<table>
<thead>
<tr>
<th>Handout #4</th>
<th>A</th>
<th>L</th>
<th>NI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recorded equipment to A/P instead of cash.</td>
<td>O</td>
<td>O</td>
<td>N</td>
</tr>
<tr>
<td>2. Credit purchase of inventory not recorded.</td>
<td>N</td>
<td>U</td>
<td>O</td>
</tr>
<tr>
<td>3. Recorded receipt of cash as sale instead of A/R payment from customer.</td>
<td>O</td>
<td>N</td>
<td>O</td>
</tr>
<tr>
<td>4. Credit sale recorded as cash sale.</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>5. Recorded loan as sale instead of liability.</td>
<td>N</td>
<td>U</td>
<td>O</td>
</tr>
<tr>
<td>6. Depreciation not recorded.</td>
<td>O</td>
<td>N</td>
<td>O</td>
</tr>
<tr>
<td></td>
<td>Item</td>
<td>Amount</td>
<td>A</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------</td>
<td>---------</td>
<td>---</td>
</tr>
<tr>
<td>7</td>
<td>Salaries Expense</td>
<td>$16,000</td>
<td>N</td>
</tr>
<tr>
<td>8</td>
<td>Prepaid Rent</td>
<td>$1,600</td>
<td>U</td>
</tr>
<tr>
<td>9</td>
<td>Supplies Expense</td>
<td>$3,000</td>
<td>O</td>
</tr>
<tr>
<td>10</td>
<td>Sales Revenue</td>
<td>$13,000</td>
<td>N</td>
</tr>
<tr>
<td>11</td>
<td>Interest Expense</td>
<td>$600</td>
<td>N</td>
</tr>
</tbody>
</table>
The purchase of equipment for cash is recorded as a debit to Equipment and a credit to Accounts Payable.

![Diagram showing the accounting entries for equipment purchase and cash payment, with the amounts overstated.](image-url)
Failed to record the purchase of merchandise on account.

A | L | NI

A/P

xx

Understated

Purchases

xx

Understates CGS
Overstates Net Income
Cash received from a customer as payment of its account is recorded as if the receipt were for a current period sale.

A
---
| Cash | L |
| XX   | Sales | NI |

Cash
---
A/R
---
| XX | Overstated |

A/R
---
| XX | Overstated |
Recorded a credit sale as a debit to Cash and credit to Sales

\[\begin{align*}
\text{A} & \quad \text{L} & \quad \text{NI} \\
\text{Cash} & \quad \text{Sales} & \\
XX & \quad XX & \\
\text{A/R} & \quad \text{Sales} & \\
XX & \quad XX &
\end{align*}\]
The receipt of money from a bank loan is recorded as a debit to Cash and a credit to Sales Revenue.
6. Failed to record the depreciation at the end of the current period.

A  L  NI

Accum Deprec

XX

Assets Overstated

Deprec Expense

XX

NI Overstated
Failed to record the purchase of merchandise on account.

A

Inventory

xx

L

A/P

xx

NI

Inventory Over & Short

Inventory Over & Short

Understates CGS and Overstates Net Income

Overstates Net Income

Periodic

Perpetual

Net Income