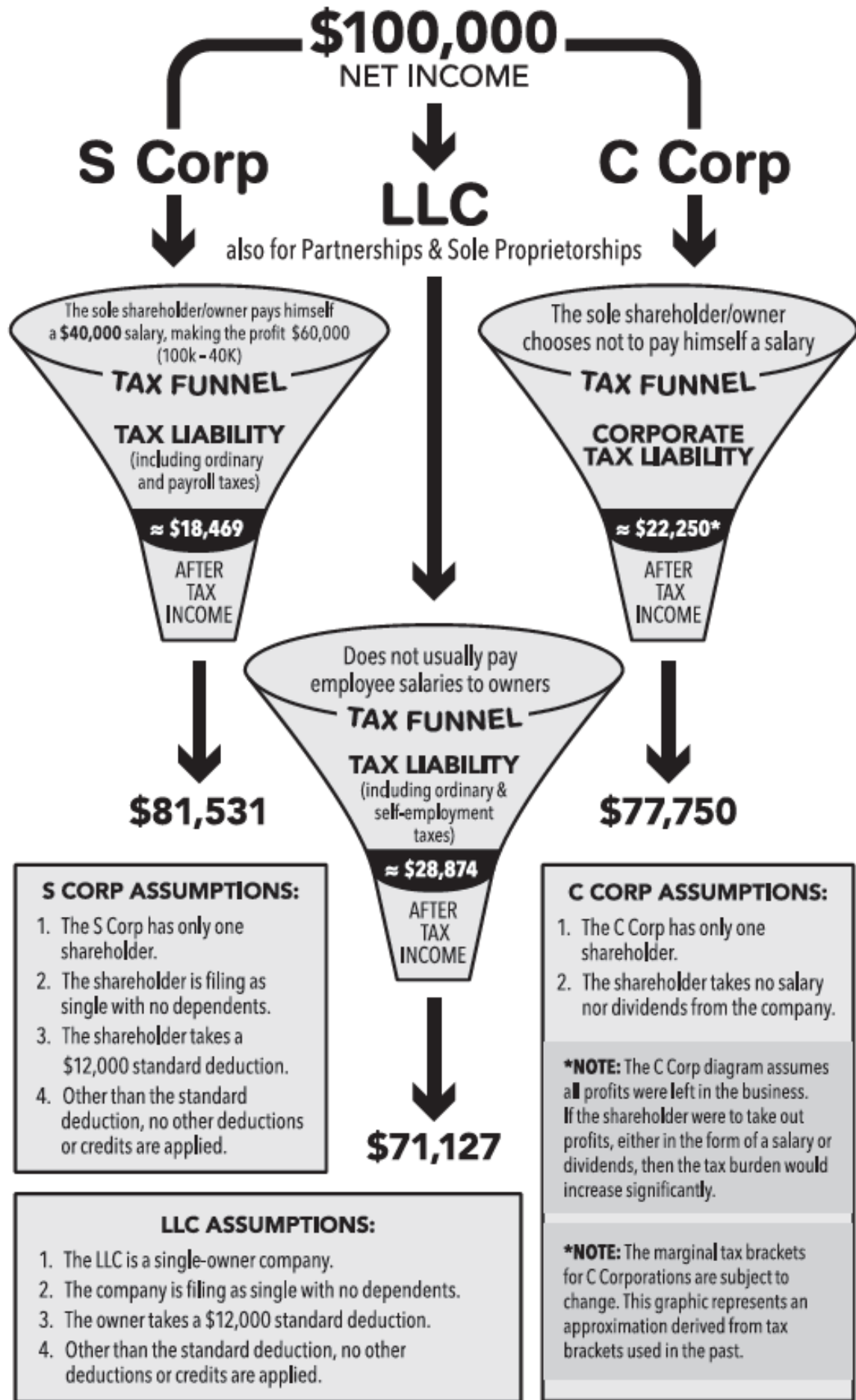


fig. 82

TAXABLE INCOME UP TO THIS LEVEL		TAX RATE*	
SINGLE	MARRIED FILING JOINTLY	ORDINARY INCOME MARGINAL TAX RATE <small>(includes short-term capital gains and interest income)</small>	APPROX. LONG-TERM CAPITAL GAINS RATE**
\$9,525	\$19,050	10%	0%
\$38,700	\$77,400	12%	0%
\$82,500	\$165,000	22%	15%
\$157,500	\$315,000	24%	15%
\$200,000	\$400,000	32%	15%
\$500,000	\$600,000	35%	20%
ABOVE	ABOVE	37%	20%

fig. 83



## CHAPTER 9

### Detecting and Preventing Fraud

fig. 84

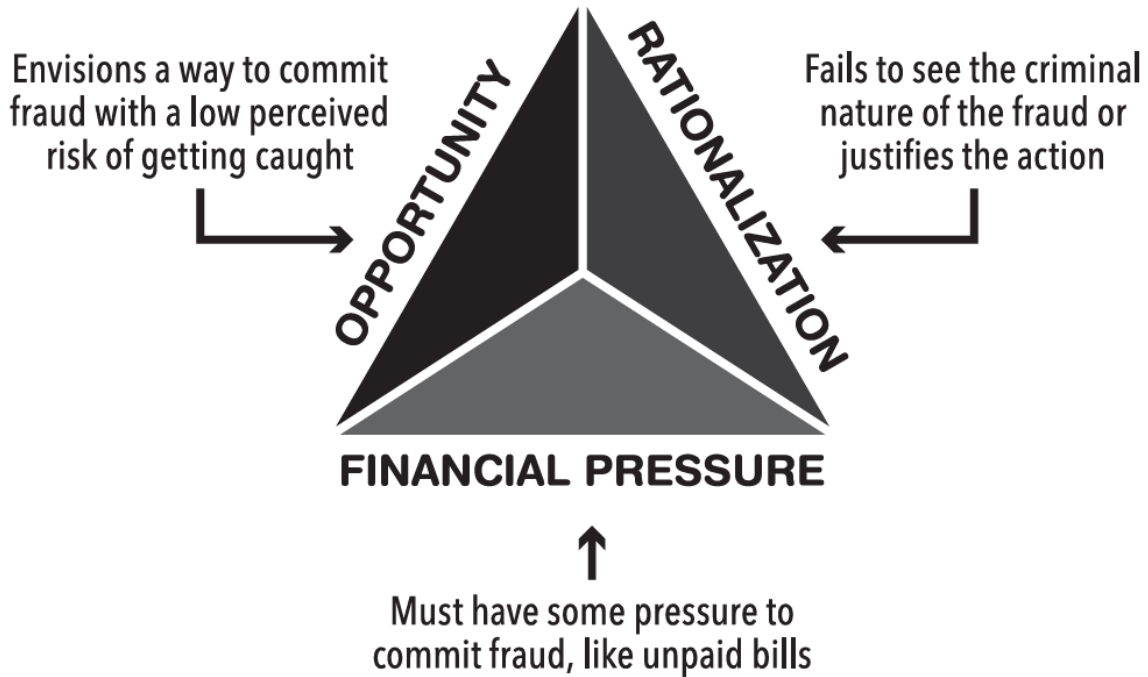


fig. 85

ACCOUNT	DEBIT	CREDIT
Cash	2,425	
Cash Short (expense)	5	
Sales Revenue		2,430

fig. 86

<i>Bank Statement Balance</i>	\$	11,910	<i>Cash (asset account) balance</i>	\$	11,150
Deposits in Transit	\$	100	Deposits Not Recorded on Books	\$	360
Outstanding Checks	\$	(715)	Payments Not Recorded on Books	\$	(215)
Bank Errors	\$	-	Book Errors	\$	-
<b>True Bank Balance</b>	<b>\$</b>	<b>11,295</b>	<b>True Book Balance</b>	<b>\$</b>	<b>11,295</b>

# GLOSSARY

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## **Account**

A record that displays the culmination of certain transactions. Every account is classified as an asset, liability, equity value, revenue, or expense.

## **Accountant**

A skilled professional trained to optimally maintain and analyze data, particularly financial data and that relevant to the management of a business or organization.

## **Accrual basis accounting**

An accounting method in which businesses record transactions when services are performed or goods are delivered, regardless of payment timelines.

## **Adjusting entries**

Entries made at the end of an accounting period to ensure that recorded transactions are adequately reflected within all time periods in which they are relevant.

## **Annual report**

A report issued by a company on a yearly basis that includes financial statements, analysis and commentary by management, and an auditor's review.

## **Average tax rate**

Total tax paid expressed as a percentage of total income.

## **Asset accounts**

Accounts that track and quantify the financial value of a company's assets, such as land, property, equipment, inventory, copyrights, patents, or other assets.

## **Balance sheet**

A financial statement that itemizes the value of a business's assets during a specific moment in time and quantifies the claims being made on those assets by creditors and equity holders.

## **Bank reconciliation**

The periodic comparison of a business's books with its bank statements.

## **Bookkeeper**

A person responsible for updating, centralizing, and maintaining accurate records reflecting a business or organization's financial or other accounting data.

## **Book value**

The recorded value of an asset as recorded in a business's books, which includes adjustments for depreciation.

## **Cash basis accounting**

An accounting method in which businesses record transactions on the basis of when cash changes hands.

## **Certified public accountant (CPA)**

A professional accountant licensed to provide accounting services to the general public.

## **Chart of accounts**

A listing of a company's accounts.

## **Chief financial officer (CFO)**

An executive-level employee responsible for a company's financial strategy and reporting.

## **Contribution margin**

The quantity of revenue left over after all variable costs are accounted for.

## **Cost-volume-profit (CVP) analysis**

The study of the interplay between the costs of goods and services, sales quantities, and profit.

## **Current assets**

Assets owned by a business that are expected to be converted to cash and/or consumed entirely within a year's time or within the current operating cycle.

## **Current liabilities**

Debts expected to be paid within a year's time or within the current operating cycle.

## **Current ratio**

Current assets divided by current liabilities; a measure of a company's ability to pay its short-term debts.

## **Debt-to-asset ratio**

Total liabilities divided by total assets; a solvency ratio that describes the extent to which a company's assets are financed by creditors.

## **Double-entry accounting**

A widely used approach to accounting whereby at least two entries are made when recording any given transaction.

## **Earnings per share (EPS)**

The amount of income generated by a company divided by outstanding shares of common stock.

## **Equity**

The ownership claim on the value of an asset (like a business or a house). Equity is reduced by liabilities (like debt) that also exert claims on the value of the same asset; hence,  $\text{Assets} = \text{Liabilities} + \text{Equity}$  (or  $\text{Equity} = \text{Assets} - \text{Liabilities}$ ).

## **Equity accounts**

Accounts that track and quantify equity.

## **FIFO (first-in, first-out)**

An inventory accounting protocol whereby the assumed cost of goods sold is derived from the cost of the product that has been in inventory the longest.

## **Financial accounting**

A specific branch of accounting that focuses on a business's presentation of financial data to interested parties outside of the business, such as stockholders or potential lenders.

## **Fiscal year**

Any twelve-month period that a business chooses to use for tax or accounting purposes.

## **Free cash flow**

Net cash flow from operating activities after capital expenditures and cash dividends are subtracted.

## **General ledger**

A business's listing of accounts and their values that incorporates all asset, liability, and equity accounts used by the business.

## **Income statement**

A financial statement that lists a business's revenues, expenses, and net income for a given time period.

## **Intangible assets**

Assets such as patents, trademarks, copyrights, and trade names that may possess value but lack any physical substance.

**Intercompany comparison**

The comparison of two or more companies to one another on the basis of earnings per share (EPS) or other metrics.

**Intracompany comparison**

Evaluation of the performance of a single company over successive time periods.

**Journal entry**

A notation showing a debit (on the left side) and a credit (on the right side) of accounts affected by a transaction.

**Liability accounts**

Accounts that track and quantify financial obligations owed to creditors in the form of debts and other obligations.

**LIFO (last-in, first-out)**

An inventory accounting protocol whereby the assumed cost of goods sold may be derived from the cost of the product that has been in inventory for the shortest amount of time.

**Liquidity ratios**

Ratios such as current ratio, quick ratio, and cash ratio; used to evaluate a company's ability to meet its short-term financial obligations.

**Long-term assets**

Assets owned by a business that are not expected to be converted into cash and/or consumed entirely within a year's time or within the current operating cycle.

**Long-term liabilities**

Debts that are not expected to be paid off until after at least one year's time.

**Managerial accounting**

A specific branch of accounting that focuses on a business's discrete, strategic, detailed financial and logistical reporting and analysis of day-by-day business activities.

**Marginal tax rate**

The amount of tax paid on an additional dollar of income.

**Matching principle**

An important principle in accounting which says that expenses should be reported in the same accounting period as the revenues they helped to earn.

**Net income**

Total revenues minus total expenses.

**Operating cycle**

The average time required to purchase inventory, sell it, and collect cash from customers.

**Owner's equity**

The owner's claim on the assets of a business.

**Patent**

An intangible asset that grants companies the exclusive, government-guaranteed right to manufacture and sell an invention.

**Period costs**

Costs that cannot be attributed to the production or delivery of a specific product or service.

**Product costs**

The costs expended in the creation of a product or the delivery of a service.

**Pro forma income**

A secondary (non-GAAP) measurement of income that excludes items that the company deems unusual or nonrecurring.

**Retained earnings statement**

A financial statement that quantifies the amount of net income remaining after dividends are paid to stockholders.

**Residual value**

A base value beneath which an asset may not be depreciated any further—also known as "salvage value."

**Reversing entry**

A type of adjusting entry where an entry is made at the end of an accounting period and immediately reversed at the beginning of the next accounting period.

**Solvency ratios**

Ratios such as the price-to-earnings ratio, price-to-sales ratio, and debt-to-asset ratio, used to evaluate a company's ability to survive over a long period of time.

**Source documents**

The primary records used to verify that a change must be made to one or more accounts.

**Statement of cash flows**

A financial statement that clarifies the inflow and outflow of cash over a given time period.

**Statement of owner's equity**

A financial statement that details the contributions, withdrawals, and equity values of a business's owner or owners.

**Sustainable income**

Income that, as judged by a business's investors, is likely to be generated by that business on a perpetual basis.

**Target income**

The amount of money (profit) a business seeks to make in order to attain its financial objectives.

**Tax credit**

A reduction in total tax owed.

**Tax deduction**

A reduction in total taxable earnings.

**Trial balance**

A list of accounts and their balances at a specific time.

**Working capital**

A company's current assets minus its current liabilities.