

Solution:

(1)

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

| Date of Transaction | Effect on Balance Sheet Equation | | |
|---------------------|--|---------------------------------|--|
| | Assets = | Liabilities + | Stockholders' Equity |
| June 1, 2010 | +\$100,000 (cash) | | +\$100,000 (paid in capital) |
| First week of June | -\$85,000 (cash) +\$85,000 (inventory) | | |
| Remainder of June | +\$45,000 (cash) +\$70,000 (accounts receivables) -\$60,000 (inventory) | | +\$115,000 (sales) -\$60,000 (cost of goods sold) |
| June 28, 2010 | +\$34,000 (inventory) | +\$34,000 (accounts payable) | |

(2)

The balance sheet is as follows:

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

Name: R.J. Sen, Co.
As Of: June 30, 2010

| Particulars | Amount |
|---|--------|
| ASSETS: | |
| Cash | 60 |
| Accounts Receivables | 70 |
| Inventory | 59 |
| Total assets | 189 |
| LIABILITIES: | |
| Accounts Payable | 34 |
| Total liabilities | 34 |
| STOCKHOLDERS' EQUITY: | |
| Paid in Capital | 100 |
| Retained Earnings: | |
| As of June 1, 2010 | 0 |
| Add: Net Income | 55 |
| Retained Earnings as of June 30, 2010 | 55 |
| Total Stockholders' equity | 155 |
| Total liabilities & stockholders' equity | 189 |

(3)

| STATEMENT OF INCOME (in thousands of \$) | | | |
|--|--------|--------------------|--------|
| Using accrual basis | | Using cash basis | |
| Particulars | Amount | Particulars | Amount |
| Sales of Goods | 115 | Sales of Goods | 45 |
| Cost of Goods Sold | (60) | Cost of Goods Sold | (60) |
| Net Income (Loss) | 55 | Net Income (Loss) | (15) |

The accrual basis provides a more intuitive and elegant way of presenting the sales and the cost of goods sold, in terms of present as well as prospects.

However, the cash basis provides a more intuitive flow of cash in the operation. This is critically useful when we want to monitor the cash reserves of the company, and can even become realizable if the accounts receivable turns out to be defaulted.