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Accounting I - Simplified for You™

Accounting Equation & the Recording process Sample Company



Accounting Equation

Assets = Liabilities + Owner's Equity

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Own	=	Owe	+	Worth (Capital + Revenues – Expenses)
Cash Land Equipment Supplies Inventory		Accounts Payable Taxes Payable Mortgage Payable		Capital Investment Service Revenue Payroll Expense Rent Expense Utilities Expense

Unique Designs Sample Company



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Let's congratulate Mary Smith! Today 07/01/XX, she decided to form an Interior Design Company. Mary Smith decided to become a sole proprietor doing business as (DBA) **Unique Designs**.

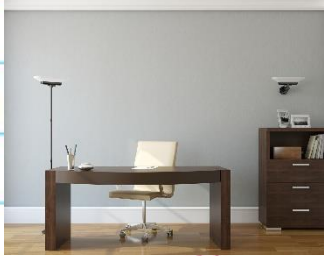
Cash Investment by Owner



On July 1, 20XX, as a sole proprietor,
Mary Smith invests \$30,000 to Unique
Designs. A bank account in the name of Unique Designs
was opened with this amount deposited.

<u>Assets</u>	=	<u>Owner's Equity</u>
Cash	=	Mary Smith, Capital
<u>30,000</u>	=	<u>30,000</u>

Office equipment purchase



On July 3, 20XX, Unique Designs purchased office equipment and furniture for use in the office for \$7,500 and paid for it in cash.

	<u>Assets</u>		=	<u>Liabilities</u>	+	<u>Owner's Equity</u>
	Cash	+ Office Equipment	=		+	Mary Smith, Capital
Bal	30,000		=		+	30,000
3-Jul	(7,500)	+ 7,500	=			
Bal	<u>22,500</u>	+ <u>7,500</u>	=	<u>0</u>	+	<u>30,000</u>

Rendered services & received payment



On July 08, 20XX Unique Designs received \$12,500 payment from customer Charles Jones for interior design services rendered.

	<u>Assets</u>		=	<u>Liabilities</u>	+	<u>Owner's Equity</u>	
	Cash	+ Office Equipment	=		+	Mary Smith, Capital	+ Service Revenues
Bal	<u>22,500</u>	+ <u>7,500</u>	=	<u>0</u>	+	<u>30,000</u>	
07/08	<u>12,500</u>		=		+		+ <u>12,500</u>
Bal	<u>35,000</u>	+ <u>7,500</u>	=	<u>0</u>	+	<u>30,000</u>	+ <u>12,500</u>

Paid Office Rent for the month



On July 10, 20XX Unique Designs paid rent for its monthly office space to ABC Realty for \$1,500.

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	<u>Assets</u>		=	<u>Liabilities</u>	+	<u>Owner's Equity</u>		
	Cash	+ Office Equipment	=		+	Mary Smith, Capital	+ Service Revenues	- Rent Expense
Bal	<u>35,000</u>	+ <u>7,500</u>	=	<u>0</u>	+	<u>30,000</u>	+ <u>12,500</u>	
10-Jul	<u>(1,500)</u>						-	<u>1,500</u>
Bal	<u>33,500</u>	+ <u>7,500</u>	=	<u>0</u>	+	<u>30,000</u>	+ <u>12,500</u>	- <u>1,500</u>

Purchased supplies on account



On July 15, 20XX Unique Designs purchased supplies for \$3,250 from XYZ Crafts on account, payable net in 30 days.

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	<u>Assets</u>				=	<u>Liabilities</u>	+	<u>Owner's Equity</u>					
	Cash	+	Office Equipment	+	Supplies	=	Accounts Payable	+	M. Smith, Capital	+	Service Revenues	-	Rent Expense
Bal	<u>33,500</u>	+	<u>7,500</u>			=	<u>0</u>	+	<u>30,000</u>	+	<u>12,500</u>	-	<u>1,500</u>
15-Jul		+		+	3,250	=	3,250						
Bal	<u>33,500</u>	+	<u>7,500</u>	+	<u>3,250</u>	=	<u>3,250</u>	+	<u>30,000</u>	+	<u>12,500</u>	-	<u>1,500</u>

Provided design services on account



On July 23, 20XX Unique Designs provided interior design services to Able Inc. and billed the client \$8,500 for services rendered.

	Assets					=	Liabilities	+	Owner's Equity						
	Cash	+	Office Equipment	+	Accounts Receivable		Supplies	=	Accounts Payable	+	M. Smith, Capital	+	Service Revenues	-	Rent Expense
Bal	33,500	+	7,500	+		+	3,250	=	3,250	+	30,000	+	12,500	-	1,500
23-Jul				+	8,500							+	8,500		
	33,500	+	7,500	+	8,500	+	3,250	=	3,250	+	30,000	+	21,000	-	1,500

Paid creditor on account



On July 28, 20XX Unique Designs paid XYZ Crafts on the amount previously owed.



Assets							=	Liabilities	+	Owner's Equity					
	Cash	+	Office Equipment	+	Accounts Receivable		Supplies	=	Accounts Payable	+	M. Smith, Capital	+	Service Revenues	-	Rent Expense
Bal	33,500	+	7,500	+	8,500	+	3,250	=	3,250	+	30,000	+	21,000	-	1,500
28-Jul	(1,000)								(1,000)						
Bal	32,500	+	7,500	+	8,500	+	3,250	=	2,250	+	30,000	+	21,000	-	1,500

Paid salaries, utilities, printing and advertising expenses



On July 29, 20XX Unique Designs paid the following expenses incurred during the month: Salaries for \$1,800; Utilities for \$375; Printing for \$650 and Advertising for \$300.

Assets						=	Liabilities	+	Owner's Equity														
	Cash	+	Office Equipment	+	Accounts Receivable		Supplies	=	Accounts Payable	+	M. Smith, Capital	+	Service Revenues	-	Rent Expense	-	Salaries Expense	-	Printing Expense	-	Utilities Expense	-	Advertising Expense
Bal	32,500	+	7,500	+	8,500	+	3,250	=	2,250	+	30,000	+	21,000	-	1,500								
29-Jul	(3,125)																1,800		375		650		300
Bal	29,375	+	7,500	+	8,500	+	3,250	=	2,250	+	30,000	+	21,000	-	1,500	-	1,800	-	375	-	650	-	300

Owner cash withdrawal



On July 31, 20XX, Mary Smith withdrew \$3,000 of her investment from the business for personal use. This is referred to as a withdrawal commonly referred to as drawing.

Assets					=	Liabilities	+	Owner's Equity																	
Cash	+	Office Equipment	+	Accounts Receivable	Supplies	=	Accounts Payable	+	M. Smith, Capital	-	M. Smith Drawing	+	Service Revenues	-	Rent Expense	-	Salaries Expense	-	Printing Expense	-	Utilities Expense	-	Advertising Expense		
Bal	29,375	+	7,500	+	8,500	+	3,250	=	2,250	+	30,000	-		+	21,000	-	1,500	-	1,800	-	375	-	650	-	300
31-Jul	(3,000)										- 3,000														
Bal	26,375	+	7,500	+	8,500	+	3,250	=	2,250	+	30,000	-	3,000	+	21,000	-	1,500	-	1,800	-	375	-	650	-	300

Transaction Summary

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Assets					=	Liabilities	+	Owner's Equity																		
	Cash	+	Office Equipment	+	Accounts Receivable		Supplies	=	Accounts Payable	+	M. Smith, Capital	-	M. Smith Drawing	+	Service Revenues	-	Rent Expense	-	Salaries Expense	-	Printing Expense	-	Utilities Expense	-	Advertising Expense	
1-Jul	30,000							=		+	30,000															
3-Jul	(7,500)	+	7,500					=																		
Bal	22,500	+	7,500					=	0	+	30,000															
8-Jul	12,500							=							+	12,500										
Bal	35,000	+	7,500					=	0	+	30,000				+	12,500										
10-Jul	(1,500)															-	1,500									
Bal	33,500	+	7,500					=	0	+	30,000				+	12,500	-	1,500								
15-Jul							3,250		3,250																	
Bal	33,500	+	7,500				+ 3,250	=	3,250	+	30,000				+	12,500	-	1,500								
23-Jul				+	8,500										+	8,500										
Bal	33,500	+	7,500	+	8,500		+ 3,250	=	3,250	+	30,000				+	21,000	-	1,500								
28-Jul	(1,000)								(1,000)																	
Bal	32,500	+	7,500	+	8,500		+ 3,250	=	2,250	+	30,000				+	21,000	-	1,500								
29-Jul	(3,125)																-	1,800	-	375	-	650	-	300		
Bal	29,375	+	7,500	+	8,500		+ 3,250	=	2,250	+	30,000				+	21,000	-	1,500	-	1,800	-	375	-	650	-	300
31-Jul	(3,000)												- 3,000													
Bal	26,375	+	7,500	+	8,500		+ 3,250	=	2,250	+	30,000	-	3,000	+	21,000	-	1,500	-	1,800	-	375	-	650	-	300	

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Keep

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Educating

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Yourself

