

2

Starting a Proprietorship: Changes That Affect Owner's Equity

AFTER STUDYING CHAPTER 2, YOU WILL BE ABLE TO:

1. Define accounting terms related to changes that affect owner's equity for a service business organized as a proprietorship.
2. Identify accounting concepts and practices related to changes that affect owner's equity for a service business organized as a proprietorship.
3. Analyze changes in an accounting equation that affect owner's equity for a service business organized as a proprietorship.
4. Prepare a balance sheet for a service business organized as a proprietorship from information in an accounting equation.

TERMS PREVIEW

revenue

sale on account

expense

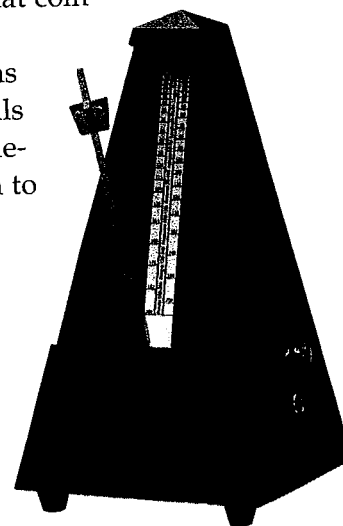
withdrawals

TRANSACTIONS

A business activity that changes assets, liabilities, or owner's equity is known as a transaction. Chapter 1 described five transactions involved in starting Encore Music, a proprietorship. Encore Music is now ready to open for business.

In the last chapter, you studied transactions in which Encore Music received cash from the owner as an investment, paid cash for supplies, paid cash for insurance, bought supplies on account, and paid cash on account. This chapter presents more transactions that commonly occur during the daily operations of a business. In this chapter, you will study transactions in which Encore Music receives cash from sales, sells services on account, pays cash for rent and for a telephone bill, receives cash on account, and pays cash to the owner for personal use.

Many transactions involved in the daily operations of a business increase or decrease owner's equity. Detailed information about these changes in owner's equity is needed by owners and managers to make sound business decisions.



ACCOUNTING IN YOUR CAREER

A SMALL-BUSINESS OPPORTUNITY

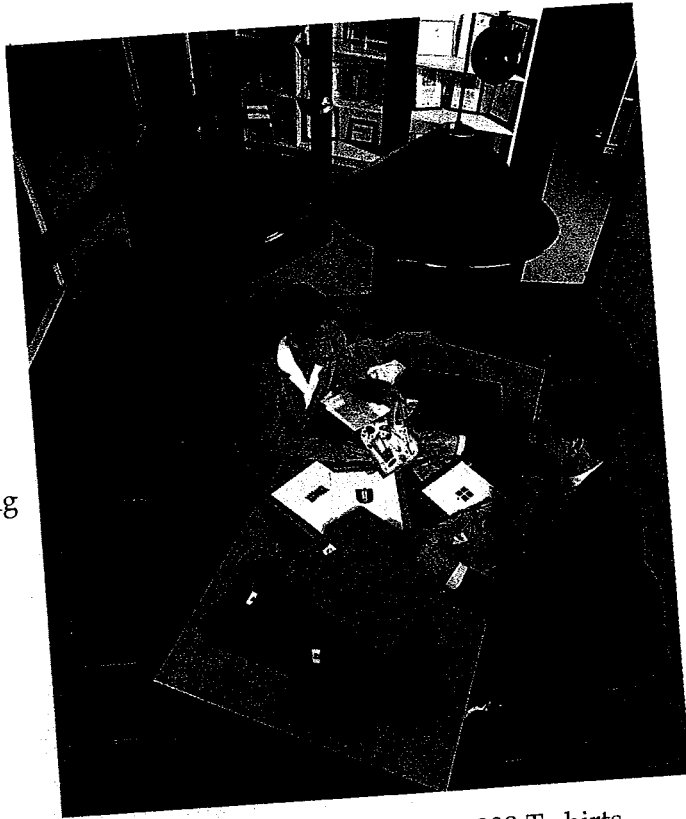
Marcia Tran is an accounting clerk at Hader Specialties. Although she took accounting in high school, she wants to gain practical experience while planning to start her own business. Marcia has a natural artistic ability and has taken several college-level graphics courses. At the local university she earned enough income to pay for her coursework by designing logos and T-shirts for university groups. Jason Sudberry, a buyer for a national department store chain, has seen her designs and has asked her to have 3,000 T-shirts manufactured for his chain to buy. He has chosen a design from her portfolio and has stated that he thinks they'll sell quickly and that he may want to quickly reorder more, if that is the case.

Marcia has always planned to own her own business, combining her graphic arts talent with the knowledge of business she is gaining from her courses. She has worked hard to get this opportunity with the department store, and it took several appointments to convince Mr. Sudberry that her designs would be effectively used on apparel. She has also met with buyers from other department stores, and some of them have shown interest but are waiting to see how this first venture works out.

Marcia thinks this can be her big opportunity. She has prepared a business plan based on Mr. Sudberry's commitment to purchase 3,000 T-shirts. She has included price quotations from three manufacturers and an analysis showing expected profit. She is meeting this afternoon with the loan officer of Security National Bank to apply for a loan for \$9,000 to manufacture the T-shirts and start her own business.

Critical Thinking:

1. What do you think of Marcia's idea to apply for a loan?
2. Do you think Marcia will get the loan?



2-1 How Transactions Change Owner's Equity in an Accounting Equation

REVENUE TRANSACTIONS

	Assets				= Liabilities + Owner's Equity	
	Cash +	Accts. Rec.— Kids Time	Supplies +	Prepaid Insurance	Accts. Pay.— Ling Music Supplies	Barbara Treviño, Capital
Balances	\$5,863	—0—	\$4,297	\$1,200	\$1,360	\$10,000
Received cash from sales	+325					+325 (revenue)
New Balances	\$6,188	—0—	\$4,297	\$1,200	\$1,360	\$10,325
Sold services on account		+200				+200 (revenue)
New Balances	\$6,188	\$200	\$4,297	\$1,200	\$1,360	\$10,525
	Total of left side: \$6,188 + \$200 + \$4,297 + \$1,200 = \$11,885				Total of right side: \$1,360 + \$10,525 = \$11,885	

Received Cash from Sales

A transaction for the sale of goods or services results in an increase in owner's equity. An increase in owner's equity resulting from the operation of a business is called **revenue**. When cash is received from a sale, the total amount of assets and owner's equity is increased.

When Encore Music receives cash for services performed, the asset account, Cash, is increased by the amount of cash received. The owner's equity account, Barbara Treviño, Capital, is increased by the same amount.

Transaction 6 August 12. Received cash from sales, \$325.00.

Cash is increased by \$325.00. This increase is on the left side of the equation. Barbara Treviño, Capital, is also increased by \$325.00. This increase is on the right side of the equation. After this transaction is recorded, the equation is still in balance.

In this chapter, three different kinds of transactions that affect owner's equity are described. Therefore, a description of the transaction is shown in parentheses to the right of the amount in the accounting equation.

Sold Services on Account

A sale for which cash will be received at a later date is called a **sale on account**, or a charge

sale. Encore Music contracts with two daycare centers to provide music lessons to the children at the centers. These centers are allowed to pay the cash to Encore Music at a later date. All other customers of Encore Music must pay cash at the time of the lessons.

When Encore Music sells services on account, the asset account, Accounts Receivable—Kids Time, is increased by the amount of cash that will be received. Regardless of when payment is made, the revenue should be recorded at the time of a sale. Therefore, the owner's equity account, Barbara Treviño, Capital, is also increased by the amount of the sale. The accounting concept, *Realization of Revenue*, is applied when revenue is recorded at the time goods or services are sold. (CONCEPT: *Realization of Revenue*)

Transaction 7 August 12. Sold services on account to Kids Time, \$200.00.

Accounts Receivable—Kids Time is increased by \$200.00. This increase is on the left side of the equation. Barbara Treviño, Capital is also increased by \$200.00. This increase is on the right side of the equation. After this transaction is recorded, the equation is still in balance.

PAID CASH FOR EXPENSES

	Assets				=	Liabilities + Owner's Equity	
	Cash +	Accts. Rec.— Kids Time	Supplies +	Prepaid Insurance	=	Accts. Pay.— Ling Music Supplies	Barbara Treviño, Capital
Balances	\$6,188	\$200	\$4,297	\$1,200		\$1,360	\$10,525
Paid cash for rent	-250						-250 (expense)
New Balances	\$5,938	\$200	\$4,297	\$1,200		\$1,360	\$10,275
Paid cash for telephone bill	-45						-45 (expense)
New Balances	\$5,893	\$200	\$4,297	\$1,200		\$1,360	\$10,230
	Total of left side: \$5,893 + \$200 + \$4,297 + \$1,200 = \$11,590					Total of right side: \$1,360 + \$10,230 = \$11,590	

A transaction to pay for goods or services needed to operate a business results in a decrease in owner's equity. A decrease in owner's equity resulting from the operation of a business is called an **expense**. When cash is paid for expenses, the business has less cash. Therefore, the asset account, Cash, is decreased. The owner's equity account, Barbara Treviño, Capital, is also decreased by the same amount.

Transaction 8 August 12. Paid cash for rent, \$250.00.

The asset account, Cash, is decreased by \$250.00, the amount of cash paid out. This decrease is on the left side of the equation. The owner's equity account, Barbara Treviño, Capital, is also decreased by \$250.00. This decrease is on

the right side of the equation. After this transaction is recorded, the equation is still in balance.

Transaction 9 August 12. Paid cash for telephone bill, \$45.00.

The asset account, Cash, is decreased by \$45.00, the amount of cash paid out. This decrease is on the left side of the equation. The owner's equity account, Barbara Treviño, Capital, is also decreased by \$45.00. This decrease is on the right side of the equation. After this transaction is recorded, the equation is still in balance.

Other expense transactions might be for advertising, equipment rental or repairs, charitable contributions, and other miscellaneous items. All expense transactions affect the accounting equation in the same way as Transactions 8 and 9.

CULTURAL VALUES IN THE UNITED STATES



any of the values, norms, and roles in society come from the country's overall culture. A *value* reflects the goals a society considers important. It expresses the culture's shared ideas about what is good, right, and desirable. These are some generally accepted social values in the United States:

- *Freedom* of individuals to act as they please is a basic value.
- *Achievement and success* through

honest efforts is highly valued. Achievement leads to a higher standard of living.

- The *work ethic* in the U.S. emphasizes working regularly.
- *Patriotism or nationalism* embody pride in a democratic heritage.
- Americans value *individual responsibility and self-fulfillment*. They try to develop themselves as individuals and are responsible for their own achievements.



CULTURAL DIVERSITY

TRANSACTIONS

	Assets				= Liabilities + Owner's Equity	
	Cash +	Accts. Rec.— Kids Time	Supplies +	Prepaid Insurance	Accts. Pay.— Ling Music Supplies	Barbara Treviño, Capital
Balances	\$5,893	\$200	\$4,297	\$1,200	\$1,360	\$10,230
Received cash on account	+100	-100				
New Balances	\$5,993	\$100	\$4,297	\$1,200	\$1,360	\$10,230
Paid cash to owner for personal use						-100 (withdrawal)
New Balances	\$5,893	\$100	\$4,297	\$1,200	\$1,360	\$10,130
	Total of left side:				Total of right side:	
	\$5,893 + \$100 + \$4,297 + \$1,200 = \$11,490				\$1,360 + \$10,130 = \$11,490	

Received Cash on Account

When a company receives cash from a customer for a prior sale, the transaction increases the cash account balance and decreases the accounts receivable balance.

Transaction 10 August 12. Received cash on account from Kids Time, \$100.00.

The asset account, Cash, is increased by \$100.00. This increase is on the left side of the equation. The asset account, Accounts Receivable—Kids Time, is decreased by \$100.00. This decrease is also on the left side of the equation. After this transaction is recorded, the equation is still in balance.

Paid Cash to Owner for Personal Use

Assets taken out of a business for the owner's personal use are called **withdrawals**. A withdrawal decreases owner's equity. Although an owner may withdraw any kind of asset, usually an owner withdraws cash. The withdrawal decreases the account balance of the withdrawn asset, such as Cash.

Transaction 11 August 12. Paid cash to owner for personal use, \$100.00.

The asset account, Cash, is decreased by \$100.00. This decrease is on the left side of the accounting equation. The owner's equity account, Barbara Treviño, Capital, is also

decreased by \$100.00. This decrease is on the right side of the equation. After this transaction is recorded, the equation is still in balance.

A decrease in owner's equity because of a withdrawal is not a result of the normal operations of a business. Therefore, a withdrawal is not an expense.

Summary of Changes in Owner's Equity

After recording the transactions for starting Encore Music as a proprietorship, the total owner's equity was \$10,000.00, which represented an investment by the owner, Barbara Treviño. In this chapter, five transactions that changed owner's equity were recorded in the accounting equation.

These transactions increased owner's equity by \$130.00, from \$10,000.00 to \$10,130.00. Transaction 10 affects two accounts that are both on the left side of the accounting equation.

Transaction Number	Kind of Transaction	Change in Owner's Equity
6	Revenue (cash)	+325.00
7	Revenue (on account)	+200.00
8	Expense (rent)	-250.00
9	Expense (telephone)	- 45.00
11	Withdrawal	-100.00
	Net change in owner's equity	<u>+130.00</u>

TERMS REVIEW

revenue
 sale on account
 expense
 withdrawals

AUDIT YOUR UNDERSTANDING

1. How is owner's equity affected when cash is received from sales?
2. How is owner's equity affected when services are sold on account?
3. How is owner's equity affected when cash is paid for expenses?

WORK TOGETHER

Determining how transactions change an accounting equation

Write the answers to the following problem in the *Working Papers*. Your instructor will guide you through the following example.

4. Place a plus (+) in the appropriate column if the account is increased. Place a minus (-) in the appropriate column if the account is decreased.

Trans. No.	Assets				=	Liabilities + Owner's Equity	
	Cash	+ Accts. Rec.— Bowman Co.	+ Supplies	+ Prepaid Insurance	=	Accts. Pay.— Maxwell Co.	+ Susan Sanders, Capital
1.							

Transactions:

1. Received cash from sales.
2. Sold services on account to Bowman Company.
3. Paid cash for telephone bill.
4. Received cash on account from Bowman Company.

ON YOUR OWN

Determining how transactions change an accounting equation

Write the answers to the following problem in the *Working Papers*. Work this problem independently.

5. Place a plus (+) in the appropriate column if the account is increased. Place a minus (-) in the appropriate column if the account is decreased.

Trans. No.	Assets				=	Liabilities + Owner's Equity	
	Cash	+ Accts. Rec.— O'Leary Co.	+ Supplies	+ Prepaid Insurance	=	Accts. Pay.— Barrett Co.	+ Sue Marist, Capital
1.							

Transactions:

1. Sold services on account to O'Leary Company.
2. Paid cash to owner for personal use.
3. Received cash from sales.
4. Received cash on account from O'Leary Company.

2-2 Reporting a Changed Accounting Equation on a Balance Sheet

BALANCE SHEET PREPARATION

	Assets				=	Liabilities + Owner's Equity	
	Cash +	Accts. Rec.— Kids Time	Supplies +	Prepaid Insurance	=	Accts. Pay.— Ling Music Supplies	Barbara Treviño, Capital
Balances	\$5,893	\$100	\$4,297	\$1,200	=	\$1,360	\$10,130

1. Write the heading.

2. Prepare the assets section.

3. Prepare the liabilities section.

4. Prepare the owner's equity section.

5. Add and compare the totals.

6. Rule single lines.

7. Write the totals.

8. Rule double lines.

Encore Music Balance Sheet August 12, 20--			
Assets		Liabilities	
Cash	5 893 00	A/P—Ling Music Supplies	1 360 00
Accts. Rec.—Kids Time	100 00	Owner's Equity	
Supplies	4 297 00	Barbara Treviño, Capital	10 130 00
Prepaid Insurance	1 200 00		
Total Assets	11 490 00	Total Liab. and Owner's Eq.	11 490 00

A balance sheet may be prepared on any date to report information about the assets, liabilities, and owner's equity of a business. The balance sheet prepared in Chapter 1 reports Encore Music's financial condition at the end of business on August 11. The transactions recorded in Chapter 2 have changed the account balances of Cash, Accounts Receivable—Kids Time, and Barbara Treviño, Capital in the accounting equation. A revised balance sheet is prepared to report Encore Music's financial condition after recording these transactions.

The last transaction on August 12 is recorded in the accounting equation. The new account balances in the accounting equation after Transaction 11 are used to prepare the balance sheet.

The August 12 balance sheet is prepared using the same steps as described in Chapter 1.

The accounts on the left side of the accounting equation are reported on the left side of

Encore Music's balance sheet. The accounts on the right side of the accounting equation are reported on the right side of Encore Music's balance sheet. The total of the left side of the balance sheet is equal to the total of the right side of the balance sheet. The balance sheet is in balance.

When one side of the balance sheet is longer than the other side, an adjustment must be made in order to have the totals of the two sides on the same line. On the August 12 balance sheet for Encore Music, one line is left blank on the right side so the two totals are recorded on the same line.

Few businesses need to prepare a balance sheet every day. Many businesses prepare a balance sheet only on the last day of each month. Monthly balance sheets provide business owners and managers with frequent and regular information for making business decisions.

AUDIT YOUR UNDERSTANDING

1. What is the three-line heading on the top of the balance sheet?
2. What is the heading on the left side of the balance sheet?
3. What are the headings on the right side of the balance sheet?

WORK TOGETHER

Preparing a balance sheet

Write the answers to the following problem in the *Working Papers*. Your instructor will guide you through the following example.

On October 31 of the current year, the Marier Company's accounting equation indicated the following account balances.

Assets					=	Liabilities	+	Owner's Equity		
Cash	+	Accts. Rec.— Poole Co.	+	Supplies	+	Prepaid Insurance	=	Accts. Pay.— Alvarez Co.	+	Joel Marier, Capital
Balances	\$7,733	\$5,000	\$800	\$2,400	\$250	\$15,683				

4. Using the October 31 balances in the accounting equation, prepare a balance sheet for the Marier Company.

ON YOUR OWN

Preparing a balance sheet

Write the answers to the following problem in the *Working Papers*. Work this problem independently.

On December 31 of the current year, the Lynum Company's accounting equation indicated the following account balances.

Assets					=	Liabilities	+	Owner's Equity		
Cash	+	Accts. Rec.— Meyer Co.	+	Supplies	+	Prepaid Insurance	=	Accts. Pay.— Kelly Co.	+	Tanya Lynum, Capital
Balances	\$5,400	\$600	\$350	\$1,800	\$2,250	\$5,900				

5. Using the December 31 balances in the accounting equation, prepare a balance sheet for the Lynum Company.

After completing this chapter, you can

1. Define accounting terms related to changes that affect owner's equity for a service business organized as a proprietorship.
2. Identify accounting concepts and practices related to changes that affect owner's equity for a service business organized as a proprietorship.
3. Analyze changes in an accounting equation that affect owner's equity for a service business organized as a proprietorship.
4. Prepare a balance sheet for a service business organized as a proprietorship from information in an accounting equation.

EXPLORE ACCOUNTING

WHEN IS IT CALLED "REVENUE"?

Generally accepted accounting principles, GAAP, state that revenue should be counted as revenue when it is earned, regardless of when the cash is received. This means that a sale on account is counted as revenue at the time of the sale rather than when the cash is received.

What about long-term construction contracts or when a business isn't sure it will be able to collect the money on account?

For example, a construction company can contract to build a highway over a two-year period, receiving the money throughout both years or at the end of the project. When should the company include the

revenue in its financial statements?

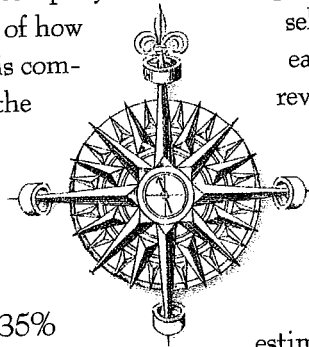
GAAP requires the use of the "percentage of completion" method for some long-term construction projects. This method requires the company to make an estimate of how much of the project is completed at the end of the first fiscal period. If the project is estimated to be 35% completed, the company is required to include 35% of the project's revenue as revenue for that period.

In another example, a company may sell services on account, allowing the customer to make six monthly payments for the services. If the seller is unsure of the ability of the customer to make the

payments, GAAP requires the company to delay counting the entire sale as "revenue" even though, technically, the company has earned it. Using the "installment method" of recognizing revenue, the seller would count each installment as revenue as it is received.

Discussion:

1. Identify methods a company could use to estimate how much of a project is completed.
2. Why is it misleading to wait until a two-year contract is completed to include all the revenue from the contract in the financial statements for the second year?



2-1

APPLICATION PROBLEM

Determining how revenue, expense, and withdrawal transactions change an accounting equation

Peter Smith operates a service business called Peter's Service Company. Peter's Service Company uses the accounts shown in the following accounting equation. Use the form in your *Working Papers* to complete this problem.

Trans. No.	Assets				=	Liabilities	+ Owner's Equity
	Cash	+ Accts. Rec.— Lisa Lee	+ Supplies	+ Prepaid Insurance	=	Accts. Pay.— Kline Co.	+ Peter Smith, Capital
Beg. Bal. 1.	625 -300	-0-	375	300	=	200	1,100 -300 (expense)
New Bal. 2.	325	-0-	375	300	=	200	800

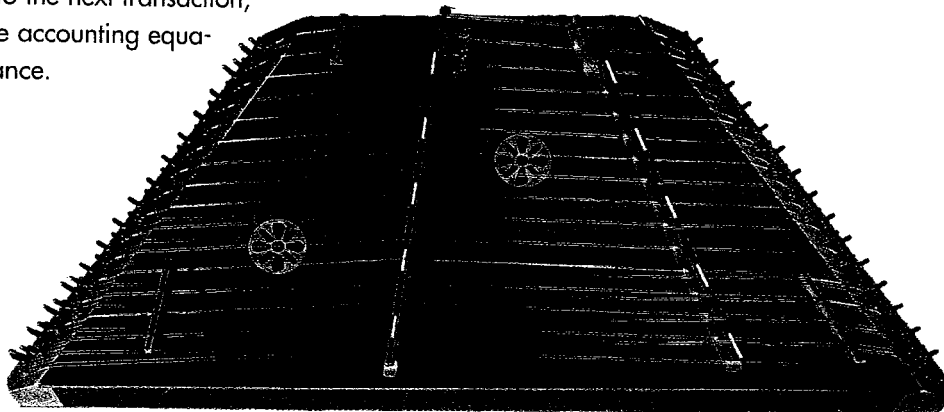
Transactions:

1. Paid cash for rent, \$300.00.
2. Paid cash to owner for personal use, \$150.00.
3. Received cash from sales, \$800.00.
4. Paid cash for equipment repairs, \$100.00.
5. Sold services on account to Lisa Lee, \$400.00.
6. Received cash from sales, \$650.00.
7. Paid cash for charitable contributions, \$35.00.
8. Received cash on account from Lisa Lee, \$300.00.

Instructions:

For each transaction, complete the following. Transaction 1 is given as an example.

- a. Analyze the transaction to determine which accounts in the accounting equation are affected.
- b. Write the amount in the appropriate columns, using a plus (+) if the account increases or a minus (-) if the account decreases.
- c. For transactions that change owner's equity, write in parentheses a description of the transaction to the right of the amount.
- d. Calculate the new balance for each account in the accounting equation.
- e. Before going on to the next transaction, determine that the accounting equation is still in balance.



2-2

APPLICATION PROBLEM

Determining how transactions change an accounting equation

Doris Becker operates a word processing business called QuickDoc. QuickDoc uses the accounts shown in the following accounting equation. Use the form in your *Working Papers* to complete this problem.

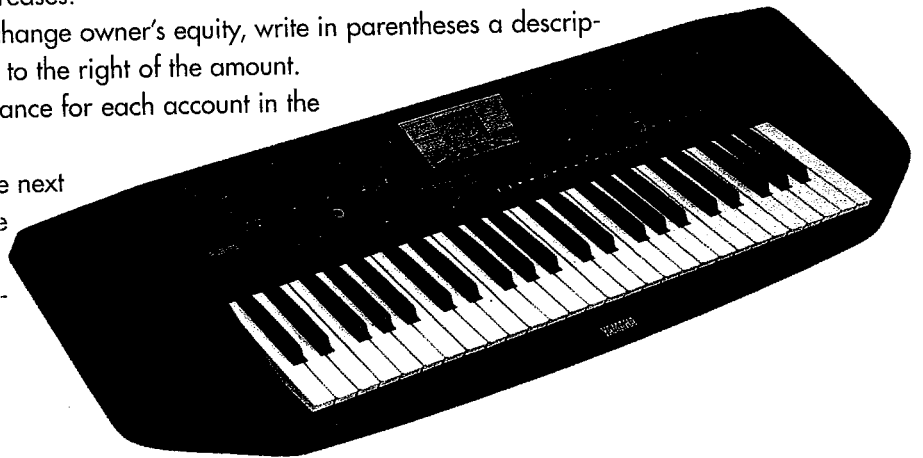
Trans. No.	Assets				=	Liabilities + Owner's Equity	
	Cash	+ Accts. Rec.— Suburban Rental	+ Supplies	+ Prepaid Insurance	=	Accts. Pay.— Teale Co.	+ Doris Becker, Capital
Beg. Bal.	500	—0—	260	300	=	100	960
1.	-50						-50 (expense)
New Bal.	450	—0—	260	300	=	100	910
2.							

Transactions:

- Had equipment repaired and paid \$50.00 cash.
- Sold services for cash, \$325.00.
- Purchased supplies for \$200.00, paying cash.
- Bought supplies on account from Teale Company, \$1,200.00.
- Paid cash for advertising, \$200.00.
- Received cash from sales, \$280.00.
- Paid cash for water bill, \$60.00.
- Sold services to Suburban Rental on account, \$320.00.
- Owner withdrew cash for personal use, \$125.00.
- Suburban Rental sent \$250.00 to pay part of the amount it owes QuickDoc.
- Paid cash on account to Teale Company, \$100.00.
- Received cash from owner as an investment, \$1,000.00.

Instructions:

- For each transaction, complete the following. Transaction 1 is given as an example.
- Analyze the transaction to determine which accounts in the accounting equation are affected.
 - Write the amount in the appropriate columns, using a plus (+) if the account increases or a minus (-) if the account decreases.
 - For transactions that change owner's equity, write in parentheses a description of the transaction to the right of the amount.
 - Calculate the new balance for each account in the accounting equation.
 - Before going on to the next transaction, determine that the accounting equation is still in balance.



2-3

APPLICATION PROBLEM Preparing a balance sheet

On June 30, the Heil Company's accounting equation indicated the following account balances.

	Assets				=	Liabilities	+ Owner's Equity
	Cash	+ Accts. Rec.— Jana Friestad	+ Supplies	+ Prepaid Insurance	=	Accts. Pay.— Franco Supplies	+ Kevin Heil, Capital
Balance	8,655	942	475	750	=	665	10,157

Using the June 30 balances in the accounting equation, prepare a balance sheet for the Heil Company. Use the form in the *Working Papers* to complete this problem.

2-4

MASTERY PROBLEM Determining how transactions change an accounting equation and preparing a balance sheet

Mikaela Mundt operates a service business called Mundt Company. Mundt Company uses the accounts shown in the following accounting equation. Use the form in your *Working Papers* to complete this problem.

Trans. No.	Assets				=	Liabilities	+ Owner's Equity
	Cash	+ Accts. Rec.— Dorothy Romano	+ Supplies	+ Prepaid Insurance	=	Accts. Pay.— Sickle Co.	+ Mikaela Mundt, Capital
Beg. Bal. 1.	1,400 -100	—0—	300	400	=	1,500	600 -100 (expense)
New Bal. 2.	1,300	—0—	300	400	=	1,500	500

Transactions:

1. Paid cash for telephone bill, \$100.00.
2. Received cash from owner as an investment, \$200.00.
3. Paid cash for rent, \$500.00.
4. Received cash from sales, \$895.00.
5. Bought supplies on account from Sickle Company, \$600.00.
6. Sold services on account to Dorothy Romano, \$920.00.
7. Paid cash for supplies, \$400.00.
8. Paid cash for advertising, \$250.00.
9. Received cash on account from Dorothy Romano, \$800.00.
10. Paid cash on account to Sickle Company, \$1,500.00.
11. Paid cash for one month of insurance, \$250.00.
12. Received cash from sales, \$1,960.00.
13. Paid cash to owner for personal use, \$1,000.00.

Instructions:

- For each transaction, complete the following. Transaction 1 is given as an example.
 - Analyze the transaction to determine which accounts in the accounting equation are affected.
 - Write the amount in the appropriate columns, using a plus (+) if the account increases or a minus (-) if the account decreases.
 - For transactions that change owner's equity, write in parentheses a description of the transaction to the right of the amount.
 - Calculate the new balance for each account in the accounting equation.
 - Before going on to the next transaction, determine that the accounting equation is still in balance.
- Using the final balances in the accounting equation, prepare a balance sheet for Mundt Company. Use the date April 30 of the current year.

2-5**CHALLENGE PROBLEM****Determining how transactions change an accounting equation**

Zachary Martin owns Zachary's Repair Shop. On February 1, Zachary's Repair Shop's accounting equation indicated the following account balances. Use the form in your *Working Papers* to complete this problem.

Trans. No.	Assets				=	Liabilities	+	Owner's Equity			
	Cash	+	Accts. Rec.— Mary Lou Pier	+	Supplies	+	Prepaid Insurance	=	Accts. Pay.— Kollasch Co.	+	Zachary Martin, Capital
Beg. Bal. 1.	8,552		1,748		1,485		615		3,145		9,255

Transactions:

- Took \$400.00 of supplies for personal use.
- Had equipment repaired at Kollasch Company and agreed to pay Kollasch Company at a later date, \$250.00.
- Mr. Martin had some personal property which he sold for \$500.00 cash.
- Paid Kollasch Company \$120.00 on account.

Instructions:

- For each transaction, complete the following.
 - Analyze the transaction to determine which accounts in the accounting equation are affected.
 - Write the amount in the appropriate columns, using a plus (+) if the account increases or a minus (-) if the account decreases.
 - For transactions that change owner's equity, write in parentheses a description of the transaction to the right of the amount.
 - Calculate the new balance for each account in the accounting equation.
 - Before going on to the next transaction, determine that the accounting equation is still in balance.
- Answer the following questions:
 - Why can the owner of a business withdraw assets from that business for personal use?
 - Why would the owner withdraw assets other than cash?