

Exercises: Set B

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Problems: Set A

P1-1A Threet's Repair Shop was started on May 1 by Erica Threet. A summary of May transactions is presented below.

1. Invested \$10,000 cash to start the repair shop.
2. Purchased equipment for \$5,000 cash.
3. Paid \$400 cash for May office rent.
4. Paid \$500 cash for supplies.
5. Incurred \$250 of advertising costs in the *Beacon News* on account.
6. Received \$6,100 in cash from customers for repair service.
7. Withdrew \$1,000 cash for personal use.
8. Paid part-time employee salaries \$2,000.
9. Paid utility bills \$170.
10. Provided repair service on account to customers \$750.
11. Collected cash of \$120 for services billed in transaction (10).

Analyze transactions and compute net income.

(SO 6, 7)

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 May.

(a) Total assets \$13,280

(b) Net income \$4,030

P1-2A Ramona Castro opened a veterinary business in Nashville, Tennessee, on August 1. On August 31, the balance sheet showed Cash \$9,000, Accounts Receivable \$1,700, Supplies \$600, Equipment \$6,000, Accounts Payable \$3,600, and Owner's Capital \$13,700. During September, the following transactions occurred.

Analyze transactions and prepare income statement, owner's equity statement, and balance sheet.

(SO 6, 7, 8)

1. Paid \$2,900 cash on accounts payable.
2. Collected \$1,300 of accounts receivable.
3. Purchased additional office equipment for \$2,100, paying \$800 in cash and the balance on account.
4. Earned revenue of \$7,800, of which \$2,500 is received in cash and the balance is due in October.
5. Withdrew \$1,100 cash for personal use.
6. Paid salaries \$1,700, rent for September \$900, and advertising expense \$450.
7. Incurred utilities expense for month on account \$170.
8. Received \$10,000 from Capital Bank (money borrowed on a note payable).

Instructions

- (a) Prepare a tabular analysis of the September transactions beginning with August 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 September, an owner's equity statement for September, and a balance sheet at September 30.

(a) Total assets \$29,350

(b) Net income \$4,580
Ending capital \$17,180

P1-3A On May 1, A. J. Pierzynski started AJ Flying School, a company that provides flying lessons, by investing \$40,000 cash in the business. Following are the assets and liabilities of the company on May 31, 2012, and the revenues and expenses for the month of May.

Prepare income statement, owner's equity statement, and balance sheet.

(SO 8)

Cash	\$ 3,400	Notes Payable	\$30,000
Accounts Receivable	4,900	Rent Expense	1,200
Equipment	64,000	Maintenance and Repairs Expense	400
Service Revenue	8,100	Gasoline Expense	2,500
Advertising Expense	600	Insurance Expense	400
		Accounts Payable	800

- (a) Net income \$3,000
Owner's equity \$41,500
Total assets \$72,300
(b) Net income \$2,400
Owner's equity \$40,900

Analyze transactions and
prepare financial statements.
(SO 6, 7, 8)

A. J. Pierzynski made no additional investment in May, but he withdrew \$1,500 in cash for personal use.

Instructions

- (a) Prepare an income statement and owner's equity statement for the month of May and a balance sheet at May 31.
(b) Prepare an income statement and owner's equity statement for May assuming the following data are not included above: (1) \$900 of revenue was earned and billed but not collected at May 31, and (2) \$1,500 of gasoline expense was incurred but not paid.

P1-4A Gordon Beckham started his own delivery service, Beckham Deliveries, on June 1, 2012. The following transactions occurred during the month of June.

- June 1 Gordon invested \$10,000 cash in the business.
2 Purchased a used van for deliveries for \$12,000. Gordon paid \$2,000 cash and signed a note payable for the remaining balance.
3 Paid \$500 for office rent for the month.
5 Performed \$4,400 of services on account.
9 Withdrew \$200 cash for personal use.
12 Purchased supplies for \$150 on account.
15 Received a cash payment of \$1,250 for services provided on June 5.
17 Purchased gasoline for \$200 on account.
20 Received a cash payment of \$1,300 for services provided.
23 Made a cash payment of \$600 on the note payable.
26 Paid \$250 for utilities.
29 Paid for the gasoline purchased on account on June 17.
30 Paid \$1,000 for employee salaries.

Instructions

- (a) Total assets \$23,100

- (a) Show the effects of the previous transactions on the accounting equation using the following format.

Assets					Liabilities		Owner's Equity		
Accounts					Notes	Accounts	Owner's	Owner's	
Date	Cash	+ Receivable	+ Supplies	+ Equipment	= Payable	+ Payable	+ Capital	- Drawings	+ Revenues - Expenses

- (b) Net income \$3,750
(c) Cash \$7,800

Determine financial statement
amounts and prepare owner's
equity statement.
(SO 7, 8)

- (b) Prepare an income statement for the month of June.
(c) Prepare a balance sheet at June 30, 2012.

P1-5A Financial statement information about four different companies is as follows.

	Alexei Company	Ramirez Company	Dayan Company	Viciedo Company
January 1, 2012				
Assets	\$ 95,000	\$110,000	(g)	\$170,000
Liabilities	50,000	(d)	75,000	(j)
Owner's equity	(a)	60,000	45,000	90,000
December 31, 2012				
Assets	(b)	141,000	200,000	(k)
Liabilities	55,000	75,000	(h)	80,000
Owner's equity	63,000	(e)	130,000	162,000
Owner's equity changes in year				
Additional investment	(c)	15,000	10,000	15,000
Drawings	25,000	(f)	14,000	20,000
Total revenues	350,000	420,000	(i)	520,000
Total expenses	320,000	385,000	342,000	(l)

Instructions

- (a) Determine the missing amounts. (Hint: For example, to solve for (a), Assets - Liabilities = Owner's equity = \$45,000.)
(b) Prepare the owner's equity statement for Ramirez Company.
(c) Write a memorandum explaining the sequence for preparing financial statements and the interrelationship of the owner's equity statement to the income statement and balance sheet.

Problems: Set B

P1-1B On April 1, Vince Morelli established Vince's Travel Agency. The following transactions were completed during the month.

Analyze transactions and compute net income.

(SO 6, 7)

1. Invested \$15,000 cash to start the agency.
2. Paid \$600 cash for April office rent.
3. Purchased office equipment for \$3,000 cash.
4. Incurred \$700 of advertising costs in the *Chicago Tribune*, on account.
5. Paid \$800 cash for office supplies.
6. Earned \$10,000 for services rendered: \$3,000 cash is received from customers, and the balance of \$7,000 is billed to customers on account.
7. Withdrew \$500 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.

(a) Total assets \$20,900

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

(b) Net income \$6,200

P1-2B Juanita Pierre opened a law office, on July 1, 2012. 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.

Analyze transactions and prepare income statement, owner's equity statement, and balance sheet.

(SO 6, 7, 8)

1. Collected \$1,200 of accounts receivable.
2. Paid \$2,800 cash on accounts payable.
3. Earned revenue of \$7,500 of which \$3,000 is collected in cash and the balance is due in September.
4. Purchased additional office equipment for \$2,000, paying \$400 in cash and the balance on account.
5. Paid salaries \$2,500, rent for August \$900, and advertising expenses \$400.
6. Withdrew \$700 in cash for personal use.
7. Received \$2,000 from Standard Federal Bank—money borrowed on a note payable.
8. 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.

(a) Total assets \$16,800

(b) Prepare an income statement for August, an owner's equity statement for August, and a balance sheet at August 31.

(b) Net income \$3,430
Ending capital \$11,530

P1-3B On June 1, Alexia Rios started Crazy Creations 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.

Prepare income statement, owner's equity statement, and balance sheet.

(SO 8)

Cash	\$10,150	Notes Payable	\$9,000
Accounts Receivable	3,000	Accounts Payable	1,200
Service Revenue	6,700	Supplies Expense	1,600
Supplies	2,000	Gasoline Expense	200
Advertising Expense	500	Utilities Expense	150
Equipment	10,000		

Alexia 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, 2012.

(a) Net income \$4,250
Owner's equity \$14,950
Total assets \$25,150

(b) Prepare an income statement and owner's equity statement for June assuming the following data are not included above: (1) \$900 of revenue was earned and billed but not collected at June 30, and (2) \$150 of gasoline expense was incurred but not paid.

(b) Net income \$5,000
Owner's equity \$15,700

Accounting in Action

Analyze transactions and prepare financial statements.
(SO 6, 7, 8)

P1-4B Carla Quentin started her own consulting firm, Quentin Consulting, on May 1, 2012. The following transactions occurred during the month of May.

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

Instructions

- (a) Show the effects of the previous transactions on the accounting equation using the following format.

Assets				Liabilities		Owner's Equity		
Accounts				Notes Payable	Accounts Payable	Owner's Capital	Owner's Drawings	Revenues - Expenses
Date	Cash	Receivable	Supplies + Equipment	=				

- (b) Net income \$5,600
 (c) Cash \$14,600

- (b) Prepare an income statement for the month of May.
 (c) Prepare a balance sheet at May 31, 2012.

Determine financial statement amounts and prepare owner's equity statement.
(SO 7, 8)

P1-5B Financial statement information about four different companies is as follows.

	Brent Company	Lillibridge Company	Omar Company	Vizquel Company
January 1, 2012				
Assets	\$ 80,000	\$ 90,000	(g)	\$150,000
Liabilities	48,000	(d)	80,000	(j)
Owner's equity	(a)	40,000	49,000	90,000
December 31, 2012				
Assets	(b)	112,000	180,000	(k)
Liabilities	60,000	72,000	(h)	100,000
Owner's equity	50,000	(e)	82,000	151,000
Owner's equity changes in year				
Additional investment	(c)	8,000	10,000	15,000
Drawings	15,000	(f)	12,000	10,000
Total revenues	350,000	410,000	(i)	500,000
Total expenses	333,000	385,000	350,000	(l)

Instructions

- (a) Determine the missing amounts. (Hint: For example, to solve for (a), Assets - Liabilities = Owner's equity = \$32,000.)
 (b) Prepare the owner's equity statement for Brent Company.
 (c) Write a memorandum explaining the sequence for preparing financial statements and the interrelationship of the owner's equity statement to the income statement and balance sheet.

Problems: Set C

Visit the book's companion website, at www.wiley.com/college/wegandt, and choose the Student Companion site to access Problem Set C.