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Subject :- Principles of
Accounting

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Assignment

Exercise 2.7

Problem 2.6

Red River farms
Balance Sheets
September 30, 2001

Assets

Cash ————— 16,770
Account Receivable — 22,365
Land ————— 550,000
Barns and sheds — 78,300
Citrus trees — 76,650
fence and Gates — 33,570
irrigation system — 20,125
Lives tock ————— 120,780
farm machinery — 42,970

Total = 1666,230

Liabilities and owner's equity

Notes payable — 530,000
Account payable — 77,095
Wages payable — 1,820
Property tax payable = 9,635

Hollis Roberts capital
= 1048,180

Total = 1666,230

Exercise: 2.7:

Effect of Business transaction.

- a) Increase on assets \rightarrow Debits
Increase on Liability \rightarrow Credits
- b) Decrease on asset \rightarrow Credit
Decrease on Liability \rightarrow Debits
- c) Increase one assets and decrease another assets

forexample:

We have cash = \$7000 and we have buy equipment of \$3000 so there are decrease in cash with is one asset and increase in equipment is other asset.

- d) Increase on asset and increase owner's equity

forexample:

The owner has invested 2000 cash in business there must be increase in asset of cash 2000 and owner equity 2000

- e) Increase one asset, decrease another assets and increase liability.

forexample -

We have 7000 cash we have buy furniture on \$5000 we have paid 2000 and 3000 will be note payable so the one asset called furniture is increased by 5000 and the cash other assets decreased by 2000 and liability increased by 3000 which is note payable.