PROBLEM 1: TRANSACTION ANALYSIS

WHEN NO EXCHANGE IS MADE IT IS NOT

Example: X Inc. signed 2 yr. lease agreement to rent space beginning immediately at a monthly fee of $3,500

Accounts Receivable - money owed to a company by its debtors (Balance Sheet, current asset)

Accounts Payable - money owed by a company to its creditors (Balance Sheet, current liability)

Additional Paid-in Capital - excess paid by an investor over the par-value price of a stock issue. Arise from issuing common stock. (Balance Sheet, stockholder's equity)

Cash - physical money (bank notes, cash, checks, deposits) (Balance Sheet, current asset)

Common Stock - shares entitling their holder to dividends that vary in amount (Balance Sheet, stockholder's equity)

Interest Payable - the amount of interest that has been incurred (earned) but has not yet been paid (Balance Sheet, liability)

Maintenance Expense - cost incurred to keep an item in good conditions and/or good working order. Requires upkeep (Income Statement)

Notes Payable - money due on a formal written promise to pay. Includes loans from banks. (Balance Sheet, current liability)

Office Equipment - asset used for the operating functions of a company (desks, chairs, computers, lights) (Balance Sheet, asset)

Office Equipment Expense - if a company buys/sells office equipment. Cost to operate office equipment. (Income Statement)

Office Supplies - small items used within the office (paper clips, paper, pens, scissors, ink) (Balance Sheet, asset)

Office Supplies Expense - the cost of consumables used during a reporting period. (Income Statement)

Prepaid Rent - future rent expense that was paid in advance of the rental period (Balance Sheet, asset)

Rent Expense - cost incurred (earned/given to) by a business to utilize property (Income Statement)

Service Revenue - revenue account and includes work that has been fully performed, irrespective of whether or not it has been billed for (Income Statement)

Unearned Service Revenue - liability account that reports amounts received in advance of providing goods or services (Balance Sheet, liability)

PROBLEM 2: YEAR END ADJUSTMENTS (also vocab for PROBLEM 3)

(Transaction Analysis is INCLUDED so ADD from ABOVE)

Accumulated Depreciation - total amount of depreciation that has been taken on a company's assets up to date on the (Balance Sheet) (decrease in value of an asset w/ passage of time)

Advertising Expense - reports the $ of ads that run during the period shown (Income Statement)

Buildings - buildings owned by the business (Balance Sheet, asset)

Cost of Goods Sold - beginning inventory + purchases - ending inventory (formula) (Income Statement)

Depreciation Expense - distributed portion of the cost of a company's fixed assets. Pertains only to the period of time indicated in the heading of the (Income Statement)

Dividends - sum of money paid (quarterly) by a company to its shareholders out of its profits (Balance Sheet, liability)

Income Tax Expense - amount of expense that a business recognizes in a period. Owing to federal, state, and local governments. (Income Statement)

Income Taxes Payable - taxes that must be paid to the government. (Balance Sheet, liability)

Insurance Expense - expired premium paid by a business to an insurance company (Income Statement)

Interest Payable - amount of interest that has been incurred (earned) but has not yet been paid (Balance Sheet, liability)

Interest Receivable - income a business has earned, but which a debtor has yet to pay. (Income Statement)

Interest Revenue - non-operating income for companies not in the business of lending money (Income Statement)

Inventory - goods & materials held by a business for the purpose of sale (Balance Sheet asset)

Land - land owned that is not to be sold or leased with building on it (Balance Sheet, asset)

Sales Revenue - the place sold goods w/ discount (formula: 3/10, n/30). The amount of sales generated by a company after the deduction of returns, allowance, for damaged or missing goods and any discounts allowed. W/ Accounts Receivable (Income Statement)

Notes Receivable - money owed to a business by outsiders for which there is a formal document for proof of debt (interest, loans) (Balance Sheet)

Prepaid Advertising - paid for advertising that has not yet taken place (Balance Sheet)

Prepaid Insurance - insurance has been paid in advance and has not expired (Balance Sheet, asset)

Prepaid Interest - interest that is paid in advance (usually mortgage) (Balance Sheet)

Prepaid Salaries - pay salaries in advance (Balance Sheet)

Purchases - when the place purchased goods w/ discount (2/10, n/30) (debit), W/ Accounts Payable (credit)

Purchase Return - when a buyer returns merchandise that it has purchased (credit) w/ Accounts Payable (debit)

Rent Receivable - amount of rent recorded, but money has not yet been collected (Balance Sheet, asset)

Rent Revenue - the amount of rent that has been earned during a period of time (Income Statement)

Retained Earnings - portion of net income that is kept rather than distributed to shareholders as dividends (Balance Sheet, stockholder's equity)

Salaries Expense - salaries that employees have earned during the period indicated (Income Statement)

Salaries Payable - amount of salaries owed to employees, which have not yet been paid to them (Balance Sheet, liability)

Salaries Revenue -

Sales Discount - reduction in the price of a product/service if payment was early (debit). Paired with Accounts Receivable (credit)

Sales Return - merchandise sent back to seller by buyer (debit). Paired with Accounts Receivable (credit)

Service Fees Receivable -

Service Fees Payable -

Subscriptions Revenue - a fixed payment for a specific period of time (Income Statement)

Subscriptions Receivable - expected to be paid with an offsetting credit to a stock subscription account (Balance Sheet)

Unearned Revenue - income that you have received but not yet earned (Balance Sheet, liability)

Unearned Asset Revenue - amount received in advance and to be earned in the future (Balance Sheet, liability)

Utilities Expense - cost consumed in a reporting period related to (electricity, heat, sewer, water) (Balance Sheet)

PROBLEM 3: MERCHANDISING TRANSACTIONS

2/10, n/30

2 = discount

10 = discount period

n = net x the discount is taken on the net balance due

30 = normal days allowed until bill must be settled

Example: