

Al-Mustaqbal university college

ACCOUNTING IN ACTION 4

Discussion Question

Prepared by

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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

Transactions (Problem)

P1-1A: 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.

Assets			=	Liabilities		Equity	
Cash	+ Accounts Receivable	+ Equipment		Accounts Payable	+	Barone, Capital	
1. +10,000						+10,000	Investment

Transactions (Problem)

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

Assets			Liabilities	Equity	
Cash	Accounts Receivable	Equipment	Accounts Payable	Barone, Capital	
1. +10,000				+10,000	Investment
2. -5,000		+5,000			

Transactions (Problem)

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

		Assets			Liabilities		Equity		
		Cash	Accounts Receivable	Equipment	=	Accounts Payable	+	Barone, Capital	
1.	+10,000							+10,000	Investment
2.	-5,000			+5,000					
3.	-400							-400	Expense

Transactions (Problem)

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

Assets		Liabilities	Equity	
Cash	Accounts Receivable	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

Transactions (Problem)

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

		Assets			Liabilities		Equity		
		Cash	Accounts 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		Liabilities	Equity	
Cash	Accounts Receivable	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

Transactions (Problem)

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

	Assets			=	Liabilities	+	Equity	
	Cash	Accounts 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
6.	-2,000						-2,000	Expense
7.					+250		-250	Expense

Transactions (Problem)

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

	Assets			=	Liabilities	+	Equity	
	Cash	Accounts 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
6.	-2,000						-2,000	Expense
7.					+250		-250	Expense
8.		+750					+750	Revenue

Transactions (Problem)

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

	Assets			=	Liabilities	+	Equity	
	Cash	+ Accounts 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
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	