

Name:

Date:

Class:

## Lesson 12.1

### Practice Your Understanding

1. Analyze each statement to determine whether it is an example of the *cash basis* or *accrual basis* accounting method. (12.1-1)

- a. On November 8, a business sold \$225 worth of plants. The payment will be collected upon delivery on November 15. The transaction was recorded on November 8.

Answer:

- b. The owner of a small business purchased a refrigerator for the employee breakroom by credit card on March 16. The transaction was recorded when the credit card bill was paid the following month.

Answer:

- c. A personal fitness trainer purchased a set of new yoga mats online using a credit card on October 16. They recorded the transaction in their accounting system the same day.

Answer:

- d. On May 7, a used furniture business sold a dining room set for \$875. The family who made the purchase paid by cash when they picked up the item from the store the following day. The business recorded the transaction on May 8.

Answer:

2. Outline the steps you can take to make sure your cash flow is healthy. If necessary, conduct some research for advice on managing cash flow. (12.1-2)

Answer:

3. Using the chart of accounts for Sophia's Web Design Company in Figure 12-5, prepare entries to be recorded in the general journal for the following transactions. (12.1-3)

- a. Sophia's Web Design Company writes a check for \$2,500 to pay the rent on April 1. The check number is 431.

Answer:

- b. Sophia's Web Design Company sent a sales invoice in the amount of \$750 to a client for completed services on April 15. The sales invoice number is 157.

Answer:

- c. Sophia's Web Design Company purchases new equipment on account in the amount of \$1,500 on April 21. The purchase invoice number is 335.

Answer: