Slide 1

3.1 The Accounting Equation

Objectives
- Expand the accounting equation to include revenue and expenses

Slide 2

Accounting Equation

\[ \text{ASSETS} = \text{LIABILITIES + STOCKHOLDERS' EQUITY} \]

- Revenue increases RE
- Expenses reduce RE

Slide 3

Analyzing Transactions with the Accounting Equation

1. Investment of $10,000 cash by stockholders
2. Note issued in exchange for $5,000 cash
3. Purchased $5,600 worth of office equipment for cash
4. Services rendered for $11,200 cash
5. Payment of $4,000 for Employee Salaries
6. Discussion of a potential $15,000 service contract with a customer
7. Purchased $8,000 in inventory on account
8. Made payment of $5,000 on the inventory we purchased in #7
Transaction analysis problem solution

Please access ACCTEQUATIONsolution.xls. I recommend that you make a hardcopy and do the problem by hand with the audio prior to viewing the solution.

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