The background of the slide features a blurred image of a black calculator on the left and several stacks of coins on the right. The coins appear to be US pennies and nickels. The text 'Basic Accounting Principles' is overlaid in a large, bold, black font.

Basic Accounting Principles

Welcome



Formerly Nicole Teeter Bookkeeping & Business Services

Housekeeping



What is Bookkeeping?

Bookkeeping is defined as:
the activity of recording the
financial affairs of a
business



Generally Accepted Accounting Principles(GAAP) of Canada provides the framework of broad guidelines, conventions, **rules** and procedures of **accounting**.

These 5 basic principals form the foundation of modern accounting

- 1)The Revenue Principle
- 2)The Expense Principle
- 3)The Matching Principle
- 4)The Cost Principle
- 5)The Objectivity Principle

Cash Basis Accounting

VS

Accrual Basis Accounting

**There is no place for
creativity in
bookkeeping or
accounting!**



Financial Statements





Bookkeeping Terminology

Chart of Accounts – an organizational tool that provides a complete listing of every account in your bookkeeping system. An account is a unique record for each type of asset, liability, equity, revenue and expense.

Debit - is an accounting entry that either increases an asset or expense account, or decreases a liability or equity account. It is positioned to the left in an accounting entry.

Credit– is an accounting entry that either increases a liability or equity account, or decreases an asset or expense account. It is positioned on the right in an accounting entry.

Bookkeeping Terminology – Balance Sheet

Balance Sheet - the financial statement that represents a snapshot of the company's financial position as of a date. The term balance sheet is used because the things owned by the business (assets) must equal claims against those assets (liabilities and equity).

Assets – all the things that a business owns to run the business, including money, buildings & land, tools & equipment, vehicles and furniture. There are two types of assets

- 1) Current Assets – cash and other assets that are expected to be converted to cash within a year.
- 2) Long Term Assets - are not intended to be turned into cash or be consumed within one year of the balance sheet date

Liabilities – all the debts the business owes including loans and unpaid bills. There are two types of liabilities

- 1) Current Liabilities - amounts due to be paid to creditors within twelve months.
- 2) Long term liabilities - are financial obligations of a company that become due more than one year.

Equity – the money the owner has invested into the business, the money the owner has drawn from the business and the retained earnings (the profits that have been reinvested into the business).

Bookkeeping Terminology – Income Statement

Income Statement – the statement that represents the financial activities of the business over a period of time. The statement starts with revenue earned subtracts the cost of goods sold and expenses with the bottom line showing the businesses Net Profit or Loss.

Revenue – money collected for selling products or services.

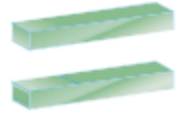
Costs of Goods Sold – the direct cost attributed to the production of the goods sold. The amount includes costs of materials used to create the good.

Expenses – the money spent to operate the business that is not directly related to the sale of the product or service.

The Basic Accounting Equation



Economic Resources
owned by the business



The Financial Obligations
or debts of the business



Owner's Claims on the
Assets of the business



The Basic Accounting Equation

Question #1

You start a business selling flowers. You contribute \$5,000 from your money and \$5000 from a loan. What would the accounting equation look like?

Question #2

Spring has arrived and your business is busy. You sell 50 flower planter boxes for \$10 for a total of \$500. You gain an asset and equity from the transactions. Using the the information from question 1 & 2 what would the accounting equation look like?





The Basic Accounting Equation

Question #1

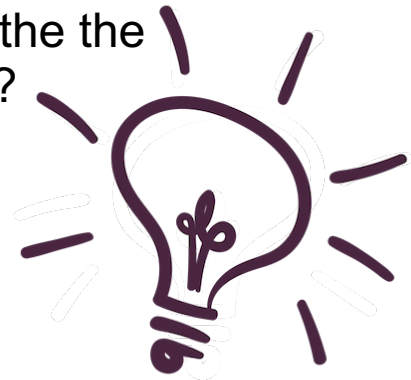
You start a business selling flowers. You contribute \$5,000 from your money and \$5000 from a loan. What would the accounting equation look like?

$$\begin{aligned} \$10,000 &= \$5,000 + \$5,000 \\ \text{Asset} &= \text{Liability} + \text{Owner's Equity} \end{aligned}$$

Question #2

Spring has arrived and your business is busy. You sell 50 flower planter boxes for \$10 for a total of \$500. You gain an asset and equity from the transactions. Using the the information from question 1 & 2 what would the accounting equation look like?

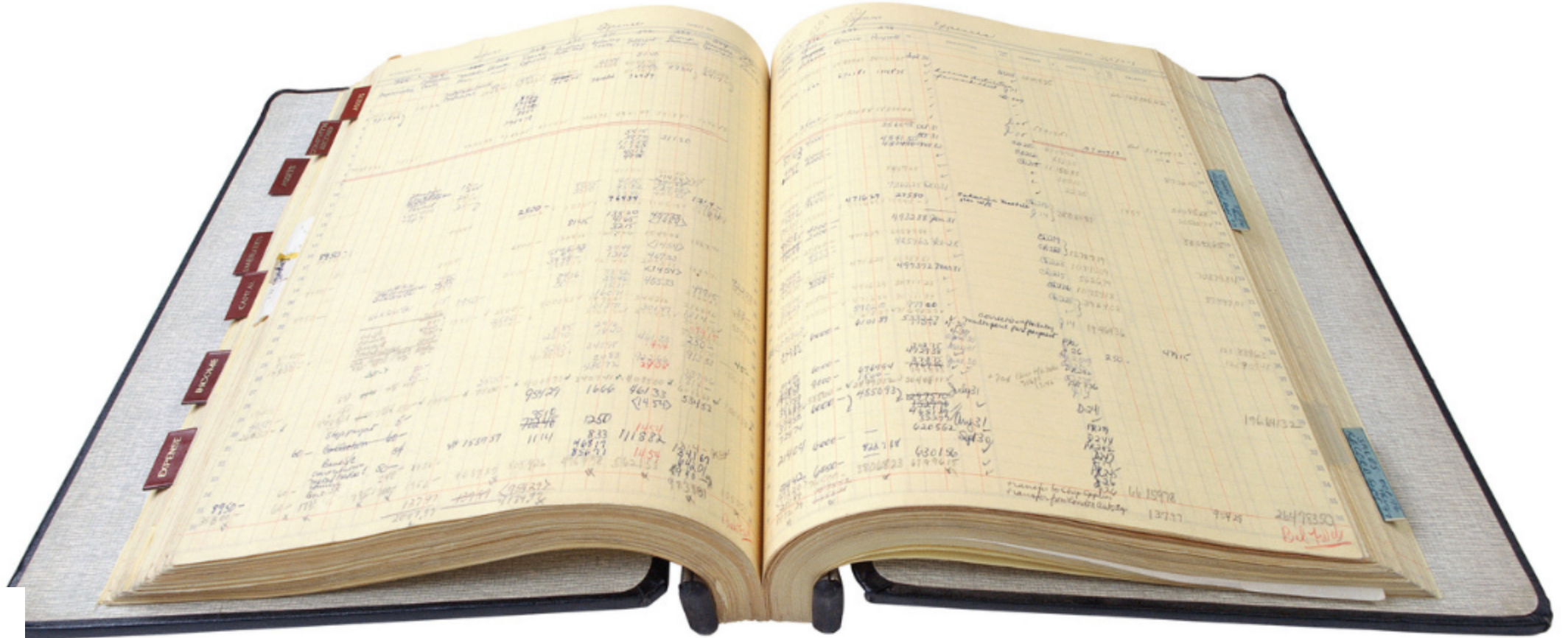
$$\begin{aligned} \$10,500 &= \$5,000 + \$5,500 \\ \text{Asset} &= \text{Liability} + \text{Owner's Equity} \end{aligned}$$



Accounting Software



Chart of Accounts



Long for Success -- Event Planning

ACCOUNT LIST

ACCOUNT	TYPE	DETAIL TYPE	DESCRIPTION	BALANCE	CURRENCY
Chequing	Bank	Chequing		21,095.57	CAD
Accounts Receivable	Accounts receivable (A/R)	Accounts Receivable (A/R)		18,402.04	CAD
Accounts Receivable (A/R) - USD	Accounts receivable (A/R)	Accounts Receivable (A/R)		0.00	USD
Inventory Asset	Current assets	Inventory		7,781.91	CAD
Prepaid expenses	Current assets	Prepaid Expenses		0.00	CAD
Uncategorised Asset	Current assets	Other current assets		0.00	CAD
Uncategorized Asset	Current assets	Other current assets		0.00	CAD
Undeposited Funds	Current assets	Undeposited Funds		0.00	CAD
Accumulated Depreciation	Property, plant and equipment	Accumulated Depreciation		-366.63	CAD
Furniture and Equipment	Property, plant and equipment	Furniture and Fixtures		2,750.00	CAD
Leasehold Improvements	Property, plant and equipment	Leasehold Improvements		0.00	CAD
Vehicles	Property, plant and equipment	Vehicles		0.00	CAD
Accounts Payable	Accounts payable (A/P)	Accounts Payable (A/P)		-734.51	CAD
Accounts Payable (A/P) - HKD	Accounts payable (A/P)	Accounts Payable (A/P)		0.00	HKD
Visa Credit Card	Credit Card	Credit Card		-2,077.60	CAD
GST/HST Payable	Other Current Liabilities	GST/HST Payable		23.23	CAD
GST/HST Suspense	Other Current Liabilities	GST/HST Suspense		-340.69	CAD
Note Payable	Long-term Liabilities	Notes Payable		-20,101.86	CAD
Opening Balance Equity	Equity	Opening Balance Equity		0.00	CAD
Owner's Equity	Equity	Owner's Equity		0.00	CAD
Owner's Equity - Contributions	Equity	Owner's Equity		-12,750.00	CAD
Owner's Equity - Draws	Equity	Owner's Equity		2,000.00	CAD
Retained Earnings	Equity	Retained Earnings		0.00	CAD
Billable Expense Income	Income	Service/Fee Income			CAD
Billable Expenses Income	Income	Other Primary Income			CAD
Commission Income	Income	Other Primary Income			CAD
Discounts given	Income	Discounts/Refunds Given			CAD
Fees Billed	Income	Other Primary Income			CAD
Markup	Income	Service/Fee Income			CAD
Refunds-Allowances	Income	Discounts/Refunds Given			CAD
Sales	Income	Other Primary Income			CAD
Sales Discounts	Income	Discounts/Refunds Given			CAD
Sales of Product Income	Income	Sales of Product Income			CAD
Services	Income	Service/Fee Income			CAD
Unapplied Cash Payment Income	Income	Unapplied Cash Payment Income			CAD
Uncategorised Income	Income	Other Primary Income			CAD
Uncategorized Income	Income	Service/Fee Income			CAD
Commissions Paid	Cost of Goods Sold	Cost of Goods Sold			CAD
Cost of Goods Sold	Cost of Goods Sold	Supplies and materials - COS			CAD
Cost of sales	Cost of Goods Sold	Supplies and materials - COS			CAD
Cost of Sales - billable expenses	Cost of Goods Sold	Cost of Goods Sold			CAD
Entertainment Booking Fees paid on behalf of clients	Cost of Goods Sold	Cost of Goods Sold			CAD
Inventory Shrinkage	Cost of Goods Sold	Supplies and materials - COS			CAD
Merchant Account Fees	Cost of Goods Sold	Cost of Goods Sold			CAD
Printed Materials purchased for clients	Cost of Goods Sold	Cost of Goods Sold			CAD
Venue Fees paid on behalf of clients	Cost of Goods Sold	Cost of Goods Sold			CAD
Advertising	Expenses	Advertising/Promotional			CAD
Bank charges	Expenses	Bank charges			CAD
Business Licenses and Permits	Expenses	Other Miscellaneous Service Cost			CAD
Charitable Contributions	Expenses	Charitable Contributions			CAD
Commissions and fees	Expenses	Other Miscellaneous Service Cost			CAD
Computer and Internet Expenses	Expenses	Other Miscellaneous Service Cost			CAD
Continuing Education	Expenses	Other Miscellaneous Service Cost			CAD
Dues and Subscriptions	Expenses	Dues and Subscriptions			CAD
Equipment rental	Expenses	Equipment rental			CAD
Insurance	Expenses	Insurance			CAD
Insurance Expense	Expenses	Insurance			CAD
Insurance Expense-General Liability Insurance	Expenses	Insurance			CAD
Insurance Expense-Health Insurance	Expenses	Insurance			CAD
Insurance Expense-Life and Disability Insurance	Expenses	Insurance			CAD
Interest expense	Expenses	Interest paid			CAD
Janitorial Expense	Expenses	Other Miscellaneous Service Cost			CAD
Legal and professional fees	Expenses	Legal and professional fees			CAD
Meals and entertainment	Expenses	Meals and entertainment			CAD
Office expenses	Expenses	Supplies			CAD

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BALANCE SHEET

As of January 31, 2021

	TOTAL
Assets	
Current Assets	
Cash and Cash Equivalent	
Chequing	21,095.57
Total Cash and Cash Equivalent	\$21,095.57
Accounts Receivable (A/R)	
Accounts Receivable	18,402.04
Total Accounts Receivable (A/R)	\$18,402.04
Inventory Asset	7,781.91
Total Current Assets	\$47,279.52
Non-current Assets	
Property, plant and equipment	
Accumulated Depreciation	-366.63
Furniture and Equipment	2,750.00
Total Property, plant and equipment	\$2,383.37
Total Non Current Assets	\$2,383.37
Total Assets	\$49,662.89
Liabilities and Equity	
Liabilities	
Current Liabilities	
Accounts Payable (A/P)	
Accounts Payable	734.51
Accounts Payable (A/P) - HKD	0.00
Total Accounts Payable (A/P)	\$734.51
Credit Card	
Visa Credit Card	2,077.60
Total Credit Card	\$2,077.60
GST/HST Payable	-23.23
GST/HST Suspense	340.69
Total Current Liabilities	\$3,129.57
Non-current Liabilities	
Note Payable	20,101.86
Total Non-current Liabilities	\$20,101.86
Total Liabilities	\$23,231.43
Equity	
Opening Balance Equity	0.00
Owner's Equity - Contributions	12,750.00
Owner's Equity - Draws	-2,000.00
Retained Earnings	14,228.20
Profit for the year	1,453.26
Total Equity	\$26,431.46
Total Liabilities and Equity	\$49,662.89

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PROFIT AND LOSS

All Dates

	TOTAL
INCOME	
Billable Expenses Income	33,643.50
Markup	3,947.55
Sales	15,750.00
Sales of Product Income	19,050.00
Services	3,600.00
Total Income	\$75,991.05
COST OF GOODS SOLD	
Cost of Goods Sold	9,664.68
Cost of Sales - billable expenses	40,103.49
Inventory Shrinkage	0.00
Total Cost of Goods Sold	\$49,768.17
GROSS PROFIT	\$26,222.88
EXPENSES	
Dues and Subscriptions	325.00
Insurance Expense-General Liability Insurance	3,000.00
Interest expense	1,235.00
Janitorial Expense	417.52
Rent Expense	15,000.00
Utilities - Electric & Gas	2,560.01
Utilities - Water	723.34
Depreciation Expense	366.63
Total Expenses	\$23,627.50
OTHER EXPENSES	
Exchange Gain or Loss	18.36
Total Other Expenses	\$18.36
PROFIT	\$2,577.02

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A/R AGING SUMMARY

As of January 31, 2021

	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Adwin Ko		1,695.00				\$1,695.00
Anilkumar Pillai	4,407.00					\$4,407.00
Benjamin Yeung			8,249.00			\$8,249.00
Hazel Robinson				-974.63		\$ -974.63
Jordan Burgess		452.00				\$452.00
Lew Plumbing					-454.83	\$ -454.83
Whitehead and Sons	1,356.00	3,672.50				\$5,028.50
TOTAL	\$5,763.00	\$5,819.50	\$8,249.00	\$ -974.63	\$ -454.83	\$18,402.04

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A/P AGING SUMMARY

All Dates

	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Jennifer Hargreaves				226.00		\$226.00
Kristina Gibson				508.51		\$508.51
TOTAL	\$0.00	\$0.00	\$0.00	\$734.51	\$0.00	\$734.51

Recording Transactions



You sold 15 items at \$50 each. You made \$30k this year so you must register for an HST number and charge HST on the purchase. The customer pays you for the items when they pick the up.

	DEBIT	CREDIT
Sales		\$750.00
HST Charged On Sales		\$ 97.50
Bank	\$847.50	
Total	\$847.50	\$847.50

A home owner has contracted your services to landscape their property. The job takes you 25 hours to complete at an hourly rate of \$130. The home owner has agreed to pay you within 30 days.

	DEBIT	CREDIT	DEBIT	CREDIT
Sales		\$3250.00	Bank	\$3672.50
HST Charged On Sales		\$ 422.50	Accounts Receivable	\$3672.50
Accounts Receivable	\$3672.50		TRANSFER HST	
Total	\$3672.50	\$3672.50	Bank	\$422.5
			Savings –Tax Holding	\$422.50

Customer ?

Benjamin Yeung

▼

Customer email ?

Separate emails with a comma

☐ Send later ?

Cc/Bcc

BALANCE DUE

\$904.00

Receive payment

Billing address

Benjamin Yeung
Yeung's Architects
4895 King Edward Ave.
Barrie ON M2H 4G4

Terms ?

Net 30

▼

Invoice date

15/11/2020

Due date

15/12/2020

Invoice no.

1008

Event Rep



Amounts are Exclusive of Tax ▼

	#	PRODUCT/SERVICE ?	DESCRIPTION	QTY	RATE (CAD)	AMOUNT (CAD)	SALES TAX	CLASS	
⋮	1	General services:Services	consulting for their upcoming event	4	200	800.00	HST ON		🗑
⋮	2								🗑

Add lines Clear all lines Add subtotal

Subtotal 800.00

Message on invoice

It's a pleasure doing business with you. Remember, referrals are appreciated!

Discount percent ▼

0.00

HST (ON) @ 13% on 800.00

104.00

qb Accountant

+ New

Dashboard

Banking >

Expenses >

Sales >

Projects

Payroll

Reports

Taxes

Mileage

Accounting >

My Accountant

☰ Sample Company ▾

Accountant Tools

Help

Search

🔍

🔔

⚙️

B

Journal Report

[Back to report list](#)

Report period

All Dates ▾

Customize

Save customization

Sort ▾ Add notes

📧 🖨️ ⬆️ ⚙️

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JOURNAL

All Dates

DATE	TRANSACTION TYPE	#	NAME	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
15/11/2020	Invoice	1008	Benjamin Yeung		Accounts Receivable	\$904.00	
				consulting for their upcoming ev...	Services		\$800.00
					GST/HST Payable		\$104.00
						\$904.00	\$904.00
TOTAL						\$904.00	\$904.00

Sunday, January 31, 2021 10:40 AM GMT-05:00

H

S

T

The Canada Revenue Agency categorizes goods & services into three groups:

Taxable – GST/HST is charged, collected and remitted. As a registrant, you may also claim credits (called Input Tax Credits, or ITC's) for GST/HST paid to produce the goods and services.

Zero-rated – GST/HST is not charged, collected or remitted, but as a registrant, you can claim ITC's for GST/HST paid to produce the goods and/or services. If your business is selling cucumbers at the farmer's market, for example, no GST/HST is charged/collected from your customers because fresh vegetables are zero-rated.

Exempt – GST/HST is not charged, nor collected and as the registrant, you can not claim ITC's for any GST/HST paid. Examples of exempt services include music lessons and childcare fees.

A hand is holding a receipt on the left side of the frame. In the center, a blue calculator displays the number 9999 on its green LCD screen. A hand is also visible on the right side, with fingers positioned over the calculator's keypad. The background consists of a document with various forms and text, including a yellow sticky note in the bottom left corner. The word "Expenses" is written in a large, bold, black font across the middle of the image.

Expenses

Keep all of your
RECEIPTS no matter
how *SMALL*. Your receipt
is proof of where you spent
your *MONEY*

Expenses You Can Claim in Your Business

Cost of Goods Sold

Materials
Labour

Advertising

Website
Online Ads
Print Ads
Promotional Materials

****Auto**

Car Payments
Insurance
Fuel
Repairs & Maintenance
Licensing

Bank Fees

Bank Service Charges
ATM Fees
Credit Card Fees

Continuing Education

Training/Courses
Seminars

Business Licencing & Permits

Master Business License

Dues/Subscriptions

Memberships
Dues

Insurance

Business Insurance

Interest

Finance Charges
Loan Interest

Legal & Professional Fees

Lawyer Fees
Business Coaching
Accounting Fees

****Home Office Expenses**

Rent/Mortgage
Utilities
Renters/Home Owner's Insurance

****Meals & Entertainment**

Restaurant/Entertainment receipts
relating to business meetings

Office

Office Equipment
Postage
Software
Office Supplies

Networking Events

Event Tickets

Travel

Meals - related to travel
Hotels
Airfare

Telephone

Business phone
Cell phone

Payroll & Payroll Liabilities

584.36 XXX

DOLLARS

Recording Payroll

Terry worked 40 hours per week for both weeks in the pay period, he is paid 4% vacation pay on each pay. His rate of pay is \$20 per hour.

His gross pay is \$1600 and vacation pay is \$64

	DEBIT	CREDIT
Bank		\$1364
CPP Payable		\$ 50
EI Payable		\$ 50
Income Tax Payable		\$ 200
Wages Expense	\$1600	
Vacation Pay Expense	\$ 64	
CPP Expense		
EI Expense		
TOTAL	\$1664	\$1664

Recording Employer Portion of Payroll

Terry worked 40 hours per week for both weeks in the pay period, he is paid 4% vacation pay on each pay. His rate of pay is \$20 per hour.

His gross pay is \$1600 and vacation pay is \$64

	DEBIT	CREDIT
Bank		\$
CPP Payable		\$ 50
EI Payable		\$ 70
Income Tax Payable		\$
Wages Expense	\$	
Vacation Pay Expense	\$	
CPP Expense	\$ 50	
EI Expense	\$ 70	
TOTAL	\$130	\$130

Month End Checklist





Make sure all sales receipts are entered



Enter all invoices



Reconcile Statements from vendors



Reconcile Bank and Credit Card Statements



Review monthly financial reports



Reconcile Your Accounts

A bank reconciliation is the process of matching the balances in an entity's accounting records for a cash account to the corresponding information on a bankstatement. The goal of this process is to ascertain the differences between the two, and to book changes to the accounting records as appropriate.



Steps To Reconcile Accounts

- 1) Make sure that last month's ending balance in your accounting software shows as the beginning balance on your statement.
- 2) Enter the ending balance from your statement into the corresponding field in your accounting software.
- 3) Mark all deposits, checks, and other transactions on your bank account as "entered" in your accounting software if they are already there. This is usually done by clicking a check mark box next to the transaction in your software.
- 4) Add any new transactions from the statement that are not already in your accounting software.
- 5) Review any transactions in your accounting software that are not yet on your statement. This would include undeposited payments, uncleared checks, etc. Make sure they are legitimate entries. If not, adjust or remove as needed.
- 6) Ensure that your reconciled difference equals \$0 in your accounting software.

Once complete, click the "Reconcile" button in your accounting software, print out the reconciliation report, and attach it to your bank statement for filing.

Financial Statements



What Financial Parts Should I Look At?

Balance Sheet

Profit & Loss

Accounts Receivable Report

Accounts Payable Report

Tax Time



Best Practices

A top-down view of a desk with various items. In the center, a person's hands are visible; one hand holds a pencil pointing at a document, and the other hand is on a large calculator. The document features a bar chart, a pie chart labeled 'Market share', and a table with financial data. To the left, a pair of yellow-rimmed glasses rests on a white notepad. Below the glasses, a laptop keyboard is partially visible with a pink sticky note on it. To the right, a white cup of coffee sits on a saucer. Another document with a bar chart and a line graph is visible in the bottom right corner. The background is a wooden desk surface.

- 1) Keep your business and personal finances separate
- 2) Establish Internal Controls.
- 3) Put a % of your money in a savings account for income tax – sooner or later we all have to pay.
- 4) Take time each week to update your accounting system.
- 5) No source document = no deduction
- 6) Create and review your budget regularly.
- 7) Review your financials monthly also look at month over month to look and spending changes.
- 8) Diligently manage your Accounts Payable and Accounts Receivable.
- 9) Investigate uncleared items on reconciliations right away
- 10) Plan for taxes throughout the year.
- 11) Keep Clean and thorough records.
- 12) Speak with a bookkeeping consultant or accountant regularly.

Q&A

[Schedule A Free Consultation](#)