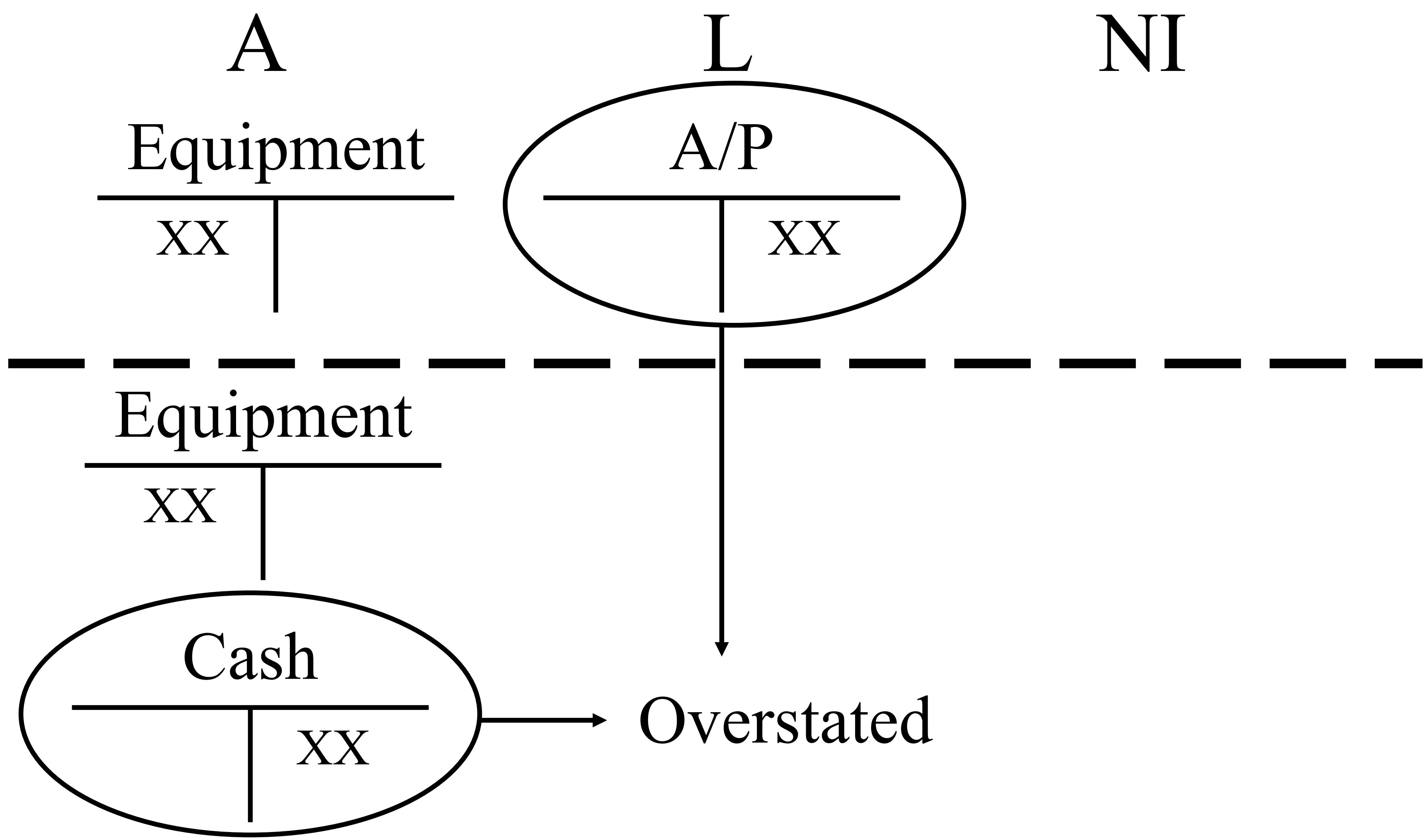
| **Handout #2** | A | L | NI |
|---|---|---|---|
| 1. Recorded equipment to A/P instead of cash. | O | O | N |
| 2. Credit purchase of inventory not recorded. | N | U | O |
| 3. Recorded receipt of cash as sale instead of A/R payment from customer. | O | N | O |
| 4. Credit sale recorded as cash sale. | N | N | N |
| 5. Recorded loan as sale instead of liability. | N | U | O |
| 6. Depreciation not recorded. | O | N | O |

| | | A | L | NI |
|---|---|---|---|---|
| 7. Salaries Expense | $16,000 | N | U | O |
| 8. Prepaid Rent | $1,600 | U | N | U |
| 9. Supplies Expense | $3,000 | O | N | O |
| 10. Sales Revenue | $13,000 | N | O | U |
| 11. Interest Expense | $600 | N | U | O |

1

The purchase of equipment for cash is recorded as a debit to Equipment and a credit to Accounts Payable.

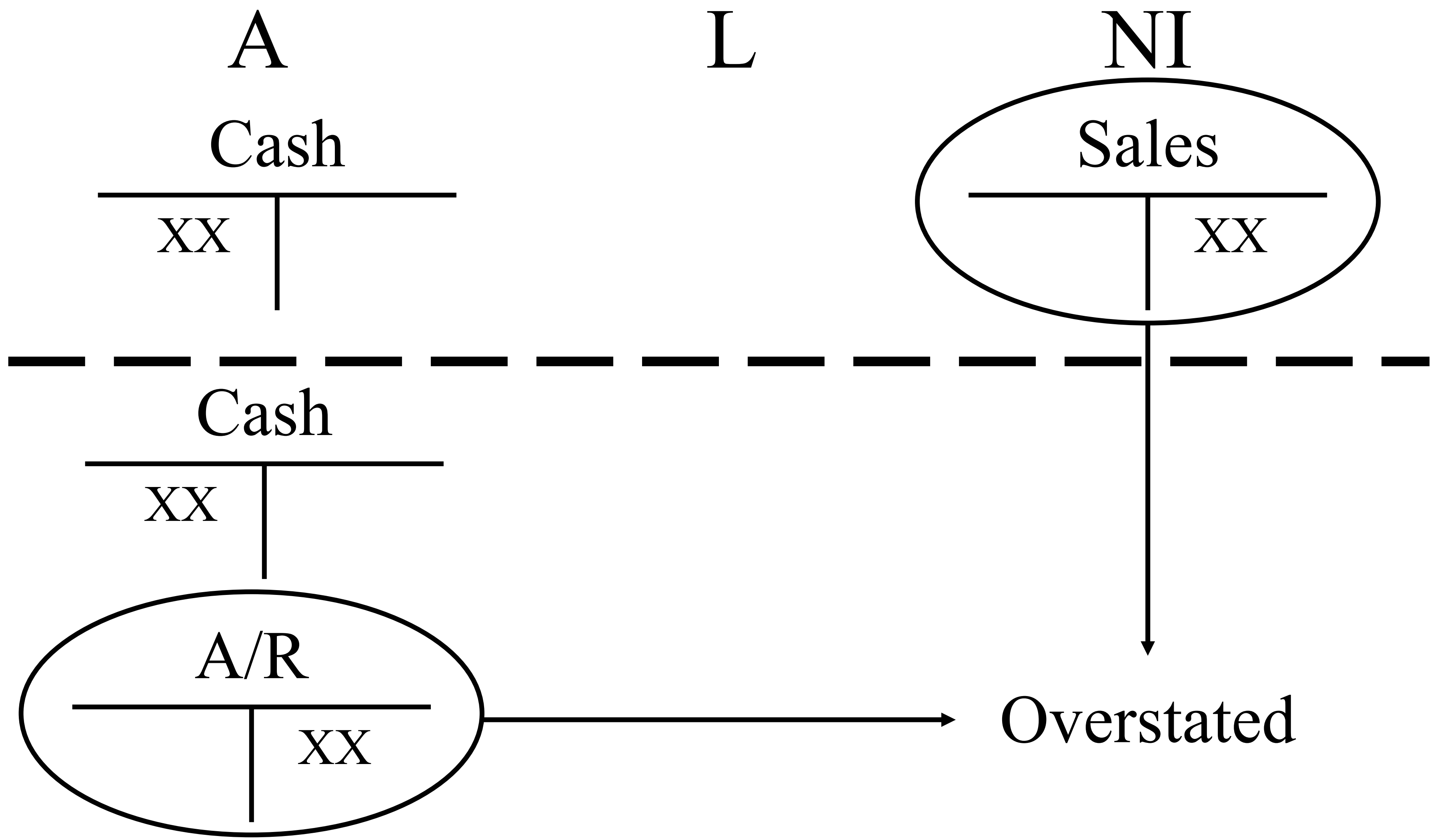


2

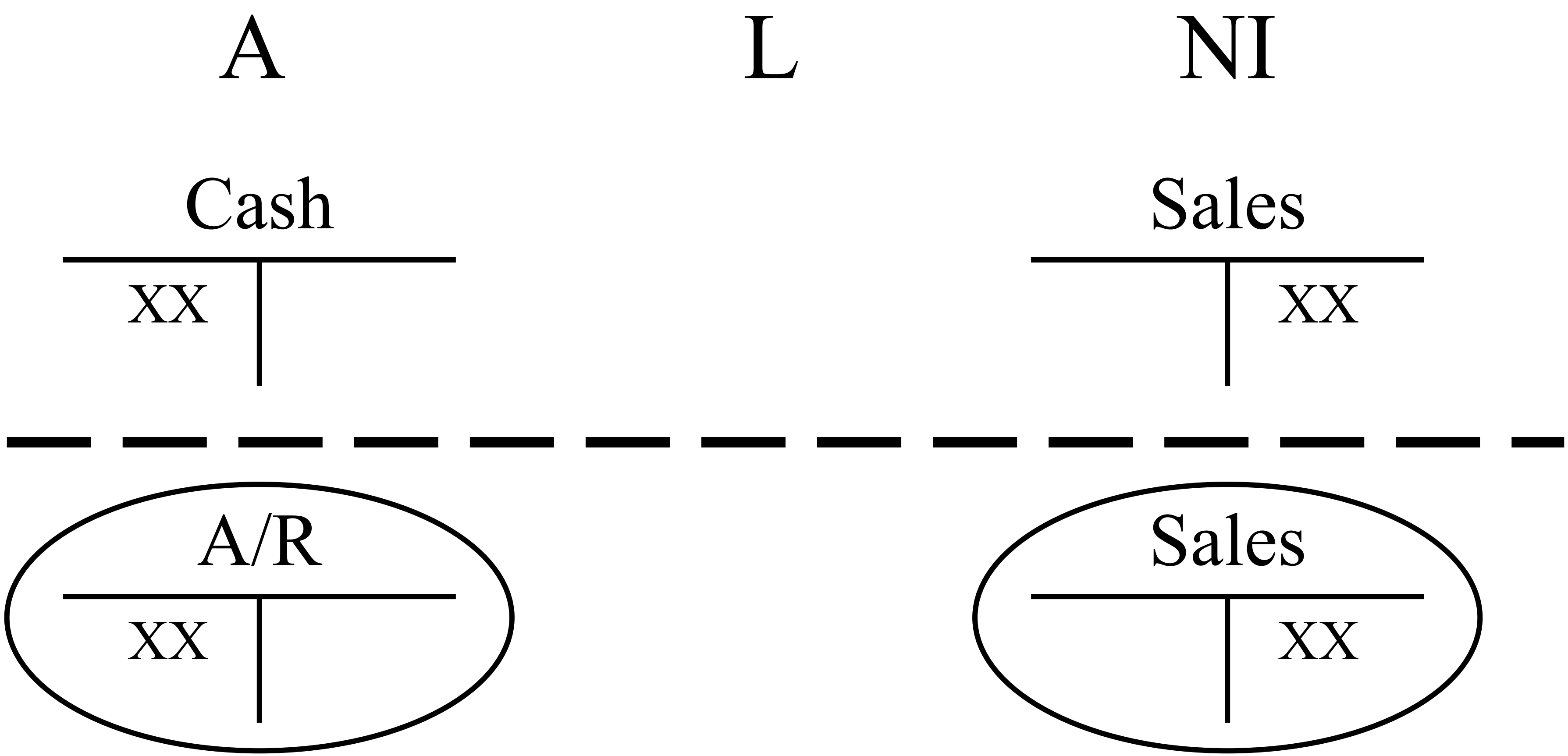
# Failed to record the purchase of merchandise on account.

| A | L | NI |
|---|---|---|
| | A/P | Purchases |
| | Dr: — / Cr: XX | Dr: XX / Cr: — |
| | Understated | Understates CGS<br>Overstates Net Income |

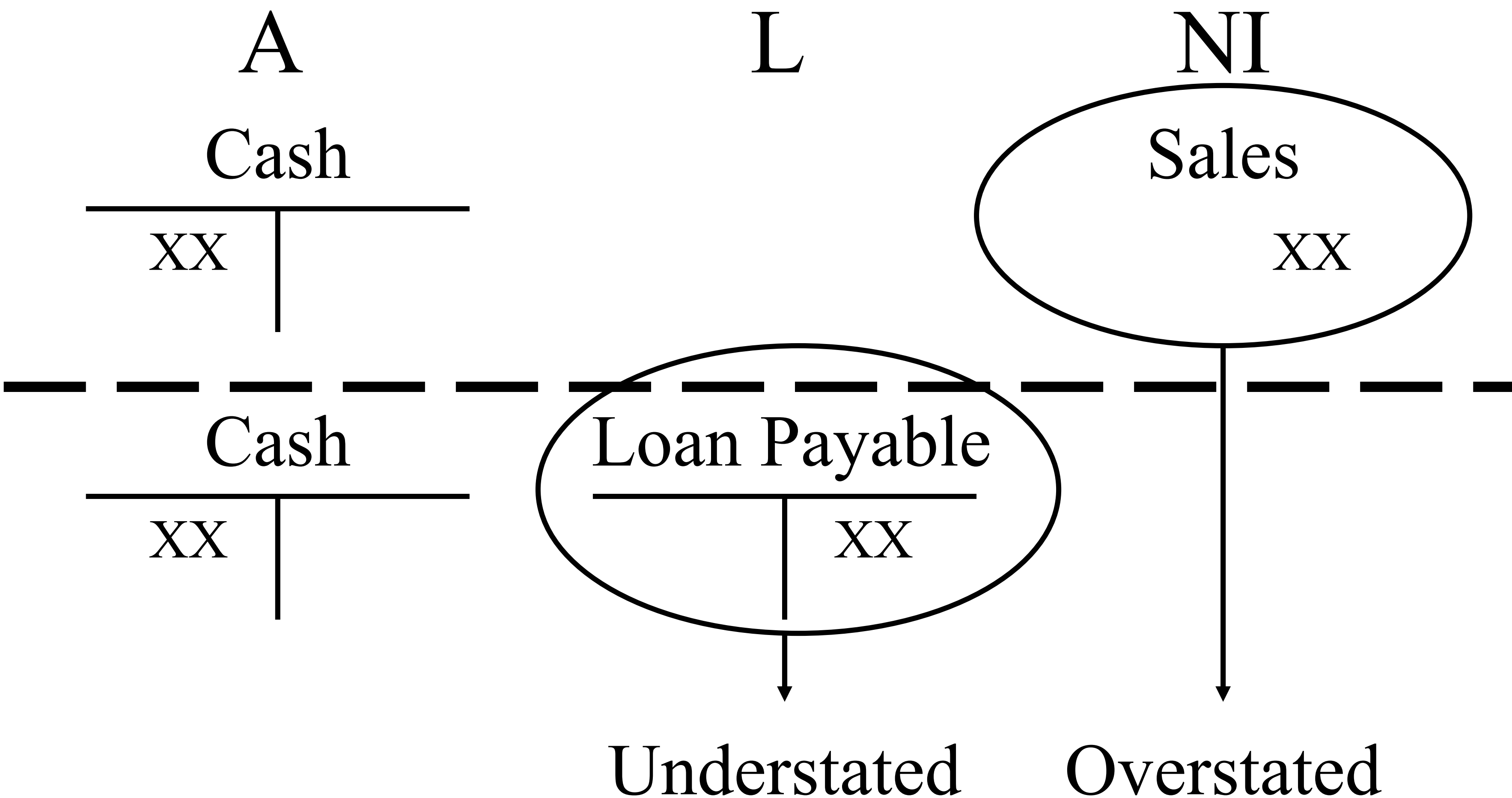
3 Cash received from a customer as payment of its account is recorded as if the receipt were for a current period sale.



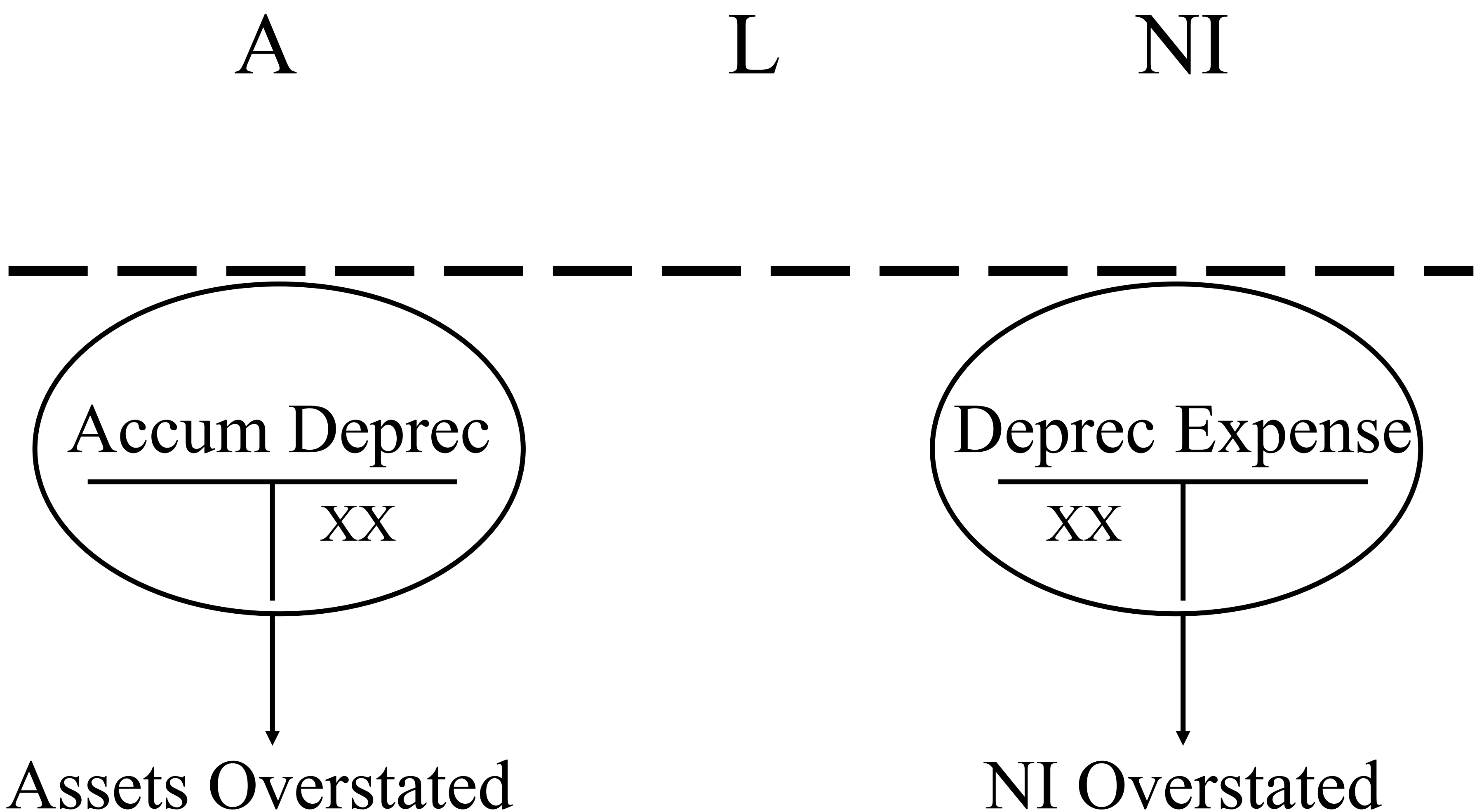
4 Recorded a credit sale as a debit to Cash and credit to Sales



5 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.



② Failed to record the purchase of merchandise on account.