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.

II. ANALYZING TRANSACTIONS - SAMPLE PROBLEM

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

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

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

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

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

5. Linda made an additional investment of $25.

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


NOTE: Complete solutions to Practice Sets are located at the end of Quick Notes. Page numbers are the same as those of the corresponding Practice Set and are preceded by the letter A. The answers to this Practice Set begin on page A4.