



DESCRIBE & ANALYSE TRANSACTIONS (THIS IS THE ACCOUNTING EQUATION)

Analysing transactions means entering them on an accounting equation spreadsheet, which may or may not show revenues and expenses separately. If revenues and expenses are not shown separately you need to record all revenues as additions to equity and all expenses as subtractions from equity.

Describing means writing the transactions from entries on an accounting equation spreadsheet. In this case make sure you include the account names, the direction, the dollar amount and whether the transaction is cash or credit.

For excellence you need to be able to describe and/or analyse cash transactions, credit transactions, owner's transactions, non-cash transactions and transactions where three accounts change. GST is not examined in relation to the accounting equation.

Examples: The following transactions relate to *Taupo Tours*:

1. Purchased new tramping packs \$2,000 cash
2. Charged *St Paul's Collegiate* for school tour \$3,000.
3. Received an invoice from *Taupo Motors* for repairs to the tour van \$400.
4. Received \$1,800 from accounts receivable in full settlement of accounts of \$2,000.
5. Purchased new kayak equipment on credit from *Pak 'n Kayak* \$4,000, paying a 25% deposit.
6. Paid interest on loan \$300 and loan principal \$500.



The above transactions would appear on an expanded equation as follows:

Taupo Tours Accounting Equation

	Bank	Accounts Receivable	Kayaks & Equipment	Tour Van and Trailer	Expenses	=	Accounts Payable	Loan	Capital	Revenue
1	-2,000		+2,000							
2		+3,000								+3,000
3					+400		+400			
4	+1,800	-2,000			+200					
5	-1,000		+4,000				3,000			
6	-800				+300			-500		

On an equation with no revenue or expense columns the transactions would appear as follows:

Taupo Tours Accounting Equation

	Bank	Accounts Receivable	Kayaks and Equipment	Tour Van and Trailer	=	Accounts Payable	Loan	Capital
1	-2,000		+2,000					
2		+3,000						+3,000
3						+400		-400
4	+1,800	-2,000						-200
5	-1,000		+4,000			3,000		
6	-800						-500	-300