**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, and interpret 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 non-business expense of the owner; a subdivision of owner's equity. It is not a business expense.

**12.** False. 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. I feel that Paul should only be allowed to 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 |

|  |  |  |
| --- | --- | --- |
| **2.** | a. | Liabilities |
|  | b. | Total Assets |
|  | c. | Accounts Payable |

|  |  |  |
| --- | --- | --- |
| **3.** | a. | I |
|  | b. | S |

|  |  |  |  |
| --- | --- | --- | --- |
| **4**. |  |  |  |

Total assets = Cash $31,000 + Warehouse equipment $3,000 = $34,000

|  |  |  |
| --- | --- | --- |
| **5.** | b. | J. Penny, Capital |
|  | d. | J. Penny, Withdrawals |
|  | f. | Advertising Expense |
|  | g. | Taxi Fees Earned |

|  |  |  |
| --- | --- | --- |
| **6.** | c. | Accounts Payable |
|  | d. | Grooming Fees Earned |

|  |  |
| --- | --- |
| **7.** | a,b,d |

|  |  |  |
| --- | --- | --- |
| **8.** | a. | IS |
|  | b. | BS |
|  | c. | BS |
|  | d. | BS |
|  | e. | IS |
|  | f. | IS |
|  | g. | OE |
|  | h. | BS |

|  |  |  |
| --- | --- | --- |
| **9.** | a. | OE |
|  | b. | BS |
|  | c. | BS |
|  | d. | IS |

**SOLUTIONS TO SET A EXERCISES**

|  |  |  |  |
| --- | --- | --- | --- |
| **1A-1.** | a. | $30,000 | =$8,000 + $22,000 |
|  | b. | $105,000 | =$7,000 + $98,000 |
|  | c. | $25,000 | =$11,000 + OE |

OE should be $14,000

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1A-2.** |  |  |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Assets =** | | **Liabilities + Owner’s Equity** | |
|  | Cash + | Equipment = | Accounts + Payable | Matty, Capital |
| a. | +130,000 |  |  | +130,000 |
| b. | (1,100) | +1,100 |  |  |
| c. |  | +950 | +950 |  |

**1A-3.**

**RIDEOUT Company CLEANERS**

**Balance Sheet**

**november 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | | | | | **Liabilities and Owner’s Equity** | | | | | |
| Cash | $71 | 0 | 0 | 0 |  | **Liabilities** |  |  |  |  |  |
| Equipment | 12 | 0 | 0 | 0 |  | Accounts Payable | $15 | 1 | 0 | 0 |  |
| 15 | 1 | 0 | 0 |
|  |  |  |  |  |  | Total Liabilities |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | B. Rideout, Capital | 67 | 9 | 0 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | Total Liabilities and |  |  |  |  |  |
| Total Assets | $83 | 0 | 0 | 0 |  | Owner's Equity | $83 | 0 | 0 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**EXERCISES(CONTINUED)**

**1A-4.**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **ASSETS** |  | **=** | | **LIABILITIES** | **+** | **OWNER'S EQUITY** | | | | | | |
|  |  |  |  |  |  |  |  |  | **B.** |  | **B.** |  |  |  |  |
|  |  |  | **Accounts** |  | **Computer** |  | **Accounts** |  | **Black,** |  | **Black,** |  |  |  |  |
|  | **Cash** | **+** | **Rec.** | **+** | **Equip.** | **=** | **Payable** | **+** | **Capital** | **–** | **Withd.** | **+** | **Revenues** | **–** | **Expenses** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **a.** | **+60,000** |  |  |  |  |  |  |  | **+60,000** |  |  |  |  |  |  |
| **b.** |  |  |  |  | **+7,000** |  | **+7,000** |  |  |  |  |  |  |  |  |
| **c.** | **(100)** |  |  |  |  |  |  |  |  |  | **+100** |  |  |  |  |
| **d.** | **+14,300** |  |  |  |  |  |  |  |  |  |  |  | **+14,300** |  |  |
| **e.** |  |  | **+30,600** |  |  |  |  |  |  |  |  |  | **+30,600** |  |  |
| **f.** | **(3,600)** |  |  |  |  |  |  |  |  |  |  |  |  |  | **+3,600** |
| **g.** | **(1,470)** |  |  |  |  |  |  |  |  |  |  |  |  |  | **+1,470** |

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

**EXERCISES (CONTINUED)**

**1A-5.**

**(a)**

**FREDERICK Realty**

**Income Statement**

**Month Ended NOVEMBER 30, 201X**

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

**(b)**

**FREDERICK Realty**

**Statement of Owner’s Equity**

**Month Ended NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| S. Frederick, Capital, November 1, 201X |  |  |  |  |  | $9 | 0 | 0 | 0 |  |
| Net Income for November | $1 | 4 | 5 | 0 |  |  |  |  |  |  |
| Less: Withdrawals for November |  | (1 | 2 | 0) |  |  |  |  |  |  |
| Increase in Capital |  |  |  |  |  | 1 | 3 | 3 | 0 |  |
| S. Frederick, Capital, November 30, 201X |  |  |  |  |  | $10 | 3 | 3 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**FREDERICK Realty**

**Balance Sheet**

**NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | | | | | **Liabilities and Owner’s Equity** | | | | | |
| Cash | $4 | 8 | 0 | 0 |  | **Liabilities** |  |  |  |  |  |
| Accounts Receivable | 1 | 2 | 3 | 0 |  | Accounts Payable | $4 | 0 | 0 | 0 |  |
| Office Equipment | 8 | 3 | 0 | 0 |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | S. Frederick, Capital | 10 | 3 | 3 | 0 |  |
|  |  |  |  |  |  | Total Liabilities and |  |  |  |  |  |
| Total Assets | $14 | 3 | 3 | 0 |  | Owner's Equity | $14 | 3 | 3 | 0 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**SOLUTIONS TO SET B EXERCISES**

|  |  |  |  |
| --- | --- | --- | --- |
| **1B-1.** |  |  |  |
|  |  |  |  |
|  |  |  |  |

a. $27,000 = $7,000 + $20,000

b. $85,000 = $12,000 + $73,000

c. $30,000 = $5,000 + $25,000

**1B-2.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Assets =** | | **Liabilities + Owner’s Equity** | |
|  | Cash + | Equipment = | Accounts + Payable | Mandy, Capital |
| a. | +114,000 |  |  | +114,000 |
| b. | (1,600) | +1,600 |  |  |
| c. |  | +1,150 | +1,150 |  |

**1B-3.**

**ROLLAND COMPANY CLEANERS**

**BALANCE SHEET**

**JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER’S EQUITY** | | | | | |
| **Cash** | **$52** | **0** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **36** | **0** | **0** | **0** |  | **Accounts Payable** | **$11** | **0** | **0** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities** | **$11** | **0** | **0** | **0** |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **B. Rolland, Capital** | **$77** | **0** | **0** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$88** | **0** | **0** | **0** |  | **Owner's Equity** | **$88** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**EXERCISES(CONTINUED)**

**1B-4.**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **ASSETS** |  | **=** | | **LIABILITIES** | **+** | **OWNER'S EQUITY** | | | | | | |
|  |  |  |  |  |  |  |  |  | **B.** |  | **B.** |  |  |  |  |
|  |  |  | **Accounts** |  | **Computer** |  | **Accounts** |  | **Bell,** |  | **Bell,** |  |  |  |  |
|  | **Cash** | **+** | **Rec.** | **+** | **Equip.** | **=** | **Payable** | **+** | **Capital** | **–** | **Withdr.** | **+** | **Revenues** | **–** | **Expenses** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **a.** | **+45,000** |  |  |  |  |  |  |  | **+45,000** |  |  |  |  |  |  |
| **b.** |  |  |  |  | **+9,500** |  | **+9,500** |  |  |  |  |  |  |  |  |
| **c.** | **(75)** |  |  |  |  |  |  |  |  |  | **+75** |  |  |  |  |
| **d.** | **+14,100** |  |  |  |  |  |  |  |  |  |  |  | **+14,100** |  |  |
| **e.** |  |  | **+29,600** |  |  |  |  |  |  |  |  |  | **+29,600** |  |  |
| **f.** | **(3,400)** |  |  |  |  |  |  |  |  |  |  |  |  |  | **+3,400** |
| **g*.*** | **(1,500)** |  |  |  |  |  |  |  |  |  |  |  |  |  | **+1,500** |

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

**EXERCISES (CONTINUED)**

**1B-5.**

**(a)**

**FRENCH REALTY**

**INCOME STATEMENT**

**MONTH ENDED SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Professional Fees** |  |  |  |  |  | **$3** | **4** | **0** | **0** |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Salaries Expense** | **$** | **4** | **2** | **5** |  |  |  |  |  |  |
| **Utilities Expense** |  | **3** | **0** | **0** |  |  |  |  |  |  |
| **Rent Expense** |  | **4** | **7** | **5** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  | **1** | **2** | **0** | **0** |  |
| **Net Income** |  |  |  |  |  | **$2** | **2** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(b)**

**FRENCH REALTY**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S. French, Capital, September 1, 201X** |  |  |  |  |  | **$6** | **0** | **5** | **0** |  |
| **Net Income for September** | **$2** | **2** | **0** | **0** |  |  |  |  |  |  |
| **Less: Withdrawals for September** |  | **(2** | **0** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  | **2** | **0** | **0** | **0** |  |
| **S. French, Capital, September 30, 201X** |  |  |  |  |  | **$8** | **0** | **5** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**FRENCH REALTY**

**BALANCE SHEET**

**SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$2** | **9** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** | **1** | **7** | **5** | **0** |  | **Accounts Payable** | **$7** | **0** | **0** | **0** |  |
| **Office Equipment** | **10** | **4** | **0** | **0** |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **S. French, Capital** | **8** | **0** | **5** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$15** | **0** | **5** | **0** |  | **Owner's Equity** | **$15** | **0** | **5** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**SOLUTIONS TO SET A PROBLEMS**

**PROBLEM 1A-1**

**MORGAN'S NAIL SPA**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transaction | **Assets =** | | **Liabilities + Owner’s Equity** | |
|  | Cash | Store Equipment | Accounts Payable | M. Amberson, Capital |
| a. | +16,000 |  |  | +16,000 |
| b. | (3,700) | +3,700 |  |  |
| c. |  | +6,050 | +6,050 |  |
| d. | (600) |  | (600) |  |
| Total | 11,700 | 9,750 | 5,450 | 16,000 |

**PROBLEM 1A-2**

**SHEA’S INTERNET SERVICE**

**BALANCE SHEET**

**JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$38** | **0** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **39** | **0** | **0** | **0** |  | **Accounts Payable** | **$14** | **0** | **0** | **0** |  |
| **Building** | **55** | **0** | **0** | **0** |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **Shea, Capital** | **118** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$132** | **0** | **0** | **0** |  | **Owner's Equity** | **$132** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1A-3**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Expenses** |  | **0** |  | **0** |  | **0** |  | **0** | **+275** | **275** | **+170** | **445** | **+1,200** | **1,645** |  | **1,645** |  |
|  |  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** |  |
|  | **OWNER'S EQUITY** | **Computer Service Revenue** |  | **0** |  | **0** | **+800** | **800** | **+2,100** | **2,900** |  | **2,900** |  | **2,900** |  | **2,900** |  | **2,900** |  |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **FONTAN COMPUTER SERVICE** |  | **R. Fontan, Withd.** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+ 700** | **700** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** |  |
|  | **R. Fontan, Capital** | **+25,000** | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  |
| **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **LIABILITIES** | **Accounts Payable** |  | **0** | **+2,500** | **2,500** |  | **2,500** |  | **2,500** |  | **2,500** |  | **2,500** | **+1,200** | **3,700** |  | **3,700** | **29,255** |
| **=** | **=** |  | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** |  |
|  | **Office Equipment** |  | **0** | **+2,500** | **2,500** |  | **2,500** |  | **2,500** |  | **2,500** |  | **2,500** |  | **2,500** |  | **2,500** | **29,255** |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **ASSETS** | **Accounts**  **Receivable** |  | **0** |  | **0** |  | **0** | **+2,100** | **2,100** |  | **2,100** |  | **2,100** |  | **2,100** |  | **2,100** |  |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  |  | **Cash** | **+25,000** | **25,000** |  | **25,000** | **+800** | **25,800** |  | **25,800** | **(275)** | **25,525** | **(170)** | **25,355** |  | **25,355** | **(700)** | **24,655** |  |
|  |  |  | **a.** | **BALANCE** | **b.** | **BALANCE** | **c.** | **BALANCE** | **d.** | **BALANCE** | **e.** | **BALANCE** | **f.** | **BALANCE** | **g.** | **BALANCE** | **h.** | **ENDING BALANCE** |  |

**PROBLEM 1A-4**

**(a)**

**WILLIAMS HOME DECORATING SERVICE**

**INCOME STATEMENT**

**MONTH ENDED SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Home Decorating Fees** |  |  |  |  |  | **$2** | **7** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Advertising Expense** | **$** | **2** | **5** | **5** |  |  |  |  |  |  |
| **Repair Expense** |  |  | **4** | **5** |  |  |  |  |  |  |
| **Travel Expense** |  | **6** | **5** | **0** |  |  |  |  |  |  |
| **Supplies Expense** |  | **1** | **1** | **5** |  |  |  |  |  |  |
| **Rent Expense** |  | **1** | **5** | **0** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  | **1** | **2** | **1** | **5** |  |
| **Net Income** |  |  |  |  |  | **$1** | **4** | **8** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(b)**

**WILLIAMS HOME DECORATING SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **J. Williams, Capital, September 1, 201X** |  |  |  |  |  | **$2** | **5** | **0** | **0** |  |
| **Net Income for September** | **$1** | **4** | **8** | **5** |  |  |  |  |  |  |
| **Less: Withdrawals for September** |  | **(3** | **0** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  | **1** | **1** | **8** | **5** |  |
| **J. Williams, Capital, September 30, 201X** |  |  |  |  |  | **$3** | **6** | **8** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**WILLIAMS HOME DECORATING SERVICE**

**BALANCE SHEET**

**SEPTEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$2** | **1** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** | **1** | **0** | **5** | **0** |  | **Accounts Payable** | **$** | **4** | **5** | **0** |  |
| **Decorating Equipment** |  | **9** | **8** | **5** |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Williams, Capital** | **3** | **6** | **8** | **5** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$4** | **1** | **3** | **5** |  | **Owner's Equity** | **$4** | **1** | **3** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1A-5**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **OWNER’S EQIUTY** | **Expenses** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+800** | **800** |  | **800** |  | **800** | **+400** | **1,200** |  | **1,200** |  | **1,200** |  | **1,200** | **+650** | **1,850** | **+300** | **2,150** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** |  |
|  | **Catering**  **Revenue** |  | **0** |  | **0** |  | **0** |  | **0** | **+1,300** | **1,300** |  | **1,300** | **+500** | **1,800** |  | **1,800** |  | **1,800** |  | **1,800** | **+1,800** | **3,600** |  | **3,600** |  | **3,600** |  | **3,600** |  |
| **TANSON’S CATERING SERVICE** | **J. Tanson,**  **Withd** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+160** | **160** |  | **160** |  | **160** |  | **160** |  | **160** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** |  |
|  | **J. Tanson,**  **Capital** | **+20,000** | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  | **20,000** |  |
| **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **LIABILITIES** | **Accounts**  **Payable** |  | **0** |  | **0** | **+2,000** | **2,000** | **(900)** | **1100** |  | **1,100** |  | **1,100** |  | **1100** |  | **1,100** |  | **1,100** |  | **1,100** |  | **1,100** | **+1,200** | **2,300** | **+650** | **2,950** |  | **2,950** | **$24,240** |
| **=** | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  |
|  | **Equipment** |  |  | **+2,300** | **2,300** | **+2,000** | **4,300** |  | **4,300** |  | **4,300** |  | **4,300** |  | **4,300** |  | **4,300** |  | **4,300** |  | **4,300** |  | **4,300** | **+1,200** | **5,500** |  | **5,500** |  | **5,500** | **$24,240** |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **ASSETS** | **Accounts**  **Receivable** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+500** | **500** | **(250)** | **250** |  | **250** |  | **250** |  | **250** |  | **250** |  | **250** |  | **250** |  |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **Cash** | **+20,000** | **20,000** | **(2,300)** | **17,700** |  | **17,700** | **(900)** | **16,800** | **+1,300** | **18,100** | **(800)** | **17,300** |  | **17,300** | **+250** | **17,550** | **(400)** | **17,150** | **(160)** | **16,990** | **+1,800** | **18,790** |  | **18,790** |  | **18,790** | **(300)** | **18,490** |  |
|  |  |  | **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 1A-5 (CONTINUED)**

**(b)**

**TANSON'S CATERING SERVICE**

**BALANCE SHEET**

**OCTOBER 31, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$16** | **8** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **4** | **3** | **0** | **0** |  | **Accounts Payable** | **$1** | **1** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Tanson, Capital** | **20** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$21** | **1** | **0** | **0** |  | **Owner's Equity** | **$21** | **1** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**TANSON'S CATERING SERVICE**

**INCOME STATEMENT**

**MONTH ENDED NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Catering Revenue** |  |  |  |  |  | **$3** | **6** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Salaries Expense** | **$** | **8** | **0** | **0** |  |  |  |  |  |  |
| **Telephone Expense** |  | **4** | **0** | **0** |  |  |  |  |  |  |
| **Rent Expense** |  | **6** | **5** | **0** |  |  |  |  |  |  |
| **Supplies Expense** |  | **3** | **0** | **0** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  | **2** | **1** | **5** | **0** |  |
| **Net Income** |  |  |  |  |  | **$1** | **4** | **5** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

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

**(d)**

**TANSON'S CATERING SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **J. Tanson, Capital November 1, 201X** |  |  |  |  |  | **$20** | **0** | **0** | **0** |  |
| **Net Income for November** | **$1** | **4** | **5** | **0** |  |  |  |  |  |  |
| **Less: Withdrawals for November** |  | **(1** | **6** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  | **1** | **2** | **9** | **0** |  |
| **J. Tanson, Capital, November 30, 201X** |  |  |  |  |  | **$21** | **2** | **9** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(e)**

**TANSON'S CATERING SERVICE**

**BALANCE SHEET**

**November 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$18** | **4** | **9** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** |  | **2** | **5** | **0** |  | **Accounts Payable** | **$2** | **9** | **5** | **0** |  |
| **Equipment** | **5** | **5** | **0** | **0** |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Tanson, Capital** | **21** | **2** | **9** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$24** | **2** | **4** | **0** |  | **Owner's Equity** | **$24** | **2** | **4** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**SOLUTIONS TO SET B PROBLEMS**

**PROBLEM 1B-1**

**MANDY’S NAIL SPA**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transaction | **Assets =** | | **Liabilities + Owner’s Equity** | |
|  | Cash | Store Equipment | Accounts Payable | M. Anabelle, Capital |
| a. | +21,000 |  |  | +21,000 |
| b. | (3,500) | +3,500 |  |  |
| c. |  | +5,750 | +5,750 |  |
| d. | (1,000) |  | (1,000) |  |
| Total | 16,500 | 9,250 | 4,750 | 21,000 |

**PROBLEM 1B-2**

**SEALY'S INTERNET SERVICE**

**BALANCE SHEET**

**NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$55** | **0** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **14** | **0** | **0** | **0** |  | **Accounts Payable** | **$15** | **5** | **0** | **0** |  |
| **Building** | **50** | **0** | **0** | **0** |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **Sealy, Capital** | **103** | **5** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$119** | **0** | **0** | **0** |  | **Owner's Equity** | **$119** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1B-3**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **RED FUMAN COMPUTER SERVICE** |  | **Expenses** |  | **0** |  | **0** |  | **0** |  | **0** | **+500** | **500** | **+120** | **620** | **+600** | **1,220** |  | **1,220** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **–** |  |
| **OWNER'S EQUITY** | **Computer Service**  **Revenue** |  | **0** |  | **0** | **+200** | **200** | **+2,200** | **2,400** |  | **2,400** |  | **2,400** |  | **2,400** |  | **2,400** |  |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **R. Fuman Withd.** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+900** | **900** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** |  |
|  | **R.**  **Fuman,**  **Capital** | **+10,000** | **10,000** |  | **10,000** |  | **10,000** |  | **10,000** |  | **10,000** |  | **10,000** |  | **10,000** |  | **10,000** |  |
| **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **LIABILITIES** | **Accounts**  **Payable** |  | **0** | **+2,000** | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** | **+600** | **2,600** |  | **2,600** | **$12,880** |
| **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** |  |
|  | **Office**  **Equipment** |  | **0** | **+2,000** | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** | **$12,880** |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **ASSETS** | **Accounts**  **Receivable** |  | **0** |  | **0** |  | **0** | **+2,200** | **2,200** |  | **2,200** |  | **2,200** |  | **2,200** |  | **2,200** |  |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **Cash** | **+10,000** | **10,000** |  | **10,000** | **+200** | **10,200** |  | **10,200** | **(500)** | **9,700** | **(120)** | **9,580** |  | **9,580** | **(900)** | **8,680** |  |
|  |  | **a.** | **BALANCE** | **b.** | **BALANCE** | **c.** | **BALANCE** | **d.** | **BALANCE** | **e.** | **BALANCE** | **f.** | **BALANCE** | **g.** | **BALANCE** | **h.** | **ENDING BALANCE** |  |

**PROBLEM 1B-4**

**(a)**

**WU HOME DECORATING SERVICE**

**INCOME STATEMENT**

**MONTH ENDED JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Home Decorating Fees** |  |  |  |  |  | **$2** | **4** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Advertising Expense** | **$** | **1** | **8** | **5** |  |  |  |  |  |  |
| **Repair Expense** |  |  | **4** | **0** |  |  |  |  |  |  |
| **Travel Expense** |  | **1** | **1** | **0** |  |  |  |  |  |  |
| **Supplies Expense** |  | **1** | **3** | **5** |  |  |  |  |  |  |
| **Rent Expense** |  | **3** | **0** | **0** |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  |  | **7** | **7** | **0** |  |
| **Net Income** |  |  |  |  |  | **$1** | **6** | **3** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(b)**

**WU HOME DECORATING SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **J. Wu, Capital, June 1, 201X** |  |  |  |  |  | **$1** | **2** | **1** | **5** |  |
| **Net income for June** | **$1** | **6** | **3** | **0** |  |  |  |  |  |  |
| **Less: Withdrawals for June** |  | **(4** | **0** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  | **1** | **2** | **3** | **0** |  |
| **J. Wu, Capital, June 30, 201X** |  |  |  |  |  | **$2** | **4** | **4** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**WU HOME DECORATING SERVICE**

**BALANCE SHEET**

**JUNE 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$1** | **7** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** |  | **6** | **0** | **0** |  | **Accounts Payable** | **$1** | **1** | **4** | **0** |  |
| **Decorating Equipment** | **1** | **2** | **8** | **5** |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Wu, Capital** | **2** | **4** | **4** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$3** | **5** | **8** | **5** |  | **Owner's Equity** | **$3** | **5** | **8** | **5** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 1B-5**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **OWNER’S EQUITY** | **Expenses** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+550** | **550** |  | **550** |  | **550** | **+50** | **600** |  | **600** |  | **600** |  | **600** | **+650** | **1,250** | **+550** | **1,800** |  |
|  | **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** | **-** | **-** | **-** | **–** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** |  |
|  | **Catering**  **Revenue** |  | **0** |  | **0** |  | **0** |  | **0** | **+2,200** | **2,200** |  | **2,200** | **+250** | **2,450** |  | **2,450** |  | **2,450** |  | **2,450** | **+2,500** | **4,950** |  | **4,950** |  | **4,950** |  | **4,950** |  |
|  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **THILDORE’S CATERING SERVICE** | **J. Thildore,**  **Withd** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+120** | **120** |  | **120** |  | **120** |  | **120** |  | **120** |  |
| **–** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **–** | **-** | **-** | **-** | **–** | **-** | **–** | **-** | **–** |  |
| **J. Thildore,**  **Capital** | **+25,000** | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  | **25,000** |  |
| **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
| **LIABILITIES** | **Accounts**  **Payable** |  | **0** |  | **0** | **+800** | **800** | **(400)** | **400** |  | **400** |  | **400** |  | **400** |  | **400** |  | **400** |  | **400** |  | **400** | **+1,300** | **1,700** | **+650** | **2,350** |  | **2,350** | **$30,380** |
| **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** | **=** |  |
|  | **Equipment** |  | **0** | **+1,200** | **1,200** | **+800** | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** |  | **2,000** | **+1,300** | **3,300** |  | **3,300** |  | **3,300** | **$30,380** |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  | **ASSETS** | **Accounts**  **Receivable** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** |  | **0** | **+250** | **250** | **(80)** | **170** |  | **170** |  | **170** |  | **170** |  | **170** |  | **170** |  | **170** |  |
|  |  | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** | **+** |  |
|  |  | **Cash** | **+25,000** | **25,000** | **(1,200)** | **23,800** |  | **23,800** | **(400)** | **23,400** | **+2,200** | **25,600** | **(550)** | **25,050** |  | **25,050** | **+80** | **25,130** | **(50)** | **25,080** | **(120)** | **24,960** | **+2,500** | **27,460** |  | **27,460** |  | **27,460** | **(550)** | **26,910** |  |
|  |  |  | **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)**

**THILDORE'S CATERING SERVICE**

**BALANCE SHEET**

**OCTOBER 31, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$23** | **4** | **0** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Equipment** | **2** | **0** | **0** | **0** |  | **Accounts Payable** | **$** | **4** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Thildore, Capital** | **25** | **0** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$25** | **4** | **0** | **0** |  | **Owner's Equity** | **$25** | **4** | **0** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**(c)**

**THILDORE'S CATERING SERVICE**

**INCOME STATEMENT**

**MONTH ENDED NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Catering Revenue** |  |  |  |  |  | **$4** | **9** | **5** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Salaries Expense** | **$** | **5** | **5** | **0** |  |  |  |  |  |  |
| **Telephone Expense** |  |  | **5** | **0** |  |  |  |  |  |  |
| **Rent Expense** |  | **6** | **5** | **0** |  |  |  |  |  |  |
| **Supplies Expense** |  | **5** | **5** | **0** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  | **1** | **8** | **0** | **0** |  |
| **Net Income** |  |  |  |  |  | **$3** | **1** | **5** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

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

**(d)**

**THILDORE'S CATERING SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**MONTH ENDED NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **J. Thildore, Capital, November 1, 201X** |  |  |  |  |  | **$25** | **0** | **0** | **0** |  |
| **Net Income for November** | **$3** | **1** | **5** | **0** |  |  |  |  |  |  |
| **Less: Withdrawals for November** |  | **(1** | **2** | **0)** |  |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  | **3** | **0** | **3** | **0** |  |
| **J. Thildore, Capital, November 30, 201X** |  |  |  |  |  | **$28** | **0** | **3** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |

**(e)**

**THILDORE'S CATERING SERVICE**

**BALANCE SHEET**

**NOVEMBER 30, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | |
| **Cash** | **$26** | **9** | **1** | **0** |  | **Liabilities** |  |  |  |  |  |
| **Accounts Receivable** |  | **1** | **7** | **0** |  | **Accounts Payable** | **$2** | **3** | **5** | **0** |  |
| **Equipment** | **3** | **3** | **0** | **0** |  | **Owner's Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **J. Thildore, Capital** | **28** | **0** | **3** | **0** |  |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$30** | **3** | **8** | **0** |  | **Owner's Equity** | **$30** | **3** | **8** | **0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**FINANCIAL REPORT PROBLEM SOLUTION—2013 Kellogg’s Annual Report**

|  |  |
| --- | --- |
| **YEAR** | **Cash and Cash Equivalents** |
| **2013** | **$273 million** |
| **2012** | **$281 million** |
| **Decrease** | **($8 million)** |

**Cash and cash equivalents decreased $8 million from 2012 to 2013.**

**ON THE JOB--Smith Computer Center Solution**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | **Expenses** |  |  |  |  |  |  |  |  | **+$500 (Rent)** | **500** |  | **500** |  | **500** | **+75 (Utilities)** | **575** |  | **575** |  | **$575** |  |
|  | | **OWNER'S EQUITY** | **–** |  |  |  |  |  |  |  |  |  | **–** |  | **–** |  | **–** |  | **–** |  | **–** |  | **–** |  |
|  | | **Service**  **Revenue** |  |  |  |  |  |  |  |  |  |  | **+$800** | **800** | **+600** | **1,400** |  | **1,400** | **+1,800** | **3,200** |  | **$3,200** |  |
|  | | **+** |  |  |  |  |  |  |  |  |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  | | **Feldman,**  **Withdrawals** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **+175** | **$175** |  |
|  |  | **–** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **–** |  |
|  | | **=LIABILITIES+** | **Feldman, +Capital** | **+$6,000** | **6,000** |  | **6,000** |  | **6,000** |  | **6,000** |  | **6,000** |  | **6,000** |  | **6,000** |  | **6,000** |  | **6,000** |  | **$6,000** | **$8,725** |
| **SMITH COMPUTER CENTER** | | **Accounts**  **Payable** |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  |  |  |  |  |  | **+$200** | **200** |  | **200** |  | **200** |  | **200** | **+75** | **275** |  | **275** |  | **$275** |  |
| **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** |  | **=** | **=** |
|  | **Office**  **Equipment** |  |  |  |  | **+$3,300** | **3,300** |  | **3,300** |  | **3,300** |  | **3,300** |  | **3,300** |  | **3,300** |  | **3,300** |  | **$3,300** | **$8,725** |
|  | **+** |  |  |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  | **Computer**  **Shop Equipment** |  |  | **+$1,800** | **1,800** |  | **1,800** |  | **1,800** |  | **1,800** |  | **1,800** |  | **1,800** |  | **1,800** |  | **1,800** |  | **$1,800** |  |
|  | |  | **+** |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  | | **ASSETS** | **Supplies** |  |  |  |  |  |  | **+$200** | **200** |  | **200** |  | **200** |  | **200** |  | **200** |  | **200** |  | **$200** |  |
|  | |  | **+** |  |  |  |  |  |  |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  | **+** |  |
|  | |  | **Cash** | **+$6,000** | **6,000** | **–1,800** | **4,200** | **–3,300** | **900** |  | **900** | **–500** | **400** | **+800** | **1,200** | **+600** | **1,800** |  | **1,800** | **+1,800** | **3,600** | **–175** | **$3,425** |  |
|  | |  |  | **a.** | **BALANCE** | **b.** | **BALANCE** | **c.** | **BALANCE** | **d.** | **BALANCE** | **e.** | **BALANCE** | **f.** | **BALANCE** | **g.** | **BALANCE** | **h.** | **BALANCE** | **i.** | **BALANCE** | **j.** | **END BALANCE** |  |

**SMITH COMPUTER CENTER**

**INCOME STATEMENT**

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

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |
| **Service Revenue** |  |  |  |  |  | **$3** | **2** | **0** | **0** | **00** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |  |  |  |
| **Rent Expense** | **$** | **5** | **0** | **0** | **00** |  |  |  |  |  |
| **Utilities Expense** |  |  | **7** | **5** | **00** |  |  |  |  |  |
| **Total Operating Expenses** |  |  |  |  |  |  | **5** | **7** | **5** | **00** |
| **Net Income** |  |  |  |  |  | **$2** | **6** | **2** | **5** | **00** |
|  |  |  |  |  |  |  |  |  |  |  |

**SMITH COMPUTER CENTER**

**STATEMENT OF OWNER'S EQUITY**

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

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **T. Feldman, Capital, July 1, 201X** |  |  |  |  |  | **$** |  |  | **0** | **00** |
| **Investment for July** |  |  |  |  |  | **6** | **0** | **0** | **0** | **00** |
| **Total investment for July** |  |  |  |  |  | **6** | **0** | **0** | **0** | **00** |
| **Net Income for July** | **$2** | **6** | **2** | **5** | **00** |  |  |  |  |  |
| **Less: Withdrawals for July** |  | **(1** | **7** | **5** | **00)** |  |  |  |  |  |
| **Increase in Capital** |  |  |  |  |  | **$2** | **4** | **5** | **0** | **00** |
| **T. Feldman, Capital, July 31, 201X** |  |  |  |  |  | **$8** | **4** | **5** | **0** | **00** |
|  |  |  |  |  |  |  |  |  |  |  |

**SMITH COMPUTER CENTER**

**BALANCE SHEET**

**JULY 31, 201X**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | | | | **LIABILITIES AND OWNER'S EQUITY** | | | | | | |
| **Cash** | **$3** | **4** | **2** | **5** | **00** | **Liabilities:** |  |  |  |  |  |
| **Supplies** |  | **2** | **0** | **0** | **00** | **Accounts Payable** | **$** | **2** | **7** | **5** | **00** |
| **Computer Shop Equipment** | **1** | **8** | **0** | **0** | **00** |  |  |  |  |  |  |
| **Office Equipment** | **3** | **3** | **0** | **0** | **00** | **Owner’s Equity** |  |  |  |  |  |
|  |  |  |  |  |  | **T. Feldman, Capital** | **8** | **4** | **5** | **0** | **00** |
|  |  |  |  |  |  | **Total Liabilities and** |  |  |  |  |  |
| **Total Assets** | **$8** | **7** | **2** | **5** | **00** | **Owner's Equity** | **$8** | **7** | **2** | **5** | **00** |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |