**Chapter 2, Answer Problem Solving**

On the Chart of Accounts, why are the category and detail type selectrions important? To explain the category and detail types, use 3 accounts – one asset, one liability and one expense account. Identify Category Type, Detail Type, Name, Number and financial statement.

The Category Type and Detail Type columns are important because they classify accounts for the financial statements. Student choices for accounts may vary.

Asset example:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category Type** | **Detail Type** | **Name** | **Number** | **Financial Statement** |
| Bank | Checking: tracks all your checking activity, including debit card transactions. | Checking | 101 | Balance Sheet |

Liability account:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category Type** | **Detail Type** | **Name** | **Number** | **Financial Statement** |
| Accounts Payable | Accounts Payable (A/P) | Accounts Payable (A/P) | 201 | Balance Sheet |

Expense account:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category Type** | **Detail Type** | **Name** | **Number** | **Financial Statement** |
| Expenses | Office/General Administrative | Depreciation Expense | 607 | Profit and Loss |