

# 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.**

|    | <b>Assets</b> |             | = | <b>Liabilities + Owner's Equity</b> |                  |
|----|---------------|-------------|---|-------------------------------------|------------------|
|    | 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

| <b>Assets</b> |      |   |   |   | <b>Liabilities and Owner's Equity</b> |   |   |   |  |
|---------------|------|---|---|---|---------------------------------------|---|---|---|--|
| Cash          | \$71 | 0 | 0 | 0 | <b>Liabilities</b>                    |   |   |   |  |
| Equipment     | 12   | 0 | 0 | 0 | Accounts Payable                      |   |   |   |  |
|               |      |   |   |   | \$15                                  | 1 | 0 | 0 |  |
|               |      |   |   |   | Total Liabilities                     |   |   |   |  |
|               |      |   |   |   | 15                                    | 1 | 0 | 0 |  |
|               |      |   |   |   | <b>Owner's Equity</b>                 |   |   |   |  |
|               |      |   |   |   | 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**

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

**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.**

|    | <b>Assets</b> |   | =         | <b>Liabilities</b> | +                | <b>Owner's Equity</b> |                |
|----|---------------|---|-----------|--------------------|------------------|-----------------------|----------------|
|    | 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**

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

# 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          |             |          |          |          |
| <b>Total Assets</b> | <b>\$15</b> | <b>0</b> | <b>5</b> | <b>0</b> | <b>Owner's Equity</b>          | <b>\$15</b> | <b>0</b> | <b>5</b> | <b>0</b> |
|                     |             |          |          |          |                                |             |          |          |          |



## 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)            |                      |
| <b>Total</b> | <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          |              |          |          |          |
| <b>Total Assets</b> | <b>\$132</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>Owner's Equity</b>          | <b>\$132</b> | <b>0</b> | <b>0</b> | <b>0</b> |
|                     |              |          |          |          |                                |              |          |          |          |

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**

|                                 |    |   |   |   |  |     |   |   |   |
|---------------------------------|----|---|---|---|--|-----|---|---|---|
| <b>Revenue:</b>                 |    |   |   |   |  |     |   |   |   |
| Home Decorating Fees            |    |   |   |   |  | \$2 | 7 | 0 | 0 |
| <b>Operating Expenses:</b>      |    |   |   |   |  |     |   |   |   |
| Advertising Expense             | \$ | 2 | 5 | 5 |  |     |   |   |   |
| Repair Expense                  |    |   | 4 | 5 |  |     |   |   |   |
| Travel Expense                  |    | 6 | 5 | 0 |  |     |   |   |   |
| Supplies Expense                |    | 1 | 1 | 5 |  |     |   |   |   |
| Rent Expense                    |    | 1 | 5 | 0 |  |     |   |   |   |
| <b>Total Operating Expenses</b> |    |   |   |   |  | 1   | 2 | 1 | 5 |
| <b>Net Income</b>               |    |   |   |   |  | \$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) |  |     |   |   |   |
| <b>Increase in Capital</b>                      |     |    |   |    |  | 1   | 1 | 8 | 5 |
| <b>J. Williams, Capital, September 30, 201X</b> |     |    |   |    |  | \$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          |            |          |          |          |
| <b>Total Assets</b>  | <b>\$4</b> | <b>1</b> | <b>3</b> | <b>5</b> | <b>Owner's Equity</b>          | <b>\$4</b> | <b>1</b> | <b>3</b> | <b>5</b> |

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        |
|                     |             |          |          |          |   |             |          |          |          |
| <b>Total Assets</b> | <b>\$21</b> | <b>1</b> | <b>0</b> | <b>0</b> | <b>Total Liabilities and<br/>Owner's Equity</b> | <b>\$21</b> | <b>1</b> | <b>0</b> | <b>0</b> |
|                     |             |          |          |          |   |             |          |          |          |

(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 |            |          |          |          |  |
| <b>Total Operating Expenses</b> |    |   |   |   | <b>2</b>   | <b>1</b> | <b>5</b> | <b>0</b> |  |
| <b>Net Income</b>               |    |   |   |   | <b>\$1</b> | <b>4</b> | <b>5</b> | <b>0</b> |  |
|                                 |    |   |   |   |            |          |          |          |  |

**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)          |                      |
| <b>Total</b> | <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 Liabilities and          |              |          |          |          |
| <b>Total Assets</b> | <b>\$119</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>Owner's Equity</b>          | <b>\$119</b> | <b>0</b> | <b>0</b> | <b>0</b> |
|                     |              |          |          |          |                                |              |          |          |          |

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**

|                                 |    |   |   |   |  |     |   |   |   |
|---------------------------------|----|---|---|---|--|-----|---|---|---|
| <b>Revenue:</b>                 |    |   |   |   |  |     |   |   |   |
| Home Decorating Fees            |    |   |   |   |  | \$2 | 4 | 0 | 0 |
| <b>Operating Expenses:</b>      |    |   |   |   |  |     |   |   |   |
| Advertising Expense             | \$ | 1 | 8 | 5 |  |     |   |   |   |
| Repair Expense                  |    |   | 4 | 0 |  |     |   |   |   |
| Travel Expense                  |    | 1 | 1 | 0 |  |     |   |   |   |
| Supplies Expense                |    | 1 | 3 | 5 |  |     |   |   |   |
| Rent Expense                    |    | 3 | 0 | 0 |  |     |   |   |   |
| <b>Total Operating Expenses</b> |    |   |   |   |  |     | 7 | 7 | 0 |
| <b>Net Income</b>               |    |   |   |   |  | \$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 |
| <b>J. Wu, Capital, June 30, 201X</b> |     |    |   |    |  | \$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          |            |          |          |          |
| <b>Total Assets</b>  | <b>\$3</b> | <b>5</b> | <b>8</b> | <b>5</b> | <b>Owner's Equity</b>          | <b>\$3</b> | <b>5</b> | <b>8</b> | <b>5</b> |

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                |          |  |
| 10/27    | (1,200) | +                   | +1,200    | = |                  |                   |   |                 |                  |          |  |
| BALANCE  | 23,800  | +                   | 1,200     | = | 0                | 25,000            | - | 0               | 0                |          |  |
| 10/28    |         | +                   | +800      | = | +800             |                   |   |                 |                  |          |  |
| BALANCE  | 23,800  | +                   | 2,000     | = | 800              | 25,000            | - | 0               | 0                |          |  |
| 10/29    | (400)   | +                   |           | = | (400)            |                   |   |                 |                  |          |  |
| BALANCE  | 23,400  | +                   | 2,000     | = | 400              | 25,000            | - | 0               | 0                |          |  |
| 11/1     | +2,200  | +                   |           | = |                  |                   |   | +2,200          |                  |          |  |
| BALANCE  | 25,600  | +                   | 2,000     | = | 400              | 25,000            | - | 2,200           |                  |          |  |
| 11/5     | (550)   | +                   |           | = |                  |                   |   |                 |                  | +550     |  |
| BALANCE  | 25,050  | +                   | 2,000     | = | 400              | 25,000            | - | 2,200           |                  | 550      |  |
| 11/8     |         | +                   |           | = | +250             |                   |   |                 | +250             |          |  |
| BALANCE  | 25,050  | +                   | 2,000     | = | 400              | 25,000            | - | 2,450           |                  | 550      |  |
| 11/10    | +80     | +                   |           | = | (80)             |                   |   |                 |                  |          |  |
| BALANCE  | 25,130  | +                   | 2,000     | = | 400              | 25,000            | - | 2,450           |                  | 550      |  |
| 11/15    | (50)    | +                   |           | = |                  |                   |   |                 |                  | +50      |  |
| BALANCE  | 25,080  | +                   | 2,000     | = | 400              | 25,000            | - | 2,450           |                  | 600      |  |
| 11/17    | (120)   | +                   |           | = |                  |                   |   | +120            |                  |          |  |
| BALANCE  | 24,960  | +                   | 2,000     | = | 400              | 25,000            | - | 2,450           |                  | 600      |  |
| 11/20    | +2,500  | +                   |           | = |                  |                   |   |                 | +2,500           |          |  |
| BALANCE  | 27,460  | +                   | 2,000     | = | 400              | 25,000            | - | 4,950           |                  | 600      |  |
| 11/25    |         | +                   | +1,300    | = | +1,300           |                   |   |                 |                  |          |  |
| BALANCE  | 27,460  | +                   | 3,300     | = | 1,700            | 25,000            | - | 4,950           |                  | 600      |  |
| 11/28    |         | +                   |           | = | +650             |                   |   |                 |                  | +650     |  |
| BALANCE  | 27,460  | +                   | 3,300     | = | 2,350            | 25,000            | - | 4,950           |                  | 1,250    |  |
| 11/30    | (550)   | +                   |           | = |                  |                   |   |                 |                  | +550     |  |
| END BAL. | 26,910  | +                   | 3,300     | = | 2,350            | 25,000            | - | 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          |             |          |          |          |
| <b>Total Assets</b> | <b>\$25</b> | <b>4</b> | <b>0</b> | <b>0</b> | <b>Owner's Equity</b>          | <b>\$25</b> | <b>4</b> | <b>0</b> | <b>0</b> |
|                     |             |          |          |          |                                |             |          |          |          |

(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 |  |            |          |          |          |
|                                 |    |   |   |   |  |            |          |          |          |
| <b>Total Operating Expenses</b> |    |   |   |   |  | <b>1</b>   | <b>8</b> | <b>0</b> | <b>0</b> |
| <b>Net Income</b>               |    |   |   |   |  | <b>\$3</b> | <b>1</b> | <b>5</b> | <b>0</b> |
|                                 |    |   |   |   |  |            |          |          |          |

**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**

| <b>YEAR</b>     | <b>Cash and Cash Equivalents</b> |
|-----------------|----------------------------------|
| <b>2013</b>     | <b>\$273 million</b>             |
| <b>2012</b>     | <b><u>\$281 million</u></b>      |
| <b>Decrease</b> | <b><u>(\$8 million)</u></b>      |

**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 | + Shop Equipment | + Computer<br>Equipment | + Office<br>Equipment | Accounts<br>Payable | Feldman,<br>+Capital | Feldman,<br>- Withdrawals | Service<br>+ 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     |                  |                         |                       |                     |                      |                           |                      |   |                 |
| BALANCE | 900      | 200        |                  | 1,800                   | 3,300                 | =                   | 200                  | +                         |                      |   |                 |
| e.      | -500     |            |                  |                         |                       |                     |                      |                           |                      |   | +\$500 (Rent)   |
| BALANCE | 400      | 200        |                  | 1,800                   | 3,300                 | =                   | 200                  | +                         |                      |   | 500             |
| f.      | +800     |            |                  |                         |                       |                     |                      |                           |                      |   |                 |
| BALANCE | 1,200    | 200        |                  | 1,800                   | 3,300                 | =                   | 200                  | +                         | 800                  | + | 500             |
| g.      | +600     |            |                  |                         |                       |                     |                      |                           |                      |   |                 |
| BALANCE | 1,800    | 200        |                  | 1,800                   | 3,300                 | =                   | 200                  | +                         | 1,400                | + | 500             |
| h.      |          |            |                  |                         |                       |                     |                      |                           |                      |   | +75 (Utilities) |
| BALANCE | 1,800    | 200        |                  | 1,800                   | 3,300                 | =                   | 275                  | +                         | 1,400                | + | 575             |
| i.      | +1,800   |            |                  |                         |                       |                     |                      |                           |                      |   |                 |
| BALANCE | 3,600    | 200        |                  | 1,800                   | 3,300                 | =                   | 275                  | +                         | 3,200                | + | 575             |
| j.      | -175     |            |                  |                         |                       |                     |                      |                           |                      |   |                 |
| END     |          |            |                  |                         |                       |                     |                      |                           |                      |   |                 |
| BALANCE | \$3,425  | \$200      | \$1,800          | \$1,800                 | \$3,300               | =                   | \$275                | +                         | \$175                | + | \$575           |
|         |          |            |                  |                         | \$8,725               | =                   | \$8,725              |                           |                      |   |                 |

**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 |
|                         |     |   |   |   |    |                                |     |   |   |   |    |
|                         |     |   |   |   |    |                                |     |   |   |   |    |