

Construction Accounting and Financial Management

Chapter 3 Accounting Transactions

Debits and Credits

	ASSET	LIABILITY EQUITY
INCREASE	DEBIT	CREDIT
DECREASE	CREDIT	DEBIT

Invoice (Materials) Charged to a Job without Retention

<u>Balance Sheet</u>	
310 Accounts Payable-Trade	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)
<u>Income Statement</u>	
610 Materials	Increases
Profit	Decreases
<u>Job Cost Ledger</u>	
Job.Phase.Cost_CodeM	Increases

Invoice (Subcontractor) Charged to a Job with Retention:

<u>Balance Sheet</u>	
310 Accounts Payable-Trade	Increases (Credit)
311 Accounts Payable-Retention	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)
<u>Income Statement</u>	
630 Subcontract	Increases
Profit	Decreases
<u>Job Cost Ledger</u>	
Job.Phase.Cost_CodeS	Increases

Paying Invoices

<u>Balance Sheet</u>	
110 Cash	Decreases (Credit)
310 Accounts Payable-Trade	Decreases (Debit)

Labor Charged to a Job

<u>Balance Sheet</u>	
340 Accrued Payroll	Increases (Credit)
342 Accrued Taxes	Increases (Credit)
343 Accrued Insurance	Increases (Credit)
344 Accrued Vacation	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)
<u>Income Statement</u>	
620 Labor	Increases
Profit	Decreases
<u>Job Cost Ledger</u>	
Job.Phase.Cost_CodeL	Increases

Labor Charged to General Overhead

Balance Sheet

340 Accrued Payroll	Increases (Credit)
342 Accrued Taxes	Increases (Credit)
343 Accrued Insurance	Increases (Credit)
344 Accrued Vacation	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

820 Employee Wages and Salaries	Increases
821 Employee Benefits	Increases
825 Employee Taxes	Increases
830 Insurance	Increases
Profit	Decreases

Paying Employee's Wages

Balance Sheet

110 Cash	Decreases (Credit)
340 Accrued Payroll	Decreases (Debit)

Paying Payroll Taxes

Balance Sheet

110 Cash	Decreases (Credit)
342 Accrued Taxes	Decreases (Debit)

Paying for Benefits

Balance Sheet

110 Cash	Decreases (Credit)
343 Accrued Insurance	Decreases (Debit)

Vacation Time for Jobsite Employees

Balance Sheet

340 Accrued Payroll	Increases (Credit)
342 Accrued Taxes	Increases (Credit)
343 Accrued Insurance	Increases (Credit)
344 Accrued Vacation	Decreases (Debit)

Recording Office Rent

Balance Sheet

310 Accounts Payable-Trade	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

842 Office Rent	Increases
Profit	Decreases

Recording Office Depreciation

Balance Sheet

250 Less Acc. Depreciation	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

819 Depreciation	Increases
Profit	Decreases

Recording General Overhead Invoices

Balance Sheet

310 Accounts Payable-Trade	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

846 Telephone	Increases
Profit	Decreases

Billing a Client

Balance Sheet

120 Accounts Receivable-Trade	Increases (Debit)
121 Accounts Receivable-Retention	Increases (Debit)
430 Current Period Net Income	Increases (Credit)

Income Statement

500 Revenue	Increases
Profit	Increases

Job Cost Ledger

Job Revenue	Increases
-------------	-----------

Billing for Retention

Balance Sheet

120 Accounts Receivable-Trade	Increases (Debit)
121 Accounts Receivable-Retention	Decreases (Credit)

Receiving Payment from a Client

Balance Sheet

110 Cash	Increases (Debit)
120 Accounts Receivable-Trade	Decreases (Credit)

Purchase of Equipment with a Loan

Balance Sheet

110 Cash	Decreases (Credit)
220 Construction Equipment	Increases (Debit)
380 Long-Term Liabilities	Increases (Credit)

Loan Payment

Balance Sheet

110 Cash	Decreases (Credit)
380 Long-term Liabilities	Decreases (Debit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

881 Interest Expense	Increases
Profit	Decreases

Equipment Depreciation

Balance Sheet

250 Less Acc. Depreciation	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

720 Depreciation	Increases
Profit	Decreases

Equipment Ledger

Excavator 1-Depreciation	Increases
--------------------------	-----------

Leased Equipment with an Operating Lease

Balance Sheet

310 Accounts Payable-Trade	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

710 Rent and Lease Payments	Increases
Profit	Decreases

Equipment Ledger

Equipment-_-Rent and Lease Payments	Increases
-------------------------------------	-----------

Leased Equipment with a Capital Lease

Balance Sheet

260 Capital Leases	Increases (Debit)
350 Capital Lease Payable	Increases (Credit)

Lease Payment on a Capital Lease

Balance Sheet

110 Cash	Decreases (Credit)
350 Capital Lease Payable	Decreases (Debit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

881 Interest Expense	Increases
Profit	Decreases

Amortization of a Capital Lease

Balance Sheet

260 Capital Leases	Decreases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

710 Rent and Lease Payment	Increases
Profit	Decreases

Equipment Ledger

Equipment-_-Rent and Lease Payments	Increases
-------------------------------------	-----------

Invoice for Equipment Repairs

Balance Sheet

310 Accounts Payable-Trade	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

730 Repairs	Increases
Profit	Decreases

Equipment Ledger

Equipment-_-#-Repairs and Maintenance	Increases
---------------------------------------	-----------

Equipment Charge to Job

Income Statement

640 Equipment	Increases
799 Equipment Costs Charged to Jobs	Increases

Job Cost Ledger

Job.Phase.Cost_CodeE	Increases
----------------------	-----------

Equipment Ledger

Equipment-_-#-Equipment Costs Allocated	Increases
---	-----------

Equipment Charged to an Employee

Balance Sheet

340 Accrued Payroll	Decreases (Debit)
430 Current Period Income	Increases (Credit)

Income Statement

798 Equipment Costs Charged to Employees	Increases
Profit	Increases

Equipment Ledger

Equipment-_-#-Equipment Costs Allocated	Increases
---	-----------

Sale of Equipment

Balance Sheet

110 Cash	Increases (Debit)
220 Construction Equipment	Decreases (Credit)
250 Less Acc. Depreciation	Decreases (Debit)
430 Current Period Net Income	Increases (Credit)

Income Statement

910 Other Income	Increases
Profit	Increases

Purchase of Inventory

Balance Sheet

130 Inventory	Increases (Debit)
310 Accounts Payable-Trade	Increases (Credit)

Charging Inventory to a Job

Balance Sheet

130 Inventory	Decreases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

610 Materials	Increases
Profit	Decreases

Job Cost Ledger

Job.Phase.Cost_CodeM	Increases
----------------------	-----------

Recording Changes in Costs and Profits in Excess of Billings

Balance Sheet

140 Costs and Profits in Excess of	Increases (Debit)
430 Current Period Net Income	Increases (Credit)

Income Statement

500 Revenue	Increases
Profit	Increases

Recording Changes in Billings in Excess of Costs and Profits

Balance Sheet

320 in Excess of Costs and Profits	Increases (Credit)
430 Current Period Net Income	Decreases (Debit)

Income Statement

500 Revenue	Decreases
Profit	Decreases