**Ch. 2 Analyzing Transactions into Debit and Credit Parts**

Define:

T-Account

Debit

Credit

Normal Balance

Chart of Accounts

**Read paragraphs under analyzing accounting equation.**

* Two sides of an account are used to record increases and decreases to that account, and stress that some accounts increase on the debit side and some accounts increase on the credit side.

Complete Work Together 2-1 and on your own 2-1

**2-2 Analyzing how transactions affect accounts**

\*Define chart of accounts

Before transactions are analyzed by:

4 Questions

1. Which accounts are affected?
2. How is each classification changed?
3. How is each account classified?
4. How is each amount entered in the account?

* Received cash “always means cash increases and therefore will be debited.

Work together 2-2 and On your own 2-2

**2-3 Analyzing How Transactions Affect Owner’s Equity Accounts**

* Revenue increases owner’s equity. The increases from revenue could be recorded directly in the owner’s capital account. However, to avoid a capital account with a large number of entries and to summarize revenue information separately from the other records.
* Expenses decrease owner’s equity. The decreases from expenses could be recorded directly in the owner’s capital account. However, to avoid a capital account with a large number of entries and to summarize expense information separately from the other records.
* The expense account Rent Expense is used to record all payments for rent. The owner’s capital account has a normal credit balance. Decreases in the owner’s capital account ar shown as debits. Therefore, an expense account has a normal debit balance. Because expenses decrease owner’s equit, increases in expenses are recorded as debits.
* Withdrawls decrease owner’s equity. Withdrawls could be recorded directly in the owner’s capital account. However, to avoid a capital account with a large number of entries and to summarize withdrawl information separately from the other records.

Complete Work Together 2-3 and On your own 2-3