


Slide 1

3.1 The Accounting Equation

- Objectives
 - Expand the accounting equation to include revenue and expenses




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Slide 2

Accounting Equation

ASSETS = LIABILITIES + STOCKHOLDERS' EQUITY



```
graph TD
    RE[Retained Earnings] --- R[Revenue]
    RE --- E[Expenses]
    RE --- CS[Capital Stock]
```

Revenue
Increases RE


Expenses
Reduces RE

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Slide 3

Analyzing Transactions with the Accounting Equation

- Investment of \$10,000 cash by stockholders
- Note issued in exchange for \$5,000 cash
- Purchased \$5,600 worth of office equipment for cash
- Services rendered for \$11,200 cash
- Payment of \$4,000 for Employee Salaries
- Discussion of a potential \$15,000 service contract with a customer
- Purchased \$8,000 in inventory on account
- Made payment of \$5,000 on the inventory we purchased in #7




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Slide 4

Transaction analysis problem solution

Please access [ACCTEQUATIONsolution.xls](#). I recommend that you make a hardcopy and do the problem by hand with the audio prior to viewing the solution.



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