



Introduction to Accounting

Chapter One



Contents

1

Session 3

2

Transaction Analysis

3

Cont...

4

Basic Principles

5

Dual Effect

6

Exercises

Session 3



Chapter 1. Introduction

Previously we have seen...

- Types of Assets, Liabilities, and Equities
- Debit Vs Credit

Session 3

Transaction analysis Further on Debit and Credit



Transaction

Publication 505
For use in 2019

Tax Withholding and Estimated Tax

15051

Contents

- Introduction
- What's New for 2019
- Reminders
- Chapter 1. Tax Withholding for 2019
- Chapter 2. Estimated Tax for 2019
- Chapter 3. Credit for Withholding and Estimated Tax for 2019



SCHEDULE D
(Form 1041)

Capital Gains and Losses

Form 433-A (OIG) (Mar. 2018)

Department of the Treasury - Internal Revenue Service

Information Statement for Wage Earners and Self-Employed Individuals

Form 433-A (OIG) (Mar. 2018)



Transaction Analysis

Transaction:

Business's economic events recorded by accountants. Transactions may be ***external*** or ***internal***.

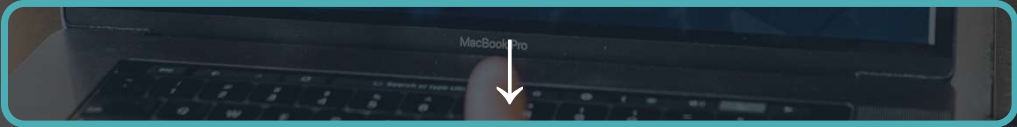
a. External transactions

Involve economic events between the company and some outside enterprise.

For example, McDonald purchases of cooking equipment from a supplier, payment of monthly rent to the landlord, and sale of burgers to customers are external transactions.



Cont...



Chapter 1. Introduction

Cont...

Internal transactions are economic events that occur entirely within one company.

For example: The use of cooking and cleaning supplies are internal transactions for McDonald.

Companies carry on many activities that do not represent business transactions.

Examples are hiring employees, responding to e-mails.



Chapter 1. Introduction

Cont...

Criteria

Is the financial position (assets, liabilities, or owner's equity) of the company changed?

Yes



Record / No record

No



Basic Principles



Department of the Treasury
Internal Revenue Service

Publication 505
Cat. No. 15008E

Tax Withholding and Estimated Tax

For use in 2019

Contents

Introduction	1
What's New for 2019	2
Reminders	2
Chapter 1. Tax Withholding for 2019	3
Grosses and Wages	3
Tips	11
Taxable Fringe Benefits	11
Sick Pay	11
Pensions and Annuities	12
Gambling Winnings	12
Unemployment Compensation	12
Federal Payments	13
Backup Withholding	13
Chapter 2. Estimated Tax for 2019	21
Who Does Not Have To Pay Estimated Tax	21
Who Must Pay Estimated Tax	21
How To Figure Estimated Tax	21
When To Pay Estimated Tax	23
How To Figure Each Payment	25
How To Pay Estimated Tax	28
Chapter 3. Credit for Withholding and Estimated Tax for 2016	43
Withholding	43
Estimated Tax	43
Excess Social Security or Railroad Retirement Tax	44
Withholding	45
Chapter 4. Underpayment Penalty for 2016	47
General Rule	47
Exceptions	47
Using Your Required Annual Payment (Part I)	48
The Method for Figuring the Penalty (Part II)	48
The Method for Figuring the Penalty (Part IV)	49
The Method for Figuring the Penalty (Schedule AI)	49
Farmers and Fishermen	52
Waiver of Penalty	52
How To Get Tax Help	55
Index	56

Introduction

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. There are two ways to pay as you go:

- **Withholding:** If you are an employee, your employer probably withholds income tax from your pay. In addition, tax may be withheld from certain other payments, such as pensions, bonuses, commissions, and gambling winnings. The amount withheld is paid to the IRS in your name.
- **Estimated tax:** If you don't pay your tax through withholding, or don't pay enough

Chapter 1. Introduction

Basic Principles

Business entity principle:

Requires that the activities of the entity be kept separate and distinct from the activities of its owner and all other economic entities.



Dual Effect



Chapter 1. Introduction

Dual Effect

- Each transaction must have a dual effect on the accounting equation.
- For example, **if one asset is increased**, there must be **decrease in another asset**.
- Eg. if we purchase **inventory** on **cash** for \$2,000, then our inventory will be increased by \$2,000 and our cash decreased by \$2,000



Exercises



Chapter 1. Introduction

1. Exercises



What are the two accounts affected and types of the accounts.

1. The owner invested \$25,000 cash in the business.
2. The company purchased \$7,000 of office equipment on credit.
3. The company received \$8,000 cash in exchange for services performed.
4. The company paid \$850 for this month's rent.
5. The owner withdrew \$1,000 cash for personal use



Chapter 1. Introduction

1. Exercises Solution



What are the two accounts affected and types of the accounts.

1. The owner invested \$25,000 cash in the business.

Cash(asset), - Increase Owner's equity (Equity) - Increase

Cash.....25,000

Owner's equity/investment.....25,000

Account payable.....7,000



Chapter 1. Introduction

1. Exercises Solution



2. The company purchased \$7,000 of office equipment on credit.

Account payable (**liability**) –Increase

Office equipment (asset) - Increase

Office equip.....7,000

Account payable.....7,000



Chapter 1. Introduction

1. Exercises Solution



3. The company received \$8,000 cash in exchange for services performed.

Cash.....8,000

Service revenue.....8,000



Chapter 1. Introduction

1. Exercises Solution



4. The company paid \$850 for this month's rent.

Rent expense.....850

Cash.....850



Chapter 1. Introduction

1. Exercises Solution



5. The owner withdrew \$1,000 cash for personal use

Drawing.....1,000

Cash.....1,000



Chapter 1. Introduction

Additional exercise



1. Mr. X invests to his new real state business an amount \$23,000. And the investment type is **20,000 in cash** and the rest **3,000 is office equipment**.

Cash.....	20,000
Office equip.....	3,000
Equity.....	23,000



Chapter 1. Introduction

Additional exercise



2. The company purchased **an office equipment of \$5,000**. And the amount is paid **\$3,000 on cash** and the **remaining amount** will be paid after one month.

Office equipment	5,000
Cash.....	3,000
Account payable.....	2,000



Chapter 1. Introduction

Additional exercise



3. Mr. ABC invests to his new merchandise business **\$7,000** in the following way:

a. \$5,000 on Cash

b. \$1,000 Furniture

c. \$1,000 Computer

Cash.....5,000

Furniture.....1,000

Computer1,000

Equity7,000



Chapter 1. Introduction

Additional exercise



4. The company purchased an inventory \$3,000. And the **\$2,000** amount is **paid on cash** while the **remaining amount will be paid after 20 days**.

Inventory.....	3,000
Cash.....	2,000
Account payable.....	1,000



