## Transaction 3: Purchase Equipment with cash

Rose Designs buys equipment, $10,000 with cash. This transaction increases and decreases the assets of the business as follows:

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| --- |
| This table will be replaced by Leonardo item = leo-leonardo-dev-482 |
|  |
|  |
|  |

**Step 1: Identify the accounts and account type**. The two accounts involved are *Equipment (Asset)* and *Cash (Asset).* Equipment is an asset, not an expense, because the equipment is of value to the company and will benefit it in the future.

Why does a business record the purchase of equipment as an asset instead of an expense?

**Step 2: Decide if each account increases or decreases.** *Equipment increases*. The business now has more equipment than it had before. *Cash decreases.* The business now has less cash than it did before.

**Step 3: Determine the impact on the financial statements**. The *balance sheet* reflects a $10,000 decrease to the asset, Cash, and a $10,000 increase to the asset, Equipment. *The statement of cash flows, investing, is decreased by $10,000.*