Using The Quick Notes Learning System

Quick Notes
outlines the key material required to understand basic accounting principles. These clear, concise, one- and two-page outlines may easily be studied a number of times.

Using Quick Notes
The beginning of each outline contains the key definitions, theories, and concepts needed to understand the topic being studied. Here you see page 2 of the first outline explaining The Accounting Equation.

The Businesses of Darin Jones
Quick Notes definitions, theories, and concepts are followed by a continuous example accounting for the businesses of Darin Jones. He opens the Quick Clean Laundry Service in college, Darin's Music Emporium upon graduation, and lastly, Future Horizons Corporation. These businesses will be used to explain the theories and concepts being outlined.

THE ACCOUNTING EQUATION

I. ASSETS - LIABILITIES = OWNER'S EQUITY

Items Of Value - What Is Owed = Net Worth

II. DEFINITIONS
ACCOUNT = a storage area for financial information.
T ACCOUNT = a simplified account.
DEBIT = left side of an account.
CREDIT = right side of an account.

III. BALANCE SHEET ACCOUNTS

ASSETS are items of value.
LIABILITIES are amounts owed.
OWNER'S EQUITY is the net worth of a business.
CAPITAL is the Owner's Equity account for sole proprietorships and partnerships.
COMMON STOCK is the primary account for tracking the invested equity of a corporation.
RETAINED EARNINGS is the account used to store income earned but not distributed by a corporation.

IV. DEBITS AND CREDITS

The DOUBLE ENTRY system of debits and credits facilitates the increasing and decreasing of the amounts stored in the Balance Sheet Accounts. The above schematic summarizes part of the system.

NOTE: The following example will show only the current transaction information in each T account.

V. ANALYZING TRANSACTIONS - SAMPLE PROBLEM

Assets = Liabilities + Owner's Equity

1. Darin Jones, a sophomore at State University, started the Quick Clean Laundry Service with a $100 cash investment.
   Cash 100
   Capital 100

2. On Sept. 1, paid $50 for 5 months of ads in the school newspaper.
   Prepaid Advertising 50
   Cash 50

3. On Sept. 1, purchased Laundry Supplies for $25 cash.
   Laundry Supplies 25
   Cash 25

4. On Sept. 1, purchased $48 of Laundry Equipment paying $8 down.
   Laundry Equipment 48
   Accounts Payable 40
   Cash 8

5. Darin made an additional investment of $50.
   Cash 50
   Darin Jones, Capital 50

6. Paid one-fourth the amount owed on the Laundry Equipment.
   Accounts Payable 10
   Cash 10
   Accounts Payable 2
I. THE ACCOUNTING EQUATION

Write the accounting equation at the top of these three T accounts. Place the abbreviation DR. and CR. on the proper side of all T accounts. Also, use a plus or minus sign to indicate the directional change each side of the T account represents.

II. ANALYZING TRANSACTIONS - SAMPLE PROBLEM

Instructions: Record only the current transaction information in T accounts arranged according to the Accounting Equation.

1. Linda Smith, a sophomore at State University, started the Speedy Ironing Service with a $125 cash investment on Sept. 1, 1991.

2. On Sept. 1, paid $60 for 4 months of ads in the school newspaper.

3. On Sept. 1, purchased Ironing Supplies for $20 cash.

4. On Sept. 1, purchased $60 of Ironing Equipment paying $30 down.

Quick Questions On Analyzing Expense And Revenue Transactions

1. Write the expanded accounting equation above these T accounts. Place the abbreviation DR. and CR. on the proper side of all T accounts. Also, use a plus or minus sign to indicate the directional change each side of the T account represents.

2. Record the following in T accounts.

Jan. 1 Mary Brown started A & B Consultants with an investment of $50,000.
14 Collected Consulting Fees of $500 cash.
22 Mary withdrew $200 for personal use.
25 Paid salaries of $1,450.
28 Billed Z Corporation $5,000 for consulting work just completed.
31 Received $1,500 from Q Company as a retainer for future advice.