

I. THE ACCOUNTING EQUATION

Write the accounting equation at the top of these three T accounts. Place the abbreviation DR. and CR. on the proper side of all T accounts. Also, use a plus or minus sign to indicate the directional change each side of the T account represents.

ASSETS	
DR.	CR.
+	-

LIABILITIES	
DR.	CR.
-	+

OWNER'S EQUITY	
DR.	CR.
-	+

II. ANALYZING TRANSACTIONS - SAMPLE PROBLEM

Instructions: Record only the current transaction information in T accounts arranged according to the Accounting Equation.

- Linda Smith, a sophomore at State University, started the Speedy Ironing Service with a \$125 cash investment on Sept. 1, 1991.

Cash	
125	

Capital, Linda Smith	
	125

- On Sept. 1, paid \$60 for 4 months of ads in the school newspaper.

Cash	
	60

Prepaid Advertising	
60	

- On Sept. 1, purchased Ironing Supplies for \$10 cash.

Cash	
	10

Ironing Supplies	
10	

- On Sept. 1, purchased \$60 of Ironing Equipment paying \$30 down.

Cash		Accounts Payable	
	30		30

Ironing Equipment	
60	

- Linda made an additional investment of \$25.

Cash	
25	

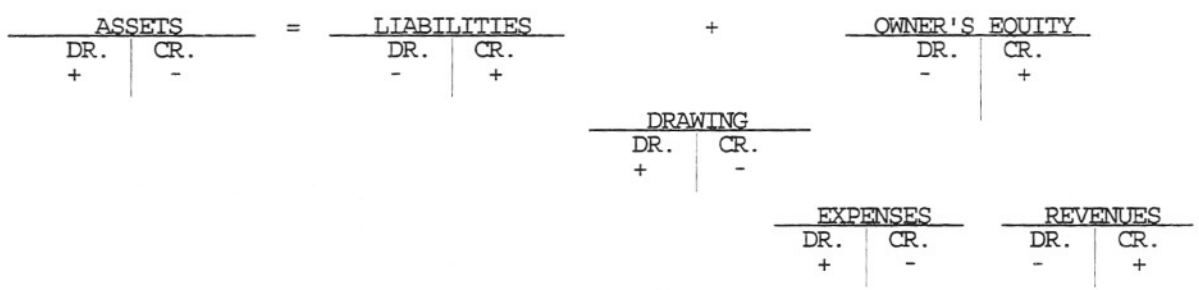
Capital, Linda Smith	
	25

- Paid one-half the amount owed on the Ironing Equipment.

Cash		Accounts Payable	
	15		15

III. THE EXPANDED ACCOUNTING EQUATION

Write the expanded accounting equation at the top of these T accounts. Place the abbreviation DR. and CR. on the proper side of all T accounts. Also, use a plus or minus sign to indicate the directional change each side of the T account represents.



IV. ANALYZING TRANSACTIONS

Instructions: Record only the current transaction information in T accounts arranged according to the expanded Balance Sheet Equation.

7. Linda withdrew \$30 for personal use.



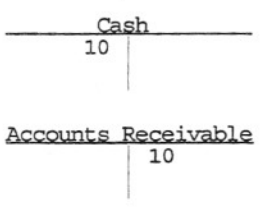
8. Cash collected for Ironing Services performed during the first month amounted to \$150. \$20 was also due for services rendered.



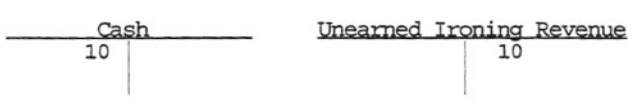
9. Paid September rent of \$50 for a room used when ironing clothes.



10. Received \$10 on account.



11. On Sept. 26, two students each paid \$5 for next week's Laundry Service.



12. Paid monthly phone bill of \$20.

