

Name \_\_\_\_\_

## Equity Expanded: Revenues, Expenses, Drawings, Capital

### Sample entries for selected business transactions

#### **1. Provided services for cash, \$100**

Cash – dr – 100

--- Fees Earned – cr – 100

Cash sale

#### **2. Sold goods for cash, \$100**

Bank – dr – 100

--- Sales – cr – 100

Cash sale

#### **3. Provided services on account, \$100**

Accounts Receivable – dr – 100

----- Fees Earned – cr – 100

Sale on account

#### **4. Sold goods on account, \$100**

Accounts Receivable – dr – 100

----- Sales – cr 100

Sale on account

#### **5. Received payment from debtor customer, \$100**

Cash – dr – 100

-- Accounts Receivable – cr – 100

Receipt on account

**6. Purchased supplies on account, \$100**

Supplies – dr – 100

-- Accounts Payable – cr – 100

Purchase on account

**7. Issued cheque to creditor supplier, \$100**

Accounts Payable – dr 100

----- Bank – cr – 100

Payment on account

**8. Owner withdraws \$100 for personal use**

B. Gold, Drawings – dr – 100

----- Cash – cr – 100

Owner withdrawal

**9. Owner invests \$100 into business**

Bank – dr – 100

-- B. Gold, Capital – cr – 100

Owner investment

**10. Sold company car valued at \$5,000 for \$1,000 in extraordinary transaction**

Cash – dr – 1000

B. Gold, Capital – dr – 4000

----- Automobiles – cr – 5000

Sale of company asset for a loss in extraordinary transaction

**11. Paid weekly salaries, \$1000**

Salaries Expense – dr – 1000

----- Bank – cr – 1000

Paid salaries

12. Received bill from phone company demanding payment for phone usage, \$100

Telephone Expense – dr – 100

----- Accounts Payable – cr – 100

Purchase on account

(Once again please note that transaction #12 above is typically the only business transaction that does not involve an asset.)

## SUMMARY OF DEBIT CREDIT THEORY

### 1) Asset

increase – **debit** (more asset)

decrease – **credit** (less asset)

### 2) Liability

increase – **credit** (more debt/liability)

decrease – **debit** (less debt/liability)

### 3) Capital (Equity)

increase – **credit** (increase in company value via owner investment or sale of company asset for gain in extraordinary transaction)

decrease – **debit** (decrease in company value via sale of company asset for loss in extraordinary transaction)

#### 4) Drawings (Equity)

**debit** (owner withdrawal of money or another company asset for personal use)

#### 5) Revenue (Equity)

**credit** (sale of goods or services in ordinary course of operations, whether paid for immediately or at a later date)

#### 6) Expense (Equity)

**debit** (incurrence of regular cost/expense of running business in ordinary course of operations, whether paid for immediately or at a later date)

### SUMMARY OF DOUBLE ENTRY SYSTEM OF ACCOUNTING

For each business transaction:

- at least one account must be debited and at least one account must be credited (one debit, one credit)
- debits are always listed first and credits are always listed last (debits before credits)
- the total dollar value of the debits must equal the total dollar value of the credits (debits equal credits)

January					MONEY IN				
Details					Income				Total Money In
Date	Payment Type	Name	Description	Ref	Sales	owners investment	Debitors account	prurchases	
TOTALS								0,00	
1-Jan	Cash	Services for	Provided services for cash					0,00	
2-Jan	Cash	sold goods	Sold goods for cash						
3-Jan	Account	Cr- Account	Provided services on account,						
4-Jan	Account	Cr- Account	Sold goods on account						
5-Jan	Account	Dr- Account	Received payment from debtor customer						
6-Jan	Account	Cr- Account	Purchased supplies on account						
7-Jan	Crediiors	Cr- Account	Issued cheque to creditor supplier						
8-Jan	Drawings	Bank	Owner withdraws						
9-Jan	Invest	Investment	Owner invests						
10-Jan	sold car	sold car	Sold company car						
10-Jan	sold car	sold car	Sold company car/ extra loss						
10-Jan	cash	sold car	Sold company car						
11-Jan	saleries	saleries	Paid weeklysalaries						
12-Jan	expens	expens	Telephone Expense						





MONEY OUT								
Expenses						Total Money Out	BANK BALANCE	
Bank withdrawls	Expenses	cash	Creditor account	Vehicle Expenses	Salaries			R
						0,00	Opening Bank Balance	
						0,00		
						0,00		R
						0,00		R
						0,00		R
						0,00		R
						0,00		R
						0,00		R
						0,00		R
						0,00		R
						0,00		R
						0,00		R
						0,00		