

## Getting Started: T Accounts, Debits and Credits, Trial Balance, and Financial Statements

### Beginning Balances

Dr. Doh, a brain surgeon, maintains an office and bills patients for his services. The account balances as of October 1 are given below. All are normal balances:

<b>Assets</b>		<b>Revenue</b>	
Cash	\$ 2,459	Professional Fees	\$72,118
Accounts Receivable	18,120		
Prepaid Insurance	980	<b>Expenses</b>	
Automobile	20,650	Salary Expense	14,380
Furniture and Equipment	5,963	Rent Expense	10,320
<b>Liabilities</b>		Automobile Expense	859
Accounts Payable	1,590	Utilities Expense	1,213
<b>Owner's Equity</b>		Supplies Expense	840
Dr. Doh, Capital	42,076		
Dr. Doh, Drawing	40,000		

### Transactions

The following transactions occurred during October of this year.

- a. Paid rent for the month, \$1,290.
- b. Paid \$1,800 for one year's coverage of liability insurance.
- c. Bought medical equipment on account from Bennett Surgical Supply, \$849, paying \$200 down with the balance due in thirty days.
- d. Billed patients for services performed, \$9,015.
- e. Paid employee salaries, \$1,797.
- f. Received and paid gas and electric bill, \$112.
- g. Received cash from patients previously billed, \$11,060.
- h. Received bill for gasoline for car, used only in the professional practice, from Garza Fuel Company, \$116.
- i. Paid creditors on account, \$1,590.
- j. Dr. Doh withdrew cash for personal use, \$5,000.

### Directions

1. Correctly place plus and minus signs under each T account and label the sides of the T accounts as either debit or credit in the fundamental accounting equation. Record the account balances as of October 1.
2. Record the September transactions in the T accounts. Key each transaction to the letter that identifies the transaction by writing each transaction's letter in front of your entry.
3. Foot the columns – this is how accountants refer to adding numbers in a column.
4. Prepare a trial balance dated October 31 that proves your debits equal your credits
5. Prepare an income statement for month ending October 31, 20–.
6. Prepare a statement of owner's equity for month ending October, 20–