

- I -

8.- INDEX - indicio, señal, índice

- O -

9.- OUGHT - deber

- P -

10.- PURPOSE - propósito o fin

11.- PLANT ASSETS - activos de fábrica

12.- PROPERTY PLANT - propiedades del negocio

- S -

13.- SOMETIMES - algunas veces

- T -

14.- TAKEN - tomado

15.- TWICE - dos veces, al doble, duplicadamente

- U -

16.- USEFUL - útil

- W -

17.- WITHIN - dentro, adentro, dentro de

CHAPTER III

CLASSIFYING TRANSACTIONS

After each transaction would be cumbersome and costly to prepare a new equation. An efficient way is to classify the transactions according to items on the balance sheet and income statement. The increases and decreases are then recorded according to type of item by means of a summary called an account.

The "t" Account

This account is known as the "t" account because it resembles the letter "t". This account has three parts (1) the name of the account and the account number (2) The debit side (left side), and (3) the credit side (right side). The abbreviations for debit and credit are Dr. and Cr., respectively.

The Double - Entry System

When an amount is entered on the left side of an account, it is a debit and the account is said to be debited. When an amount is entered on the right side, it is a credit and the account is said to be credited.

Increases and Decreases

Asset and expense increases are recorded as debits, liability, capital and income increases are recorded as credits. Asset and expense decreases are recorded as credits, liability, capital, and income decreases are recorded as debits.

Example A:

Transaction 1.- Mr. Kelly opened his practice investing \$ 5,000 in cash. *invertiendo* *cash* The two accounts affected are cash and Capital. *Recuerde* Remember that an increase in an asset (cash) is debited, and an increase in Capital is credited.

CASH		CAPITAL	
DR.	CR.	DR.	CR.
+	-	+	-
\$ 5,000			\$ 5,000

Transaction 2.- Bought supplies for cash \$ 300. Here we are substituting one asset (cash) for another asset (supplies). We debit supplies because we are

receiving more supplies. We credit cash, because we are paying out cash.

CASH		SUPPLIES ON HAND	
DR.	CR.	DR.	CR.
+	-	+	-
\$ 5,000	\$ 300	\$ 300	

Transaction 3.- Bought equipment from Cindy Furniture Company on account \$ 2,500. We are receiving an asset (equipment) and therefore debit equipment to show the increase. We are not paying cash, but creating a new liability, thereby increasing the liability account (accounts payable)

EQUIPMENT		ACCOUNTS PAYABLE	
DR.	CR.	DR.	CR.
+	-	-	+
\$ 2,500			\$ 2,500

Transaction 4.- Received \$ 2,000 in fees earned *ganado* *recibido*

ring the month. In this case we are increasing the asset account cash, as we have received \$ 2,000 - - therefore, we debit it. We are increasing the capital, yet we do not credit capital. It is better temporarily to separate the income from the owner's equity (capital) and create a new account, Fees Income.

Handwritten notes:
 AUMENTAR
 DON LOHANTO
 TOCARIA NO LO ACREDITAMOS
 ES MEJOR SEPARARLOS
 INGRESOS
 POR HONORARIOS

CASH		ACCOUNTS PAYABLE	
DR.	CR.	DR.	CR.
+	-	-	+
\$ 5,000	\$ 300		\$ 2,000
\$ 2,000			

Transaction 5. - Paid office rent for January \$ 500 we must decrease the asset account cash, because we are paying out money. Therefore we credit it. It is preferable to keep expenses separated from the owner's equity.

Therefore, we open a new account for the expenses involved. Rent Expenses. The \$ 500 is entered on the left side, as expenses decrease owner's equity.

Handwritten note: disminuir

CASH		RENT EXPENSES	
DR.	CR.	DR.	CR.
+	-		
\$ 5,000	\$ 300	\$ 500	
\$ 2,000	\$ 500		

Order of arrangement of accounts in the ledger. All accounts of one kind are grouped together in the ledger. It is customary to have separate groups for assets, liabilities, proprietorship, income, and expenses. Each of these groups is called a division of the ledger. It is also a valuable source of information for managerial purposes, giving, for example the amount of sales for the period of the cash balance at the end of the period. Depending on what method of data processing is used.

Handwritten notes:
 orden
 acomodo
 Todo
 CLASE
 es costumbre
 divisiones de los grupos se llaman
 divisiones del libro mayor
 es tambien una fuente valiosa de data informacion
 proposito Admin
 ejemplo la cantidad de renta por el periodo
 Al final del periodo
 metodo de procesamiento de datos

The chart of accounts. A list of accounts that shows the arrangement of the accounts in the ledger is called a Chart of Accounts. This method sometimes called the code of accounts, is a listing of the accounts by title and numerical designation. In some companies the chart of accounts may run to hundred of items.

Handwritten notes:
 proceso
 lista de cuentas
 igual
 muestra
 algunos
 cientos

3.- Increase in all income accounts are Abonos

4.- Increases in all expense accounts are Cargos

5.- The schedule showing the balance of each account at the end of the period is known as the Balance

balanza de comprobación

6.- The accounts comprise a record called a Libro

mayor

*compendio de cuentas
registro*

7.- The left side of the account is known as the del Debe, while the right side is the del Haber.

8.- Increases in all assets accounts are Cargos

los aumentos en todas cuentas de activo

ANSWERS:

1.- credited

2.- credited

3.- credited

4.- debited

5.- trial balance

6.- ledger

7.- debit side, credit side

8.- debited

VOCABULARY V

- A -

- 1.- ARRANGEMENT - arreglo
- ②.- ACCURACY - cuidado, exactitud

- B -

- ③.- BETTER - mejor
- 4.- CONSECUTIVELY - consecutivamente
- ⑤.- CALCULATIONS - cálculo
- 6.- CUSTOMARY - costumbre
- 7.- CODE OF ACCOUNTS - catálogo de cuentas ✓
- 8.- CHART OF ACCOUNTS - catálogo de cuentas
- ⑨.- CHIEF PURPOSE - objetivo primordial

- D -

- 10.- DEPENDING - dependiendo
- 11.- DESIGNATION - señalamiento, designación
- 12.- DIGIT - dígito, cifra

- E -

- ⑬.- EQUITY - capital, propiedad neta, equidad ✓

- 14.- ENTERED - asentado
 15.- ENTERPRISES - empresas

- K -

- 16.- KEEP - guardar
 17.- KIND - clase, tipo

- L -

- 18.- LETTER - letra, carta
 19.- LEDGER - libro mayor

- N -

- 20.- NUMBER - número

- O -

- 21.- OFFICE MACHINES - máquinas de oficina

- R -

- 22.- RESEMBLES - se parece

- 23.- RECORDED - registrado
 24.- REMEMBER - recordar
 25.- RECEIVING - recibiendo
 26.- RUN - introducir X

- S -

- 27.- SINCE - ya que, desde X
 28.- SCHEDULE - programa
 29.- SOURCE - creador, origen
 30.- SIZE - tamaño, medida
 31.- SORTING PROCESS - proceso de separar
 32.- STARTS - empieza

- T -

- 33.- TRIAL BALANCE - balanza de comprobación ✓
 34.- TEMPORARILY - temporal, temporalmente

- V -

- 35.- VALUABLE - valioso

- W -

- 36.- WORK SHEET - hoja de trabajo