

Name _____

EQUATION ANALYSIS SHEET (EAS)

| Transaction | Assets | | | Liabilities | | Owner's Equity | |
|--------------------|--------|-----------------------|-----------|-------------|-----------|------------------|---------|
| | Bank | A/R | Equipment | A/P | Bank Loan | B. Gold, Capital | |
| | | B. Smith B. Wright | | B. Late | | | |
| Beginning balances | 1,000 | 500 | 500 | 23,000 | 4,000 | 18,000 | 3,000 |
| Transaction 1 | -200 | | +200 | | | | |
| New Balances | 800 | 500 | 500 | 23,200 | 4,000 | 18,000 | 3,000 |
| Transaction 2 | -500 | | | -500 | | | |
| New Balances | 300 | 500 | 500 | 23,200 | 3,500 | 18,000 | 3,000 |
| | | \$24,500 | | = | \$21,500 | + | \$3,000 |

Analyzing Transactions using the Equation Analysis Sheet

Don't forget that for each business transaction:

Tips for Analyzing Transactions using the Equation Analysis Sheet

For each business transaction:

- two accounts will usually change (other than a few select transactions where three accounts will change, namely extraordinary transactions and purchases involving partial down-payments)
- at least one asset will always change, and sometimes two (other than one particular type of transaction where none of the assets are involved)
- always start with the assets to determine which accounts will change, then move onto the liabilities, and then look at equity (capital) if necessary
- the dollar changes to the left side (assets) of the equation must be exactly the same as the dollar changes to the right side of the equation (liabilities and equity)

- as of right now equity is only represented by the capital account, but in chapter five the concept of equity will be expanded to include capital, revenues, expenses and owner's drawings (CRED)

Remember to give your equations for each transaction

- at least two account values (A, L, OE) must change (increase or decrease)
- at least one asset value must always change *(with one exception – see below)
- an **asset** only changes when the business owns more or less of that asset
- a **liability** only changes when the business owes more or less money to its creditors
- **capital** only changes when the overall value of the business increases or decreases
- generally speaking, **capital increases** when: goods or services are sold for cash (sell now, collect now) or on account (sell now, collect later) in the ordinary course of operations, the owner invests cash or another asset into the business, or a company asset is sold for a gain in an extraordinary transaction
- generally speaking, **capital decreases** when: the company pays for ordinary/routine business costs or expenses or a bill is received for same but not yet paid, the owner withdraws cash or another asset from the business, or a company asset is sold for a loss in an extraordinary transaction

*(the only exception to the rule that states at least one asset must always change in each business transaction)



 APO Bookkeeping Services

Balance Sheet
2021/26/04

Assets

Current Assets:

| | | | |
|-----------------------------|--|---|---|
| Cash | | R | - |
| Accounts Receivable | | | |
| Less: Reserve for Bad Debts | | R | - |
| Merchandise Inventory | | R | - |
| | | R | - |
| | | R | - |

Total Current Assets

R -

Fixed Assets:

| | | | |
|--------------------------------|-----|---|---|
| B. Smith | | | |
| Less: Accumulat | | R | - |
| B. Wright | | | |
| Less: Accumulated Depreciation | | R | - |
| Less: Accumulat | | R | - |
| Equipment | | | |
| Less: Accumulat | R - | R | - |
| Land | | R | - |

Total Fixed Assets

R -

Other Assets:

| | | | |
|----------|--|---|---|
| Goodwill | | R | - |
|----------|--|---|---|

Total Other Assets

R -

Total Assets

R -

Liabilities and Capital

Current Liabilities:

| | | | |
|------------------------------|--|---|---|
| Accounts Payable | | R | - |
| Sales Taxes Payable | | R | - |
| Payroll Taxes Payable | | R | - |
| Accrued Wages Payable | | R | - |
| Unearned Revenues | | R | - |
| Short-Term Notes Payable | | | |
| Short-Term Bank Loan Payable | | | |

Total Current Liabilities

R -

Long-Term Liabilities:

| | | | |
|-------------------------|--|---|---|
| Long-Term Notes Payable | | | |
| Mortgage Payable | | R | - |

Total Long-Term Liabilities

R -

Total Liabilities

R -

Capital:

| | | | |
|----------------|--|---|---|
| Owner's Equity | | | |
| Net Profit | | R | - |

Total Capital

R -

Total Liabilities and Capital

R -

