

AFTER  
YOU

READ

**Reinforce the Main Idea**

Create a chart like this one to summarize the rules of debit and credit. Fill in each blank box with the word *debit* or the word *credit*.

	Asset Accounts	Liability Accounts	Owner's Capital Account
Normal Balance			
Increase Side			
Decrease Side			

**Do the Math**

During the month of December, Poremba Pizza wrote checks totaling \$4,800. Two-thirds of this amount was used to purchase a computer for cash. The remaining amount was used to pay an outstanding invoice for kitchen equipment purchased from Restaurant City.

1. List the account(s) debited and the debit amount(s).
2. List the account(s) credited and the credit amount(s).

**Problem 4-1 Applying the Rules of Debit and Credit**

Speedy Appliance Repair, owned by R. Lewis, uses the following accounts:

**General Ledger**

Cash in Bank  
Accounts Receivable  
Office Equipment  
Accounts Payable  
R. Lewis, Capital



**Instructions** In the form provided in your working papers:

1. Classify each account as an asset, liability, or owner's capital account.
2. Indicate whether the increase side is a debit or a credit.
3. Indicate whether the decrease side is a debit or credit.
4. Indicate whether the normal balance for the account is a debit or credit balance.

The **Cash in Bank** account is completed as an example.

Account Name	Account Classification	Increase Side	Decrease Side	Normal Balance
Cash in Bank	Asset	Debit	Credit	Debit

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**Reinforce the Main Idea**

Imagine that you have your own business. Write a description of a typical transaction your business would have. On a sheet of paper, express the same transaction in T-account form.

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**Do the Math**

Diane Hendricks always dreamed of owning a recording studio. On February 1 Diane withdrew \$10,000 from personal savings and deposited it in a new business checking account for Hendricks Sound. On February 2 Hendricks Sound made a \$2,000 down payment on equipment that cost \$8,000. The remaining balance will be paid at a later date. What is the accounting equation for Hendricks Sound after these transactions?

**Problem 4-2 Identifying Increases and Decreases in Accounts**

Alice Roberts uses the following accounts in her business:

**General Ledger**

Cash in Bank  
Accounts Receivable  
Office Furniture

Office Equipment  
Accounts Payable  
Alice Roberts, Capital

**Instructions** Analyze each of the following transactions. In your working papers, explain the debit and the credit. Use the format shown in the example.

**Example:**

On June 2 Alice Roberts invested \$5,000 of her own money in a business called Roberts Employment Agency.

- The asset account **Cash in Bank** is increased. Increases in asset accounts are recorded as debits.
- The owner's capital account **Alice Roberts, Capital** is increased. Increases in the owner's capital account are recorded as credits.

Date	Transactions
June 3	1. Purchased a computer on account from Computer Inc. for \$2,500.
9	2. Transferred a desk (Office Furniture) to the business. The desk is worth \$750.
15	3. Made a partial payment on account of \$1,000 to Computer Inc.



Complete problems using:

Manual Glencoe  
Working Papers

OR

Spreadsheet  
Templates

## Problem 4-3 Identifying Accounts Affected by Transactions

Ronald Hicks owns Wilderness Rentals and uses the following accounts in his business:

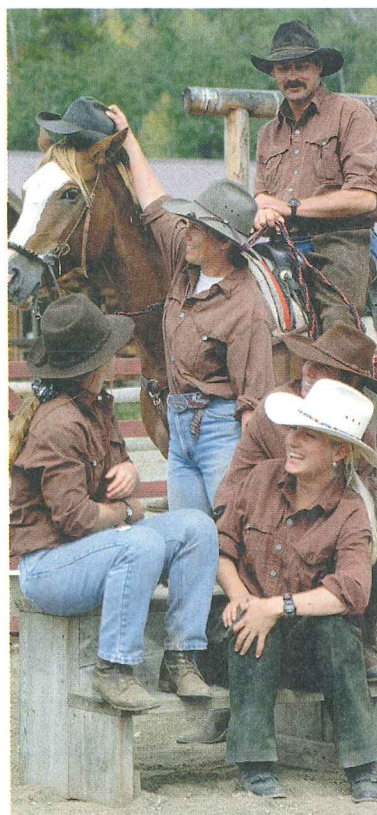
### General Ledger

101 Cash in Bank	
105 Accounts Receivable— Helen Katz	201 Accounts Payable— Adventure Equipment Inc.
120 Office Equipment	301 Ronald Hicks, Capital
125 Camping Equipment	

**Instructions** For each of the following transactions:

1. Indicate the two accounts affected.
2. Indicate whether each account is debited or credited.

Date	Transactions
May 11	1. Sold on account to Helen Katz an unneeded office typewriter.
19	2. Purchased camping equipment on credit from Adventure Equipment Inc. Payment is due within 30 days.
22	3. Ronald Hicks brought a filing cabinet from home and transferred it to the business (Office Equipment).
23	4. Purchased tents and sleeping bags for cash.



### Analyze

Identify the transactions that affect the Cash in Bank account.

## Problem 4-4 Using T Accounts to Analyze Transactions

Regina Delgado owns a business called Hot Suds Car Wash. She uses the following accounts:

### General Ledger

101 Cash in Bank	201 Accounts Payable—
110 Accounts Receivable—	Allen Vacuum Systems
Valley Auto	301 Regina Delgado, Capital
125 Office Equipment	
130 Office Furniture	
135 Car Wash Equipment	

**Instructions** For each transaction:

1. Determine which accounts are affected.
2. Prepare T accounts for the accounts affected.
3. Enter the debit and credit amounts in the T accounts.

Date	Transactions
May 5	1. Regina Delgado invested an additional \$40,000 cash in her business.
12	2. Bought another car wash system on account for \$27,000 from Allen Vacuum Systems.
17	3. Regina Delgado transferred some of her personal office furniture, valued at \$3,750, to her business.
24	4. Hot Suds Car Wash purchased additional office equipment for \$7,500. Payment was made by check.
29	5. Hot Suds Car Wash sold some surplus car washing equipment on account to Valley Auto for \$1,200.

### Analyze

Calculate the ending balance for the liability account **Accounts Payable—Allen Vacuum Systems**.