

The Accounting Equation
Effects of Business Transactions Extra #2

Name _____

Directions—Analyze each of the following business transactions, and record how the transaction affects the accounting equation using the chart below. If the transaction affects Owner's Equity provide an explanation.

Transactions for Matt's Movie Theater:

1. Matt invested \$50,000 to start his business.
2. Matt rented store space in town. He paid the rent for the month of October, \$1,600.
3. Matt paid \$500 for advertising in the D & C.
4. Purchased Supplies on account from Nick's Knacks for \$725.
5. Weekly sales amounted to \$4,100, of which \$650 was on account.
6. Matt bought a popcorn machine, on account, from Currier Corn for \$2,450.
7. Paid Utilities expense for the month, \$500 cash
8. Purchased equipment for \$4,000. Matt paid \$1,500 and took a Note for the balance.
9. Collected \$300 of an accounts receivable.
10. Wrote check in amount of \$1,000 to Currier Corn for partial payment on account.
11. Paid his part-time employees for the first two weeks of business, cash \$1,200

Assets = Liabilities + OE

Tran #	Cash	A/R	Popcorn Machine	Equipment	Supplies	A/P	N/P	Matt, Capital	Explanation
1	+50000							+50000	Investment
2	-1600							-1600	rent expense
3	-500							-500	Advertising Expense
4					+725	+725			
5	+3450	+650						+4100	Revenue
6			2450			+2450			
7	-500							-500	Utilities Expense
8	-1500			+4000			+2500		
9	+300	-300							
10	-1000					-1000			
11	-1200							-1200	Salaries Expense
	47450	350	2450	4000	725	2175	2500	50300	

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