

# 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

<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

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

<b>ASSETS</b>						<b>LIABILITIES AND OWNER'S EQUITY</b>					
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	<b>Assets</b>		=	<b>Liabilities +</b>	<b>Owner's Equity</b>
	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

<b>ASSETS</b>					<b>LIABILITIES AND OWNER'S EQUITY</b>				
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

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

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

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

(b)

**TANSON'S CATERING SERVICE  
BALANCE SHEET  
OCTOBER 31, 201X**

<b>ASSETS</b>					<b>LIABILITIES AND OWNER'S EQUITY</b>				
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	<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					
Total Assets	\$119	0	0	0		Owner's Equity	\$119	0	0	0	

PROBLEM 1B-3

RED FUMAN COMPUTER SERVICE

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	+ 10,000	-	0	+	0	0
b.		+	+2,000	=	+2,000	+	-	+	-		
BALANCE	10,000	+	2,000	=	2,000	+ 10,000	-	0	+	0	0
c.	+200	+		=		+	-	+	+200	-	
BALANCE	10,200	+	2,000	=	2,000	+ 10,000	-	0	+	200	0
d.		+	+2,200	=		+	-	+	+2,200	-	
BALANCE	10,200	+	2,200	=	2,000	+ 10,000	-	0	+	2,400	0
e.	(500)	+		=		+	-	+	-	+500	
BALANCE	9,700	+	2,200	=	2,000	+ 10,000	-	0	+	2,400	500
f.	(120)	+		=		+	-	+	-	+120	
BALANCE	9,580	+	2,200	=	2,000	+ 10,000	-	0	+	2,400	620
g.		+		=	+600	+	-	+	-	+600	
BALANCE	9,580	+	2,200	=	2,600	+ 10,000	-	0	+	2,400	1,220
h.	(900)	+		=		+	-	+900	+	-	
ENDING BALANCE	8,680	+	2,200	=	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					
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**

<b>ASSETS</b>					<b>LIABILITIES AND OWNER'S EQUITY</b>				
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			
						J.			
	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	0
11/5	(550)	+		=	+		-	+	+550
BALANCE	25,050	+	2,000	=	400	25,000	-	2,200	550
11/8		+	+250	=	+		-	+	-
BALANCE	25,050	+	2,000	=	400	25,000	-	+250	550
11/10	+80	+	(80)	=	+		-	+	-
BALANCE	25,130	+	2,000	=	400	25,000	-	0	550
11/15	(50)	+		=	+		-	+	+50
BALANCE	25,080	+	2,000	=	400	25,000	-	0	600
11/17	(120)	+		=	+		-	+120	-
BALANCE	24,960	+	2,000	=	400	25,000	-	120	600
11/20	+2,500	+		=	+		-	+	-
BALANCE	27,460	+	2,000	=	400	25,000	-	120	600
11/25		+	+1,300	=	+1,300	+	-	+	-
BALANCE	27,460	+	3,300	=	1,700	25,000	-	120	600
11/28		+		=	+650	+	-	+	+650
BALANCE	27,460	+	3,300	=	2,350	25,000	-	120	1,250
11/30	(550)	+		=	+		-	+	+550
END BAL.	26,910	+	3,300	=	2,350	25,000	-	120	1,800
			\$30,380		\$30,380				

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

(b)

**THILDORE'S CATERING SERVICE  
BALANCE SHEET  
OCTOBER 31, 201X**

<b>ASSETS</b>					<b>LIABILITIES AND OWNER'S EQUITY</b>				
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	+ Shop Equipment	Computer + Equipment	Office = 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	=	+	6,000		
d.		+\$200							
BALANCE	900	+	200	1,800	=	200	+	6,000	
e.	-500								+\$500 (Rent)
BALANCE	400	+	200	1,800	=	200	+	6,000	- 500
f.	+800							+\$800	
BALANCE	1,200	+	200	1,800	=	200	+	800	- 500
g.	+600							+600	
BALANCE	1,800	+	200	1,800	=	200	+	1,400	- 500
h.						75			+75 (Utilities)
BALANCE	1,800	+	200	1,800	=	275	+	1,400	- 575
i.	+1,800							+1,800	
BALANCE	3,600	+	200	1,800	=	275	+	3,200	- 575
j.	-175						+175		
END	\$3,425	+	\$200	\$1,800	=	\$275	+	\$175	-
BALANCE						\$6,000	-	\$3,200	- \$575
						\$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