LO: Journalize additional transactions by applying the rules of debit and credit to additional business events

* Journalize an equity investment transaction.

Now that the processes of journalizing, posting to the ledgers, and preparing a trial balance have been presented, additional transactions that are typical to many businesses will be illustrated and recorded in the journal.

## Investments by Owners

1.  Core Fitness receives $10,000 cash from an investor, Jay. Jay now owns $10,000 of common stock in Core Fitness.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | |  | | | | |  |
| **Date** | **Account** |  | **Debit** | **Credit** |  |  |  |  |  |  |  |  |
| 6/1 | Cash |  | 10,000 |  | ▲ *Cash* is an **asset** account that is **increasing**. | | | | | | |
|  | Common Stock |  |  | 10,000 | ▲ *Common Stock* is a **stockholders’ equity** account that is **increasing**. | | | | | | |
|  |  |  |  |  |  | | | | | | |
|  |  |  |  |  |  | | | | | | |

## Interactive Exercise 8 – Investment transaction

Instructions:  Journalize the following transaction.

A corporation receives $25,000 cash from an investor.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | | | | | |  |
| **Date** | **Account** |  | **Debit** | **Credit** |  |  |  |  |  |  |  |
| 6/1 |  |  |  |  |  | | | | | | |
|  |  |  |  |  |  | | | | | | |
|  |  |  |  |  |  | | | | | | |
|  |  |  |  |  |  | | | | | | |

*[Hint:* An asset is increasing. A stockholders’ equity account is also increasing.]

*[ANSWER KEY]*

A corporation receives $25,000 cash from an investor.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | | | | | |  |
| **Date** | **Account** |  | **Debit** | **Credit** |  |  |  |  |  |  |  |
| 6/1 | Cash |  | 25,000 |  |  | | | | | | |
|  | Common Stock |  |  | 25,000 |  | | | | | | |
|  |  |  |  |  |  | | | | | | |
|  |  |  |  |  |  | | | | | | |