

Lisle High School
Accounting
Chapter 8-2 – Preparing a Balance Sheet
Notes

Opening:

- introduce today's activities
 - Chapter 8-2 Preparing a Balance Sheet
- On board
 - Ch 8-2 notes
 - Work Together
 - On Your Own

Introduce the Balance Sheet, the second financial statement prepared from the work sheet

Targets:

After studying Chapter 8-2, students will be able to:

- Identify accounting concepts and practices related to preparation of a balance sheet for a service business organized as a proprietorship
- Prepare a balance sheet for a service business organized as a proprietorship

Page 187

Balance Sheet

- reports financial information on a specific date
- indicates financial condition
 - a financially strong business has more assets than liabilities

The information needed to prepare financial statements could be obtained from general ledger accounts. But instead, the work sheet is used to assist the preparation of financial statements.

Balance Sheet Information on a Work Sheet

- Accounts
 - Account Title column
- Account Balances
 - Balance Sheet columns

A Balance Sheet has four sections

- 1) heading
- 2) assets
- 3) liabilities
- 4) owner's equity

Heading

- 1) Who?
- 2) What?
- 3) When? (specific date)

Lisle High School
Accounting
Chapter 8-2 – Preparing a Balance Sheet
Notes

A balance sheet reports information about the elements of the accounting equation.

Have a student write the accounting equation on the board:

Assets = Liabilities + Owner's Equity

Assets on the left side

Liabilities and Owner's Equity on the right side

Review steps of Balance Sheet preparation on p. 188

--note that assets, liabilities, and owner's equity section headings are centered

--note that specific assets, liabilities, and owner's equity titles are left-justified

Continue reviewing steps of Balance Sheet preparation on p. 189

--note totals for assets, liabilities, and total liabilities and owner's equity

--note single and double underlines

--note only the current capital amount is reported (see below)

To compute the current capital of \$10,499, refer to the work sheet on p. 187

On board:

Barb T., Capital		10,000
Barb T., Drawing	-	600
Net Income	+	<u>1,099</u>
Current Capital		10,499

Note) a net loss would be subtracted

8-2 Work Together, p. 191

--use Workbook, p. 165

8-2 Application Problem, p. 193

--use Workbook, p. 169

Audit Your Understanding, p. 191

1. heading, assets, liabilities, and owner's equity

2. current capital = capital account balance plus net income minus drawing account balance