LEARNING AS ONE NATION

Expanded Project

FABM1_Q3_24

SHS LEARNING ACTIVITY

Name: _____ **Score/Mark:** _____

Grade and Section: _____ **Date:** _____

Strand: ☐ STEM ☐ ABM ☐ HUMSS ☐ ICT (*TVL Track*)

Subject: ***Fundamentals of ABM 1***

Type of Activity ☐ Concept Notes ☐ Skills: Exercise / Drill ☐ Illustration ☐ Laboratory Report ☐ Essay/Task Report ☐ Others: _____

Activity Title: **LA-24. Account Balances and Normal Balances**

Learning Target: To determine account balances and normal balances

References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting, p.85
2) Q. J. Abcede, CVIF Learning Activities

What is an account balance?

An **account balance** is simply the difference between the total debits and the total credits of each account:

Debit balance - if $total\ debits > total\ credits$

Credit balance - if $total\ debits < total\ credits$

Example: Compute the account balance of the Cash account of Ligaya Advertising. After recording the last transaction (January 31), the T-account for Cash shall look like this:

Cash

1-1	750,000	1-5	380,000
1-11	98,000	1-16	11,000
1-20	54,000	1-19	18,000
		1-23	10,000
		1-31	14,000
	902,000		433,000
	469,000		

Total debits amount to Php902,000; total credits, Php433,000. Total debits exceed total credits by Php469,000. Therefore, the Cash account has a debit balance of Php469,000 at January 31 (end of the month).

What is a normal balance?

Assuming there is proper accounting, the **normal balance** refers to the usual balance of an account:

Normal debit balances - assets and expenses

Normal credit balances - liabilities, equity, and income

If an account has an abnormal balance, (for example, Cash account has a credit balance), it generally indicates that errors have been made in the recording of the business transactions.

Exercise:

1. Compute the account balances of Ligaya Advertising's Accounts Receivable and Accounts Payable. (Please refer to LA-22 and LA-23.)
2. Determine whether the balances are debit or credit balances.