- I -

8. - INDEX - indicio, señal, índice

0 -

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

- II .

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 resambles 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 <u>debited</u>. When an amount is entered on the right side, it is a credit and the account is said to be credited.

COMMANDANT

STRATIASEDA OF SHIP ASSOT

## Increases and Decreases

Asset and expense increases are recorded as debits, liability, capital and income increases are recorde 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 preactice inverting \$ 5,000 in cash. The two accounts affected are cash and Capital. Remember that an increase in an asset (cash) is debited, and an increase in Capital is credited.

CASH		CAPITAL		
DR.	CR.	DR.	CR.	
+	- 33	<u> </u>		
\$ 5,000			\$ 5,000	

Transaction 2.- Bought supplies for cash \$ 300. Her 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.

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CA	SH		SUPPLIES	ON HAND
DR.	CR.	43.00	DR.	CR.
+	- 2		+ /	7
\$ 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)

EQUIP	MENT	ACCOUNTS	PAYABLE
DR.	CR.	DR.	CR.
+	-	-	+
\$ 2,500	The state of the s		\$ 2,500

Transaction 4.- Received \$ 2,000 in fees earned du-

asset account cash, as we have received \$ 2,000 -therefore, we debit it. We are increasing the capi
tal, 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 In-

come.

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CASII			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.

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	CASH	RENT 1	RENT EXPENSES			
DR	. CR.	DR.	CR.			
+						
\$ 5,0	\$ 300	\$ 500				
\$ 2,0	\$ 500					

Order of arrangement of accounts in the ledger. All accounts of one kind are grouped logether 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.

The chart of accounts. A list of accounts that -shows the arrangement of the accounts in the ledger
is called a <u>Chart of Accounts</u>. This method sometimes called the code of accounts, is a listing of the accounts by title and numerical disignation. In
some companies the chart of accounts may run to hun
dred of items.

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note a valuesto que Numbering accounts in the ledger. Note that each account number has two digits. The first digit indi cates the division of the ledger; the second digit indicates the number of the account within that divi ston For example, the office machines account is num bered 14. The first digit, 1, indicates that the -office machines account is an asset account. The second digit, 4, indicates that the office machines account is in the fourth account in the asset division.

The number of each asset account starts with the fi gure 1; the number of each liability account, with the figure 2; the number of each capital account -with the figure 3; the number of each income account with the figure 3; the number of each income account inducin estimates with the figure 4; and the number of each expense the accounts are numbered consecutively.

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The Trial Balance. The owner of the business, is in terested in learning at regular intervals whether consolv a intervalue his transactions have resulted in a profit or a loss. All of the needed information is in the ledger. Sin ce the ledger is summarized in the trial balance, it is possible to calculate the amount of the profit or the amount of the loss directly from the trial balan

ce. The modern method of analyzing the trial balance is to use a single sheet of paper with six or more amount columns and to distribute the balances - among these amount columns. The number of columns used depends on the kind and the size of the enter-

The trial balance is written in the columns at the -Balanca de comprobación se amota lest of the Work sheet. 129. CIADANT SD AIDN

The work sheet. The work sheet is a bookkeeper's -working paper and is not a part of the permanent Nobathas 100 gradant bookkeeping record. It may therefore be prepared -with a pencil. The chief purpose of the works sheet is to provide a sorting process that makes it possi-PROPORCIONAL PROCESO de astacción que hace ble to calculate the profit or loss with the minimum amount of work. The work sheet also provides a convenient method of summarizing the bookkeeping recorde Résourt ds and providing the accuracy of all calculations. EXACTITUS PROPORCIONAN

#### SUMMARY

- 1. Increases in all liability accounts are
- 2. Increases in all capital accounts are

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3.- Increase in all income accounts are

4.- Increases in all expense accounts are

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

6. - The accounts comprise a record called a Libro comprise a reco

7.- The left side of the account is known as the

8. - Increases in all assets accounts are way to

### 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

Q. - ACCURACY - cuidado, exactitud

В -

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

1)

10. - DEPENDING - dependiendo

11. - DESIGNATION - señalamiento, designación

12. - DIGIT - dígito, cifra

- F

3. - EQUITY - capital, propiedad neta, equidad 🗸

14.- ENTERED - asentado

15. - ENTERPRISES - empresas

- K -

16. - KEEP - guardar

17. - KIND - clase, tipo

- L -

1/8. - LETTER - letra, carta

19. - LEDGER - libro mayor

- N -

20. - NUMBER - número

- 0 -

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 4

34. - TEMPORARILY - temporal, temporalmente

- V -

35. - VALUABLE - valioso

- W -

36. - WORK SHEET - hoja de trabajo