



Accounting Case Studies

Activity One:

Roshan began professional practice as a system analyst on July 1. He plans to prepare a monthly financial statement. During July, the owner completed these transactions.

July 1. Owner invested Rs. 500,000 cash along with computer equipment that had a market value of Rs. 120,000 two years ago but was now worth Rs. 100,000 only.

July 2. Paid Rs. 15,000 cash for the rent of office space for the month.

July 4. Purchased Rs. 12,000 of additional equipment on credit (due within 30 days).

July 8. Completed a work for a client and immediately collected the Rs. 32,000 cash.

July 10. Completed work for a client and sent a bill for Rs. 27,000 to be paid within 30 days.

July 12. Purchased additional equipment for Rs. 8,000 in cash.

July 15. Paid an assistant Rs. 6,200 cash as wages for 15 days.

July 18. Collected Rs. 15,000 on the amount owed by the client.

July 25. Paid Rs. 12,000 cash to settle the liability on the equipment purchased.

July 28. Owner withdrew Rs. 500 cash for personal use.

July 30. Completed work for another client who paid only Rs. 40,000 for 50% of the system design.

July 31. Paid salary of assistant Rs. 700.

July 31. Received PLDT bill, Rs. 1,800 and Meralco bill Rs. 3,800.

REQUIRED

Prepare the journal entries, T accounts and trial balance for this business.

Activity Two:

The trial balance of ABC Security Services Inc. as of January 1, 2016 had the following normal balances:

Cash 74,210
 Accounts receivable 13,500
 Supplies 200
 Prepaid rent 3,200
 Merchandise inventory (24 @ \$265; 1 @ \$260) 6,620
 Land 4000
 Accounts payable 1,950
 Unearned revenue 980
 Salaries payable 1,000
 Common stock 50,000
 Retained earnings 47,800

The following transactions took place during 2016 for ABC Security Services:

1. Paid the salaries payable from 2015.
2. On March 1, 2016, ABC established a \$100 petty cash fund to handle small expenditures.
3. Paid \$4,800 on May 1, 2016, for one year's lease on the company van in advance.
4. Paid \$7,200 on May 2, 2016 for one year's office rent in advance.
5. Purchased \$400 of supplies on account.
6. Purchased 100 alarm systems for \$28,000 cash during the year.
7. Sold 102 alarm systems for \$57,120. All sales were on account.
 (Compute cost of goods sold using the FIFO cost flow method)
8. Paid \$2,100 on accounts payable during the year.
9. Replenished the petty cash fund on August 1. At this time, the petty cash fund had only \$7 of currency left. It contained the following receipts: office supplies expense \$23, cutting grass \$55, and miscellaneous \$14.
10. Billed \$52,000 of monitoring services for the year.
11. Paid installers and other employees a total of \$25,000 cash for salaries.
12. Collected \$89,300 of accounts receivable during the year.
13. Paid \$3,600 of advertising expense during the year.
14. Paid \$2,500 of utilities expense for the year.
15. Paid a dividend of \$10,000 to the shareholders.

REQUIRED

1. Prepare the trial balance as at Dec 31, 2016 for ABC Security Services Inc.
2. Prepare the income statement, statement of changes in equity and balance sheet for ABC Security Services Inc.