



# THE AccountAbility QUEST STUDY GUIDE 2026

## Net Worth = Assets - Liabilities

**Personal Assets** are things that you own.

Examples: cash, a savings account, a house, land.

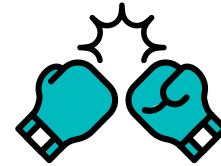


**Personal Liabilities** are things you owe to others.

Examples: credit card balances, loans, line of credit.



Using credit for non-essential purchases, if left unpaid, would reduce your net worth over time.



## NEEDS

VS

## WANTS

Essential for living, such as food, transportation to school, housing, school fees.

Items that are not needed to survive, but rather items that you would like to have such as concert tickets, streaming services, video games.

When funds are limited, the expenses you would incur for 'wants' should typically first be eliminated or limited.



Paying yourself first means to save money as soon as you get paid, before spending it on anything else. You prioritize savings first and then spending, as opposed to choosing to save whatever is left after spending.

Automating a 'pay yourself' system would mean that you set up an automatic transfer from your pay into a savings account. For example, if you receive a \$300 paycheque and automatically move \$50 into your savings account right away, you are paying yourself first.

### Paying Yourself First





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### Ethics in Personal Finance

Ethical behavior is built over time by choosing to behave in a way that is ethically correct. This often means reporting income on your tax return honestly, returning extra change if a merchant accidentally handed you too much; using shared funds from a club cash box only for approved purposes.

### Factors that affect your personal finances

**Inflation:** a general rise in prices over time, which leads to a decrease in purchasing power. For example, the price of food increasing over time.

**Interest rates:** the cost of borrowing money. Higher interest rates mean higher loan payments. This is important when considering borrowing to fund education or purchase cars.

**Risk, return, and time horizon:** higher return comes with higher risk. If your time horizon is short (1 - 2 years), then it is best to avoid high risk investments. Longer-term goals may allow for more risk.

### The Accounting Equation

**Assets = Liabilities + Owner's Equity**

- ☑ The equation must always balance.
- ☑ Double entry accounting system means that every transactions affects at least two accounts. Debit must equal credits. This keeps the accounting equation in balance.



### IMPORTANT CONCEPTS

**Assets:** something that a business owns or controls, has value, and provides a future benefit. Common examples include cash, inventory, equipments.

**Liabilities:** something that a business owes to others. Common examples: credit card balances, bank loans, mortgages, accounts payable.

**Capital (owner's equity):** owner's investment in the business.

**Revenues:** amounts earned by selling goods and services to customers.

**Expenses:** costs incurred to operate the business and earn revenue.

**Purchased on account:** items that are bought now but paid for later.

**Petty Cash:** cash on hand used for small, routine transactions, used to cover minor costs such as the cost of supplies, coffee for the team. Petty cash should never be used for personal purchases.

**Net Income:** Revenues - Expenses.





**CPA** CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
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## Financial Statements:

1. The income statement shows financial performance over a period of time. It reports revenue, expenses and net income or loss.
2. The balance sheet shows the financial position of a business at a specific date. It reports assets, liabilities, and owners' equity.

## Accounting Records:

**Chart of Accounts:** a complete list of all accounts a business uses. Different businesses may have different charts of accounts depending on their operations.

**General Ledger:** where all the accounts are kept and updated after transactions are recorded. Each account has its own ledger.  
Example: cash, revenue, expenses, etc.

**Generally Accepted Accounting Principles (GAAP):** Standard rules, principles, guidelines used to prepare financial statements so information is consistent, comparable, reliable and transparent.

## Accounting Cycle Steps:

- 1. Analyze transactions:**
  - What happened during the accounting period in question?
  - Which accounts are affected by the transactions?
  - Does the account balance increase or decrease?
- 2. Journalize transactions:**
  - Record transactions in the journal
  - Use debit and credits for the journal entries
- 3. Post to the general ledger:**
  - Move journal entries to account pages
  - Update account balances
- 4. Prepare a trial balance:**
  - List of all the account balances
  - Check that debits = credits

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