## Al-Mustaqbal university college

# ACCOUNTING IN ACTION 4 

Discussion Question Prepared by Ezzulddin Hasan Kadhim

## Transactions

## Discussion Question

Q18. In February 2008, Paula King invested an additional $\$ 10,000$ in her business, King's Pharmacy, which is organized as a proprietorship. King's accountant, Lance Jones, recorded this receipt as an increase in cash and revenues. Is this treatment appropriate? Why or why not?

See notes page for discussion
LO 7 Analyze the effects of business transactions on the accounting equation.

## Transactions (Problem)

P1-1 A: Barone's Repair Shop was started on May 1 by Nancy. Prepare a tabular analysis of the following transactions for the month of May.

1. Invested $\$ 10,000$ cash to start the repair shop.

$\frac{\text { Assets }}{\frac{\text { Accounts }}{\frac{\text { Cash }}{1 .+10,000}+\underline{\text { Receivable }}+\underline{\text { Equipment }}}+\frac{\text { Liabilities }}{\text { Accounts }}$| $\frac{\text { Equity }}{\text { Payable }}$ |
| :--- |$+\frac{$|  Barone,  |
| :---: |
|  Capital  |}{$+10,000$} Investment} on the accounting equation.

## Transactions (Problem)

## 2. Purchased equipment for $\$ 5,000$ cash.

| Assets |  | Liabilities | Equity |  |
| :---: | :---: | :---: | :---: | :---: |
| Cash | Accounts <br> + Receivable + Equipment | Accounts Payable | Barone, Capital |  |
| 1. $+10,000$ |  |  | +10,000 | Investment |
| 2. -5,000 | +5,000 |  |  |  |

LO 7 Analyze the effects of business transactions on the accounting equation.

## Transactions (Problem)

3. Paid $\$ 400$ cash for May office rent.

| Assets |  |  | Liabilities | Equity |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cash | Accounts <br> + Receivable | + Equipment | Accounts Payable | Barone Capital |  |
| 1. $+10,000$ |  |  |  | +10,000 | Investment |
| 2. $-5,000$ |  | +5,000 |  |  |  |
| 3. -400 |  |  |  | -400 | Expense |

LO 7 Analyze the effects of business transactions on the accounting equation.

## Transactions (Problem)

4. Received $\$ 5,100$ from customers for repair service.

| Assets |  | Liabilities | Equity |  |
| :---: | :---: | :---: | :---: | :---: |
| Cash | Accounts <br> + Receivable + Equipment | Accounts Payable | Barone Capital |  |
| 1. $+10,000$ |  |  | +10,000 | Investment |
| 2. $-5,000$ | +5,000 |  |  |  |
| 3. -400 |  |  | -400 | Expense |
| 4. $+5,100$ |  |  | +5,100 | Revenue |

LO 7 Analyze the effects of business transactions on the accounting equation.

## Transactions (Problem)

## 5. Withdrew \$1,000 cash for personal use.

| Assets |  | Liabilities | Equity |  |
| :---: | :---: | :---: | :---: | :---: |
| Cash | Accounts <br> + Receivable + Equipment | Accounts Payable | Barone, Capital |  |
| 1. $+10,000$ |  |  | +10,000 | Investment |
| 2. $-5,000$ | +5,000 |  |  |  |
| 3. -400 |  |  | -400 | Expense |
| 4. $+5,100$ |  |  | +5,100 | Revenue |
| 5. $-1,000$ |  |  | -1,000 | Drawings |

## Transactions (Problem)

6. Paid part-time employee salaries of $\$ 2,000$.

| Assets |  |  | $\begin{aligned} & \frac{\text { Liabilities }}{\text { Accounts }} \\ = & \text { Payable } \end{aligned}$ | Equity <br> Barone Capital | Investment |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cash | Accounts <br> + Receivable | Equipment |  |  |  |
| 1. $+10,000$ |  |  |  | +10,000 |  |
| 2. $-5,000$ |  | +5,000 |  |  |  |
| 3. -400 |  |  |  | -400 | Expense |
| 4. $+5,100$ |  |  |  | +5,100 | Revenue |
| 5. -1,000 |  |  |  | -1,000 | Drawings |
| 6. $-2,000$ |  |  |  | -2,000 | Expense |

LO 7 Analyze the effects of business transactions on the accounting equation.

## Transactions (Problem)

## 7. Incurred $\$ 250$ of advertising costs, on account.

| Assets |  | Liabilities | Equity |  |
| :---: | :---: | :---: | :---: | :---: |
| Cash | $\begin{aligned} & \text { Accounts } \\ + & \text { Receivable }+ \text { Equipment } \end{aligned}$ | Accounts Payable | Barone Capital |  |
| 1. $+10,000$ |  |  | +10,000 | Investment |
| 2. $-5,000$ | +5,000 |  |  |  |
| 3. -400 |  |  | -400 | Expense |
| 4. $+5,100$ |  |  | +5,100 | Revenue |
| 5. -1,000 |  |  | -1,000 | Drawings |
| 6. $-2,000$ |  |  | -2,000 | Expense |
| 7. |  | +250 | -250 | Expense | on the accounting equation.

## Transactions (Problem)

8. Provided $\$ 750$ of repair services on account.

| Assets |  | Liabilities | Equity |  |
| :---: | :---: | :---: | :---: | :---: |
| Cash | Accounts <br> + Receivable + Equipment | Accounts <br> $=$ Payable | Barone, <br> + Capital |  |
| 1. $+10,000$ |  |  | +10,000 | Investment |
| 2. -5,000 | +5,000 |  |  |  |
| 3. -400 |  |  | -400 | Expense |
| 4. $+5,100$ |  |  | +5,100 | Revenue |
| 5. $-1,000$ |  |  | -1,000 | Drawings |
| 6. $-2,000$ |  |  | -2,000 | Expense |
| 7. |  | +250 | -250 | Expense |
| 8. | +750 |  | +750 | Revenue |

LO 7 Analyze the effects of business transactions on the accounting equation.

## Transactions (Problem)

9. Collected $\$ 120$ cash for services previously billed.

| Assets |  |  | Liabilities | Equity |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cash | Accounts <br> + Receivable + | Equipment | Accounts Payable | Barone, <br> + Capital |  |
| 1. $+10,000$ |  |  |  | +10,000 | Investment |
| 2. $-5,000$ |  | +5,000 |  |  |  |
| 3. -400 |  |  |  | -400 | Expense |
| 4. $+5,100$ |  |  |  | +5,100 | Revenue |
| 5. -1,000 |  |  |  | -1,000 | Drawings |
| 6. $-2,000$ |  |  |  | -2,000 | Expense |
| 7. |  |  | +250 | -250 | Expense |
| 8. | +750 |  |  | +750 | Revenue |
| 9. +120 | -120 |  |  |  |  |
| 6,820 | + 630 + | 5,000 | 250 | + 12,200 |  |
| Chapter 1-11 |  | LO 7 Analy on | yze the effec he accounting | ts of business equation. | transactions |

