

# Chapter 0

## Introduction to Financial Accounting

### *Introduction*

**Accounting** is an INFORMATION SYSTEM that MEASURES, PROCESSES and COMMUNICATES data concerning the FINANCIAL HEALTH of an entity.

An entity may be a:

1. Person
2. Business
  - a) Sole Proprietor
  - b) Partnership
  - c) Corporation

During the semester we will be concerned mostly with corporate business entities. Occasionally we will address sole proprietorships. The only difference between the two forms of business entities is the terminology used to present their NET WORTH. If you understand corporate financial accounting you will understand sole proprietor accounting.

Before starting chapter 1 of the textbook we will talk about the FINANCIAL HEALTH of a “person” entity, i.e., you the student. Then we will explore the FINANCIAL HEALTH and the CHANGE to the FINANCIAL HEALTH of a fictitious student called Alex. We will communicate this accounting information using the following financial statements:

- 0. *Balance Sheet as of the beginning of the month (which is really the Balance Sheet as of the end of the previous month)***
- 1. *Income Statement for the month***
- 2. *Statement of Retained Earnings for the month***
- 3. *Balance Sheet as of the end of the month***

First some definitions and explanations of terms commonly used in financial accounting.

## ACCOUNT

The place where we record and store financial data. The data in these ACCOUNTS is the information that is used to communicate the FINANCIAL HEALTH of an entity and how it changed during the month. For example the amount of money one receives or pays out is recorded in the “CASH” ACCOUNT. What that money was used for or where that money came from is recorded in another ACCOUNT. There are many different ACCOUNTS and they are detailed later in this exercise.

## CLASSIFICATION

The placing of ACCOUNTS into a group in order that the dollar amount stored in the ACCOUNTS can be added together to arrive at a total dollar amount of each major component of the entity’s FINANCIAL HEALTH. For example the ACCOUNTS “Cash”, “Auto” and “Food Supplies” have the common attribute of things you own. They are grouped together and have the classification of “ASSETS”. Likewise “Auto Loan” and “Student Loan” have the common attribute of things you owe. They are grouped together and have the classification of “LIABILITIES”. There are six major components of FINANCIAL HEALTH. Thus all ACCOUNTS are classified as one of these components. The six classifications are:

1. ASSETS--What you OWN.
2. LIABILITIES--What you OWE.
3. NET WORTH or EQUITY--The DIFFERENCE between what you OWN (ASSETS) and what you OWE (LIABILITIES).
4. REVENUE--What you EARNED.
5. EXPENSE--What you INCURRED to earn revenue.
6. DIVIDEND--What you GAVE AWAY out of your Net Earnings.

Note to items 1,2,3: NET WORTH must equal the difference between your ASSETS and your LIABILITIES. This equality is summarized and presented in a financial statement called a **BALANCE SHEET**.

Note to items 4,5: NET INCOME (sometimes called Net Earnings) is the difference between REVENUES and EXPENSES. Revenues and expenses are summarized and presented in a financial statement called an **INCOME STATEMENT**.

Note to item 6: **RETAINED EARNINGS** is the difference between your **NET INCOME** shown in the INCOME STATEMENT and the **DIVIDEND** you distributed. Net Income less dividends are summarized and presented in a financial statement called a ***RETAINED EARNINGS STATEMENT***.

## **LEDGER**

The place where all the ACCOUNTS are located. Think of the LEDGER as a “File Cabinet” that contains all the ACCOUNTS. There are six drawers in this file cabinet. Each drawer contains the ACCOUNTS included in that classification.

<b>ASSETS</b>
<b>LIABILITIES</b>
<b>NET WORTH OR EQUITY</b>
<b>REVENUES</b>
<b>EXPENSES</b>
<b>DIVIDENDS</b>

Each time you want to record an amount in an ACCOUNT you must open the correct drawer, find the ACCOUNT and write-in (record) the amount as a plus (increase the previous balance in the ACCOUNT) or as a minus (decrease the previous balance in the ACCOUNT). This is the easy part of processing the data and is called **POSTING TO THE LEDGER**. It is easy because you are only **COPYING** the TRANSACTION dollar amounts that you had previously recorded in the JOURNAL.

## **JOURNAL**

A collection of TRANSACTIONS by date. It is the book of original entry. Think of the JOURNAL as the gateway into the LEDGER. You cannot record anything in an ACCOUNT in the LEDGER until you have summarized the TRANSACTION in the JOURNAL. This JOURNAL entry indicates the dollar amount of the TRANSACTION and the direction of the change (increase or decrease) to the ACCOUNTS affected by the TRANSACTION.

*This is where the “thinking” is done. Students must analyze a TRANSACTION and correctly determine:*

- 1. The ACCOUNTS involved and their CLASSIFICATIONS**
- 2. The dollar amount to be used for each ACCOUNT and**
- 3. Whether to increase or decrease the balance of each ACCOUNT.**

Once this analysis is done the recording in the JOURNAL enters the information into the accounting system. After the JOURNAL entry, POSTING the amounts to the individual ACCOUNTS in the LEDGER is “grunt work” that is easily accomplished by a computer.

## **TRANSACTION**

Any economic event that affects the FINANCIAL HEALTH of an entity.

## **FINANCIAL HEALTH**

The NET WORTH or equity of an entity.

### **RECAP**

The previous information was presented backwards; starting with the ACCOUNT and working backwards to the TRANSACTION. The actual order of occurrence is the reverse; First the TRANSACTION, then the analysis, then the JOURNAL entry and, finally the POSTING to the LEDGER. Explaining the ACCOUNT first was intentional in order to emphasize a major element of the accounting information system. This important element is the storage area of the accounting system namely, the ACCOUNT in the LEDGER. ACCOUNTS store the information necessary for evaluating the FINANCIAL HEALTH of an entity. However the data stored in these ACCOUNTS is only as good as the JOURNAL entry that recorded the TRANSACTION. The “goodness” of the JOURNAL entry depends upon the proper analysis of the TRANSACTION. The mechanics of getting data into these ACCOUNTS is important but secondary. Proper analysis of TRANSACTIONS is primary and the foundation stone of this course. Work at mastering TRANSACTION analysis now. It will be too late if you wait till later on in the course.

**Now on to the FINANCIAL HEALTH of “Alex” the student.**

## Alex Student

The accompanying worksheets for Chapter 0 will be used to show how financial information is collected by an accounting system. Last month Alex had a "NET WORTH" of \$ 3075. After we post the value of each January TRANSACTION from the JOURNAL to the ACCOUNTS in the LEDGER we will see how Alex's "NET WORTH" changed by \$240 (from \$3075 to \$3315). More importantly we will see that Alex's "NET WORTH" changed only because Alex

1. Generated Net Income (Earnings) of \$300. This happened because Alex's Income or "Revenue" of \$925 was greater than the associated "Expenses" of \$625 (see Income Statement and Statement of Retained Earnings)
2. Gave away (distributed) \$60 of Net Income as a DIVIDEND or gift to parents.

In this exercise we will:

1. First go over the Chart of Accounts that Alex uses.
2. Next we will go over the Balance Sheet as of December 31, 19x1.
3. Then we will analyze and enter the transactions in the JOURNAL.
4. Then, using an accounting computer program; (a) the JOURNAL entries will be POSTED to the accounts in the LEDGER and; (b) the ending balances of the temporary "REVENUE", "EXPENSE" and "DIVIDEND" ACCOUNTS will be transferred into the permanent "NET WORTH" ACCOUNTS.
5. Finally we will complete the three financial statements
  - a) Income Statement for the Month Ending January 31, 19x2
  - b) Statement of Retained Earnings for the Month Ending January 31, 19x2
  - c) Balance Sheet as of January 31, 19x2

## CHART OF PERMANENT ACCOUNTS FOR STUDENT ALEX

<u>ACCOUNT NAME</u>	<u>ACCOUNT CLASS</u>	<u>DESCRIPTION OF ACCOUNT</u>
<b>ASSETS WHAT ALEX OWNS; HIS RESOURCES;</b>		
CASH	ASSET	AMOUNT OF MONEY THAT ALEX HAS ON HAND OR IN BANK.
ACCOUNTS RECEIVABLE (abbrev. as A/R)	ASSET	ABBREVIATION FOR "ACCOUNTS RECEIVABLE" WHICH REPRESENTS THE AMOUNT OF MONEY THAT SOMEONE OWES ALEX BECAUSE HE SOLD THAT SOMEONE GOODS (INVENTORY) THAT WAS NOT PAID-FOR; OR HE PERFORMED A SERVICE (WORK) WHICH HE WILL BE PAID-FOR IN THE FUTURE.
FOOD SUPPLIES (abbrev. as SUPP)	ASSET	THE COST OF THE AMOUNT OF FOOD THAT ALEX HAS PURCHASED.
PRE-PD INSURANCE (abbrev. as PP INS)	ASSET	THE COST OF 6 MONTHS AUTO INSURANCE THAT ALEX HAS PURCHASED.
AUTO	ASSET	THE COST OF ALEX'S CAR WHEN HE BOUGHT IT.
<b>LIABILITIES WHAT ALEX OWES; HIS DEBTS;</b>		
ACCOUNTS PAYABLE (abbrev. as A/P)	LIABILITY	ABBREVIATION FOR "ACCOUNTS PAYABLE" WHICH REPRESENTS THE AMOUNT OF MONEY THAT ALEX OWES SOMEONE BECAUSE HE PURCHASED AN ASSET (e.g., INVENTORY) THAT HE WILL PAY-FOR IN THE FUTURE; OR HE INCURRED AN EXPENSE THAT HE WILL PAY-FOR IN THE FUTURE.
AUTO LOAN	LIABILITY	AMOUNT OF MONEY THAT ALEX OWES THE BANK.
UNEARNED WAGES (abbrev. as UN WGS)	LIABILITY	AMOUNT OF WAGES ALEX RECEIVED IN ADVANCE (ALEX MUST RETURN THE MONEY OR PERFORM THE WORK IN THE FUTURE)
<b>NETWORTH \$ AMOUNT OF TOTAL ASSETS LEFT AFTER OR SUBTRACTING \$ AMOUNT OF TOTAL LIABILITIES. EQUITY (OFTEN CALLED NET ASSETS)</b>		
CONTRIBUTED CAPITAL (abbrev. as CAPITL)	EQUITY	AMOUNT OF ASSETS THAT ARE GIVEN TO ALEX AS A GIFT.
RETAINED EARNINGS (abbrev. as R.E.)	EQUITY	AMOUNT OF EARNINGS (WAGES LESS EXPENSES) THAT ALEX DOES NOT GIVE AWAY AS GIFTS

# CHART OF TEMPORARY ACCOUNTS FOR STUDENT ALEX

<u>ACCOUNT NAME</u>	<u>ACCOUNT CLASS</u>	<u>DESCRIPTION OF ACCOUNT</u>
	<b>REVENUES</b>	<b>AMOUNT OF \$ ALEX earns FROM SELLING GOODS (INVENTORY) OR SERVICES (LABOR); OR, RENTING OUT MONEY (INTEREST) even if cash(\$) was not yet received</b>
WAGES INCOME (abrev. as WGS)	REVENUE	AMOUNT OF INCOME ALEX earns BY SELLING HIS LABOR
INTEREST INCOME (abrev. as INT)	REVENUE	AMOUNT OF INCOME ALEX EARNS BY INVESTING i.e., RENTING-OUT HIS MONEY
	<b>EXPENSES</b>	<b>AMOUNT OF \$ ALEX incurs IN ORDER TO SELL GOODS (INVENTORY) OR SERVICES (LABOR) even if cash(\$) was not yet paid</b>
GASOLINE EXPENSE	EXPENSE	COST OF GASOLINE USED <i>abrev. as</i> (GAS EXP)
ELECTRIC EXPENSE	EXPENSE	COST OF ELECTRICITY USED (ELECT EXP)
ENTERTAINMENT EXP	EXPENSE	COST OF ENTERTAINMENT (ENT EXP)
INTEREST EXPENSE	EXPENSE	COST OF BORROWING MONEY (INT EXP)
FOOD EXPENSE	EXPENSE	COST OF FOOD SUPPLIES USED (SUPP EXP)
INSURANCE EXPENSE	EXPENSE	COST OF INSURANCE USED (INS EXP) i.e., INSURANCE USED
DEPRECIATION EXP	EXPENSE	ALLOCATION OF A PORTION (DEP EXP) THE COST OF THE AUTO TO THIS PERIOD.
<b>DIVIDEND</b>	<b>DIVIDENDS</b>	<b>AMOUNT OF EARNINGS (REVENUES LESS EXPENSES) THAT ALEX DOES GIVES AWAY AS GIFTS</b>
DIVIDEND	DIVIDENDS	DISTRIBUTION OF NET INCOME <i>abrev. as</i> (DIV) ALSO KNOWN AS DISTRIBUTION OF NET EARNINGS

ALEX STUDENT  
BALANCE SHEET  
AS OF DECEMBER 31, 19X1

ASSETS

CASH	520
ACCOUNTS RECEIVABLE (A/R)	120
FOOD SUPPLIES	75
PRE-PAID INSURANCE	600
AUTO	3600
TOTAL ASSETS	4915
(MUST EQUAL TOTAL LIABILITIES AND EQUITY)	

LIABILITIES

ACCOUNTS PAYABLE (A/P)	0
UNEARNED WAGES	40
AUTO LOAN	1800
TOTAL LIABILITIES	1840

EQUITY OR NET WORTH

CAPITAL	2500
RETAINED EARNINGS	575
TOTAL EQUITY	3075
TOTAL LIABILITIES AND EQUITY	4915
(MUST EQUAL TOTAL ASSETS)	

## JANUARY TRANSACTIONS FOR ALEX STUDENT

DATE	DAY	TRANSACTION
03-Jan	TUES	ALEX PAID \$20 FOR GASOLINE
05-Jan	THURS	ALEX DID THE \$40 JOB FOR WHICH HE WAS PAID LAST YEAR
07-Jan	SAT	SATURDAY NIGHT DATE: ALEX SPENT \$50
09-Jan	MON	ALEX RECEIVED \$50 OWED TO HIM BY HIS EMPLOYER
10-Jan	TUES	ALEX PAID \$20 FOR GASOLINE
12-Jan	THURS	ALEX PAID \$100 FOR FOOD AT WINN-DIXIE
13-Jan	FRI	ALEX RECEIVED \$400 WAGES FOR TWO WEEKS ENDING JAN 13
14-Jan	SAT	SATURDAY NIGHT DATE: ALEX PAID \$50 FOR CONCERT TICKETS
16-Jan	MON	ALEX PAID \$100 AUTO LOAN PAYMENT:INCLUDES INTEREST OF \$15
17-Jan	TUES	ALEX PAID \$20 FOR GASOLINE
18-Jan	WED	ALEX GAVE \$60 DIVIDEND (GIFT) TO PARENTS
24-Jan	TUES	ALEX PAID \$20 FOR GASOLINE
25-Jan	WED	\$5 INT CREDITED TO ALEX'S BANK ACCOUNT
26-Jan	THURS	ALEX PAID \$75 FOR FOOD AT PUBLIX
27-Jan	FRI	ALEX RECEIVED \$400 WAGES FOR TWO WEEKS ENDING JAN 27
30-Jan	MON	ALEX RECEIVED JANUARY ELECTRIC BILL IN MAIL, \$20.
31-Jan	TUES	<b>END OF MONTH TRANSACTIONS TO BRING ACCOUNTS UP TO DATE</b> (KNOWN AS ADJUSTING ENTRIES; ABBREVIATED AS ADJ.)
	ADJ 1	<u>INS EXP</u> (\$600 PP INS WAS FOR JAN 1 TO JUNE 30)
	ADJ 2	<u>DEP EXP</u> (AUTO PURCHASED DEC 31;WILL SCRAP IN 3 YEARS)
	ADJ 3	<u>SUPP EXP</u> (\$ AMOUNT OF FOOD SUPPLIES REMAINING IS \$40)
	ADJ 4	<u>WGS INC</u> (2 DAYS WORKED IN JAN BUT NOT YET PAID)

**GENERAL JOURNAL (COLLECTION OF ALL TRANSACTIONS)**

<u>GENERAL METHOD</u>					<u>Dr AND Cr METHOD</u>	
DATE	ACCOUNT (ACCT)	CLASSIFICATION (CLASS)	INDICATOR (IND)	AMOUNT (AMT)	"Dr"	"Cr"
					THIS METHOD WILL	
03-JAN	GAS EXP	EXPENSE	USE	20	BE EXPLAINED AT A	
	CASH	ASSET	OF	-20	LATER DATE	
05-JAN	UN WGS	LIABILITY	THIS	-40		
	WGS INC	REVENUE	COLUMN	40		
07-JAN	ENT EXP	EXPENSE	WILL	50		
	CASH	ASSET	BE	-50		
09-JAN	CASH	ASSET	EXPLAINED	50		
	A/R	ASSET	AT	-50		
10-JAN	GAS EXP	EXPENSE	A	20		
	CASH	ASSET	LATER	-20		
12-JAN	SUPP	ASSET	DATE	100		
	CASH	ASSET		-100		
13-JAN	CASH	ASSET		400		
	WGS INC	REVENUE		400		
14-JAN	ENT EXP	EXPENSE		50		
	CASH	ASSET		-50		
16-JAN	LOAN	LIABILITY		-85		
	INT EXP	EXPENSE		15		
	CASH	ASSET		-100		
17-JAN	GAS EXP	EXPENSE		20		
	CASH	ASSET		-20		

**GENERAL JOURNAL (COLLECTION OF ALL TRANSACTIONS)**

GENERAL METHOD

Dr AND Cr METHOD

DATE	ACCOUNT (ACCT)	CLASSIFICATION (CLASS)	INDICATOR (IND)	AMOUNT (AMT)	"Dr"	"Cr"
18-JAN	DIV	DIVIDEND		60		
	CASH	ASSET		-60		
24-JAN	GAS EXP	EXPENSE		20		
	CASH	ASSET		-20		
25-JAN	CASH	ASSET		5		
	INT INC	REVENUE		5		
26-JAN	SUPP	ASSET		75		
	CASH	ASSET		-75		
27-JAN	CASH	ASSET		400		
	WGS INC	REVENUE		400		
30-JAN	ELEC EXP	EXPENSE		20		
	A/P	LIABILITY		20		
31-JAN	ADJUSTING ENTRIES					
ADJ 1.	INS EXP	EXPENSE		100		
	PP INS	ASSET		-100		
ADJ 2.	DEP EXP	EXPENSE		100		
	AUTO	ASSET		-100		
ADJ 3.	SUPP EXP	EXPENSE		210		
	SUPP	ASSET		-210		
ADJ 4.	WGS INC	REVENUE		80		
	A/R	ASSET		80		

*PERMANENT OR REAL ACCOUNT SECTION of GENERAL LEDGER*

		<b>ASSETS</b>				
		<u>CASH</u>	<u>A/R</u>	<u>SUPP</u>	<u>PP INS</u>	<u>AUTO</u>
JAN 1	BEGINNING BALANCE	520	120	75	600	3600
JAN 3	Gas	-20				
JAN 5						
JAN 7	Entertainment	-50				
JAN 9	Received \$	50	-50			
JAN 10	Gas	-20				
JAN 12	Supplies	-100		100		
JAN 13	Wage Inc	400				
JAN 14	Entertainment	-50				
JAN 16	Loan Payment	-100				
JAN 17	Gas	-20				
JAN 18	Dividend	-60				
JAN 24	Gas	-20				
JAN 25	Interest Inc	5				
JAN 26	Supplies	-75		75		
JAN 27	Wage Inc	400				
JAN 30						
SUB TOT		860	70	250	600	3600
<b><u>ADJUSTING TRANSACTIONS</u></b>						
ADJ 1	Insurance				-100	
ADJ 2	Depreciation					-100
ADJ 3	Supplies			-210		
ADJ 4	Wage Inc		80			
ENDING BALANCE						
JAN 31	BALANCE	860	150	40	500	3500

PERMANENT OR REAL ACCOUNT SECTION of GENERAL LEDGER

		<b>LIABILITIES</b>		
		<u>A/P</u>	<u>UN WGS</u>	<u>LOAN</u>
JAN 1	BEGINNING BALANCE	0	40	1800
JAN 3				
JAN 5	Wage Inc		-40	
JAN 7				
JAN 9				
JAN 10				
JAN 12				
JAN 13				
JAN 14				
JAN 16	Loan Payment			-85
JAN 17				
JAN 18				
JAN 24				
JAN 25				
JAN 26				
JAN 27				
JAN 30	Electric Exp	20		
SUB TOT		20	0	1715
<b>ADJUSTING TRANSACTIONS</b>				
ADJ 1				
ADJ 2				
ADJ 3				
ADJ 4				
JAN 31	ENDING BALANCE	20	0	1715

PERMANENT OR REAL ACCOUNT SECTION of GENERAL LEDGER

		<b>NET WORTH</b>	
		<u>CAPITAL</u>	<u>R.E.</u>
JAN 1	BEGINNING BALANCE	2500	575
JAN 3			
JAN 5			
JAN 7			
JAN 9			
JAN 10			
JAN 12			
JAN 13			
JAN 14			
JAN 16			
JAN 17			
JAN 18			
JAN 24			
JAN 25			
JAN 26			
JAN 27			
JAN 30			
SUB TOT		2500	575
<u>ADJUSTING TRANSACTIONS</u>			
ADJ 1			
ADJ 2			
ADJ 3			
ADJ 4			
<u>CLOSING TRANSACTIONS</u>			

		<b>NET WORTH</b>	
		<u>CAPITAL</u>	<u>R.E.</u>
<u>CLOSING TRANSACTIONS</u>			
	Wage Inc		920
	Int Inc		5
	Gas Exp		-80
	Electric Exp		-20
	Supplies Exp		-210
	Insurance Exp		-100
	Deprec. Exp		-100
	Interest Exp		-15
	Entertain Exp		-100
	DIV		-60
JAN 31	ENDING BALANCE	2500	815



INCOME STATEMENT  
 ALEX STUDENT  
 INCOME STATEMENT  
 FOR THE MONTH ENDED JANUARY 31, 19X2

	(DETAIL)	(TOTALS)
REVENUES		
WAGES	920	
INTEREST	5	
TOTAL REVENUE		925
EXPENSES		
GAS	80	
ELECTRIC	20	
FOOD SUPPLIES	210	
INSURANCE	100	
DEPRECIATON	100	
INTEREST	15	
ENTERTAINMENT	100	
TOTAL EXPENSES		625
NET INCOME		300

RETAINED EARNINGS  
 ALEX STUDENT  
 STATEMENT OF RETAINED EARNINGS  
 FOR THE MONTH ENDED JANUARY 31, 19X2

RETAINED EARNINGS AS OF 12-31-X1		575
NET INCOME FOR PERIOD		300
SUBTOTAL		875
LESS DIVIDENDS		60
RETAINED EARNINGS AS OF 1-31-X2		815

ALEX STUDENT  
BALANCE SHEET  
AS OF JANUARY 31, 19X2

ASSETS

CASH	860
ACCOUNTS RECEIVABLE (A/R)	150
FOOD SUPPLIES	40
PRE-PAID INSURANCE	500
AUTO	3500
TOTAL ASSETS	5050
(MUST EQUAL TOTAL LIABILITIES AND EQUITY)	

LIABILITIES

ACCOUNTS PAYABLE (A/P)	20
UNEARNED WAGES	0
AUTO LOAN	1715
TOTAL LIABILITIES	1735

EQUITY OR NET WORTH

CAPITAL	2500
RETAINED EARNINGS	815
TOTAL EQUITY	3315
TOTAL LIABILITIES AND EQUITY	5050
(MUST EQUAL TOTAL ASSETS)	

## Alex Student

*The accompanying worksheets for Chapter 0 showed how financial information is collected by an accounting system. On December 31 Alex had a “NET WORTH” of \$ 3075. After we posted the value of each January TRANSACTION from the JOURNAL to the ACCOUNTS in the LEDGER we saw how Alex’s “NET WORTH” changed by \$240 (from \$3075 to \$3315). More importantly we saw that Alex’s “NET WORTH” changed only because Alex:*

- *Generated Net Income (Earnings) of \$300. This happened because Alex’s Income or “Revenue” of \$925 was greater than the associated “Expenses” of \$625 (see Income Statement and Statement of Retained Earnings)*
- *Gave away (distributed) \$60 of Net Income as a DIVIDEND or gift to parents.*

*In this exercise:*

- *We first viewed the Chart of Accounts that Alex uses.*
- *Then we saw the Balance Sheet as of December 31, 19x1.*
- *Then we viewed the transactions in the JOURNAL.*
- *After that we saw the connection between the JOURNAL entries and the posting of these transactions to the accounts in the LEDGER. The adjusted balances of the ACCOUNTS were also shown and labeled ending balances for the permanent accounts.*
- *Then we saw how the balances of the temporary “REVENUE”, “EXPENSE” and “DIVIDEND” ACCOUNTS were reset to zero by transferring them into the permanent “NET WORTH” ACCOUNTS.*
- *Finally we viewed the completed three financial statements*
  - *Income Statement for the Month Ending January 31, 19x2*
  - *Statement of Retained Earnings for the Month Ending January 31, 19x2*
  - *Balance Sheet as of January 31, 19x2*

**Thanks for stopping by and reading through the Accounting Sampler. I hope you enjoyed the experience and want to learn some more.**

**If you wish to explore this subject further then contact me at Palm Beach Community College using the following e-mail address:**

***murphyj@pbcc.cc.fl.us***

**THE END**