## Transaction 4: Development of Company Logo with cash

Rose Designs spends $5,000 in the development of a company logo. A company logo is an example of an intangible asset. Intangible assets are long-term assets that convey special rights, such as the exclusive right to produce or sell an invention (patent) or book (copyright), or the symbol or image of a distinctive brand (trademark).

Intangible asset: An asset with no physical form that is valuable because of the special rights it carries.

The effect on the accounting equation is as follows:

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| This table will be replaced by Leonardo item = leo-leonardo-dev-482 |
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**Step 1: Identify the accounts and account type.** The two accounts involved are *Cash (Asset)* and *Trademark (Asset).*

**Step 2: Decide if each account increases or decreases.** *Cash decreases*. The business paid cash to develop the trademark. *Trademark increases*. The business now has a company logo that will be of benefit in the future.

**Step 3: Determine the impact on the financial statements.**  The *balance sheet* reflects a $5,000 decrease to the asset, Cash, and a $5,000 increase to the asset, Trademark. The *statement of cash flows, investing*, decreases by $5,000**.**