

# Bookkeeping Examples - I

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- Increase an asset and increase a liability or equity
  - Receive \$100 cash from a bank loan
- Balance Sheet Equation

Assets	=	Liabilities	+	Equity
100	=	100	+	0

- Journal Entry

Dr. Cash (+A)	100
Cr. Notes Payable (+L)	100

- T - accounts

Cash (A)	Notes Payable (L)
100	100
Bal. 100	100 Bal.

## Bookkeeping Examples - II

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- Decrease an asset and decrease a liability or equity
  - Repay \$20 of a bank loan
- Balance Sheet Equation

Assets	=	Liabilities	+	Equity
(20)	=	(20)	+	0

- Journal Entry
  - Dr. Notes Payable (-L) 20
  - Cr. Cash (-A) 20

- T - accounts

Cash (A)		Notes Payable (L)	
100	20	20	100
Bal. 80			80 Bal.

## Bookkeeping Examples - III

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- Increase an asset and decrease an asset
  - Pay \$10 in cash for inventory

- Balance Sheet Equation

Assets =	Liabilities	+	Equity
10, (10) =	0	+	0

- Journal Entry

Dr. Inventory (+A)	10
Cr. Cash (-A)	10

- T - accounts

<div>Cash (A)</div> <table><tr><td>100</td><td>20</td></tr><tr><td></td><td>10</td></tr><tr><td>Bal. 70</td><td></td></tr></table>	100	20		10	Bal. 70		<div>Inventory (A)</div> <table><tr><td>10</td><td></td></tr><tr><td>Bal. 10</td><td></td></tr></table>	10		Bal. 10		<div>Notes Payable (L)</div> <table><tr><td>20</td><td>100</td></tr><tr><td></td><td></td></tr><tr><td></td><td>80</td></tr><tr><td></td><td>Bal.</td></tr></table>	20	100				80		Bal.
100	20																			
	10																			
Bal. 70																				
10																				
Bal. 10																				
20	100																			
	80																			
	Bal.																			

## Bookkeeping Examples - IV

- Increase a liability or equity and decrease another liability or equity
  - Issue \$80 in Common Stock to pay off the bank loan
- Balance Sheet Equation

Assets	=	Liabilities	+	Equity
0	=	(80)	+	80

- Journal Entry

Dr. Notes Payable (-L)	80
Cr. Common Stock (+SE)	80

- T - accounts

Cash (A)	Inventory (A)	Notes Payable (L)	Common Stock (SE)																				
<table><tr><td>100</td><td>20</td></tr><tr><td></td><td>10</td></tr><tr><td>Bal. 70</td><td></td></tr></table>	100	20		10	Bal. 70		<table><tr><td>10</td><td></td></tr><tr><td>Bal. 10</td><td></td></tr></table>	10		Bal. 10		<table><tr><td>20</td><td>100</td></tr><tr><td>80</td><td></td></tr><tr><td></td><td>0 Bal.</td></tr></table>	20	100	80			0 Bal.	<table><tr><td></td><td>80</td></tr><tr><td></td><td>80 Bal.</td></tr></table>		80		80 Bal.
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20	100																						
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## What is the Journal Entry?

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- BOC issues 10,000 shares of \$5 par value stock for \$15 cash per share

Dr. Cash (+A)	150,000
Cr. Common Stock–Par (+SE)	50,000
Cr. Additional Paid in Capital (+SE)	100,000

## What is the Journal Entry?

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- BOC acquires a building costing \$500,000. It pays \$80,000 cash and assumes a long-term mortgage for the balance of the purchase price

Dr. Buildings (+A)	500,000	
Cr. Cash (-A)		80,000
Cr. Mortgage Payable (+L)	420,000	

## What is the Journal Entry?

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- BOC obtains a 3-year fire insurance policy and pays the \$3,000 premium in advance

Dr. Prepaid Insurance (+A)	3,000	
Cr. Cash (-A)		3,000

## What is the Journal Entry?

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- BOC acquires on account office supplies costing \$20,000 and merchandise inventory costing \$35,000

Dr. Office Supplies (+A)	20,000	
Dr. Inventory (+A)	35,000	
Cr. Accounts Payable (+L)		55,000



## What is the Journal Entry?

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- BOC pays \$22,000 to its suppliers

Dr. Accounts Payable (-L)	22,000	
Cr. Cash (-A)		22,000

## What is the Journal Entry?

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- BOC exchanges a building valued on the books at \$200,000 for a piece of undeveloped land

Dr. Land (+A)	200,000	
Cr. Building (-A)		200,000

## What is the Journal Entry?

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- BOC retires \$1,000,000 of debt by issuing 100,000 shares of \$5 par value stock

Dr. Notes Payable (-L)	1,000,000
Cr. Common Stock–Par (+SE)	500,000
Cr. Additional Paid in Capital (+SE)	500,000

## What is the Journal Entry?

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- BOC receives an order for \$6,000 of merchandise to be shipped next month. The customer pays \$600 at the time of placing the order

Dr. Cash (+A)	600	
Cr. Advances from Customers (+L)		600

## What is the Journal Entry?

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- BOC declares and pays \$8,000 of cash dividends

Dr. Retained Earnings (-SE) 8,000

Cr. Cash (-A) 8,000