**Unit 2: How Do You Do Accounting Anyway?**

**Activity 1: Accounting Basics 101**

**Questions**

1. Define net worth.
2. How do you calculate net worth?
3. From the OERB website Google Bill Gates’ net worth. You will be amazed! What is it?
4. To determine your own personal net worth, please list and describe the four steps.
5. What is owner’s equity?

#### Check Your Understanding (think to yourself the answers and then check with the website answers:

1. What is an asset?
2. What is a liability?
3. What does net worth mean?
4. What is the term for net worth in a business?
5. What is the foundation of accounting?
6. What is the fundamental accounting equation and what does each letter stand for?

#### Example

1. Suzanne runs a dog grooming business called Dog Dayz Groomer. Her bookkeeper tells Suzanne that her liabilities total $1 200 and her owner's equity totals $2 400. What are her total assets?
2. Juan runs a computer repair service called the BugzOut. He knows that his total assets in the business are $16 000 and that he, as the owner, has claim on $10 000. But, he is unsure of what he owes to his dad. What are BugzOut total liabilities?
3. Mike Hommes is a contractor and owns Hommes on Homes. He knows the value of all of the business assets is $32 000 and that the business has loans of $12 000. But he does not know what his claim on the assets totals. What is Mike's total equity?

#### Check Your Understanding

1. Determine the missing amounts.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Owner's Equity** |
| ?? | = | $300 | + | $1 000 |
| $5 000 | = | ?? | + | $2 000 |
| $12 000 | = | $4 000 | + | ?? |
| $ 4 500 | = | ?? | + | $3 250 |

1. Complete this chart

|  |  |  |
| --- | --- | --- |
| **Examples of Asset Accounts** | | |
| Cash or Bank Account  Accounts Receivable | Car | Truck |

1. What are accounts receivable?
2. Complete this chart

|  |  |  |
| --- | --- | --- |
| **Examples of Liability Accounts** | | |
| Accounts Payable | Bank Loan |  |

1. What are accounts payable?
2. Owner’s equity is also called?
3. What is capital?
4. From the OERB website

|  |  |
| --- | --- |
| multimedia icon | Watch or listen to the clip titled [Accounting Basics 101](file:///\\eduhs7\S233%20Classes$\BAI3E1\Assignments\Coming%20Up\Week%203\Tues.%20Sept.%2021st\Unit%202%20Act.1%20Net%20Worth\Unit%202%20Act.%201%20Net%20Worth\mme\accounting\LO6055%20-%20Accounting%20Basics%20101.html). Be aware, that depending on your Internet connection speed, all clips on this page may take a few minutes to download. Continue reading the remainder of this page while you wait. |

**Check Your Understanding**

1. Classify the following as either: Asset, Liability, or Owner's Equity.   
   Use A for Asset, L for Liability, and OE for Owner's Equity.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S. Sheba, Capital |  | Bank Loan |  | Mortgage |  |
| Accounts Payable |  | J. Rom, Capital |  | Accounts Receivable |  |
| Truck |  | Cash |  | Land |  |
| Equipment |  | Supplies |  | Buildings |  |
| Car Loan |  | Vehicle |  | Inventory |  |