

Solution:

(1)

The analysis of the transactions in July, using the balance sheet equation format are as follows:

Date of Transaction	Effect on Balance Sheet Equation		
	Assets =	Liabilities +	Stockholders' Equity
July 1, 2012	+\$300,000 (cash)		+\$300,000 (paid in capital)
July 1, 2012	+\$48,000 (pre-paid rent) -\$48,000 (cash)		
July 1, 2012	+\$100,000 (PPE) -\$40,000 (cash)	+\$60,000 (notes payable)	
July 1, 2012	-\$24,000 (cash) +\$24,000 (pre-paid insurance)		
Merchandise acquisition	+\$225,000 (inventory) -\$35,000 (cash)	+\$190,000 (accounts payable)	
Sales + Cost of Inventory Sold	+\$30,000 (cash) +\$175,000 (accounts receivables) -\$155,000 (inventory)		+\$205,000 (sales) -\$155,000 (cost of goods sold)
Expenses	-\$4,000 (pre-paid rent) -\$2,000 (buildings)		-\$4,000 (rent expense) -\$2,000 (depreciation expense)

	-\$1,000 (pre-paid insurance)		-\$1,000 (insurance expense)
Collection from customers	+\$45,000 (cash)		
	-\$45,000 (accounts receivables)		
Disbursement to trade creditors	-\$85,000 (cash)	-\$85,000 (accounts payable)	

(2)

STATEMENT OF INCOME (in thousands of \$)

Name: Montero, Co.

As Of: July 31, 2012

Particulars	Amounts
Sales	205
Cost of Goods Sold	(155)
Net Operating Income	50
Other revenues (expenses):	
Rent	(4)
Depreciation	(2)
Insurance	(1)
Total other revenues (expenses)	(7)
Net Income	43

(3)

The balance sheet is as follows:

CLASSIFIED & CONSOLIDATED BALANCE SHEET
(Amount in thousands of \$)

Name: Montero, Co.

As Of: July 31, 2012

Particulars	Amount
ASSETS:	
Cash	143
Accounts Receivables	130
Inventory	70
Property, Plants & Equipment	98
Pre-paid Rent	44
Pre-paid Insurance	23
Total assets	508
LIABILITIES:	
Accounts Payable	105
Notes Payable	60
Total liabilities	165
STOCKHOLDERS' EQUITY:	
Paid in Capital	300
Retained Earnings:	
As of June 1, 2010	0
Add: Net Income	43
Retained Earnings as of June 30, 2010	43
Total Stockholders' equity	343
Total liabilities & stockholders' equity	508