

Construction Accounting and Financial Management

Chapter 3 Accounting Transactions

Construction Accounting & Financial Management, 3/e
Steven Peterson

© 2013 by Pearson Higher Education, Inc
Upper Saddle River, New Jersey 07458 • All Rights Reserved

Debits and Credits

| | ASSET | LIABILITY EQUITY |
|----------|--------|---------------------|
| INCREASE | DEBIT | CREDIT |
| DECREASE | CREDIT | DEBIT |

Construction Accounting & Financial Management, 3/e
Steven Peterson

© 2013 by Pearson Higher Education, Inc
Upper Saddle River, New Jersey 07458 • All Rights Reserved

Invoice (Materials) Charged to a Job without Retention

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|---------------|-------------------------------|------------------|----------|---------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| | 310 Accounts Payable - Trade | 610 Materials | | 110.01.06120M |
| | 10,000.00 | 10,000.00 | | 10,000.00 |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | (10,000.00) | (10,000.00) | | |
| 0 = | 0 | 0 = | 0 | |

Invoice (Subcontractor) Charged to a Job with Retention:

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|---------------|----------------------------------|------------------|----------|---------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| | 310 Accounts Payable - Trade | 630 Subcontract | | 110.01.22100S |
| | 9,000.00 | 10,000.00 | | 10,000.00 |
| | 311 Accounts Payable - Retention | | | |
| | 1,000.00 | | | |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | (10,000.00) | (10,000.00) | | |
| 0 = | 0 | 0 = | 0 | |

Paying Invoices

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|---------------|-------------------------------|------------------|----------|---------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 110 Cash | 310 Accounts Payable - Trade | 610 Materials | | 110.01.06120M |
| (19,000.00) | (19,000.00) | 630 Subcontract | | 110.01.22100S |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | 0 | 0 | | |
| (19,000.00) = | (19,000.00) | 0 = | 0 | |

Construction Accounting & Financial Management, 3/e
Steven Peterson

© 2013 by Pearson Higher Education, Inc
Upper Saddle River, New Jersey 07458 • All Rights Reserved

Labor Charged to a Job

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|---------------|-------------------------------|------------------|----------|---------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| | 340 Accrued Payroll | 620 Labor | | 112.01.06210L |
| | 642.17 | 1,141.12 | | 1,141.12 |
| | 342 Accrued Taxes | | | |
| | 280.24 | | | |
| | 343 Accrued Insurance | | | |
| | 180.71 | | | |
| | 344 Accrued Vacation | | | |
| | 38.00 | | | |
| | EQUITY | PROFIT | | |
| | 430 Current Period Net Income | (1,141.12) | | |
| | (1,141.12) | | | |
| 0 = | 0 | 0 = | 0 | |

Construction Accounting & Financial Management, 3/e
Steven Peterson

© 2013 by Pearson Higher Education, Inc
Upper Saddle River, New Jersey 07458 • All Rights Reserved

Labor Charged to General Overhead

| BALANCE SHEET | | INCOME STATEMENT | |
|---------------|---|---|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| | 340 Accrued Payroll 642.17 | 820 Employee Wages and Salaries 895.90 | |
| | 342 Accrued Taxes 280.24 | 821 Employee Benefits 62.00 | |
| | 343 Accrued Insurance 180.71 | 825 Employee Taxes 102.59 | |
| | 344 Accrued Vacation 38.00 | 830 Insurance 80.63 | |
| | EQUITY | PROFIT | |
| | 430 Current Period Net Income (1,141.12) | (1,141.12) | |
| 0 = | 0 | 0 = | 0 |

Paying Employee's Wages

| BALANCE SHEET | | INCOME STATEMENT | |
|----------------------|------------------------------------|------------------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| 110 Cash (642.17) | 340 Accrued Payroll (642.17) | | |
| | EQUITY | PROFIT | |
| | 430 Current Period Net Income 0 | 0 | |
| (642.17) = | (642.17) | 0 = | 0 |

Paying Payroll Taxes

| BALANCE SHEET | | INCOME STATEMENT | |
|---------------|-------------------------------|------------------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| 110 Cash | 342 Accrued Taxes | | |
| (219.50) | (219.50) | | |
| | EQUITY | | |
| | 430 Current Period Net Income | PROFIT | |
| | 0 | 0 | |
| (219.50)= | (219.50) | 0 = | 0 |

Paying for Benefits

| BALANCE SHEET | | INCOME STATEMENT | |
|---------------|-------------------------------|------------------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| 110 Cash | 343 Accrued Insurance | | |
| (433.68) | (433.68) | | |
| | EQUITY | | |
| | 430 Current Period Net Income | PROFIT | |
| | 0 | 0 | |
| (433.68)= | (433.68) | 0 = | 0 |

Vacation Time for Jobsite Employees

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|---------------|-------------------------------|------------------|----------|---------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| | 340 Accrued Payroll | 620 Labor | | 112.01.06210L |
| | 642.17 | | 0 | 0 |
| | 342 Accrued Taxes | | | |
| | 280.24 | | | |
| | 343 Accrued Insurance | | | |
| | 180.71 | | | |
| | 344 Accrued Vacation | | | |
| | (1,103.12) | | | |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | 0 = | 0 = | | |
| 0 = | 0 | 0 = | 0 | |

Recording Office Rent

| BALANCE SHEET | | INCOME STATEMENT | |
|---------------|-------------------------------|------------------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| | 310 Accounts Payable - Trade | 842 Office Rent | |
| | 2,000.00 | 2,000.00 | |
| | EQUITY | PROFIT | |
| | 430 Current Period Net Income | (2,000.00) | |
| | (2,000.00) = | 0 = | |
| 0 = | 0 | 0 = | 0 |

Recording Office Depreciation

| BALANCE SHEET | | INCOME STATEMENT | |
|---|--|------------------------------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| 250 Less Acc. Depreciation 1,800.00 | | 819 Depreciation 1,800.00 | |
| | EQUITY | | |
| | 430 Current Period Net Income (1,800.00) | PROFIT (1,800.00) | |
| (1,800.00) = | (1,800.00) | 0 = | 0 |

Because 250 Less Acc. Depreciation is a contra account, it is subtracted rather than added when totaling the column.

Recording General Overhead Invoices

| BALANCE SHEET | | INCOME STATEMENT | |
|---------------|--|-------------------------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| | 310 Accounts Payable - Trade 500.00 | 846 Telephone 500.00 | |
| | EQUITY | | |
| | 430 Current Period Net Income (500.00) | PROFIT (500.00) | |
| 0 = | 0 | 0 = | 0 |

Billing a Client

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|-------------------------------------|-------------------------------|------------------|-------------|-------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | REVENUE |
| 120 Accounts Receivable - Trade | | | 500 Revenue | 120 Revenue |
| 90,000.00 | | | 100,000.00 | 100,000.00 |
| 121 Accounts Receivable - Retention | | | | |
| 10,000.00 | | | | |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | 100,000.00 | 100,000.00 | | |
| 100,000.00 = | 100,000.00 | 100,000.00 = | 100,000.00 | |

Billing for Retention

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|-------------------------------------|-------------------------------|------------------|-------------|-------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 120 Accounts Receivable - Trade | | | 500 Revenue | 120 Revenue |
| 10,000.00 | | | | 0 |
| 121 Accounts Receivable - Retention | | | | |
| (10,000.00) | | | | |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | 0 | 0 | | |
| 0 = | 0 | 0 = | 0 | |

Receiving Payment from a Client

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|---------------------------------|-------------------------------|------------------|-------------|-------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 110 Cash | | | 500 Revenue | 120 Revenue |
| 90,000.00 | | | | 0 |
| 120 Accounts Receivable - Trade | | | | 0 |
| (90,000.00) | | | | |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | 0 | 0 | | |
| 0 = | 0 | 0 = | 0 | |

Purchase of Equipment with a Loan

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|----------------------------|-------------------------------|------------------|----------|-----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 110 Cash | 380 Long-Term Liabilities | | | |
| (10,000.00) | 110,000.00 | | | |
| 220 Construction Equipment | EQUITY | | | |
| 120,000.00 | 430 Current Period Net Income | PROFIT | | |
| | 0 | 0 | | |
| 110,000.00 = | 110,000.00 | 0 = | 0 | |

Loan Payment

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|------------------------|---|-----------------------------------|----------|-----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 110 Cash (2,230.40) | 380 Long-Term Liabilities (1,497.07) | 881 Interest Expense 733.33 | | |
| | EQUITY | | | |
| | 430 Current Period Net Income (733.33) | PROFIT (733.33) | | |
| (2,230.40)= | (2,230.40) | 0 = | 0 | |

Equipment Depreciation

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|---|--|------------------------------|----------|---|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 250 Less Acc. Depreciation 2,000.00 | | 720 Depreciation 2,000.00 | | Excavator 1 Depreciation 2,000.00 |
| | EQUITY | | | |
| | 430 Current Period Net Income (2,000.00) | PROFIT (2,000.00) | | |
| (2,000.00)= | (2,000.00) | 0 = | 0 | |

Because 250 Less Acc. Depreciation is a contra account, it is subtracted rather than added when totaling the column.

Leased Equipment with an Operating Lease

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|---------------|-------------------------------|-----------------------------|----------|------------------------------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| | 310 Accounts Payable - Trade | 710 Rent and Lease Payments | | Excavator 2 Rent and Lease Payment |
| | 2,500.00 | 2,500.00 | | 2,500.00 |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | (2,500.00) | (2,500.00) | | |
| 0 = | 0 | 0 = | 0 | |

Leased Equipment with a Capital Lease

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|--------------------|-------------------------------|------------------|----------|-----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 260 Capital Leases | 350 Capital Lease Payable | | | |
| 120,000.00 | 120,000.00 | | | |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | 0 | 0 | | |
| 120,000.00 = | 120,000.00 | 0 = | 0 | |

Lease Payment on a Capital Lease

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|------------------------|--|-----------------------------------|----------|-----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 110 Cash (2,433.17) | 350 Capital Lease Payable (1,633.17) | 881 Interest Expense (800.00) | | |
| | EQUITY | | | |
| | 430 Current Period Net Income (800.00) | PROFIT (800.00) | | |
| (2,433.17)= | (2,433.17) | 0 = | 0 | |

Amortization of a Capital Lease

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|----------------------------------|---|---|----------|---|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 260 Capital Leases (1,633.77) | | 710 Rent and Lease Payments 1,633.77 | | Loader 1 Rent and Lease Payments 1,633.77 |
| | EQUITY | | | |
| | 430 Current Period Net Income (1,633.77) | PROFIT (1,633.77) | | |
| (1,633.77)= | (1,633.77) | 0 = | 0 | |

Invoice for Equipment Repairs

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|---------------|-------------------------------|------------------|----------|----------------------------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| | 310 Accounts Payable - Trade | 730 Repairs | | Loader 1 Repairs and Maintenance |
| | 500.00 | 500.00 | | 500.00 |
| | EQUITY | PROFIT | | |
| | 430 Current Period Net Income | (500.00) | | |
| | (500.00) | | | |
| 0 = | 0 | 0 = | 0 | |

Equipment Charge to Job

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|---------------|-------------------------------|-------------------------------------|----------|---------------------------------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| | | 640 Equipment | | 105.01.33100E |
| | | 5,000.00 | | 5,000.00 |
| | EQUITY | 799 Equipment Costs Charged to Jobs | | EQUIPMENT |
| | 430 Current Period Net Income | 5,000.00 | | EXPENSES |
| | 0 | PROFIT | | Excavator 2 Equipment Costs Allocated |
| | 0 | 0 | | 5,000.00 |
| 0 = | 0 | 0 = | 0 | |

Because 799 Equipment Costs Charged to Jobs is a contra account, it is subtracted rather than added when totaling the column.

Equipment Charged to an Employee

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|---------------|-------------------------------|--|----------|-----------------------------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| | 340 Accrued Payroll | 798 Equipment Costs Charged to Employees | | Truck 5 Equipment Costs Allocated |
| | (50.00) | 50.00 | | 50.00 |
| | EQUITY | | | |
| | 430 Current Period Net Income | PROFIT | | |
| | 50.00 | 50.00 | | |
| 0 = | 0 | 0 = | 0 | |

Because 798 Equipment Costs Charged to Employees is a contra account, it is subtracted rather than added when totaling the column.

Sale of Equipment

| BALANCE SHEET | | INCOME STATEMENT | | EQUIPMENT |
|----------------------------|-------------------------------|------------------|------------------|-----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 110 Cash | | | 910 Other Income | |
| 60,000.00 | | | 2,400.00 | |
| 220 Construction Equipment | | | | |
| (120,000.00) | | | | |
| | EQUITY | | | |
| 250 Less Acc. Depreciation | 430 Current Period Net Income | PROFIT | | |
| (62,400.00) | 2,400.00 | 2,400.00 | | |
| 2,400.00 = | 2,400.00 | 2,400.00 = | 2,400.00 | |

Because 250 Less Acc. Depreciation is a contra account, it is subtracted rather than added when totaling the column.

Purchase of Inventory

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|---------------------------|---|------------------|----------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 130 Inventory 5,000.00 | 310 Accounts Payable - Trade 5,000.00 | | | |
| | EQUITY | | | |
| | 430 Current Period Net Income 0 | PROFIT 0 | | |
| 5,000.00 = | 5,000.00 | 0 = | 0 | |

Charging Inventory to a Job

| BALANCE SHEET | | INCOME STATEMENT | | JOB COST |
|-----------------------------|--|---------------------------|----------|---------------------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES | EXPENSES |
| 130 Inventory (2,000.00) | | 610 Materials 2,000.00 | | 172.01.26100M 2,000.00 |
| | EQUITY | | | |
| | 430 Current Period Net Income (2,000.00) | PROFIT (2,000.00) | | |
| (2,000.00) = | (2,000.00) | 0 = | 0 | |

Signing a Construction Loan

| BALANCE SHEET | | INCOME STATEMENT | |
|---|------------------------------------|------------------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| 155 Due from Construction Loans 500,000.00 | 330 Notes Payable 500,000.00 | | |
| | EQUITY | | |
| | 430 Current Period Net Income 0 | PROFIT 0 | |
| 500,000.00 = | 500,000.00 | 0 = | 0 |

Drawings Funds from a Construction Loan

| BALANCE SHEET | | INCOME STATEMENT | |
|---|------------------------------------|------------------|----------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| 110 Cash 100,000.00 | | | |
| 155 Due from Construction Loans (100,000.00) | EQUITY | | |
| | 430 Current Period Net Income 0 | PROFIT 0 | |
| 0 = | 0 | 0 = | 0 |

Recording Changes in Costs and Profits in Excess of Billings

| BALANCE SHEET | | INCOME STATEMENT | |
|--|---|--------------------|-------------------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| 140 Cost and Profits in Excess of Billings 5,000.00 | | | 500 Revenue 5,000.00 |
| | EQUITY | | |
| | 430 Current Period Net Income 5,000.00 | PROFIT 5,000.00 | |
| 5,000.00 = | 5,000.00 | 5,000.00 = | 5,000.00 |

Recording Changes in Billings in Excess of Costs and Profits

| BALANCE SHEET | | INCOME STATEMENT | |
|---------------|---|----------------------|---------------------------|
| ASSETS | LIABILITIES | EXPENSES | REVENUES |
| | 320 Billings in Excess of Costs and Profits 1,500.00 | | 500 Revenue (1,500.00) |
| | EQUITY | | |
| | 430 Current Period Net Income (1,500.00) | PROFIT (1,500.00) | |
| 0 = | 0 | (1,500.00) = | (1,500.00) |