## CHAPTER 2

## ANALYZING CHANGES IN THE ACCOUNTING EQUATION

Business Transaction - a financial event that affects assets, liabilities or owner's equity

simply means the event is expressed in terms of dollars or money

In Chapter 2 we will analyze changes in the accounting equation

## TOPIC 1 - ANALYZING OPENING BUSINESS TRANSACTIONS



Transaction 1 - On October 1, 2010 J. Emery Real Estate buys more furniture for \$1000 from Enns Furniture Ltd., and pays by cheque

Note: only assets are affected by this transaction OWNER'S **EQUITY** LIABILITIES + **ASSETS** Cash Auto-**Furniture** Office Bank Loan **Accounts** J.Emery, Capital Payable Equipment Payable mobile \$20000 \$10000 \$60000 + \$15000 + \$8000 \$7000 \$60000 - 1000 +1000 2000 10000 6000 7000 59000 1500 9000 9000

Transaction 2 - On October 3, 2010 J. Emery Real Estate buys more office equipment valued at \$1200 this time from Ryan Equipment Co. on 60 days credit. In other words, the creditor allows 60 days for payment

Note: on the left side assets are affected and on the right side liabilities

OWNER'S **ASSETS** LIABILITIES + EQUITY Cash Auto-**Furniture** Office Bank Loan **Accounts** J.Emery, mobile Equipment Payable Payable Capital + \$10000 \$59000 + \$15000 + \$9000 \$7000 \$20000 \$60000 +1900 4 1900 11200 6000 00006 **60068** 91300

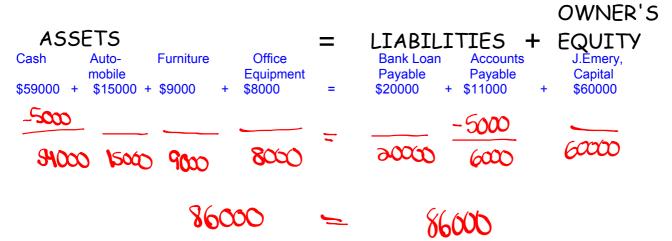
Transaction 3 - On October 4, 2010 J. Emery Real Estate returns one calculator costing \$200 from Ryan Equipment Co. because it arrived damaged

Note: on the left side assets are affected and on the right side liabilities



Transaction 4 - On October 5, 2010 J. Emery Real Estate writes a cheque for \$5000 to Western Motors Ltd. in payment for the car Jane Emery purchased in September, when she established the business. Prior to this payment, Western Motors Ltd. held a claim against the assets of J. Emery Real Estate; the cheque therefore eliminates this claim.

Note: on the left side assets are affected and on the right side liabilities



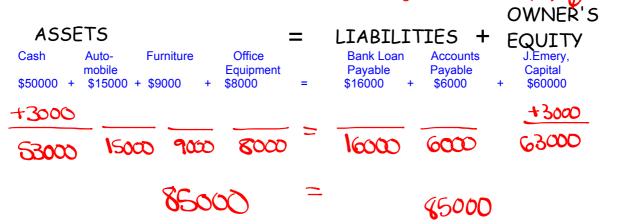
Transaction 5 - On October 15, 2010 J. Emery Real Estate writes a cheque for \$4000 to the Royal Bank of Canada in partial payment of the bank loan.

Note: on the left side assets are affected and on the right side liabilities



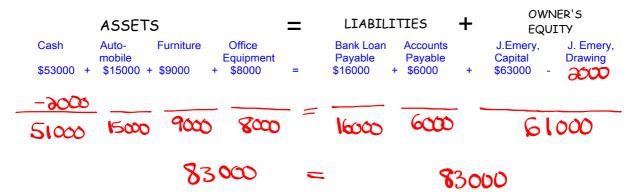
Transaction 6 - On October 16, 2010 Jane Emery decides to increase her investment in the business by taking \$3000 from her personal savings account and depositing it into the firms bank account.

Note: on the left side assets are affected and on the right side owner's equity



Transaction 7- On October 30, 2010 Jane Emery withdraws \$2000 from her firms bank account and deposits it into her personal bank account.

Note: on the left side assets are affected and on the right side owner's equity



When the owner withdraws from the business it is recorded under a new subheading J. Emery, Drawing. Since the original investment has not decreased, we need a new item that will show a decrease in owner's equity, namely, drawings.

Day 11 - Opening	Business	<b>Transactions</b>	(after).notebook
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**September 23, 2016** 

Drawings: decreasing owner's equity and resultingfrom the owner's withdrawal of assets for personal use.

## Preparing a Summary Table

		ba .coite	ASSETS		= LIABILITIES				OWNER'S EQUITY		
Tions.	Cash	Auto- mobile	Furni- ture	Office Equip.	Total or Change in Assets	Bk. Loan Payable	Accts.	Total or Change in Lias.	J. Emery, Capital	J. Emery, Drawing	Total or Change in OE
(Cirig.	\$60 000	+\$15 000	+\$8 000	+\$7 000	+\$90 000	\$20 000	\$10 000	\$30 000	\$60 000	20807/8	\$60 000
I	-1 000	ang bus	+1 000		Ø						
2	(01 753) (03 753)	TERNING		+1 200	+1 200		+1 200	+1 200			
3	o tails			-200	-200	1:	-200	-200			
4	-5 000	ažone i si		1:	-5 000		-5 000	-5 000			
5	-4 000				-4 000	-4 000		-4 000	h desen		88 f of \$30
6	+3 000	galago etc	8,101.5		+3 000				+3 000	10	+3 000
7	-2 000	DESIGN	gain V		-2 000		albytt A			-2 000	-2 000
Totals	\$51 000	+\$15 000	+\$9 000	+\$8 000	\$83 000	\$16 000	+\$6 000	\$22 000	\$63 000	+\$2 000	\$61 000

Topic 1 - Problems P 2-1 ASSETS					inish Ho LIA	this s neworl IBILITI	OWNER'S EQUITY			
	Cash	Truck	Tools	Total or Change in Assets	Bank Loar Payable	Accts Payable	Total or Change in Liab.	G. Truer, Capital	G. Truer, Drawing	_
О.В.	\$6000	\$15000	\$4000	\$25000	\$5000	\$6000	\$11000	\$14000		\$14000
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2										
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Topic 1 Mini-Cases Page 32 - 33