**1**

Accounting Concepts

and Procedures

**ANSWERS TO DISCUSSION QUESTIONS AND**

**CRITICAL THINKING/ETHICAL CASE**

**1.** The functions of accounting are to analyze, record, classify, summarize, report, interpret, and communicate financial information.

**2.** Sole proprietorship—1 owner; unlimited liability; easy to form; limited life Partnership—2 or more owners; unlimited liability; easy to form; limited life Corporation—Stockholders; limited liability; difficult to form; unlimited life

**3.** Businesses are classified as service, merchandise, or manufacturing.

**4.** Computer technology has greatly reduced the time required for performing the bookkeeping function.

**5.** The three elements of the basic accounting equation are assets, liabilities, and owner's equity.

**6.** Capital is the owner's current investment or equity in the assets of a business. It is one subdivision of owner's equity.

**7.** True. The sum of the left side of the equation (assets) must equal the sum of the right side of the equation (liabilities and owner's equity).

**8.** False. That is the income statement.

**9.** False. Revenue is a subdivision of owner's equity.

**10.** Owner's equity is subdivided into Capital, Withdrawals, Revenue, and Expenses.

**11.** False. It is a subdivision of owner's equity and records payments of the owner’s personal (non-business) expenses or distributions direct to the owner. It is not a business expense.

**12.** Reject. As expenses increase, owner's equity decreases.

**13.** Revenue less Expenses; an income statement shows performance over time.

**14.** False. It calculates ending capital.

**15.** The question in this case is whether Paul should be allowed to "pad" his expense account with an additional $100 of expenses. This would be unethical. Paul should only expense those items that are business related. Paul's argument that he is entitled to an additional $100 is not a valid assumption. However, he should be reimbursed for any business expenses during the weekend.

**SOLUTIONS TO CONCEPT CHECKS**

1. a. A

b. A

c. L

d. A

e. OE

f. A

1. a. Liabilities

b. Total Assets

c. Accounts Payable

1. a. I

b. S

1. Total assets = Cash $26,000 + Computer equipment $20,000 = $46,000
2. b. J. Penny, Capital

d. J. Penny, Withdrawals

f. Advertising Expense

g. Taxi Fees Earned

1. c. Accounts Payable

d. Grooming Fees Earned

1. a, b, d
2. a. IS

b. BS

c. BS

d. BS

e. IS

f. IS

g. OE

h. BS

1. a. OE

b. BS

c. BS

d. IS

**SOLUTIONS TO SET A EXERCISES**

**1A-1.** a. $17,500 = $6,000 + $11,500

b. $65,000 = $5,000 + $60,000

c. $15,000 = $12,000 + $3,000

**1A-2.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Assets =** | | **Liabilities + Owner’s Equity** | |
|  | Cash + | Equipment = | Accounts + Payable | Morgan, Capital |
| a. | +124,000 |  |  | +124,000 |
| b. | (1,300) | +1,300 |  |  |
| c. |  | +900 | +900 |  |

**1A-3.**

**Rabbit Company CLEANERS**

**Balance Sheet**

**september 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | | | | | **Liabilities and Owner’s Equity** | | | | | |
| Cash | $67 | 0 | 0 | 0 |  | **Liabilities** |  |  |  |  |  |
| Equipment | 7 | 0 | 0 | 0 |  | Accounts Payable | $13 | 0 | 0 | 0 |  |
| 13 | 0 | 0 | 0 |
|  |  |  |  |  |  | Total Liabilities |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | B. Rabbit, Capital | 61 | 0 | 0 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | Total Liabilities and |  |  |  |  |  |
| Total Assets | $74 | 0 | 0 | 0 |  | Owner's Equity | $74 | 0 | 0 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**EXERCISES (CONTINUED)**

**1A-4.**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **ASSETS** |  | **=** | | **LIABILITIES** | **+** | **OWNER'S EQUITY** | | | | | | |
|  |  |  |  |  |  |  |  |  | **B.** |  | **B.** |  |  |  |  |
|  |  |  | **Accounts** |  | **Computer** |  | **Accounts** |  | **Baker,** |  | **Baker,** |  |  |  |  |
|  | **Cash** | **+** | **Rec.** | **+** | **Equip.** | **=** | **Payable** | **+** | **Capital** | **–** | **Withd.** | **+** | **Revenues** | **–** | **Expenses** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **a.** | **+80,000** |  |  |  |  |  |  |  | **+80,000** |  |  |  |  |  |  |
| **b.** |  |  |  |  | **+4,000** |  | **+4,000** |  |  |  |  |  |  |  |  |
| **c.** | **(125)** |  |  |  |  |  |  |  |  |  | **+125** |  |  |  |  |
| **d.** | **+13,600** |  |  |  |  |  |  |  |  |  |  |  | **+13,600** |  |  |
| **e.** |  |  | **+30,000** |  |  |  |  |  |  |  |  |  | **+30,000** |  |  |
| **f.** | **(4,100)** |  |  |  |  |  |  |  |  |  |  |  |  |  | **+4,100** |
| **g.** | **(1,490)** |  |  |  |  |  |  |  |  |  |  |  |  |  | **+1,490** |

Remember, as withdrawals or expenses increase, the end result is to reduce owner's equity.

**1A-5.**

**(a)**

**FREeman Realty**

**Income Statement**

**Month Ended june 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Revenue: |  |  |  |  |  |  |  |  |  |  |
| Professional Fees |  |  |  |  |  | $3 | 1 | 0 | 0 |  |
| Operating Expenses: |  |  |  |  |  |  |  |  |  |  |
| Salaries Expense | $ | 4 | 5 | 0 |  |  |  |  |  |  |
| Utilities Expense |  | 1 | 5 | 0 |  |  |  |  |  |  |
| Rent Expense |  | 4 | 5 | 0 |  |  |  |  |  |  |
| Total Operating Expenses |  |  |  |  |  | 1 1 | 0 | 5 | 0 |  |
| Net Income |  |  |  |  |  | $2 | 0 | 5 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(b)**

**FREeman Realty**

**Statement of Owner’s Equity**

**Month Ended june 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| S. Freeman, Capital, June 1, 201X |  |  |  |  |  | $10 | 2 | 4 | 5 |  |
| Net Income for June | $2 | 0 | 5 | 0 |  |  |  |  |  |  |
| Less: Withdrawals for June |  | (2 | 2 | 5) |  |  |  |  |  |  |
| Increase in Capital |  |  |  |  |  | 1 | 8 | 2 | 5 |  |
| S. Freeman, Capital, June 30, 201X |  |  |  |  |  | $12 | 0 | 7 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**EXERCISES (CONTINUED)**

**(c)**

**FREeman Realty**

**Balance Sheet**

**june 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | | | | | **Liabilities and Owner’s Equity** | | | | | |
| Cash | $5 | 2 | 0 | 0 |  | **Liabilities** |  |  |  |  |  |
| Accounts Receivable | 1 | 3 | 7 | 0 |  | Accounts Payable | $6 | 0 | 0 | 0 |  |
| Office Equipment | 11 | 5 | 0 | 0 |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | S. Freeman, Capital | 12 | 0 | 7 | 0 |  |
|  |  |  |  |  |  | Total Liabilities and |  |  |  |  |  |
| Total Assets | $18 | 0 | 7 | 0 |  | Owner's Equity | $18 | 0 | 7 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**SOLUTIONS TO SET B EXERCISES**

**1B-1.** a. $19,000 = $6,000 + $13,000

b. $100,000 = $4,000 + $96,000

c. $45,000 = $10,000 + $35,000

**1B-2.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Assets =** | | **Liabilities + Owner’s Equity** | |
|  | Cash + | Equipment = | Accounts + Payable | Melody, Capital |
| a. | +128,000 |  |  | +128,000 |
| b. | (1,650) | +1,650 |  |  |
| c. |  | +1,200 | +1,200 |  |

**1B-3.**

**RAUSCHER COMPANY CLEANERS**

**BALANCE SHEET**

**NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER’S EQUITY** | | | | | |
| **Cash** | **$65** | **0** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **10** | **0** | **0** | **0** |  | **Accounts Payable** | **$29** | **0** | **0** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities** | **$29** | **0** | **0** | **0** |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **B. Rauscher, Capital** | **$46** | **0** | **0** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$75** | **0** | **0** | **0** |  | **Owner's Equity** | **$75** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**EXERCISES (CONTINUED)**

**1B-4.**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **ASSETS** |  | **=** | | **LIABILITIES** | **+** | **OWNER'S EQUITY** | | | | | | |
|  |  |  |  |  |  |  |  |  | **B.** |  | **B.** |  |  |  |  |
|  |  |  | **Accounts** |  | **Computer** |  | **Accounts** |  | **Beadell,** |  | **Beadell,** |  |  |  |  |
|  | **Cash** | **+** | **Rec.** | **+** | **Equip.** | **=** | **Payable** | **+** | **Capital** | **–** | **Withdr.** | **+** | **Revenues** | **–** | **Expenses** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **a.** | **+65,000** |  |  |  |  |  |  |  | **+65,000** |  |  |  |  |  |  |
| **b.** |  |  |  |  | **+7,500** |  | **+7,500** |  |  |  |  |  |  |  |  |
| **c.** | **(225)** |  |  |  |  |  |  |  |  |  | **+225** |  |  |  |  |
| **d.** | **+13,500** |  |  |  |  |  |  |  |  |  |  |  | **+13,500** |  |  |
| **e.** |  |  | **+29,600** |  |  |  |  |  |  |  |  |  | **+29,600** |  |  |
| **f.** | **(3,800)** |  |  |  |  |  |  |  |  |  |  |  |  |  | **+3,800** |
| **g*.*** | **(1,530)** |  |  |  |  |  |  |  |  |  |  |  |  |  | **+1,530** |

Remember, as withdrawals or expenses increase, the end result is to reduce owner's equity.

**1B-5.**

**(a)**

**FAIRMONT REALTY**

**INCOME STATEMENT**

**MONTH ENDED NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Professional Fees** |  |  |  |  |  | **$4** | **0** | **0** | **0** |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Salaries Expense** | **$** | **3** | **0** | **0** |  |  |  |  |  |  |
| **Utilities Expense** |  | **2** | **5** | **0** |  |  |  |  |  |  |
| **Rent Expense** |  | **3** | **0** | **0** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  |  | **8** | **5** | **0** |  |
| **Net Income** |  |  |  |  |  | **$3** | **1** | **5** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(b)**

**FAIRMONT REALTY**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S. Fairmont, Capital, November 1, 201X** |  |  |  |  |  | **$10** | **0** | **1** | **5** |  |
| **Net Income for November** | **$3** | **1** | **5** | **0** |  |  |  |  |  |  |
| **Less: Withdrawals for November** |  | **(1** | **7** | **5)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  | **2** | **9** | **7** | **5** |  |
| **S. Fairmont, Capital, November 30, 201X** |  |  |  |  |  | **$12** | **9** | **9** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**FAIRMONT REALTY**

**BALANCE SHEET**

**NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$4** | **5** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** | **1** | **4** | **9** | **0** |  | **Accounts Payable** | **$6** | **0** | **0** | **0** |  |
| **Office Equipment** | **13** | **0** | **0** | **0** |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **S. Fairmont, Capital** | **12** | **9** | **9** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$18** | **9** | **9** | **0** |  | **Owner's Equity** | **$18** | **9** | **9** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**SOLUTIONS TO SET A PROBLEMS**

**PROBLEM 1A-1**

**MELODY'S NAIL SPA**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transaction | **Assets =** | | **Liabilities + Owner’s Equity** | |
|  | Cash | Store Equipment | Accounts Payable | M. Abington, Capital |
| a. | +19,000 |  |  | +19,000 |
| b. | (3,400) | +3,400 |  |  |
| c. |  | +6,100 | +6,100 |  |
| d. | (1,200) |  | (1,200) |  |
| Total | 14,400 | 9,500 | 4,900 | 19,000 |

**PROBLEM 1A-2**

**SIMON’S INTERNET SERVICE**

**BALANCE SHEET**

**NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$45** | **0** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **24** | **0** | **0** | **0** |  | **Accounts Payable** | **$16** | **5** | **0** | **0** |  |
| **Building** | **30** | **0** | **0** | **0** |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **B. Simon, Capital** | **82** | **5** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$99** | **0** | **0** | **0** |  | **Owner's Equity** | **$99** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1A-3**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Expenses** |  | **0** |  | **0** |  | **0** |  | **0** | **+325** | **325** | **+220** | **545** | **+800** | **1,345** |  | **1,345** |  |
|  |  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** |  |
|  | **OWNER'S EQUITY** | **Computer Service Revenue** |  | **0** |  | **0** | **+1,300** | **1,300** | **+2,200** | **3,500** |  | **3,500** |  | **3,500** |  | **3,500** |  | **3,500** |  |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **FALCO COMPUTER SERVICE** |  | **R. Falco, Withd.** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+ 300** | **300** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** |  |
|  | **R. Falco, Capital** | **+40,000** | **40,000** |  | **40,000** |  | **40,000** |  | **40,000** |  | **40,000** |  | **40,000** |  | **40,000** |  | **40,000** |  |
| **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **LIABILITIES** | **Accounts Payable** |  | **0** | **+6,500** | **6,500** |  | **6,500** |  | **6,500** |  | **6,500** |  | **6,500** | **+800** | **7,300** |  | **7,300** | **49,155** |
| **=** | **=** |  | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** |
|  | **Computer Equipment** |  | **0** | **+6,500** | **6,500** |  | **6,500** |  | **6,500** |  | **6,500** |  | **6,500** |  | **6,500** |  | **6,500** | **49,155** |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **ASSETS** | **Accounts**  **Receivable** |  | **0** |  | **0** |  | **0** | **+2,200** | **2,200** |  | **2,200** |  | **2,200** |  | **2,200** |  | **2,200** |  |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  |  | **Cash** | **+40,000** | **40,000** |  | **40,000** | **+1,300** | **41,300** |  | **41,300** | **(325)** | **40,975** | **(220)** | **40,755** |  | **40,755** | **(300)** | **40,455** |  |
|  |  |  | **a.** | **BALANCE** | **b.** | **BALANCE** | **c.** | **BALANCE** | **d.** | **BALANCE** | **e.** | **BALANCE** | **f.** | **BALANCE** | **g.** | **BALANCE** | **h.** | **ENDING BALANCE** |  |

**PROBLEM 1A-4**

**(a)**

**WENGLER HOME DECORATING SERVICE**

**INCOME STATEMENT**

**MONTH ENDED JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Home Decorating Fees** |  |  |  |  |  | **$2** | **4** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Advertising Expense** | **$** | **1** | **4** | **5** |  |  |  |  |  |  |
| **Repair Expense** |  |  | **5** | **5** |  |  |  |  |  |  |
| **Travel Expense** |  | **2** | **5** | **0** |  |  |  |  |  |  |
| **Supplies Expense** |  |  | **5** | **5** |  |  |  |  |  |  |
| **Rent Expense** |  | **3** | **7** | **5** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  |  | **8** | **8** | **0** |  |
| **Net Income** |  |  |  |  |  | **$1** | **5** | **2** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(b)**

**WENGLER HOME DECORATING SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **J. Wengler Capital, June 1, 201X** |  |  |  |  |  | **$3** | **8** | **8** | **5** |  |
| **Net Income for June** | **$1** | **5** | **2** | **0** |  |  |  |  |  |  |
| **Less: Withdrawals for June** | **(1** | **0** | **0** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  |  | **5** | **2** | **0** |  |
| **J. Wengler, Capital, June 30, 201X** |  |  |  |  |  | **$4** | **4** | **0** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**WENGLER HOME DECORATING SERVICE**

**BALANCE SHEET**

**JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$2** | **3** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** | **1** | **2** | **0** | **0** |  | **Accounts Payable** | **$** | **2** | **5** | **0** |  |
| **Decorating Equipment** | **1** | **1** | **5** | **5** |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Wengler, Capital** | **4** | **4** | **0** | **5** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$4** | **6** | **5** | **5** |  | **Owner's Equity** | **$4** | **6** | **5** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1A-5**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **OWNER’S EQUITY** | **Expenses** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+690** | **690** |  | **690** |  | **690** | **+60** | **750** |  | **750** |  | **750** |  | **750** | **+500** | **1,250** | **+550** | **1,800** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** |  |
|  | **Catering**  **Revenue** |  | **0** |  | **0** |  | **0** |  | **0** | **+2,400** | **2,400** |  | **2,400** | **+175** | **2,575** |  | **2,575** |  | **2,575** |  | **2,575** | **+1,900** | **4,475** |  | **4,475** |  | **4,475** |  | **4,475** |  |
|  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
| **TRUMAN’S CATERING SERVICE** | **J. Truman,**  **Withd** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+90** | **90** |  | **90** |  | **90** |  | **90** |  | **90** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** |  |
|  | **J. Truman,**  **Capital** | **+33,000** | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  | **33,000** |  |
| **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **LIABILITIES** | **Accounts**  **Payable** |  | **0** |  | **0** | **+2,100** | **2,100** | **(200)** | **1,900** |  | **1,900** |  | **1,900** |  | **1,900** |  | **1,900** |  | **1,900** |  | **1,900** |  | **1,900** | **+800** | **2,700** | **+500** | **3,200** |  | **3,200** | **$38,785** |
| **=** | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** | **=** |
|  | **Equipment** |  |  | **+1,600** | **1,600** | **+2,100** | **3,700** |  | **3,700** |  | **3,700** |  | **3,700** |  | **3,700** |  | **3,700** |  | **3,700** |  | **3,700** |  | **3,700** | **+800** | **4,500** |  | **4,500** |  | **4,500** | **$38,785** |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **ASSETS** | **Accounts**  **Receivable** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+175** | **175** | **(120)** | **55** |  | **55** |  | **55** |  | **55** |  | **55** |  | **55** |  | **55** |  |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **Cash** | **+33,000** | **33,000** | **(1,600)** | **31,400** |  | **31,400** | **(200)** | **31,200** | **+2,400** | **33,600** | **(690)** | **32,910** |  | **32,910** | **+120** | **33,030** | **(60)** | **32,970** | **(90)** | **32,880** | **+1,900** | **34,780** |  | **34,780** |  | **34,780** | **(550)** | **34,230** |  |
|  |  |  | **5/25** | **BALANCE** | **5/27** | **BALANCE** | **5/28** | **BALANCE** | **5/29** | **BALANCE** | **6/1** | **BALANCE** | **6/5** | **BALANCE** | **6/8** | **BALANCE** | **6/10** | **BALANCE** | **6/15** | **BALANCE** | **6/17** | **BALANCE** | **6/20** | **BALANCE** | **6/25** | **BALANCE** | **6/28** | **BALANCE** | **6/30** | **END. BAL.** |  |

**PROBLEM 1A-5 (CONTINUED)**

**(b)**

**TRUMAN'S CATERING SERVICE**

**BALANCE SHEET**

**MAY 31, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$31** | **2** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **3** | **7** | **0** | **0** |  | **Accounts Payable** | **$1** | **9** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Truman, Capital** | **33** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$34** | **9** | **0** | **0** |  | **Owner's Equity** | **$34** | **9** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**TRUMAN'S CATERING SERVICE**

**INCOME STATEMENT**

**MONTH ENDED JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Catering Revenue** |  |  |  |  |  | **$4** | **4** | **7** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Salaries Expense** | **$** | **6** | **9** | **0** |  |  |  |  |  |  |
| **Telephone Expense** |  |  | **6** | **0** |  |  |  |  |  |  |
| **Rent Expense** |  | **5** | **0** | **0** |  |  |  |  |  |  |
| **Supplies Expense** |  | **5** | **5** | **0** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  | **1** | **8** | **0** | **0** |  |
| **Net Income** |  |  |  |  |  | **$2** | **6** | **7** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1-5A(CONCLUDED)**

**(d)**

**TRUMAN'S CATERING SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **J. Truman, Capital June 1, 201X** |  |  |  |  |  | **$33** | **0** | **0** | **0** |  |
| **Net Income for June** | **$2** | **6** | **7** | **5** |  |  |  |  |  |  |
| **Less: Withdrawals for June** |  |  | **(9** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  | **2** | **5** | **8** | **5** |  |
| **J. Truman, Capital, June 30, 201X** |  |  |  |  |  | **$35** | **5** | **8** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(e)**

**TRUMAN'S CATERING SERVICE**

**BALANCE SHEET**

**JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$34** | **2** | **3** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** |  |  | **5** | **5** |  | **Accounts Payable** | **$3** | **2** | **0** | **0** |  |
| **Equipment** | **4** | **5** | **0** | **0** |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Truman, Capital** | **35** | **5** | **8** | **5** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$38** | **7** | **8** | **5** |  | **Owner's Equity** | **$38** | **7** | **8** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**SOLUTIONS TO SET B PROBLEMS**

**PROBLEM 1B-1**

**MADELINE’S NAIL SPA**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transaction | **Assets =** | | **Liabilities + Owner’s Equity** | |
|  | Cash | Store Equipment | Accounts Payable | M. Abdul, Capital |
| a. | +17,000 |  |  | +17,000 |
| b. | (3,900) | +3,900 |  |  |
| c. |  | +6,200 | +6,200 |  |
| d. | (800) |  | (800) |  |
| Total | 12,300 | 10,100 | 5,400 | 17,000 |

**PROBLEM 1B-2**

**SAM'S INTERNET SERVICE**

**BALANCE SHEET**

**SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$ 5** | **0** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **34** | **0** | **0** | **0** |  | **Accounts Payable** | **$15** | **5** | **0** | **0** |  |
| **Building** | **45** | **0** | **0** | **0** |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **B. Sam, Capital** | **68** | **5** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$84** | **0** | **0** | **0** |  | **Owner's Equity** | **$84** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1B-3**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **FANNIER COMPUTER SERVICE**  **RED FUMAN COMPUTER SERVICE** |  | **Expenses** |  | **0** |  | **0** |  | **0** |  | **0** | **+300** | **300** | **+180** | **480** | **+1,000** | **1,480** |  | **1,480** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** |  |
| **OWNER'S EQUITY** | **Computer Service**  **Revenue** |  | **0** |  | **0** | **+700** | **700** | **+1,200** | **1,900** |  | **1,900** |  | **1,900** |  | **1,900** |  | **1,900** |  |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **R. Fannier Withd.** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+800** | **800** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** |  |
|  | **R.**  **Fannier,**  **Capital** | **+17,000** | **17,000** |  | **17,000** |  | **17,000** |  | **17,000** |  | **17,000** |  | **17,000** |  | **17,000** |  | **17,000** |  |
| **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **LIABILITIES** | **Accounts**  **Payable** |  | **0** | **+5,000** | **5,000** |  | **5,000** |  | **5,000** |  | **5,000** |  | **5,000** | **+1,000** | **6,000** |  | **6,000** | **$22,620** |
| **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** |
|  | **Computer Equipment** |  | **0** | **+5,000** | **5,000** |  | **5,000** |  | **5,000** |  | **5,000** |  | **5,000** |  | **5,000** |  | **5,000** | **$22,620** |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **ASSETS** | **Accounts**  **Receivable** |  | **0** |  | **0** |  | **0** | **+1,200** | **1,200** |  | **1,200** |  | **1,200** |  | **1,200** |  | **1,200** |  |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **Cash** | **+17,000** | **17,000** |  | **17,000** | **+700** | **17,700** |  | **17,700** | **(300)** | **17,400** | **(180)** | **17,220** |  | **17,220** | **(800)** | **16,420** |  |
|  |  | **a.** | **BALANCE** | **b.** | **BALANCE** | **c.** | **BALANCE** | **d.** | **BALANCE** | **e.** | **BALANCE** | **f.** | **BALANCE** | **g.** | **BALANCE** | **h.** | **ENDING BALANCE** |  |

**PROBLEM 1B-4**

**(a)**

**WADDEN HOME DECORATING SERVICE**

**INCOME STATEMENT**

**MONTH ENDED SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Home Decorating Fees** |  |  |  |  |  | **$2** | **4** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Advertising Expense** | **$** | **2** | **5** | **0** |  |  |  |  |  |  |
| **Repair Expense** |  |  | **4** | **0** |  |  |  |  |  |  |
| **Travel Expense** |  | **7** | **5** | **0** |  |  |  |  |  |  |
| **Supplies Expense** |  |  | **9** | **5** |  |  |  |  |  |  |
| **Rent Expense** |  | **3** | **0** | **0** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  | **1** | **4** | **3** | **5** |  |
| **Net Income** |  |  |  |  |  | **$** | **9** | **6** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(b)**

**WADDEN HOME DECORATING SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **J. Wadden, Capital, September 1, 201X** |  |  |  |  |  | **$2** | **6** | **7** | **5** |  |
| **Net income for September** | **$** | **9** | **6** | **5** |  |  |  |  |  |  |
| **Less: Withdrawals for September** |  | **(8** | **0** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  |  | **1** | **6** | **5** |  |
| **J. Wadden, Capital, September 30, 201X** |  |  |  |  |  | **$2** | **8** | **4** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**WADDEN HOME DECORATING SERVICE**

**BALANCE SHEET**

**SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$2** | **5** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** |  | **5** | **5** | **0** |  | **Accounts Payable** | **$** | **9** | **3** | **5** |  |
| **Decorating Equipment** |  | **7** | **2** | **5** |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Wadden, Capital** | **2** | **8** | **4** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$3** | **7** | **7** | **5** |  | **Owner's Equity** | **$3** | **7** | **7** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1B-5**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **OWNER’S EQUITY** | **Expenses** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+1,500** | **1,500** |  | **1,500** |  | **1,500** | **+50** | **1,550** |  | **1,550** |  | **1,550** |  | **1,550** | **+550** | **2,100** | **+250** | **2,350** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **-** | **-** | **–** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** |  |
|  | **Catering**  **Revenue** |  | **0** |  | **0** |  | **0** |  | **0** | **+2,000** | **2,000** |  | **2,000** | **+150** | **2,150** |  | **2,150** |  | **2,150** |  | **2,150** | **+1,000** | **3,150** |  | **3,150** |  | **3,150** |  | **3,150** |  |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **TRICKETT’S CATERING SERVICE** | **J. Trickett,**  **Withd** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+400** | **400** |  | **400** |  | **400** |  | **400** |  | **400** |  |
| **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** |  |
| **J. Trickett,**  **Capital** | **+22,000** | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  | **22,000** |  |
| **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **LIABILITIES** | **Accounts**  **Payable** |  | **0** |  | **0** | **+2,100** | **2,100** | **(800)** | **1,300** |  | **1,300** |  | **1,300** |  | **1,300** |  | **1,300** |  | **1,300** |  | **1,300** |  | **1,300** | **+400** | **1,700** | **+550** | **2,250** |  | **2,250** | **$24,650** |
| **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** |
|  | **Equipment** |  | **0** | **+700** | **700** | **+2,100** | **2,800** |  | **2,800** |  | **2,800** |  | **2,800** |  | **2,800** |  | **2,800** |  | **2,800** |  | **2,800** |  | **2,800** | **+400** | **3,200** |  | **3,200** |  | **3,200** | **$24,650** |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **ASSETS** | **Accounts**  **Receivable** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+150** | **150** | **(100)** | **50** |  | **50** |  | **50** |  | **50** |  | **50** |  | **50** |  | **50** |  |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  |  | **Cash** | **+22,000** | **22,000** | **(700)** | **21,300** |  | **21,300** | **(800)** | **20,500** | **+2,000** | **22,500** | **(1,500)** | **21,000** |  | **21,000** | **+100** | **21,100** | **(50)** | **21,050** | **(400)** | **20,650** | **+1,000** | **21,650** |  | **21,650** |  | **21,650** | **(250)** | **21,400** |  |
|  |  |  | **10/25** | **BALANCE** | **10/27** | **BALANCE** | **10/28** | **BALANCE** | **10/29** | **BALANCE** | **11/1** | **BALANCE** | **11/5** | **BALANCE** | **11/8** | **BALANCE** | **11/10** | **BALANCE** | **11/15** | **BALANCE** | **11/17** | **BALANCE** | **11/20** | **BALANCE** | **11/25** | **BALANCE** | **11/28** | **BALANCE** | **11/30** | **END BAL.** |  |

**PROBLEM 1B-5 (CONTINUED)**

**(b)**

**TRICKETT'S CATERING SERVICE**

**BALANCE SHEET**

**OCTOBER 31, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$20** | **5** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **2** | **8** | **0** | **0** |  | **Accounts Payable** | **$1** | **3** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Trickett, Capital** | **22** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$23** | **3** | **0** | **0** |  | **Owner's Equity** | **$23** | **3** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**TRICKETT'S CATERING SERVICE**

**INCOME STATEMENT**

**MONTH ENDED NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Catering Revenue** |  |  |  |  |  | **$3** | **1** | **5** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Salaries Expense** | **$1** | **5** | **0** | **0** |  |  |  |  |  |  |
| **Telephone Expense** |  |  | **5** | **0** |  |  |  |  |  |  |
| **Rent Expense** |  | **5** | **5** | **0** |  |  |  |  |  |  |
| **Supplies Expense** |  | **2** | **5** | **0** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  | **2** | **3** | **5** | **0** |  |
| **Net Income** |  |  |  |  |  | **$** | **8** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1B-5(CONCLUDED)**

**(d)**

**TRICKETT'S CATERING SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **J. Trickett, Capital, November 1, 201X** |  |  |  |  |  | **$22** | **0** | **0** | **0** |  |
| **Net Income for November** | **$** | **8** | **0** | **0** |  |  |  |  |  |  |
| **Less: Withdrawals for November** |  | **(4** | **0** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  |  | **4** | **0** | **0** |  |
| **J. Trickett, Capital, November 30, 201X** |  |  |  |  |  | **$22** | **4** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(e)**

**TRICKETT'S CATERING SERVICE**

**BALANCE SHEET**

**NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$21** | **4** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** |  |  | **5** | **0** |  | **Accounts Payable** | **$2** | **2** | **5** | **0** |  |
| **Equipment** | **3** | **2** | **0** | **0** |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Trickett, Capital** | **22** | **4** | **0** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$24** | **6** | **5** | **0** |  | **Owner's Equity** | **$24** | **6** | **5** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**FINANCIAL REPORT PROBLEM SOLUTION—2016 Amazon’s Annual Report**

|  |  |
| --- | --- |
| **YEAR** | **Cash and Cash Equivalents** |
| **2016** | **$19,334 million** |
| **2015** | **$15,890 million** |
| **Increase** | **$ 3,444 million** |

**Cash and cash equivalents increased $3.4 billion from 2015 to 2016.**

**KEEPING IT REAL--Suarez Computer Center Solution**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | **Expenses** |  |  |  |  |  |  |  |  | **+$800 (Rent)** | **800** |  | **800** |  | **800** | **+100 (Util.)** | **900** |  | **900** |  | **$900** |  |
|  | | **OWNER'S EQUITY** | **–** |  |  |  |  |  |  |  |  |  | **–** |  | **–** |  | **–** |  | **–** |  | **–** |  | **–** |  |
|  | | **Service**  **Revenue** |  |  |  |  |  |  |  |  |  |  | **+$1,000** | **1,000** | **+700** | **1,700** |  | **1,700** | **+1,400** | **3,100** |  | **$3,100** |  |
|  | | **+** |  |  |  |  |  |  |  |  |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  | | **Falco,**  **Withdrawals** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **+1,500** | **$1,500** |  |
|  |  | **–** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **–** |  |
|  | | **=LIABILITIES+** | **Falco, +Capital** | **+$12,500** | **12,500** |  | **12,500** |  | **12,500** |  | **12,500** |  | **12,500** |  | **12,500** |  | **12,500** |  | **12,500** |  | **12,500** |  | **$12,500** | **$13,800** |
| **SUAREZ COMPUTER CENTER** | | **Accounts**  **Payable** |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  |  |  |  |  |  | **+$500** | **500** |  | **500** |  | **500** |  | **500** | **+100** | **600** |  | **600** |  | **$600** |  |
| **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** | **=** |
|  | **Office**  **Equipment** |  |  |  |  | **+$1,500** | **1,500** |  | **1,500** |  | **1,500** |  | **1,500** |  | **1,500** |  | **1,500** |  | **1,500** |  | **$1,500** | **$13,800** |
|  | **+** |  |  |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  | **Computer**  **Shop Equipment** |  |  | **+$1,260** | **1,260** |  | **1,260** |  | **1,260** |  | **1,260** |  | **1,260** |  | **1,260** |  | **1,260** |  | **1,260** |  | **$1,260** |  |
|  | |  | **+** |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  | | **ASSETS** | **Supplies** |  |  |  |  |  |  | **+$500** | **500** |  | **500** |  | **500** |  | **500** |  | **500** |  | **500** |  | **$500** |  |
|  | |  | **+** |  |  |  |  |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  | |  | **Cash** | **+$12,500** | **12,500** | **–1,260** | **11,240** | **–1,500** | **9,740** |  | **9,740** | **–800** | **8,940** | **+1,000** | **9,940** | **+700** | **10,640** |  | **10,640** | **+1,400** | **12,040** | **–1,500** | **$10,540** |  |
|  | |  |  | **a.** | **BALANCE** | **b.** | **BALANCE** | **c.** | **BALANCE** | **d.** | **BALANCE** | **e.** | **BALANCE** | **f.** | **BALANCE** | **g.** | **BALANCE** | **h.** | **BALANCE** | **i.** | **BALANCE** | **j.** | **ENDINGBALANCE** |  |

**SUAREZ COMPUTER CENTER**

**INCOME STATEMENT**

**FOR THE MONTH ENDED JULY 31, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Service Revenue** |  |  |  |  |  | **$3** | **1** | **0** | **0** | **00** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Rent Expense** | **$** | **8** | **0** | **0** | **00** |  |  |  |  |  |
| **Utilities Expense** |  | **1** | **0** | **0** | **00** |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  |  | **9** | **0** | **0** | **00** |
| **Net Income** |  |  |  |  |  | **$2** | **2** | **0** | **0** | **00** |
|  |  |  |  |  |  |  |  |  |  |  |

**SUAREZ COMPUTER CENTER**

**STATEMENT OF OWNER'S EQUITY**

**FOR MONTH ENDED JULY 31, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **T. Falco, Capital, July 1, 201X** |  |  |  |  |  | **$** |  |  | **0** | **00** |
| **Investment for July** |  |  |  |  |  | **12** | **5** | **0** | **0** | **00** |
| **Total investment for July** |  |  |  |  |  | **12** | **5** | **0** | **0** | **00** |
| **Net Income for July** | **$2** | **2** | **0** | **0** | **00** |  |  |  |  |  |
| **Less: Withdrawals for July** | **(1** | **5** | **0** | **0** | **00)** |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  |  | **7** | **0** | **0** | **00** |
| **T. Falco, Capital, July 31, 201X** |  |  |  |  |  | **$13** | **2** | **0** | **0** | **00** |
|  |  |  |  |  |  |  |  |  |  |  |

**SUAREZ COMPUTER CENTER**

**BALANCE SHEET**

**JULY 31, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | | |
| **Cash** | **$10** | **5** | **4** | **0** | **00** | **Liabilities:** |  |  |  |  |  |
| **Supplies** |  | **5** | **0** | **0** | **00** | **Accounts Payable** | **$** | **6** | **0** | **0** | **00** |
| **Computer Shop Equipment** | **1** | **2** | **6** | **0** | **00** |  |  |  |  |  |  |
| **Office Equipment** | **1** | **5** | **0** | **0** | **00** | **Owner’s Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **T. Falco, Capital** | **13** | **2** | **0** | **0** | **00** |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$13** | **8** | **0** | **0** | **00** | **Owner's Equity** | **$13** | **8** | **0** | **0** | **00** |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |