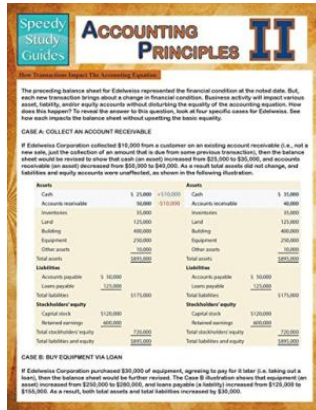


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ACCOUNTING PRINCIPLES 2 (SPEEDY STUDY GUIDES)



ACCOUNTING PRINCIPLES II

CASE A: COLLECT AN ACCOUNT RECEIVABLE

If Estimote Corporation collected \$15,000 from a customer on an existing account receivable (i.e., not a new sale, just the collection of an amount that is due from some previous transaction), then the balance sheet would be revised to show that cash (an asset) increased from \$25,000 to \$40,000, and accounts receivable (an asset) decreased from \$40,000 to \$25,000. As a result, total assets did not change, and liabilities and equity accounts were unaffected, as shown in the following illustration.

Before		After	
Cash	\$ 25,000	\$ 40,000	
Accounts receivable	40,000	25,000	
Investments	15,000	15,000	
Land	125,000	125,000	
Building	400,000	400,000	
Equipment	250,000	250,000	
Other assets	75,000	75,000	
Total assets	\$880,000	\$880,000	
Liabilities	\$ 30,000	\$ 30,000	
Accounts payable	10,000	10,000	
Notes payable	20,000	20,000	
Total liabilities	\$ 30,000	\$ 30,000	
Stockholders' equity	\$ 850,000	\$ 850,000	
Capital stock	500,000	500,000	
Retained earnings	350,000	350,000	
Total stockholders' equity	\$ 850,000	\$ 850,000	
Total liabilities and equity	\$880,000	\$880,000	

CASE B: BUY EQUIPMENT VIA LOAN

If Estimote Corporation purchased \$30,000 of equipment, agreeing to pay for it later (i.e., taking out a loan), then the balance sheet would be further revised. The Case B illustration shows that equipment (an asset) increased from \$250,000 to \$280,000, and notes payable (a liability) increased from \$20,000 to \$50,000. As a result, both total assets and total liabilities increased by \$30,000.

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