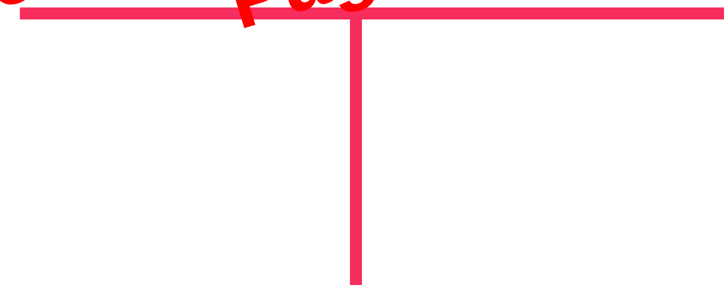
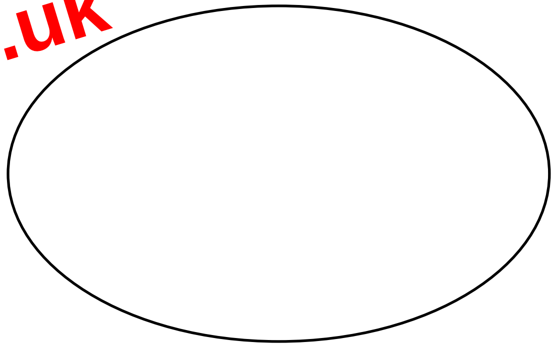
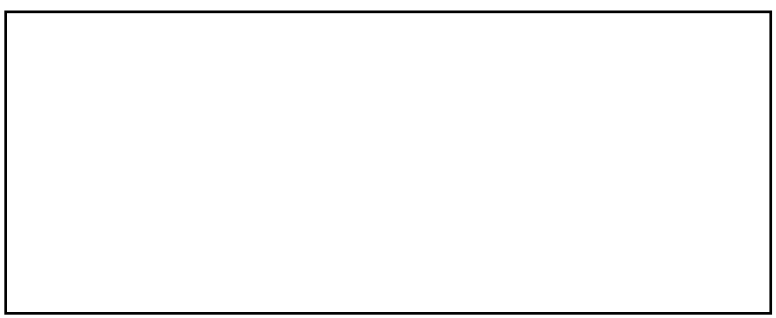
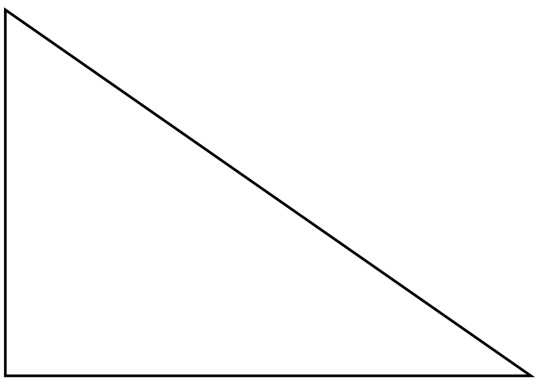
How does a T-account look like?

- Like a Capital "T"









Why record expenses and revenues separately in various T-accounts?

Retained Earnings

Rent Exp.	1,200	8,500	Sales Revenue
Salaries Exp.	1,650	1,300	Interest Revenue
Interest Exp.	800		
Dividends	2,000		

Sales Revenue

	1,000
	3,000
	4,500

Interest Revenue

	1,100
	200

Interest Expense

450	
350	

Rent Expense

800	
400	

Dividends

2,000	

Salaries Expense

650	
1,000	

The Ledger

- Accounts are collectively referred to as the ledger

- Types of accounts
  - Balance Sheet accounts or real accounts or permanent accounts
  - Income statement accounts or nominal accounts or temporary accounts,
    - i.e., revenue, expenses, and dividends - all these are subdivisions of retained earnings

The company borrows $3,000 from the bank

Assets	=	Liabilities	+	Owners' Equity
Cash		Loans Payable		
+$3,000		+$3,000		

Journal Entry		
Dr Cash (+A)	3,000	
Cr Loans Payable (+L)		3,000

Prepare Income Statement
For the year ended December 31, 1997

Revenues:	Fees earned for service	$12,000
Expenses:	Wages, interest, maintenance	$ 9,000
Net income		$ 3,000