Analyse transactions and compute net income.

(LO 3, 4)



Check figures provide a key number to let you know you are on the right wack.

(a) Total assets \$20,800

(b) Net income \$6,200

P1-1A On April 1, Julie Spengel established Spengel's Travel Agency. The following transactions were completed during the month:

1. Invested \$15,000 cash to start the agency.

2. Paid \$600 cash for April office rent.

Purchased equipment for \$3,000 cash.

Incurred \$700 of advertising costs in the Chicago Tribune, on account.

Paid \$900 cash for office supplies.

Performed services worth \$10,000: \$3,000 cash is received from customers, and the balance of \$7,000 is billed to customers on account.

7. Withdrew \$600 cash for personal use.

(8) Paid Chicago Tribune \$500 of the amount due in transaction (4).

9. Paid employees' salaries \$2,500.

10. Received \$4,000 in cash from customers who have previously been billed in transaction (6).

Instructions

(a) Prepare a tabular analysis of the transactions using the following column headings: Cash, Accounts Receivable, Supplies, Equipment, Accounts Payable, Owner's Capital, Owner's Drawings, Revenues, and Expenses.

(b) From an analysis of the owner's equity columns, compute the net income or net loss for April.

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Judi Salem opened a law office on July 1, 2017. On July 31, the balance sheet showed Cash \$5,000, Accounts Receivable \$1,500, Supplies \$500, Equipment \$6,000, Accounts Payable \$4,200, and Owner's Capital \$8,800. During August, the following transactions occurred:

Analysa transactions and prepare income statement. inwher's equity statement, and balantë sheet.

(a) Total assets \$16,800

(b) Net income \$3,436

balance sheet.

(1.0 5)

Ending capital \$11,530

owner's equity statement, and

Prepare income statement,

11.0 3, 4, 51



Collected \$1,200 of accounts receivable.

2. Paid \$2,800 cash on accounts payable.

- 3. Recognized revenue of \$7,500 of which \$3,000 is collected in pash and the balance is due in September.
- 4. Purchased additional equipment for \$2,000, paying \$400 in cash and the balance on account.
- Paid salaties \$2,500, rent for August \$900, and advertising expenses \$400.

Withdrew \$700 in cash for personal use.

- Received \$2,000 from Standard Federal Bank—money borrowed on a note payable.
- Incurred utility expenses for month on account \$270).

Instructions

- (a) Prepare a tabular analysis of the August transactions beginning with July 31 balances. The column headings should be as follows: Cash + Accounts Receivable + Supplies + Equipment = Notes Payable + Accounts Payable + Owner's Capital - Owner's Drawings + Revenues - Expenses.
- (b) Prepare an income statement for August, an owner's equity statement for August, and a balance sheet at August 31.
- P1-3A On June 1, Cindy Godfrey started Divine Designs Co., a company that provides craft opportunities, by investing \$12,000 cash in the business. Following are the assets and liabilities of the company at June 30 and the revenues and expenses for the month of June.

Cash	\$10,150	Service Revenue	\$6,500
Accounts Receivable	2,800	Advertising Expense	500
Supplies	2,000	Rent Expense	1,600
Equipment	10,000	Gasoline Expense	200
Notes Payable	9,000	Utilities Expense	150
Accounts Payable	1,200	i i i	

Cindy made no additional investment in June but withdrew \$1,300 in cash for personal use during the month.

Instructions

- (a) Prepare an income statement and owner's equity statement for the month of June and a balance sheet at June 30, 2017.
- (b) Prepare an income statement and owner's equity statement for June assuming the following data are not included above: (1) \$900 of services were performed and billed but not collegted at June 30, and (2) \$150 of gaşoline expense was incurred but not paid.
- (a) Net income \$4,050 Owner's equity \$14,750 Total assets \$24,950
- (b) Owner's equity \$15,560

Analyze transactions and

(LO 3, 4, 5)

prepare financial statements.

P1-4A Zrixie Maye started her own consulting firm, Matrix Consulting, on May 1, 2017. That ollowing transactions occurred during the month of May:

- Trixie invested \$7,000 cash in the business.
 - Paid \$900 for office rent for the month. 2
 - Purchased \$600 of supplies on account. .
 - Paid \$125 to advertise in the County News.
 - Received \$4,000 cash for services performed. 9
 - Withdrew \$1,000 cash for personal use. 12
 - Performed \$5,400 of services on account. 15
 - Paid \$2,500 for employee salaries. 17
 - 20
 - Received a cash payment of \$4,000 for services performed on account on 23
 - 26
 - Purchased equipment for \$4,200 on account. 29
 - Paid \$275 for utilities.
 - Paid for the supplies purchased on account on May 3.

Borrowed \$5,000 from the bank on a note payable.

Instructions

(a) Total assets \$20,800 (a) Show the effects of the previous transactions on the accounting equation using the following format.

PRACTICE PROBLEM

Joan Robinson opens her own law office on July 1, 2017. During the first month of operations, the following transactions occurred:

Prepare a tabular presentation and financial statements. (LO 4, 5)

1. Joan invested \$11,000 in cash in the law practice.

2. Paid \$800 for July rent on office space.

2. Purchased equipment on account \$3,000.

4. Performed legal services to clients for cash \$1,500.

5. Borrowed \$700 cash from a bank on a note payable.

Performed legal services for client on account \$2,000.

Paid monthly expenses: salaries and wages \$500, utilities \$300, and advertising \$100.

8. Joan withdrew \$1,000 cash for personal use.

Instructions

(a) Prepare a tabular summary of the transactions.

(b) Prepare the income statement, owner's equity statement, and balance sheet at July 31, 2017, for Joan Robinson, Attorney.

Solution

(a)			Assets	٠.	1.1	-	Lia	bilit	iles +		Everyone and the	Ow	ner	Equity	d
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			\$15.500					-		-					

Amel = Liability + Owner Equity

Transaction;

Banic Data Sheet

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Debit - 2201, Credit-4191

Liabilities/Revenue/Capital ___ + Cro

Drawing/Expense/Armet -> + Dr -Cr

Practice ' [56 Page]

1.

General Tournal

Date	Account titles Exploration	Ref	Dr	Cr	
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00	Exponoe		130		
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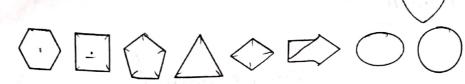
Practise Problem (5%)

General Tournal

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3.	(Runchosed Can)			9000
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16.	(Raid advertising expense)	-		350
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