

Financial Fourteen Wall Chart

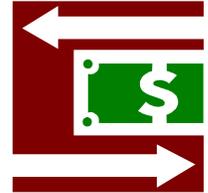
Terminology matters! You may not understand everything yet, but on your road to accounting literacy, memorize each item word for word. Keywords are in *italics*, but each definition also attempts to answer the “why?” or “what good is it?” of its term.

1. **ASSETS (A):** *items of value* used to create goods and services to sell.

2. **LIABILITIES (L):** *debts* used to buy assets.

Trap! The “b” in debts [dets] is silent.

Acquire
items of value



3. **OWNERS EQUITY (OE):** *investments/profits* used to buy assets.

Tip: Treat OWNERS as an adjective. If use possessive: Owner's = Sole Proprietor; Owners' = Partnership/Corporation.

4. **FUNDAMENTAL ACCOUNTING EQUATION (FAE):** Assets = Liabilities + Owners Equity (ALOE)

In other words: *Items of value* are funded from *debts* + *investments/profits*.

ALOE : FAE

5. **TRANSACTION:** *exchange of value* between accounts.

6. **ACCOUNT (Acct):** *category* of business activity.

Exchange
items of value

7. **DEBIT (Dr):** *left* side of an account form (it does NOT mean down or negative or deduction).

CREDIT (Cr): *right* side of an account form (it does NOT mean up or positive or addition).

T A Dr/Cr

8. **CHART OF ACCOUNTS (CofA):** *list* of all accounts used by a business.

9. **GENERAL JOURNAL (G/J):** *diary* of transactions between accounts.

10. **GENERAL LEDGER (G/L):** *book* with the history & balance of each account.

Keep
Records

11. **TRIAL BALANCE (TB):** shows [Total G/L Debits = Total G/L Credits].

12. **INCOME STATEMENT (IS):** shows [Revenue – Expenses] for an accounting *period* (e.g., month, year).

13. **BALANCE SHEET (BS):** shows [Assets = Liabilities + Owners Equity] on a given *day*.

C - JLT - IB

14. **ACCOUNTING CYCLE (AC)**

Transactions: Source documents → Journal → Ledger → Trial Balance → Financial statements (T:S-JLT-F).

Adjustments/Closing: Journal → Ledger → Trial Balance (A/C:JLT).

BrainAid: Terry Sue JiLTs Frank as the Air Conditioner JoLTs!

Note: Some firms may prepare interim (monthly, quarterly) financial statements but adjust/close their books only once per year then prepare “adjusted” financial statements.

Follow
the Cycle

AC

Financial Fourteen Flashcards

Fold on dashed line; cut along solid edges; tape long edges together; cut out individual cards. Use cards both ways: Look at term and supply definition; Look at definition and supply term.

1. ASSETS (A)	<i>Items of Value</i> used to create goods and services to sell
2. LIABILITIES (L)	<i>Debts</i> used to buy assets
3. OWNERS EQUITY (OE)	<i>Investments/Profits</i> used to buy assets
4. FUNDAMENTAL ACCOUNTING EQUATION (FAE)	Assets = Liabilities + Owners Equity (ALOE)
5. TRANSACTION	<i>Exchange of Value</i> between accounts
6. ACCOUNT (Acct)	<i>Category</i> of business activity
7. DEBIT (Dr) CREDIT (Cr)	<i>Left side</i> <i>Right side</i> of an account form
8. CHART OF ACCOUNTS (CofA)	<i>List</i> of all accounts used by a business
9. GENERAL JOURNAL (G/J)	<i>Diary</i> of transactions between accounts
10. GENERAL LEDGER (G/L)	<i>Book</i> with the history & balance of each account
11. TRIAL BALANCE (TB)	Shows [Total G/L Debits = Total G/L Credits]
12. INCOME STATEMENT (IS)	Shows [Revenue – Expenses] for an accounting <i>period</i>
13. BALANCE SHEET (BS)	Shows [Assets = Liabilities + Owners Equity] on a given <i>day</i>
14. ACCOUNTING CYCLE	Transactions: Source documents, Journal, Ledger, Trial Balance, Financial statements (T:S-JLT-F) Adjustments/Closing: Journal, Ledger, Trial Balance (A/C:JLT)

Your Turn!



Match the term with the description that best fits.

- | | |
|--------------------|------------------------------------|
| 1) ___ Asset | a. Records each transaction |
| 2) ___ Liability | b. Includes each account's balance |
| 3) ___ Transaction | c. Item of value |
| 4) ___ Journal | d. Used to buy items of value |
| 5) ___ Ledger | e. Exchange of value |

True or False

- 6) _____ Investments are one source of money for acquiring assets.
- 7) _____ The Income Statement includes assets and liabilities.
- 8) _____ The Balance Sheet displays monthly financial results.
- 9) _____ Debits reduce the value of an account.
- 10) _____ Owners Equity can come from profits.



If you're new to accounting, these terms and this quiz will be confusing.

Once you've studied the remaining lessons, this quiz may seem trivial.

But it takes time and mental effort to absorb and internalize this material, so take it easy on yourself if everything doesn't make sense right away.

Answers: 1c, 2d, 3e, 4a, 5b, 6T, 7F, 8F, 9F, 10T

Links

For comprehensive lists of accounting terms

<http://www.nysscpa.org/glossary>

www.accountingcoach.com/terms/accounting-dictionary.html