**Unit 3: Income Statement Transactions (T – Account, Trial Balance, Formal Journal and Ledger)**

**Activity 1: Revenue, Drawing and Expenses**

1. List the three new accounts that explain the capital account in higher detail.

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| multimedia | Watch this [slideshow](http://download.elearningontario.ca/repository/1092440000/BAF3MPU03/BAF3MPU03A01/mme/ExpandedLedger/index.htm) to help you understand the expanded ledger and the specifics associated with it. |

1. Up until now, we have been making changes to what account in the Owner’s Equity section?
2. Review the four transactions that affect capital. In slide #9 we look at the Capital t-account balance after all four transactions have been posted. Looking at this, one would have a good idea of what occurred in the account but could not be certain as to what?
3. Each of the three new Owner’s Equity accounts reflects what?
4. Define “Revenues”
5. What are some examples of Revenue accounts?
6. Since Revenues increase the capital account, their balance will be debit or credit in nature?
7. What are the rules to follow when dealing with Revenue accounts?
8. Revenue increases on what side and decrease on what side (debit or credit)?
9. What is the Revenue Recognition Principle?
10. Define “Expenses”
11. What are some examples of Expense accounts?
12. Since Expenses decrease the capital account, their balance will be debit or credit in nature?
13. What are the rules to follow when dealing with Expense accounts?
14. Expenses increases on what side and decrease on what side (debit or credit)?
15. Define “Drawings”
16. Since Drawings decrease the capital account, their balance will be debit or credit in nature?
17. What are the rules to follow when dealing with Drawings accounts?
18. Drawings increases on what side and decrease on what side (debit or credit)?
19. What is the purpose of the accounting system?
20. The company performs a service ($3000) and pays cash. List the accounts affected and whether the transaction will cause a debit or credit entry in that account.
21. The company performs a service ($1000) for a customer on credit. List the accounts affected and whether the transaction will cause a debit or credit entry in that account.
22. The company pays worker’s salaries (wages) with the use of cash. These salaries total $2200. List the accounts affected and whether the transaction will cause a debit or credit entry in that account.
23. The company receives a phone bill ($150) that hasn’t been paid yet. List the accounts affected and whether the transaction will cause a debit or credit entry in that account.
24. The owner withdraws $1000 cash for personal use from the company. List the accounts affected and whether the transaction will cause a debit or credit entry in that account.
25. Review the differences using the three new accounts.
26. Please complete this chart

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| **Type of Account** | **To Increase** | **To Decrease** |
| Assets |  |  |
| Liabilities  |  |  |
| Equity: |  |  |
|  Capital |  |  |
|  Revenue |  |  |
|  Expense |  |  |
|  Drawings |  |  |

1. What is the note at the bottom of slide #23?
2. What is a chart of accounts?
3. List the range of numbers used for Revenue, Expense and Drawing accounts