## Transaction 1: Issue Stock to Stockholders

Sophie Rose, owner of Rose Designs, the interior design company we previously introduced, has decided to invest $20,000 cash in her business. In exchange for her cash contribution, the corporation will issue common stock to Sophie. We will use the expanded accounting equation to evaluate how this transaction affects the business:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **ASSETS** | **=** | **LIABILITIES** | **+** | **STOCKHOLDERS’ EQUITY** | | | | | | |
|  |  |  |  |  |  |  | **Retained Earnings** | | | | |
|  | Cash | = |  | + | Common  Stock | − | Dividends | + | Revenues | − | Expenses |
| (1) | +20,000 |  |  |  | +20,000 |  |  |  |  |  |  |

**Note:** *Try changing Cash and Common Stock values in the blue boxes of the Accounting Equation above. The impacting changes will reflect in the Balance Sheet and Statement of Cash Flow tables.*

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

|  |
| --- |
| This table will be replaced by Leonardo item |
|  |
|  |