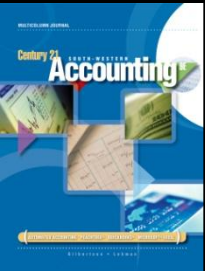


LESSON 1-2

How Business Activities Change the Accounting Equation



RECEIVING CASH

Transaction 1 August 1. Received cash from owner as an investment, \$5,000.00.

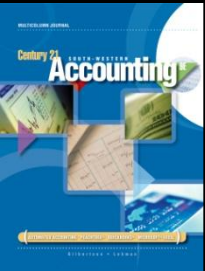
	Assets	=	Liabilities	+	Owner's Equity
	Cash	=			Kim Park, Capital
Beginning Balances	\$0		\$0		\$0
Received cash from owner as an investment	+5,000				+5,000
New Balances	\$5,000		\$0		\$5,000

PAYING CASH

Transaction 2 August 3. Paid cash for supplies, \$275.00.



	Assets			=	Liabilities + Owner's Equity	
	Cash	+ Supplies	+ Prepaid Insurance	=		Kim Park, Capital
Balances	\$5,000	\$0	\$0		\$0	\$5,000
➡ Paid cash for supplies	-275	+275				
Balances	\$4,725	\$275	\$0		\$0	\$5,000
➡ Paid cash for insurance	-1,200		+1,200			
New Balances	\$3,525	\$275	\$1,200		\$0	\$5,000

Transaction 3 August 4. Paid cash for insurance, \$1,200.00.

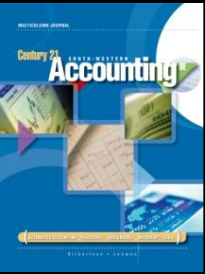


TRANSACTIONS ON ACCOUNT

Transaction 4 August 7. Bought supplies on account from Supply Depot, \$500.00.

	Assets			=	Liabilities + Owner's Equity	
	Cash	+ Supplies	+ Prepaid Insurance	=	Accts. Pay.— Supply Depot	+ Kim Park, Capital
Balances	\$3,525	\$275	\$1,200		\$0	\$5,000
 Bought supplies on account		+500			+500	
New Balances	\$3,525	\$775	\$1,200		\$500	\$5,000
 Paid cash on account	-300				-300	
New Balances	\$3,225	\$775	\$1,200		\$200	\$5,000

Transaction 5 August 11. Paid cash on account to Supply Depot, \$300.00.



TERMS REVIEW

page 13

- transaction
- account
- account title
- account balance
- capital