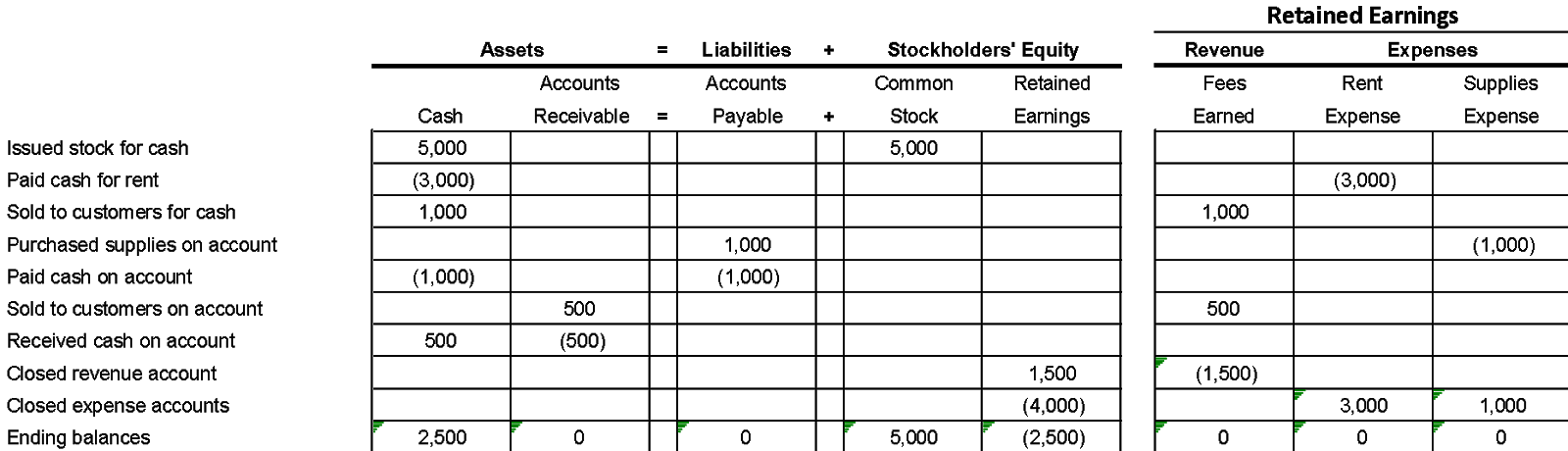
The following transaction grid illustrates how an aggregated picture of Core Fitness’ common business transactions we just learnt about fit into the accounting equation.



You will notice that each Core Fitness transaction in the first column impacts two accounts. For the asset, liability, and stockholders’ equity amounts, positive numbers represent increases and negative amounts indicate decreases. The ending balances prove that total assets of $2,500 ($2,500 + $0) equal total liabilities and stockholders’ equity of $2,500 ($0 + $5,000 - $2,500).

The revenue and expense accounts are used temporarily during the period to record operational transactions. At the end of the period, these accounts’ ending balances are set back to zero by transferring them to the Retained Earnings account under Closed revenue account and Closed expense accounts. As a result, the Retained Earnings balance for Core Fitness decreased by the net loss of $2,500.

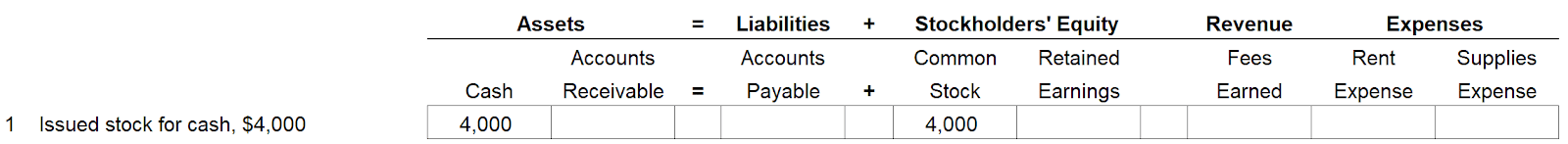
### Interactive Exercise 2: Accounting Transaction Grid

**Instruction:** For each account type listed, select corresponding account that falls in that category.

1. Complete the accounting transactions grid for an investment transaction.



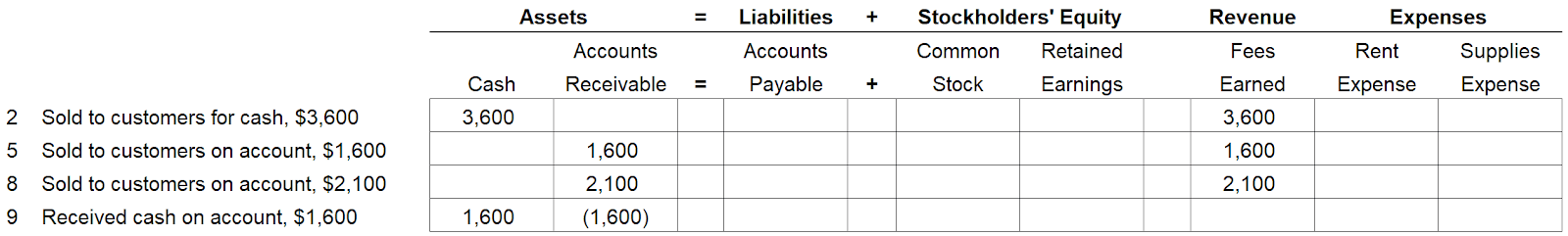
*[Hint: Stock is issued when an investor contributes cash to the business.]*



1. Complete the accounting transactions grid for transactions related to sales to customers



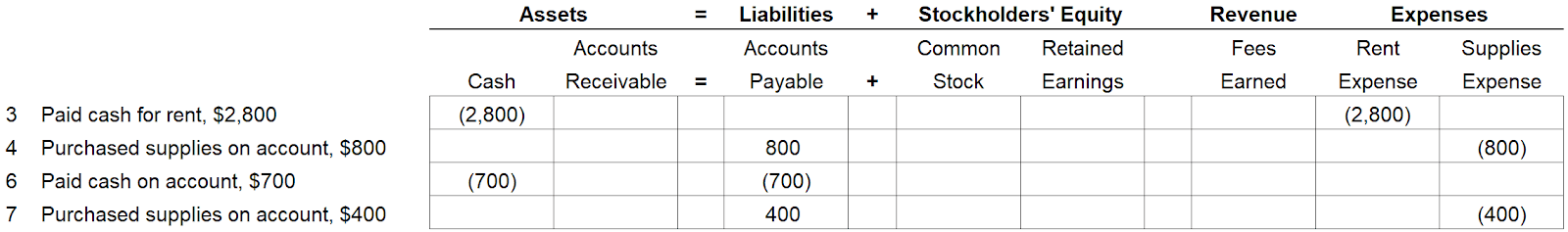
*[Hint: A sale to a customer is considered revenue. At the time of sale, the customer may pay cash or be sent an invoice.]*



1. Complete the accounting transactions grid for transactions related to purchases from vendors.



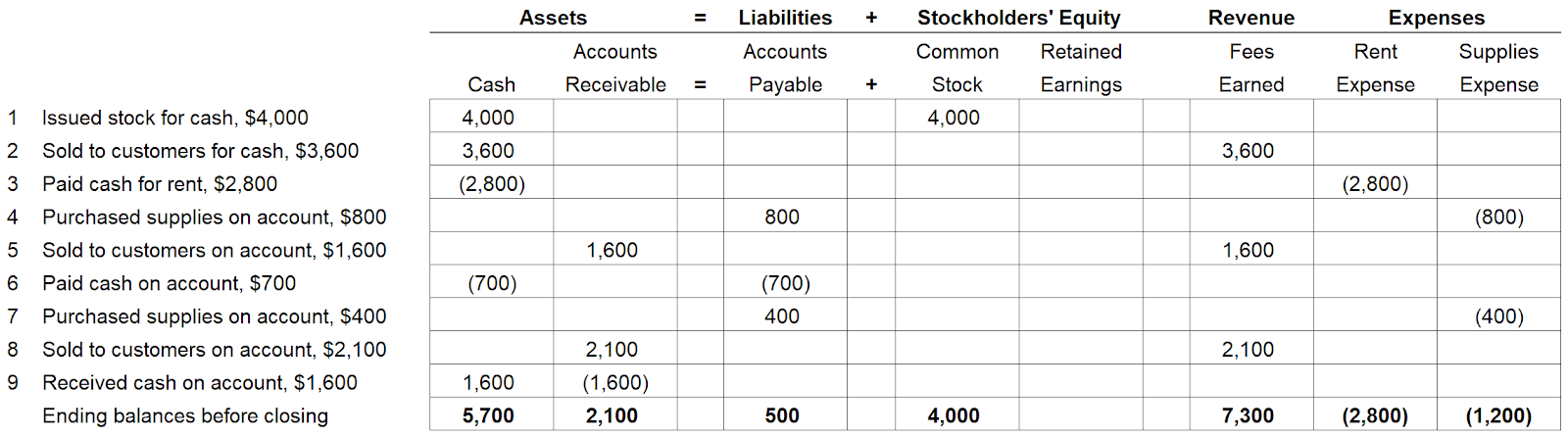
*[Hint: A purchase of either a service or product may be paid for with cash or be billed to the company on account.]*



1. The following accounting transactions grid summarizes your entries from the previous three parts. Enter the totals for each account column in the last row.

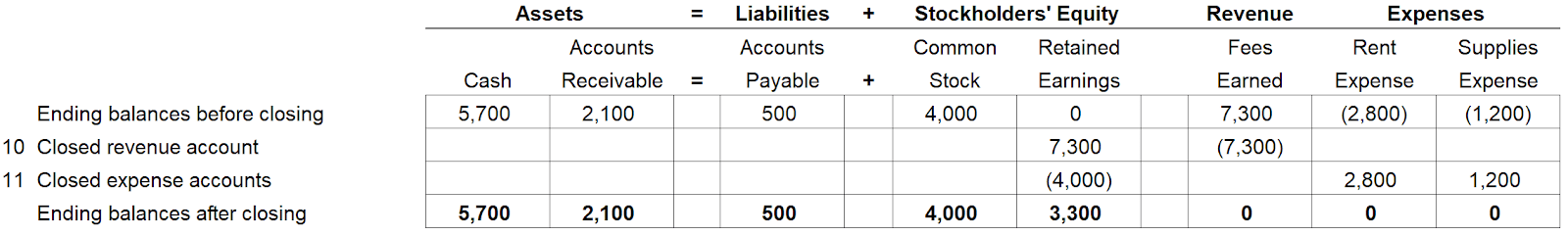


*[Hint: Revenue and expense balances are set back to zero at the end of the accounting period.]*

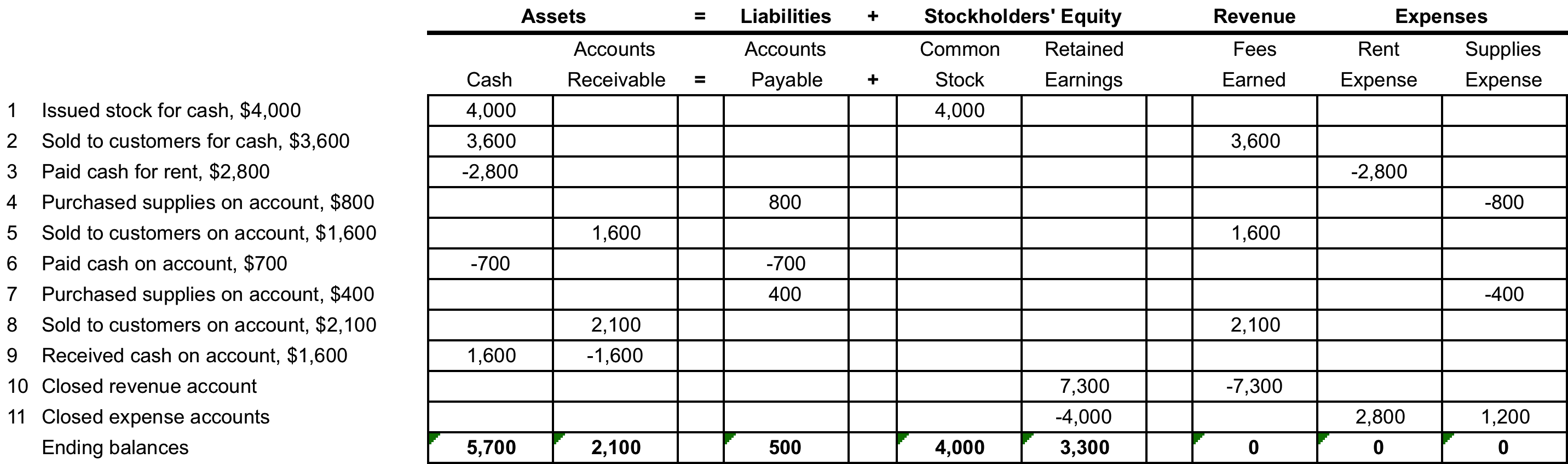


1. Based on the correct entries for part 4, complete the closing entries and ending balances after closing.





**The following grid shows an aggregated picture of all the transactions just completed.**



### Test Your Understanding

<ignore>

Which transaction in column A correctly matches with the corresponding account changes in column B?

   Column A                                        Column B

a. Purchase supplies on account     =>   *Retained Earnings* increases (for expense) AND *Accounts Payable* decreases

b. Sell to customers on account   =>      *Accounts Receivable* increases AND *Retained Earnings* decreases (for revenue)

c. Pay cash on account    =>          *Accounts Payable* decreases AND *Cash* decreases

d. Receive cash on account => *Cash* decreases AND *Accounts Receivable* increases

</ignore>