An economic event that affects two or more accounts is called a **transaction**. Common business transactions include the business doing the following:

**1. Issuing Stock for Cash**

*Cash* increases AND *Common Stock* increases

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Stella and Eddie raise $5,000 from a friend of theirs, Marie, who becomes an investor in Core Fitness.  When stock is issued to Marie, Common Stock increases by $5,000 and Core Fitness receives cash of $5,000.



**2. Pay Cash for Rent**

*Retained Earnings* decreases (for expense incurred) AND *Cash* decreases



Core Fitness pays $3,000 cash immediately to its landlord for January’s rent. Since this is a rent expense, net income decreases and therefore Retained Earnings decreases.  Expenses are shown as negative, as they are deductions that offset revenue and decrease net income.



**3. Sell Services to Customers for Cash**

*Cash* increases AND *Retained Earnings* increases (for revenue generated)



Core Fitness sells an annual membership for $1,000 to a customer so Revenue increases.  Cash comes into the company immediately and the cash account increases.



**4. Purchase Supplies on Account**

*Retained Earnings* decreases (for expense incurred) AND *Accounts Payable* increases



Core Fitness buys $1,000 of gym supplies that the vendor invoices now, but Core Fitness doesn’t pay until 30 days later. This increases the amount due or Account Payable by $1,000. This will decrease once Core Fitness pays the cash owed for the supplies. Since buying supplies is an expense, the expense Account changes by -$1,000.



**5. Pay Cash on Account**

*Accounts Payable* decreases AND *Cash* decreases



Core Fitness pays cash for the $1,000 supplies it bought earlier but had not paid for.  Therefore, the cash account decreases by $1,000 and the Account Payable decreases by $1,000.



**6. Sell to Customers on Account**

*Accounts Receivable* increases AND *Retained Earnings* increases (for revenue generated)



Core Finess sells a 6-monthly membership for $500 so Revenue increases by $500.  Core Fitness invoices the customer now but receives cash later. Since the customer buys this on credit, Account Receivable increases by $500.



**7. Receive Cash on Account**

*Accounts Receivable* decreases AND *Cash* increases



Core Fitness ultimately receives $500 in cash for the membership sold on credit.  Therefore Cash increases and Account Receivable decreases.

