INTERACTIVE BALANCE SHEET LAB

Atlas Analytics - Student Handout

Transaction analysis, journal-entry practice, concept checks, and statement construction.

Teaching Lab public beta | Hongye Chris Yang | Release 2026-08-21

Name ____________ Date ____________ Section ____________

How to use this handout

For each transaction, predict the accounts and equation effect before writing the journal entry. Revenue and expense accounts remain temporary until net income is calculated. Do not post current-period revenue or expense directly to Retained Earnings.

Assessment boundary: Transaction explanation boxes are formative and ungraded. The five concept-check explanations are graded at 2 points each.

Learning objectives

1. Explain why Assets = Liabilities + Equity after every valid transaction.
2. Classify common accounts and identify their normal debit or credit balance.
3. Predict how a transaction changes at least two accounts before viewing the entry.
4. Distinguish cash movement from revenue recognition and expense recognition.
5. Read a simple journal entry and connect temporary accounts to net income.
6. Explain how net income flows into ending retained earnings.
7. Construct and verify an ending balance sheet from a transaction ledger.

Normal-balance guide

ACCOUNT CLASS	NORMAL BALANCE	EXAMPLES
Assets and expenses	Debit	Cash, A/R, Inventory, Equipment, COGS, Operating Expense
Liabilities, equity, and revenue	Credit	A/P, Notes Payable, Common Stock, Sales Revenue, Service Revenue
Contra-assets	Credit	Accumulated Depreciation reduces the related asset

Atlas Analytics transaction ledger

Transaction 1: Founder invests cash

The founder invests $60,000 cash in Atlas Analytics in exchange for common stock.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 1

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 2: Borrow from the bank

Atlas Analytics borrows $30,000 cash from a bank and signs a note payable.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 2

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 3: Buy equipment for cash

Atlas Analytics buys equipment for $24,000 cash.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 3

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 4: Buy inventory on account

Atlas Analytics buys $12,000 of inventory from a supplier and will pay later.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 4

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 5: Sell inventory for cash

Atlas Analytics sells inventory for $10,000 cash. The inventory sold originally cost $6,000.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 5

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 6: Provide services on account

Atlas Analytics completes $8,000 of services for a customer who will pay later.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 6

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 7: Collect from a customer

Atlas Analytics collects $5,000 from the customer whose receivable was recorded earlier.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 7

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 8: Pay part of accounts payable

Atlas Analytics pays $7,000 to the inventory supplier.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 8

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 9: Pay operating expenses

Atlas Analytics pays $4,000 of current-period operating expenses in cash.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 9

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Transaction 10: Record depreciation

Atlas Analytics records $1,000 of depreciation on its equipment.

> **Predict:** Which accounts change? Which side is debited or credited? How do total assets, liabilities, and equity change?

Journal-entry workspace - Transaction 10

ACCOUNT	DEBIT	CREDIT

Explain why the entry is correct:

Concept checks

1. Which transaction changes only the composition of assets?

- Buying equipment for cash
- Borrowing from the bank
- Paying an operating expense

Reasoning:

2. Why is the bank loan not revenue?

- The cash creates an obligation that must be repaid
- Because banks cannot be customers
- Cash receipts are never revenue

Reasoning:

3. Why does collecting Accounts Receivable not create revenue?

- The revenue was recognized when the service was performed
- The collection is too small to recognize
- Collections always create liabilities

Reasoning:

4. The company collects $10,000 for inventory that cost $6,000. What reaches retained earnings before other expenses?

- $4,000 gross profit
- $10,000 cash collected
- $6,000 inventory cost

Reasoning:

5. Why can depreciation reduce net assets without reducing cash?

- It allocates a previously capitalized equipment cost
- Cash is reduced off the books
- It creates a liability instead

Reasoning:

Construct the ending statements

Income statement template

LINE	AMOUNT
Sales Revenue	
Service Revenue	
Total Revenue	
Cost of Goods Sold	
Operating Expense	
Depreciation Expense	
Net Income	

Retained-earnings bridge template

LINE	AMOUNT
Opening Retained Earnings	
Add: Net Income	
Less: Distributions	
Ending Retained Earnings	

Ending balance-sheet template

ASSETS	AMOUNT	LIABILITIES AND EQUITY	AMOUNT
Cash		Accounts Payable	
Accounts Receivable		Notes Payable	
Inventory		Common Stock	
Equipment		Retained Earnings	
Less: Accumulated Depreciation			
Total Assets		Total Liabilities and Equity	