## Transaction 5: Purchase furniture on Account

Rose Designs purchases furniture, $4,000, using the company’s credit card. The company plans to pay its credit card in full in 60 days. This transaction affects the accounting equation of Rose Designs as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **ASSETS** | | | | | | | **=** | **LIABILITIES** | | | **+** | **STOCKHOLDERS’ EQUITY** | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Retained Earnings** | | | | |
|  | Cash | + | Furniture | + | Equipment | + | Trademark | = | Accounts Payable | + | Notes Payable | + | Common  Stock | − | Dividends | + | Revenues | − | Expenses |
| Bal. | $ 85,000 |  |  | + | $ 10,000 | + | $ 5,000 | = |  |  | $ 80,000 | + | $ 20,000 |  |  |  |  |  |  |
| (5) |  |  | +4,000 |  |  |  |  |  | 4,000 |  |  |  |  |  |  |  |  |  |  |
| Bal. | $ 85,000 | + | $ 4,000 | + | $ 10,000 | + | $ 5,000 | = | $ 4,000 | + | $ 80,000 | + | $ 20,000 |  |  |  |  |  |  |

**Note:** *Try changing Furniture and Accounts Payable values in the green boxes of the Accounting Equation above. The impacting changes will reflect in the Balance Sheet table.*

Following table illustrates the impact of this transaction on the "Financial Statements" of Rose Designs:

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