

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	
					Total Liabilities				
					15	1	0	0	
					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							
	Cash	+	Accounts Rec.	+	Computer Equip.	=	Accounts Payable	+	B. Black, Capital	-	B. Black, 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						
Cash	+	Accounts Rec.	+	Computer Equip.	=	Accounts Payable	+	B. Bell, Capital	-	B. Bell, 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	<u>11,700</u>	<u>9,750</u>		<u>5,450</u>	<u>16,000</u>

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

FONTAN COMPUTER SERVICE

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

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

		ASSETS				= LIABILITIES +				OWNER'S EQUITY				
		Cash	Accounts Receivable	Equipment	Accounts Payable	Tanson, Capital	Tanson, Withd	Catering Revenue	Expenses					
10/25		+20,000	+		+	+20,000	-							
BALANCE		20,000	+		=	20,000	-	0	0	0	0			0
10/27		(2,300)	+	+2,300										
BALANCE		17,700	+	2,300	=	20,000	-	0	0	0	0			0
10/28			+	+2,000		+2,000								
BALANCE		17,700	+	4,300	=	20,000	-	2,000	0	0	0			0
10/29		(900)	+			(900)								
BALANCE		16,800	+	4,300	=	20,000	-	1,100	0	0	0			0
11/1		+1,300	+											
BALANCE		18,100	+	4,300	=	20,000	-	1,100	0	1,300	0			0
11/5		(800)	+											+800
BALANCE		17,300	+	4,300	=	20,000	-	1,100	0	1,300	0			800
11/8			+	+500										
BALANCE		17,300	+	4,300	=	20,000	-	1,100	0	1,800	0			800
11/10		+250	+											
BALANCE		17,550	+	4,300	=	20,000	-	1,100	0	1,800	0			800
11/15		(400)	+											+400
BALANCE		17,150	+	4,300	=	20,000	-	1,100	0	1,800	0			1,200
11/17		(160)	+											
BALANCE		16,990	+	4,300	=	20,000	-	1,100	160	1,800	160			1,200
11/20		+1,800	+											
BALANCE		18,790	+	4,300	=	20,000	-	1,100	160	3,600	160			1,200
11/25			+	+1,200										
BALANCE		18,790	+	5,500	=	20,000	-	2,300	160	3,600	160			1,200
11/28			+											+650
BALANCE		18,790	+	5,500	=	20,000	-	2,950	160	3,600	160			1,850
11/30		(300)	+											+300
END BAL.		18,490	+	5,500	=	20,000	-	2,950	160	3,600	160			2,150
				\$24,240				\$24,240						

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 Assets	\$21	1	0	0	Total Liabilities and 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			
a.	+21,000				+21,000
b.	(3,500)	+3,500			
c.		+5,750		+5,750	
d.	(1,000)			(1,000)	
Total	<u>16,500</u>	<u>9,250</u>		<u>4,750</u>	<u>21,000</u>

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 Assets	\$119	0	0	0	Total Liabilities and Owner's Equity	\$119	0	0	0

PROBLEM 1B-3

RED FUMAN COMPUTER SERVICE

OWNER'S EQUITY

ASSETS = LIABILITIES +

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

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

THILDORE'S CATERING SERVICE

	ASSETS			=	LIABILITIES		+	OWNER'S EQUITY						
	Cash	Accounts Receivable	Equipment		Accounts Payable	Thildore, Capital		Thildore, Withd	Catering Revenue	Expenses				
10/25	+25,000	+	+	=		+25,000	-							
BALANCE	25,000	+	0	=	0	25,000	-	0	0					0
10/27	(1,200)	+	+1,200	=										
BALANCE	23,800	+	1,200	=	0	25,000	-	0	0					0
10/28		+	+800	=	+800									
BALANCE	23,800	+	2,000	=	800	25,000	-	0	0					0
10/29	(400)	+		=	(400)									
BALANCE	23,400	+	2,000	=	400	25,000	-	0	0					0
11/1	+2,200	+		=					+2,200					
BALANCE	25,600	+	2,000	=	400	25,000	-	0	2,200					0
11/5	(550)	+		=										+550
BALANCE	25,050	+	2,000	=	400	25,000	-	0	2,200					550
11/8		+		=	+250									
BALANCE	25,050	+	2,000	=	400	25,000	-	0	2,450					550
11/10	+80	+		=	(80)									
BALANCE	25,130	+	2,000	=	400	25,000	-	0	2,450					550
11/15	(50)	+		=										+50
BALANCE	25,080	+	2,000	=	400	25,000	-	0	2,450					600
11/17	(120)	+		=				+120						
BALANCE	24,960	+	2,000	=	400	25,000	-	120	2,450					600
11/20	+2,500	+		=					+2,500					
BALANCE	27,460	+	2,000	=	400	25,000	-	120	4,950					600
11/25		+	+1,300	=	+1,300									
BALANCE	27,460	+	3,300	=	1,700	25,000	-	120	4,950					600
11/28		+		=	+650									+650
BALANCE	27,460	+	3,300	=	2,350	25,000	-	120	4,950					1,250
11/30	(550)	+		=										+550
END BAL.	26,910	+	3,300	=	2,350	25,000	-	120	4,950					1,800
			\$30,380		\$30,380									

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	<u>\$281 million</u>
Decrease	<u>(\$8 million)</u>

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

ON THE JOB--Smith Computer Center Solution

SMITH COMPUTER CENTER

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

**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