PRACTICE   Learning Goal 6, continued
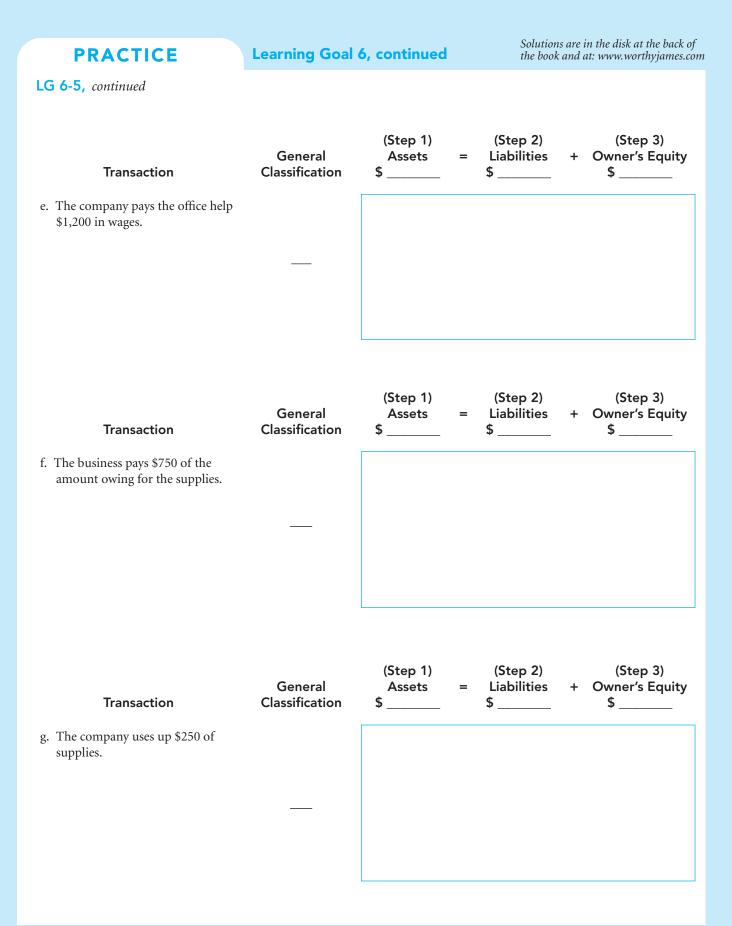
LG 6-5. **A comprehensive review for identifying and analyzing individual transactions.** Print out copies of this problem from the disk at the back of the book (so you can use this problem again). The following problem consists of different transactions. Complete the visualization box by drawing the circles, and indicating plus or minus, as needed, to show what assets or equities are affected by the transaction. Above the box, show the dollar *changes* in the accounting equation. Then apply general classification to each transaction by type of event as internal (Int), external (Ext), exchange (Ex), or non-exchange (N-Ex). Here is an example for the first transaction:

Example:

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
a. Mike Craven, an ex-firefighter but an interior decorator at heart, invests $15,000 in his new interior decorating service called "Hot Spots."	___					

Solution:

General Classification	(Step 1) Assets + $15,000	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity + $15,000
Ext, N-Ex					

PRACTICE   Learning Goal 6, continued

LG 6-5, *continued*

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
b. The company purchases $1,000 of supplies for cash.	___					

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
c. The company purchases another $1,000 of supplies, but this time on credit.	___					

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
d. A large bank pays $5,000 to Hot Spots for decorating consulting services for its new corporate offices.	___					

LG 6-5, *continued*

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
e. The company pays the office help $1,200 in wages. ___						

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
f. The business pays $750 of the amount owing for the supplies. ___						

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
g. The company uses up $250 of supplies. ___						

LG 6-5, *continued*

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
h. The company receives a telephone bill showing $150 of telephone services. The bill is not paid immediately. ___						

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
i. The company signs a contract with a new client. The client advances Hot Spots $1,200 before any services are performed. ___						

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
j. Hot Spots fully performs all the work that was required according to the terms of the contract in the previous transaction. ___						

LG 6-5, *continued*

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
k. Mike Craven withdraws $1,500 cash for his own personal use.	___					

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
l. Mike Craven uses the $1,500 that he withdrew to make an investment in land.	___					

Transaction	General Classification	(Step 1) Assets $ _____	=	(Step 2) Liabilities $ _____	+	(Step 3) Owner's Equity $ _____
m. Hot Spots purchases $3,500 of equipment by paying $1,000 cash and signing a note payable for $2,500.	___					