



Accounting for Non-Accountants

Business Culture Centre of Canada
BCCCanada - Updated 2020

Speaker

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- What is the accounting?

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- **What are the accounting standards?**

A standard of rules govern the preparation of the financial statements

GAAP Generally Accepted Accounting Principals

FASB Financial Accounting Standard Board

and more...

Accrual method

Accrual basis accounting mean the revenues and expenses added or matched to the time period. Cash was received or paid is irrelevant to the recording of revenues and expenses.

Cash Method

Recognizes revenues and expenses when cash is received or paid.

- What is the Bookkeeping?

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- What is the Journal and Trial Balance?

- Single Entry

- Double Entry

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1. General Journal entries:

Date		General Journal	PR	Debit	Page G1	Credit
2014						
Aug. 1		Cash	101	16,000		
		Store Equipment.....	165	10,000		
		Joane Cardinal, Capital	301		26,000	
		<i>Owner's initial investment.</i>				
1		Prepaid Insurance.....	128	2,400		
		Cash.....	101		2,400	
		<i>Purchased six months of insurance.</i>				
2		Furniture	161	2,000		
		Cash.....	101		2,000	
		<i>Purchased furniture for cash.</i>				
3		Rent Expense.....	640	3,200		
		Cash.....	101		3,200	
		<i>Paid rent for August.</i>				
4		Store Equipment.....	165	21,000		
		Accounts Payable.....	201		21,000	
		<i>Purchased additional equipment on credit.</i>				
15		Cash	101	1,100		
		Haircutting Services Revenue	403		1,100	
		<i>Cash receipts from 10 days of operations.</i>				
15		Accounts Receivable	106	750		
		Haircutting Services Revenue	403		750	
		<i>To record revenue for services provided on account.</i>				
17		Cash	101	750		
		Accounts Receivable	106		750	
		<i>To record cash received as payment on account.</i>				
17		Wages Expense.....	623	250		
		Cash.....	101		250	
		<i>Paid wages to assistant.</i>				
18		No entry required since there has been no economic exchange.				
18		Cash	101	500		
		Unearned Haircutting Services Revenue	236		500	
		<i>To record payment in advance.</i>				
31		Cash	101	1,950		
		Haircutting Services Revenue	403		1,950	
		<i>Cash receipts from second half of August.</i>				
31		Accounts Payable.....	201	7,000		
		Cash.....	101		7,000	
		<i>Paid an installment on accounts payable.</i>				
31		Hydro Expense	690	450		
		Accounts Payable.....	201		450	
		<i>August hydro to be paid by Sept. 14.</i>				
31		Joane Cardinal, Withdrawals	302	500		
		Cash.....	101		500	
		<i>Owner withdrew cash from the business.</i>				

What is the Chart of Accounts?

- What is the General Ledger?
- What is the term Posting of Transactions?

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2. & 3. Accounts in the ledger:

Cash			Account No. 101			
Date	Explanation	PR	Debit	Credit	Balance	
2014						
Aug.	1	G1	16,000		16,000	
	1	G1		2,400	13,600	
	2	G1		2,000	11,600	
	3	G1		3,200	8,400	
	15	G1	1,100		9,500	
	17	G1	750		10,250	
	17	G1		250	10,000	
	18	G1	500		10,500	
	31	G1	1,950		12,450	
	31	G1		7,000	5,450	
	31	G1		500	4,950	

Accounts Receivable			Account No. 106			
Date	Explanation	PR	Debit	Credit	Balance	
2014						
Aug.	15	G1	750		750	
	17	G1		750	-0-	

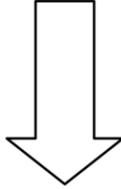
Prepaid Insurance			Account No. 128			
Date	Explanation	PR	Debit	Credit	Balance	
2014						
Aug.	1	G1	2,400		2,400	

Furniture			Account No. 161			
Date	Explanation	PR	Debit	Credit	Balance	
2014						
Aug.	2	G1	2,000		2,000	

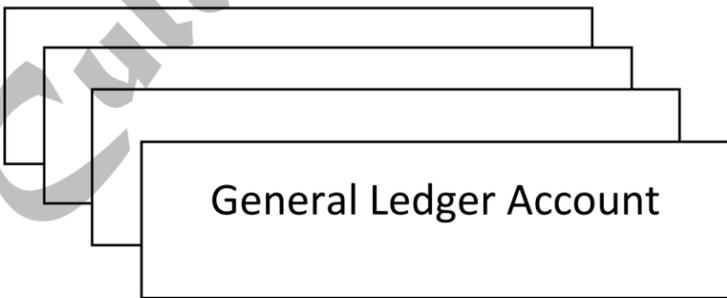
Store Equipment			Account No. 165			
Date	Explanation	PR	Debit	Credit	Balance	
2014						
Aug.	1	G1	10,000		10,000	
	4	G1	21,000		31,000	

Accounts Payable			Account No. 201			
Date	Explanation	PR	Debit	Credit	Balance	
2014						
Aug.	4	G1		21,000	21,000	
	31	G1	7,000		14,000	
	31	G1		450	14,450	

General Journal Entries and
Generate Trial Balance
(Financial Records)



**Posting Process of Financial
Records**



diversity of operations. A small company may have as few as 20 accounts, while a large company may need several thousand.

The **chart of accounts** is a list of all accounts used in the ledger by a company. The chart includes an identification number assigned to each account. The chart of accounts in Appendix III of the text uses the following numbering system for its accounts:

101-199	Asset accounts
201-299	Liability accounts
301-399	Owner capital and withdrawals accounts
401-499	Revenue accounts
501-599 ⁹	Cost of sales expense accounts
601-699	Operating expense accounts

The numbers provide a three-digit code that is useful in recordkeeping. In this case, the first digit assigned to asset accounts is 1, while the first digit assigned to liability accounts is 2, and so on. The first digit of an account's number also shows whether the account appears on the balance sheet or the income statement. The second and subsequent digits may also relate to the accounts' categories. The numerical basis of a chart of accounts is a fundamental component of a computerized accounting system. A partial chart of accounts for Vertically Inclined follows.

Account Number	Account Name	Account Number	Account Name
101	Cash	301	Virgil Klimb, Capital
106	Accounts Receivable	302	Virgil Klimb, Withdrawals
125	Supplies	403	Teaching Revenue
128	Prepaid Insurance	406	Equipment Rental Revenue
167	Equipment	622	Salaries Expense
201	Accounts Payable	641	Rent Expense
236	Unearned Teaching Revenue	690	Utilities Expense
240	Notes Payable		



- What is the Assets and Accounts Receivable?

Some hints to identify assets

- The company must own and control the item
- The item has a value to the company
- The value of the item can be measured

- Short Term Assets

- Long Term Assets

- Intangible Assets

- What is the Historical Cost?

QUIZ

- A car that belongs to the owner of the company
- A building used to build and sell your products
- Tools that used to manufacture your products
- A broken tool that is not used any more
- Money owed to the company from selling your products and services
- Money owed from the company to the gas company
- The land of the company building
- Truck is used to deliver your products
- Money in the personal bank account of the owner
- Money paid in advance for three years insurance policy on the business

No

Yes

Yes

No

Yes

No

Yes

Yes

No

Yes

- What is the depreciation of an asset?

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- What are the liabilities and Accounts Payable?
 - Short Term Liabilities
 - Long Term Liabilities

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- **What are Prepaid Expenses?**

Prepaid expenses are future expenses that have been paid in advance. In other words, prepaid expenses are costs that have been paid but are not yet used up

- **What is Un-earned revenue?**

Unearned revenue(s) are liability accounts that reports amounts received in advance of providing goods or services

- What is the accounting formula?

Assets = Liabilities + Owner's Equity

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- What are the financial statements?
- What is the Income Statement?
- What is the Owner's Equity?
- What is the Balance Sheet?
- What is the Cash Flow?

4.

The Cutlery Trial Balance August 31, 2014			
Acct. No.	Account	Debit	Credit
101	Cash	\$ 4,950	
106	Accounts receivable	-0-	
128	Prepaid insurance	2,400	
161	Furniture	2,000	
165	Store equipment	31,000	
201	Accounts payable		\$14,450
236	Unearned haircutting services revenue		500
301	Joane Cardinal, capital		26,000
302	Joane Cardinal, withdrawals	500	
403	Haircutting services revenue		3,800
623	Wages expenses	250	
640	Rent expense	3,200	
690	Hydro expense	450	
	Totals	\$44,750	\$44,750

5.

The Cutlery Income Statement For Month Ended August 31, 2014	
Revenues:	
→ Haircutting services revenue	\$3,800
Operating expenses:	
Rent expense	\$3,200
Hydro expense	450
→ Wages expense	250
Total operating expenses	3,900
Net loss	\$ 100

The Cutlery Statement of Changes in Equity For Month Ended August 31, 2014	
Joane Cardinal, capital, August 1	\$ -0-
→ Add: Investments by owner	26,000
Total	\$26,000
Less: Withdrawals by owner	\$500
Net loss	100
Joane Cardinal, capital, August 31	\$25,400

The Cutlery Balance Sheet August 31, 2014	
Assets	
Cash	\$ 4,950
Prepaid insurance	2,400
Furniture	2,000
Store equipment	31,000
Total assets	\$40,350
Liabilities	
Accounts payable	\$14,450
Unearned haircutting services revenue	500
Total liabilities	\$14,950
Equity	
Joane Cardinal, capital	25,400
Total liabilities and equity	\$40,350

The arrows are imaginary but they emphasize:
1. How the statements are prepared from the trial balance and
2. The link between statements.

Vertically Inclined Rock Gym Income Statement For Month Ended March 31, 2014		
Revenues:		
Teaching revenue	\$ 3,800	
Equipment rental revenue	<u>300</u>	
Total revenues		\$ 4,100
Operating expenses:		
Rent expense	\$ 1,000	
Salaries expense	<u>700</u>	
Total operating expenses		<u>1,700</u>
Net income		<u>\$ 2,400</u>

EXHIBIT 1.8
Income Statement for Vertically Inclined Rock Gym



Vertically Inclined Rock Gym Statement of Changes in Equity For Month Ended March 31, 2014		
Virgil Klimb, capital, March 1		\$ -0-
Add: Investments by owner	\$ 10,000	
Net income	<u>2,400</u>	<u>12,400</u>
Total		\$ 12,400
Less: Withdrawals by owner		<u>600</u>
Virgil Klimb, capital, March 31		<u>\$ 11,800</u>

EXHIBIT 1.9
Statement of Changes in Equity for Vertically Inclined Rock Gym

Vertically Inclined Rock Gym Balance Sheet March 31, 2014			
Assets		Liabilities	
Cash	\$ 8,400	Accounts payable	\$ 200
Supplies	3,600	Notes payable	<u>6,000</u>
Equipment	<u>6,000</u>	Total liabilities	\$ 6,200
Total assets	<u>\$18,000</u>	Equity	
		Virgil Klimb, capital	11,800
		Total liabilities and equity	<u>\$ 18,000</u>

EXHIBIT 1.10
Balance Sheet for Vertically Inclined Rock Gym

Vertically Inclined Rock Gym Statement of Cash Flows For Month Ended March 31, 2014		
Cash flows from operating activities		
Cash received from clients	\$ 4,100	
Cash paid for supplies	(3,400)	
Cash paid for rent	(1,000)	
Cash paid to employee	<u>(700)</u>	
Net cash used by operating activities		\$ (1,000)
Cash flows from investing activities		-0-
Cash flows from financing activities		
Investment by owner	\$10,000	
Withdrawal by owner	<u>(600)</u>	
Net cash provided by financing activities		<u>9,400</u>
Net increase in cash		\$ 8,400
Cash balance, March 1		-0-
Cash balance, March 31		<u>\$ 8,400</u>

EXHIBIT 1.11
Statement of Cash Flows for Vertically Inclined Rock Gym

The arrows are imaginary but they emphasize the link between statements.

- What are Retained Earnings?

Retained earnings are the profits that a company has earned to date, less any dividends or other distributions paid to investors.

**Beginning retained earnings + Profits/losses - Dividends =
Ending retained earnings**

- What is the Bank Statement Reconciliation?

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- Year End Closing

- Revenue Accounts Owner's Capital
- Expense Accounts Owner's Capital
- Owner's Withdrawals Owner's Capital

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- What is the relation between financial statements and business tax filing?

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