

Equation Analysis Sheet

3.2

Your next step in the study of accounting is to learn how various business transactions affect and change the financial position. To begin, look at Figure 3.1, the simplified balance sheet of Metropolitan Movers of Windsor, Ontario.

| METROPOLITAN MOVERS BALANCE SHEET SEPTEMBER 29, 20-- | | | |
|--|-----------------|------------------------------|-----------------|
| <i>Assets</i> | | <i>Liabilities</i> | |
| Cash | \$13 500 | Accounts Payable | |
| Accounts Receivable | | – Central Supply | \$ 1 750 |
| – B. Cava | 1 300 | Bank Loan | 18 370 |
| – K. Lincoln | 2 500 | Total Liabilities | \$20 120 |
| Equipment | 11 500 | <i>Owner's Equity</i> | |
| Trucks | 24 500 | J. Hofner, Capital | 33 180 |
| Total Assets | <u>\$53 300</u> | Total Liabilities and Equity | <u>\$53 300</u> |

Figure 3.1
The balance sheet of Metropolitan Movers

The balance sheet of Metropolitan Movers shows the values of the assets, liabilities, and equity at the end of the business day on September 29th. As business transactions occur on September 30th, there will be changes in the values of assets, liabilities, and equity. The balance sheet is not a suitable type of record on which to record these changes. Therefore, let us arrange the balance sheet items in a different manner. We will transfer the assets, liabilities, and capital from the balance sheet onto what we will call an equation analysis sheet. An **equation analysis sheet** is a tool for displaying individual transactions and the new financial position resulting from each transaction. At this stage of your accounting studies, the equation analysis sheet is ideal for analyzing and recording changes in financial position. In Chapter 4, you will modify your recording methods.

Figure 3.2 shows the balance sheet items for Metropolitan Movers entered on an equation analysis sheet. Note that this arrangement is in the form of the fundamental accounting equation.

| | ASSETS | | | | | = | LIABILITIES | | + | OWNER'S EQUITY |
|---------------------|--------|----------------|-------------------|-----------|--------|---|--------------------------|--------------|---|-----------------------|
| METROPOLITAN MOVERS | Cash | A/R B. Cava | A/R K. Lincoln | Equipment | Trucks | | A/P Central Supply | Bank Loan | | J. Hofner, Capital |
| Sep 29 Balances | 13 500 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 18 370 | | 33 180 |

Figure 3.2
Equation analysis sheet for Metropolitan Movers

Updating the Equation Analysis Sheet

Accounts Receivable and Accounts Payable may be abbreviated A/R and A/P for now. You will learn the standard format for listing these terms in Chapter 8.

Let us now examine how transactions affect financial position.

TRANSACTION 1: Metropolitan Movers pays \$1200 cash to reduce the Bank Loan.

After this payment is made, the financial position shown in Figure 3.2 will no longer be correct. Two changes are necessary: Cash must be reduced by \$1200 and the amount owed to the bank must also be reduced by \$1200. These changes are recorded on the equation analysis sheet shown in Figure 3.3 below.

| ASSETS | | | | | | = | LIABILITIES | | + | OWNER'S EQUITY |
|---------------------|--------------|-------------|----------------|-----------|--------|---|--------------------|-----------|---|--------------------|
| METROPOLITAN MOVERS | Cash | A/R B. Cava | A/R K. Lincoln | Equipment | Trucks | | A/P Central Supply | Bank Loan | | J. Hofner, Capital |
| Sep 29 Balances | 13 500 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 18 370 | | 33 180 |
| Trans. 1 | -1200 | | | | | | | -1200 | | |
| Balance | 12300 | 1300 | 2500 | 11500 | 24500 | | 1750 | 17170 | | 33180 |
| | <u>52100</u> | | | | | | <u>52100</u> | | | |

- ① Cash ↓ 1200 , Bank Loan ↓ 1200
- ② All other accounts remained the same
- *③ The accounting equation is in balance.

TRANSACTION 2: K. Lincoln, who owes Metropolitan Movers \$2500, pays \$1100 in partial payment of the debt.

Can you figure out the changes to be made on the equation analysis sheet? Try to do this mentally before looking at Figure 3.4 below.

| | ASSETS | | | | | = | LIABILITIES | + | OWNER'S EQUITY |
|---------------------|--------|-------------|----------------|-----------|--------|---|--------------------|-----------|--------------------|
| METROPOLITAN MOVERS | Cash | A/R B. Cava | A/R K. Lincoln | Equipment | Trucks | | A/P Central Supply | Bank Loan | J. Hofner, Capital |
| Sep 29 Balances | 13 500 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 18 370 | 33 180 |
| Transaction 1 | -1 200 | | | | | | | -1 200 | |
| New Balances | 12 300 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 17 170 | 33 180 |
| Trans 2 | +1100 | | -1100 | | | | | | |
| Balance | 13400 | 1300 | 1400 | 11500 | 24500 | | 1750 | 17170 | 33180 |
| | 52100 | | | | | | 52100 | | |

TRANSACTION 3: Equipment costing \$1950 is purchased for cash.

Again, try to make the changes mentally before looking at the entries recorded in Figure 3.5 below.

| | ASSETS | | | | | = | LIABILITIES | + | OWNER'S EQUITY |
|---------------------|--------|-------------|----------------|-----------|--------|---|--------------------|-----------|--------------------|
| METROPOLITAN MOVERS | Cash | A/R B. Cava | A/R K. Lincoln | Equipment | Trucks | | A/P Central Supply | Bank Loan | J. Hofner, Capital |
| Sep 29 Balances | 13 500 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 18 370 | 33 180 |
| Transaction 1 | -1 200 | | | | | | | -1 200 | |
| New Balances | 12 300 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 17 170 | 33 180 |
| Transaction 2 | 1 100 | | -1 100 | | | | | | |
| New Balances | 13 400 | 1 300 | 1 400 | 11 500 | 24 500 | | 1 750 | 17 170 | 33 180 |
| Trans 3 | -1950 | | | +1950 | | | | | |
| Balance | 11450 | 1300 | 1400 | 13450 | 24500 | | 1750 | 17170 | 33180 |
| | 52100 | | | | | | 52100 | | |

TRANSACTION 4: A pick-up truck is purchased at a cost of \$18 000. Metropolitan Movers pays \$10 000 cash and arranges a loan from its bank to cover the balance of the purchase price.

(Note: This is considered to be a single transaction. The bank will pay \$8000 directly to the truck dealer, who will be paid in full.) Again, try to work out the changes mentally before looking at the equation analysis sheet in Figure 3.6.

| | ASSETS | | | | | = | LIABILITIES | + | OWNER'S EQUITY |
|---------------------|--------------|-------------|----------------|--------------|--------------|---|--------------------|--------------|--------------------|
| METROPOLITAN MOVERS | Cash | A/R B. Cava | A/R K. Lincoln | Equipment | Trucks | | A/P Central Supply | Bank Loan | J. Hofner, Capital |
| Sep 29 Balances | 13 500 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 18 370 | 33 180 |
| Transaction 1 | -1 200 | | | | | | | -1 200 | |
| New Balances | 12 300 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 17 170 | 33 180 |
| Transaction 2 | 1 100 | | -1 100 | | | | | | |
| New Balances | 13 400 | 1 300 | 1 400 | 11 500 | 24 500 | | 1 750 | 17 170 | 33 180 |
| Transaction 3 | -1 950 | | | 1 950 | | | | | |
| New Balances | 11 450 | 1 300 | 1 400 | 13 450 | 24 500 | | 1 750 | 17 170 | 33 180 |
| Trans 4 | -10000 | | | | +18000 | | | +8000 | |
| Balances | 1450 | 1300 | 1400 | 13450 | 42500 | | 1750 | 25170 | 33180 |
| | 60160 | | | | | | 60100 | | |

TRANSACTION 5: Metropolitan Movers completes a storage service for B. Cava at a price of \$1500. A bill is sent to Cava to indicate the additional amount that is owed.

Work out the changes necessary and compare them with the equation analysis sheet in Figure 3.7 (on the next page).

| METROPOLITAN MOVERS | ASSETS | | | | | = | LIABILITIES | | + | OWNER'S EQUITY |
|---------------------|-------------|--------------|----------------|--------------|--------------|--------------------|--------------|--|--------------------|----------------|
| | Cash | A/R B. Cava | A/R K. Lincoln | Equipment | Trucks | A/P Central Supply | Bank Loan | | J. Hofner, Capital | |
| Sep 29 Balances | 13 500 | 1 300 | 2 500 | 11 500 | 24 500 | 1 750 | 18 370 | | 33 180 | |
| Transaction 1 | -1 200 | | | | | | -1 200 | | | |
| New Balances | 12 300 | 1 300 | 2 500 | 11 500 | 24 500 | 1 750 | 17 170 | | 33 180 | |
| Transaction 2 | 1 100 | | -1 100 | | | | | | | |
| New Balances | 13 400 | 1 300 | 1 400 | 11 500 | 24 500 | 1 750 | 17 170 | | 33 180 | |
| Transaction 3 | -1 950 | | | 1 950 | | | | | | |
| New Balances | 11 450 | 1 300 | 1 400 | 13 450 | 24 500 | 1 750 | 17 170 | | 33 180 | |
| Transaction 4 | -10 000 | | | | 18 000 | | 8 000 | | | |
| New Balances | 1 450 | 1 300 | 1 400 | 13 450 | 42 500 | 1 750 | 25 170 | | 33 180 | |
| Trans 5 | | +1500 | | | | | | | +1500 | |
| Balance | 1450 | 1800 | 1400 | 13450 | 42500 | 1750 | 25170 | | 34680 | |

Understanding changes like the ones in Transaction 5 is vital to becoming a good accountant. Transaction 5 may be analyzed as follows:

1. B. Cava owes \$1500 more to Metropolitan Movers. Therefore the figure for Accounts Receivable—B. Cava is increased by \$1500.
2. No other asset or liability is affected.
3. J. Hofner’s capital is increased by \$1500, as explained below.

There are two ways to explain this increase in capital. First, be aware that Metropolitan Movers is in the business of providing a service to earn profit. When the service to B. Cava has been completed, the \$1500 is legally owed and a gain has been made. Metropolitan Movers has earned this money. This gain is recorded by increasing the capital of the owner, J. Hofner. **Revenue**

Second, in Section 2.3 you learned that equity is a residual claim. In other words, the owner gets to claim the “leftovers.” Mathematically, the Total Assets figure has increased by \$1500. Since there are no additional liabilities, the owner claims this extra \$1500, keeping the accounting equation in balance.

*** Revenues represent an increase to owner's equity**

Drawing " **TRANSACTION 6: J. Hofner, the owner, withdraws \$500 for personal use.** "
 Work out the necessary changes and then check your work against the equation analysis sheet in Figure 3.8 below.

| | ASSETS | | | | | = | LIABILITIES | | + | OWNER'S EQUITY |
|---------------------|-------------|-------------|----------------|--------------|--------------|---|--------------------|--------------|---|--------------------|
| METROPOLITAN MOVERS | Cash | A/R B. Cava | A/R K. Lincoln | Equipment | Trucks | | A/P Central Supply | Bank Loan | | J. Hofner, Capital |
| Sep 29 Balances | 13 500 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 18 370 | | 33 180 |
| Transaction 1 | -1 200 | | | | | | | -1 200 | | |
| New Balances | 12 300 | 1 300 | 2 500 | 11 500 | 24 500 | | 1 750 | 17 170 | | 33 180 |
| Transaction 2 | 1 100 | | -1 100 | | | | | | | |
| New Balances | 13 400 | 1 300 | 1 400 | 11 500 | 24 500 | | 1 750 | 17 170 | | 33 180 |
| Transaction 3 | -1 950 | | | 1 950 | | | | | | |
| New Balances | 11 450 | 1 300 | 1 400 | 13 450 | 24 500 | | 1 750 | 17 170 | | 33 180 |
| Transaction 4 | -10 000 | | | | 18 000 | | | 8 000 | | |
| New Balances | 1 450 | 1 300 | 1 400 | 13 450 | 42 500 | | 1 750 | 25 170 | | 33 180 |
| Transaction 5 | | 1 500 | | | | | | | | 1 500 |
| New Balances | 1 450 | 2 800 | 1 400 | 13 450 | 42 500 | | 1 750 | 25 170 | | 34 680 |
| <i>Trans 6</i> | <i>-500</i> | | | | | | | | | <i>-500</i> |
| Balance | 950 | 2800 | 1400 | 13450 | 42500 | | 1750 | 25170 | | 34180 |

In analyzing Transaction 6, observe that

1. Cash is decreased by \$500, the amount withdrawn.
2. No other asset or liability is affected.
3. Capital is decreased by \$500. Assets have been withdrawn from the business. There is less to claim. Obviously, the creditors' claims are unaffected by the drop in assets. The owner must assume a smaller claim, leaving the accounting equation in balance.

Drawings represent a decrease in Owner's equity

TRANSACTION 7: One of the trucks requires an engine adjustment costing \$375. The repair is paid for in cash when the truck is picked up.

Work out the necessary changes and then check your work against the equation analysis sheet in Figure 3.9 below.

| METROPOLITAN MOVERS | ASSETS | | | | | = | LIABILITIES | | + | OWNER'S EQUITY |
|------------------------|-------------|----------------|-------------------|--------------|--------------|--------------------------|--------------|--|-----------------------|-------------------|
| | Cash | A/R B. Cava | A/R K. Lincoln | Equipment | Trucks | A/P Central Supply | Bank Loan | | J. Hofner, Capital | |
| Sep 29 Balances | 13 500 | 1 300 | 2 500 | 11 500 | 24 500 | 1 750 | 18 370 | | 33 180 | |
| Transaction 1 | -1 200 | | | | | | -1 200 | | | |
| New Balances | 12 300 | 1 300 | 2 500 | 11 500 | 24 500 | 1 750 | 17 170 | | 33 180 | |
| Transaction 2 | 1 100 | | -1 100 | | | | | | | |
| New Balances | 13 400 | 1 300 | 1 400 | 11 500 | 24 500 | 1 750 | 17 170 | | 33 180 | |
| Transaction 3 | -1 950 | | | 1 950 | | | | | | |
| New Balances | 11 450 | 1 300 | 1 400 | 13 450 | 24 500 | 1 750 | 17 170 | | 33 180 | |
| Transaction 4 | -10 000 | | | | 18 000 | | 8 000 | | | |
| New Balances | 1 450 | 1 300 | 1 400 | 13 450 | 42 500 | 1 750 | 25 170 | | 33 180 | |
| Transaction 5 | | 1 500 | | | | | | | 1 500 | |
| New Balances | 1 450 | 2 800 | 1 400 | 13 450 | 42 500 | 1 750 | 25 170 | | 34 680 | |
| Transaction 6 | -500 | | | | | | | | -500 | |
| New Balances | 950 | 2 800 | 1 400 | 13 450 | 42 500 | 1 750 | 25 170 | | 34 180 | |
| Trans 7 | -375 | | | | | | | | -375 | |
| Balance | 575 | 2800 | 1400 | 13450 | 42500 | 1750 | 25170 | | 33805 | |

In analyzing Transaction 7, observe that

1. Cash is decreased by \$375, the amount paid for the repair.
2. No other asset or liability is affected. The value of the truck on the equation analysis sheet is not increased because the engine received a tune-up.
3. Capital is decreased by \$375. Cash paid has decreased the amount of Total Assets. Since there is a smaller amount of assets to claim, and the creditors' claims are unaffected, the owner's claim must decrease in response to the reduction of assets. **Expense**
4. After the changes are recorded, the accounting equation is still in balance.

* An expense represents a reduction to Owner's equity.

Updating the Balance Sheet

The figures for an updated balance sheet for Metropolitan Movers are taken from the last line of the equation analysis sheet. Figure 3.10 below shows the new balance sheet.

| METROPOLITAN MOVERS BALANCE SHEET SEPTEMBER 30, 20– | | | |
|---|-----------------|------------------------------|-----------------|
| <i>Assets</i> | | <i>Liabilities</i> | |
| Cash | \$ 575 | Accounts Payable | |
| Accounts Receivable | | – Central Supply | \$ 1 750 |
| – B. Cava | 2 800 | Bank Loan | <u>25 170</u> |
| – K. Lincoln | 1 400 | Total Liabilities | \$26 920 |
| Equipment | 13 450 | <i>Owner's Equity</i> | |
| Trucks | 42 500 | J. Hofner, Capital | <u>33 805</u> |
| Total Assets | <u>\$60 725</u> | Total Liabilities and Equity | <u>\$60 725</u> |

Summary of Steps in Analyzing a Transaction

The following steps will help you to analyze any transaction:

Step 1 *Identify all asset and liability items that must be changed and make all necessary changes.*

When thinking about the transaction, try to be logical and use common sense.

- Carefully analyze the information given for any transaction.
- Classify each item affected as an asset or a liability.
- Decide whether each item affected is to be increased or decreased.

Step 2 *See if the owner's equity has changed.*

Remember the accounting equation. For example, if assets decrease and there is a corresponding liability decrease, the owner's equity will not change. However, if assets decrease and liabilities are unchanged, the equation must be balanced by a decrease in owner's equity. Eventually, you will come to recognize whether or not owner's equity has changed. Generally, if a business is better off after a transaction, owner's equity has increased. If a business is worse off after a transaction, owner's equity has decreased.

Step 3 *Make certain that at least two of the individual items have changed.*

It is possible for several items—assets, liabilities, or owner's equity—to change, but there can never be only one change.

Step 4 *Make sure that the equation is still in balance.*

The fundamental accounting equation must be respected: assets must equal liabilities plus owner's equity.

Homework

Section 3.2

Review Questions 1-10

Exercises 1-3

SECTION 3.2 REVIEW QUESTIONS (page 69)

1. The equation analysis sheet is necessary because it helps you analyze and record changes in a company's financial position.

2. Assets, liabilities, and capital are transferred from the balance sheet to the equation analysis sheet.

3. After each transaction is recorded on the equation analysis sheet, new column totals are calculated and these totals are balanced according to the fundamental accounting equation ($A = L + OE$). If the totals balance, then each transaction was balanced.

4. A transaction does not always change both sides of the accounting equation. For example, a transaction might increase one asset and decrease another by the same amount. In this case, the right side of the accounting equation (liabilities and equity) would be totally unchanged.

5. If the repair is paid for at a later date, then it will only affect the right side of the accounting equation. Liabilities increase by \$375 and owner's equity decreases by \$375.

6. The first step is to record the changes in any of the assets, liabilities, or both. The second step is to determine if the equity has changed. The third step is to make sure that at least two of the individual items have changed. The fourth step is to make sure that the equation is still in balance.

7. A good clue as to whether capital had changed is whether the business is better off or worse off as a result of the transaction.

8. If assets increase by \$10 000 with no corresponding change to liabilities, then capital must increase by \$10 000.

9. In addition to their memory, good accountants rely on common sense, clear thinking, and a thorough understanding of accounting theory.

10. Accounting must be done accurately to ensure financial records are correct and reliable.

| ASSETS | | | | | | = | LIABILITIES | | + | OWNER'S EQUITY |
|------------------------------|-------------|----------------|------------|------------------|--------------|---|-----------------|-----------------|---|--------------------|
| SHEILA'S INTERIOR DECORATING | Cash | A/R E. Kerluck | Supplies | Office Furniture | Automobile | | A/P Home Supply | A/P Pine Motors | | S. Kostiuk Capital |
| Opening Balance | 2 050 | 150 | 600 | 1 200 | | | 1 000 | | | 3 000 |
| Transaction 1 | | | 175 | | | | 175 | | | |
| <i>New Balances</i> | 2 050 | 150 | 775 | 1 200 | | | 1 175 | 0 | | 3 000 |
| Transaction 2 | -450 | | | 450 | | | | | | |
| <i>New Balances</i> | 1 600 | 150 | 775 | 1 650 | | | 1 175 | 0 | | 3 000 |
| Transaction 3 | 150 | -150 | | | | | | | | |
| <i>New Balances</i> | 1 750 | 0 | 775 | 1 650 | | | 1 175 | 0 | | 3 000 |
| Transaction 4 | 300 | | | | | | | | | 300 |
| <i>New Balances</i> | 2 050 | | 775 | 1 650 | | | 1 175 | | | 3 300 |
| Transaction 5 | -500 | | | | 6 500 | | | 6 000 | | |
| <i>New Balances</i> | 1 550 | | 775 | 1 650 | 6 500 | | 1 175 | 6 000 | | 3 300 |
| Transaction 6 | -700 | | | | | | -700 | | | |
| <i>New Balances</i> | 850 | | 775 | 1 650 | 6 500 | | 475 | 6 000 | | 3 300 |
| Transaction 7 | -200 | | | | | | | | | -200 |
| <i>New Balances</i> | 650 | | 775 | 1 650 | 6 500 | | 475 | 6 000 | | 3 100 |

A., B.

| ASSETS | | | | | | = | LIABILITIES | | + | OWNER'S EQUITY |
|----------------------|--------------|---------------|---------------|--------------|------------------|---|-----------------|----------------------|---|------------------|
| TRIANGLE REAL ESTATE | Cash | A/R J. Singh | A/R N. Swartz | Supplies | Office Furniture | | A/P Acme Supply | A/P Office Discounts | | J. Morse Capital |
| Opening Balance | 1 216 | 1 500 | 800 | 4 175 | 11 969 | | 1 750 | 875 | | 17 035 |
| Transaction 1 | 500 | | -500 | | | | | | | |
| <i>New Balances</i> | <i>1 716</i> | <i>1 500</i> | <i>300</i> | <i>4 175</i> | <i>11 969</i> | | <i>1 750</i> | <i>875</i> | | <i>17 035</i> |
| Transaction 2 | -300 | | | | | | -300 | | | |
| <i>New Balances</i> | <i>1 416</i> | <i>1 500</i> | <i>300</i> | <i>4 175</i> | <i>11 969</i> | | <i>1 450</i> | <i>875</i> | | <i>17 035</i> |
| Transaction 3 | | | | 495 | | | | 495 | | |
| <i>New Balances</i> | <i>1 416</i> | <i>1 500</i> | <i>300</i> | <i>4 670</i> | <i>11 969</i> | | <i>1 450</i> | <i>1 370</i> | | <i>17 035</i> |
| Transaction 4 | 4 700 | | | | | | | | | 4 700 |
| <i>New Balances</i> | <i>6 116</i> | <i>1 500</i> | <i>300</i> | <i>4 670</i> | <i>11 969</i> | | <i>1 450</i> | <i>1 370</i> | | <i>21 735</i> |
| Transaction 5 | -950 | | | | 950 | | | | | |
| <i>New Balances</i> | <i>5 166</i> | <i>1 500</i> | <i>300</i> | <i>4 670</i> | <i>12 919</i> | | <i>1 450</i> | <i>1 370</i> | | <i>21 735</i> |
| Transaction 6 | -380 | | | | | | | | | -380 |
| <i>New Balances</i> | <i>4 786</i> | <i>1 500</i> | <i>300</i> | <i>4 670</i> | <i>12 919</i> | | <i>1 450</i> | <i>1 370</i> | | <i>21 355</i> |
| Transaction 7 | -290 | | | | | | | | | -290 |
| <i>New Balances</i> | <i>4 496</i> | <i>1 500</i> | <i>300</i> | <i>4 670</i> | <i>12 919</i> | | <i>1 450</i> | <i>1 370</i> | | <i>21 065</i> |
| Transaction 8 | 1 500 | -1 500 | | | | | | | | |
| <i>New Balances</i> | <i>5 996</i> | <i>0</i> | <i>300</i> | <i>4 670</i> | <i>12 919</i> | | <i>1 450</i> | <i>1 370</i> | | <i>21 065</i> |

C.

TRIANGLE REAL ESTATE

BALANCE SHEET

OCTOBER 1, 20-

| <i>Assets</i> | | | | | <i>Liabilities</i> | | | | | |
|-------------------------|----|-------|-----|----|--------------------|-------------------------------------|----|-------|-----|---|
| <i>Cash</i> | \$ | 5 | 9 | 96 | - | <i>A/P—Acme Supply</i> | \$ | 1 | 450 | - |
| <i>A/R—N. Swartz</i> | | | 800 | 0 | - | <i>A/P—Office Discounts</i> | | 1370 | 0 | - |
| <i>Supplies</i> | | 4670 | 0 | - | | <i>Total Liabilities</i> | \$ | 2820 | 0 | - |
| <i>Office Furniture</i> | | 12919 | 0 | - | | | | | | |
| | | | | | | <i>Owner's Equity</i> | | | | |
| | | | | | | <i>J. Morse, Capital</i> | | 21065 | 0 | - |
| <i>Total Assets</i> | \$ | 23 | 885 | 0 | - | <i>Total Liabilities and Equity</i> | \$ | 23 | 885 | 0 |

A., B.

| ALLIANCE APPLIANCE SERVICES | ASSETS | | | | | | | = | LIABILITIES | | + | OWNER'S EQUITY |
|-----------------------------------|--------|-----------------|-------------------|-----------|---------|---------|----------|--------------|---------------------|---------------------|---|-------------------|
| | Cash | A/R N. Chang | A/R P. O'Neill | Equipment | Truck | Land | Building | Bank Loan | Mortgage Payable | W. Dalli Capital | | |
| Opening Balance | 6 540 | 1 100 | 529 | 8 316 | 19 750 | 140 000 | 180 000 | 15 000 | 192 700 | 148 535 | | |
| Transaction 1 | -2 500 | | | | | | | | | -2 500 | | |
| Transaction 2 | 529 | | - 529 | | | | | | | | | |
| Transaction 3 | | 390 | | | | | | | | 390 | | |
| Transaction 4 | 4 000 | | | | -19 750 | | | | | -15 750 | | |
| Transaction 5 | -900 | | | | | | | | -900 | | | |
| Transaction 6 | -700 | | | | | | | | | -700 | | |
| Transaction 7 | -5 000 | | | | 40 000 | | | 35 000 | | | | |
| Total | 1 969 | 1 490 | 0 | 8 316 | 40 000 | 140 000 | 180 000 | 50 000 | 191 800 | 129 975 | | |

Exercise 3, p. 71

C.

ALLIANCE APPLIANCE SERVICE

BALANCE SHEET

OCTOBER 21, 20-

| <i>Assets</i> | | | | | | <i>Liabilities</i> | | | | | | | |
|---------------|----|-------|---|---|---|--------------------|------------------------------|----|-------|---|---|---|---|
| Cash | \$ | 1 | 9 | 6 | 9 | - | Bank Loan | \$ | 50 | 0 | 0 | 0 | - |
| A/R—N. Chang | | 1 | 4 | 9 | 0 | - | Mortgage Payable | | 191 | 8 | 0 | 0 | - |
| Equipment | | 8 | 3 | 1 | 6 | - | Total Liabilities | | \$242 | 8 | 0 | 0 | - |
| Truck | | 40 | 0 | 0 | 0 | - | | | | | | | |
| Land | | 140 | 0 | 0 | 0 | - | <i>Owner's Equity</i> | | | | | | |
| Building | | 180 | 0 | 0 | 0 | - | W. Dalli, Capital | | 129 | 9 | 7 | 5 | - |
| Total Assets | | \$371 | 7 | 7 | 5 | - | Total Liabilities and Equity | | \$371 | 7 | 7 | 5 | - |