

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

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:

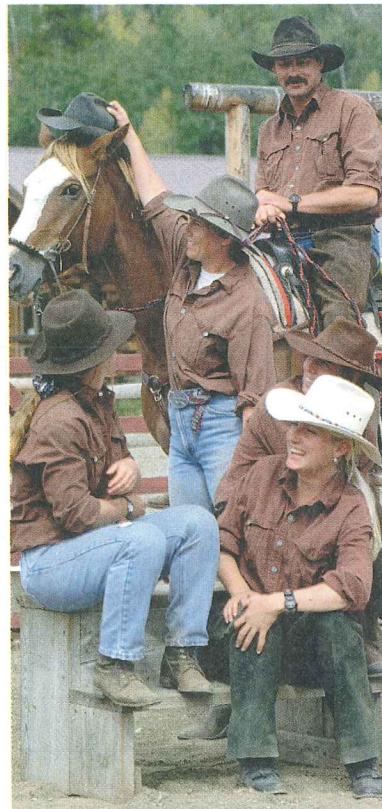
General Ledger

101	Cash in Bank	201	Accounts Payable—Adventure Equipment Inc.
105	Accounts Receivable—Helen Katz	301	Ronald Hicks, Capital
120	Office Equipment		
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— Valley Auto		Allen Vacuum Systems
125	Office Equipment	301	Regina Delgado, Capital
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**.