

CHAPTER 4

Completing the Accounting Cycle

ASSIGNMENT CLASSIFICATION TABLE

<u>Learning Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Do It!</u>	<u>Exercises</u>	<u>A Problems</u>	<u>B Problems</u>
1. Prepare a worksheet.	1, 2, 3, 4, 5	1, 2, 3	1	1, 2, 3, 5, 6, 17	1A, 2A, 3A, 4A, 5A	1B, 2B, 3B, 4B, 5B
2. Explain the process of closing the books.	6, 7	4, 5, 6	2	4, 7, 8, 11, 19	1A, 2A, 3A, 4A, 5A	1B, 2B, 3B, 4B, 5B
3. Describe the content and purpose of a post-closing trial balance.	8, 9	7		4, 7, 8	2A, 3A, 4A, 5A	2B, 3B, 4B, 5B
4. State the required steps in the accounting cycle.	10, 11, 12	8		10, 19	5A	5B
5. Explain the approaches to preparing correcting entries.	13	9	3	12, 13	6A	
6. Identify the sections of a classified statement of financial position.	14, 15, 16, 17, 18, 19	10, 11	4	3, 9, 14, 15, 16, 17	1A, 2A, 3A, 4A, 5A	1B, 2B, 3B, 4B, 5B
*7. Prepare reversing entries.	10, 20, 21	12		18, 19		

***Note:** All **asterisked** Questions, Exercises, and Problems relate to material contained in the appendix to the chapter.

ASSIGNMENT CHARACTERISTICS TABLE

Problem Number	Description	Difficulty Level	Time Allotted (min.)
1A	Prepare worksheet, financial statements, and adjusting and closing entries.	Simple	40–50
2A	Complete worksheet; prepare financial statements, closing entries, and post-closing trial balance.	Moderate	50–60
3A	Prepare financial statements, closing entries, and post-closing trial balance.	Moderate	40–50
4A	Complete worksheet; prepare classified statement of financial position, adjusting and closing entries, and post-closing trial balance.	Moderate	50–60
5A	Complete all steps in accounting cycle.	Complex	70–90
6A	Analyze errors and prepare correcting entries and trial balance.	Moderate	40–50
1B	Prepare worksheet, financial statements, and adjusting and closing entries.	Simple	40–50
2B	Complete worksheet; prepare financial statements, closing entries, and post-closing trial balance.	Moderate	50–60
3B	Prepare financial statements, closing entries, and post-closing trial balance.	Moderate	40–50
4B	Complete worksheet; prepare classified statement of financial position, adjusting and closing entries, and post-closing trial balance.	Moderate	50–60
5B	Complete all steps in accounting cycle.	Complex	70–90
Comprehensive Problem: Chapters 2 to 4			

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CHAPTER 4
COMPLETING THE ACCOUNTING CYCLE

Number	LO	BT	Difficulty	Time (min.)
BE1	1	K	Simple	2–4
BE2	1	AN	Moderate	6–8
BE3	1	C	Simple	3–5
BE4	2	AP	Simple	3–5
BE5	2	AP	Simple	4–6
BE6	2	AP	Simple	6–8
BE7	3	C	Simple	2–4
BE8	4	K	Simple	3–5
BE9	5	AN	Moderate	4–6
BE10	6	AP	Simple	4–6
BE11	6	C	Simple	3–5
BE12	7	AN	Moderate	4–6
DI1	1	C	Simple	4–6
DI2	2	AP	Simple	2–4
DI3	5	AP	Simple	6–8
DI4	6	C	Simple	4–6
EX1	1	AP	Simple	12–15
EX2	1	AP	Simple	10–12
EX3	1, 6	AP	Simple	12–15
EX4	2, 3	AP	Simple	12–15
EX5	1	AN	Simple	10–12
EX6	1	AN	Moderate	12–15
EX7	2, 3	AP	Simple	8–10
EX8	2, 3	AP	Simple	10–12
EX9	6	AP	Simple	12–15
EX10	4	C	Simple	3–5
EX11	2	AP	Simple	6–8
EX12	5	AN	Moderate	8–10
EX13	5	AN	Moderate	4–6
EX14	6	AP	Moderate	10–12
EX15	6	C	Simple	5–8
EX16	6	AP	Simple	8–10

COMPLETING THE ACCOUNTING CYCLE (Continued)

Number	LO	BT	Difficulty	Time (min.)
EX17	1, 6	AP	Simple	12–15
EX18	7	AN	Moderate	5–7
EX19	2, 4, 7	AN	Moderate	10–12
P1A	1, 2, 6	AN	Simple	40–50
P2A	1-3, 6	AP	Moderate	50–60
P3A	1-3, 6	AP	Moderate	40–50
P4A	1-3, 6	AN	Moderate	50–60
P5A	1-4, 6	AN	Complex	70–90
P6A	5	AN	Moderate	40–50
P1B	1, 2, 6	AN	Simple	40–50
P2B	1-3, 6	AP	Moderate	50–60
P3B	1-3, 6	AP	Moderate	40–50
P4B	1-3, 6	AN	Moderate	50–60
P5B	1-4, 6	AN	Complex	70–90
BYP1	6	AN	Simple	10–12
BYP2	6	AN	Simple	8–10
BYP3	—	E	Simple	10–12
BYP4	6	AN	Moderate	15–20
BYP5	4	C	Simple	15–20
BYP6	—	E	Moderate	10–15

Correlation Chart between Bloom's Taxonomy, Learning Objectives and End-of-Chapter Exercises and Problems

Learning Objective	Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation		
1. Prepare a worksheet.	BE4-1	Q4-1 Q4-2 Q4-3 Q4-4 Q4-5	BE4-3 DI4-1	E4-1 E4-2 E4-3 E4-17 P4-2A	P4-3A P4-2B P4-3B	BE4-2 P4-5A E4-5 P4-1B E4-6 P4-4B P4-1A P4-5B P4-4A		
2. Explain the process of closing the books.	Q4-6	Q4-7	BE4-4 BE4-5 BE4-6 DI4-2 E4-4 E4-7	E4-8 E4-11 P4-2A P4-3A P4-2B P4-3B	E4-19 P4-1A P4-4A P4-5A P4-1B P4-4B	P4-5B		
3. Describe the content and purpose of a post-closing trial balance.		Q4-8 Q4-9 BE4-7	E4-4 E4-7 E4-8 P4-2A	P4-3A P4-2B P4-3B	P4-4A P4-5A	P4-4B P4-5B		
4. State the required steps in the accounting cycle.	Q4-11 Q4-12 BE4-8	Q4-10 E4-10			E4-19 P4-5A P4-5B			
5. Explain the approaches to preparing correcting entries.		Q4-13	DI4-3		BE4-9 E4-12 E4-13 P4-6A			
6. Identify the sections of a classified statement of financial position.	Q4-14 Q4-15 Q4-16	Q4-17 Q4-18 BE4-11 DI4-4 E4-15	Q4-19 BE4-10 E4-3 E4-9 E4-14 E4-16	E4-17 P4-2A P4-3A P4-2B P4-3B	P4-1A P4-4A P4-5A P4-1B P4-4B P4-5B			
*7. Prepare reversing entries.		Q4-10 Q4-20			Q4-21 BE4-12	E4-18 E4-19		
Broadening Your Perspective		Communication			Financial Reporting Comparative Analysis Decision Making Across the Organization		Real-World Focus Ethics Case	

ANSWERS TO QUESTIONS

1. No. A worksheet is not a permanent accounting record. The use of a worksheet is an optional step in the accounting cycle.
2. The worksheet is merely a device used to make it easier to prepare adjusting entries and the financial statements.
3. The amount shown in the adjusted trial balance column for an account equals the account balance in the ledger after adjusting entries have been journalized and posted.
4. The net income of €12,000 will appear in the income statement debit column and the statement of financial position credit column. A net loss will appear in the income statement credit column and the statement of financial position debit column.
5. Formal financial statements are needed because the columnar data are not properly arranged and classified for statement purposes. For example, the Dividends account is listed with assets.
6. (1) (Dr) Individual revenue accounts and (Cr) Income Summary.
(2) (Dr) Income Summary and (Cr) Individual expense accounts.
(3) (Dr) Income Summary and (Cr) Retained Earnings.
(4) (Dr) Retained Earnings and (Cr) Dividends.
7. Income Summary is a temporary account that is used in the closing process. The account is debited for expenses and credited for revenues. The difference, either net income or net loss, is then closed to the Retained Earnings account.
8. The post-closing trial balance contains only statement of financial position accounts. Its purpose is to prove the equality of the permanent account balances that are carried forward into the next accounting period.
9. The accounts that will not appear in the post-closing trial balance are: Depreciation Expense; Dividends; and Service Revenue.
10. A reversing entry is the exact opposite, both in amount and in account titles, of an adjusting entry and is made at the beginning of the new accounting period. Reversing entries are an optional step in the accounting cycle.
11. The steps that involve journalizing are: (1) journalize the transactions, (2) journalize the adjusting entries, and (3) journalize the closing entries.
12. The three trial balances are the: (1) trial balance, (2) adjusted trial balance, and (3) post-closing trial balance.
13. Correcting entries differ from adjusting entries because they: (1) are not a required part of the accounting cycle, (2) may be made whenever an error is discovered, and (3) may affect any combination of accounts.

Questions Chapter 4 (Continued)

14. The standard classifications used in a statement of financial position are:

<u>Assets</u>	<u>Equity and Liabilities</u>
Intangible Assets	Equity
Property, Plant, and Equipment	Non-current Liabilities
Long-term Investments	Current Liabilities
Current Assets	

15. The operating cycle of a company is the average time that it takes to purchase inventory, sell it on account, and then collect cash from customers.
16. Current assets are assets that a company expects to convert to cash or use up in one year. Some companies use a period longer than one year to classify assets and liabilities as current because they have an operating cycle longer than one year. Companies usually list current assets in the reverse order in which they expect to convert them into cash.
17. Long-term investments are generally investments in shares and bonds of other companies that are normally held for many years and non-current assets such as land or buildings that a company is not using in its operating activities. Property, plant, and equipment are assets with relatively long useful lives that a company is currently using in operating the business.
18. The two equity accounts and the purpose of each are: (1) **Share Capital—Ordinary** is used to record investments of assets in the business by the owners (shareholders) through share transactions. (2) **Retained Earnings** is used to record net income retained in the business.
19. TSMC's current liabilities at December 31, 2013 and December 31, 2012 were NT\$189,777.9 million and NT\$148,473.9 million respectively. TSMC's current liabilities were lower than its current assets in both years.
- *20. After reversing entries have been made, the balances will be Interest Payable, zero balance; Interest Expense, a credit balance.

- *21. (a) Jan. 10 Salaries and Wages Expense 9,200
Cash 9,200

Because of the January 1 reversing entry that credited Salaries and Wages Expense for £3,500, Salaries and Wages Expense will have a debit balance of £5,700 which equals the expense for the current period.

- (b) Jan. 10 Salaries and Wages Payable 3,500
Salaries and Wages Expense 5,700
Cash 9,200

Note that Salaries and Wages Expense will again have a debit balance of £5,700.

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 4-1

The steps in using a worksheet are performed in the following sequence: (1) prepare a trial balance on the worksheet, (2) enter adjustment data, (3) enter adjusted balances, (4) extend adjusted balances to appropriate statement columns and (5) total the statement columns, compute net income (loss), and complete the worksheet. Filling in the blanks, the answers are 1, 3, 4, 5, 2.

The solution to BRIEF EXERCISE 4-2 is on page 4-9.

BRIEF EXERCISE 4-3

Account	Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.
Accumulated Depreciation				X
Depreciation Expense	X			
Share Capital—Ordinary				X
Dividends			X	
Service Revenue		X		
Supplies			X	
Accounts Payable				X

BRIEF EXERCISE 4-4

Dec. 31	Service Revenue	47,000	
	Income Summary		47,000
31	Income Summary	32,000	
	Salaries and Wages Expense		27,000
	Supplies Expense.....		5,000
31	Income Summary	15,000	
	Retained Earnings		15,000
31	Retained Earnings.....	2,000	
	Dividends		2,000

VAN HEIDEN COMPANY, NV
Worksheet

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Prepaid Insurance	3,000			(a) 1,300	1,700				1,700	
Service Revenue		61,000		(b) 1,100		62,100		62,100		
Salaries and Wages Expense	25,000		(c) 800		25,800		25,800			
Accounts Receivable			(b) 1,100		1,100				1,100	
Salaries and Wages Payable				(c) 800		800				800
Insurance Expense			(a) 1,300		1,300		1,300			

BRIEF EXERCISE 4-5

Salaries and Wages Expense		Income Summary		Service Revenue	
Bal. 27,000	(2) 27,000	(2) 32,000	(1) 47,000	(1) 47,000	Bal. 47,000
		(3) 15,000			
		47,000	47,000		

Supplies Expense		Retained Earnings		Dividends	
Bal. 5,000	(2) 5,000	(4) 2,000	Bal. 30,000	Bal. 2,000	(4) 2,000
			(3) 15,000		
			Bal. 43,000		

BRIEF EXERCISE 4-6

July 31	Service Revenue	19,200	
	Income Summary		19,200
31	Income Summary	11,300	
	Salaries and Wages Expense		8,800
	Maintenance and Repairs Expense		2,500

Service Revenue					
Date	Explanation	Ref.	Debit	Credit	Balance
7/31	Balance			19,200	19,200
7/31	Closing entry		19,200		<u>0</u>

Salaries and Wages Expense					
Date	Explanation	Ref.	Debit	Credit	Balance
7/31	Balance		8,800		8,800
7/31	Closing entry			8,800	<u>0</u>

BRIEF EXERCISE 4-6 (Continued)

Maintenance and Repairs Expense					
Date	Explanation	Ref.	Debit	Credit	Balance
7/31	Balance		2,500		2,500
7/31	Closing entry			2,500	<u>0</u>

BRIEF EXERCISE 4-7

The accounts that will appear in the post-closing trial balance are:

Accumulated Depreciation
Share Capital—Ordinary
Supplies
Accounts Payable

BRIEF EXERCISE 4-8

The proper sequencing of the required steps in the accounting cycle is as follows:

1. Analyze business transactions.
2. Journalize the transactions.
3. Post to ledger accounts.
4. Prepare a trial balance.
5. Journalize and post adjusting entries.
6. Prepare an adjusted trial balance.
7. Prepare financial statements.
8. Journalize and post closing entries.
9. Prepare a post-closing trial balance.

Filling in the blanks, the answers are 4, 2, 8, 7, 5, 3, 9, 6, 1.

BRIEF EXERCISE 4-9

1.	Service Revenue	1,140	
	Accounts Receivable.....		1,140
2.	Accounts Payable (€1,850 – €1,580)	270	
	Supplies		270

BRIEF EXERCISE 4-10

ALVIN COMPANY, LTD.
Partial Statement of Financial Position

Current assets		
Prepaid insurance	£ 3,600	
Supplies	5,200	
Accounts receivable	12,500	
Short-term investments	4,900	
Cash	<u>6,700</u>	
Total current assets.....		<u><u>£32,900</u></u>

BRIEF EXERCISE 4-11

<u>CL</u> Accounts payable	<u>CL</u> Income taxes payable
<u>CA</u> Accounts receivable	<u>LTI</u> Debt investments (long-term)
<u>PPE</u> Accum. depreciation—buildings	<u>PPE</u> Land
<u>PPE</u> Buildings	<u>CA</u> Inventory
<u>CA</u> Cash	<u>IA</u> Patents
<u>IA</u> Copyrights	<u>CA</u> Supplies

*BRIEF EXERCISE 4-12

Nov. 1	Salaries and Wages Payable	1,680	
	Salaries and Wages Expense		1,680

The balances after posting the reversing entry are Salaries and Wages Expense (Cr.) €1,680 and Salaries and Wages Payable €0.

SOLUTIONS FOR DO IT! REVIEW EXERCISES

DO IT! 4-1

Income statement debit column—Utilities Expense

Income statement credit column—Service Revenue

Statement of financial position debit column—Accounts Receivable

Statement of financial position credit column—Notes Payable;

Accumulated Depreciation—Equipment; Share Capital—Ordinary

DO IT! 4-2

Dec. 31	Income Summary.....	47,000	
	Retained Earnings		47,000
Dec. 31	Retained Earnings	15,000	
	Dividends		15,000

DO IT! 4-3

1.	Supplies	650	
	Equipment.....		210
	Cash		440
2.	Cash.....	400	
	Dividends	500	
	Salaries and Wages Expense		900
3.	Accounts Payable.....	540	
	Cash		540

DO IT! 4-4

<u>NA</u>	Interest revenue	<u>E</u>	Share capital—ordinary
<u>CL</u>	Utilities payable	<u>PPE</u>	Accumulated depreciation— equipment
<u>CL</u>	Accounts payable	<u>PPE</u>	Equipment
<u>CA</u>	Supplies	<u>NA</u>	Salaries and wages expense
<u>NCL</u>	Bonds payable	<u>LTI</u>	Investment in real estate
<u>IA</u>	Trademarks	<u>CL</u>	Unearned rent revenue

SOLUTIONS TO EXERCISES

EXERCISE 4-1

LIM COMPANY, LTD. Worksheet For the Month Ended June 30, 2017 (in thousands)

<u>Account Titles</u>	<u>Trial Balance</u>		<u>Adjustments</u>		<u>Adj. Trial Balance</u>		<u>Income Statement</u>		<u>Statement of Financial Position</u>	
	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>
Cash	4,120				4,120				4,120	
Accounts Receivable	2,640				2,640				2,640	
Supplies	1,900		(a) 1,440		460				460	
Accounts Payable		1,120				1,120				1,120
Unearned Service Revenue		240	(b) 140			100				100
Share Capital—Ordinary		5,000				5,000				5,000
Service Revenue		3,400	(b) 140			3,540	3,540			
Salaries and Wages Expense	860		(c) 250		1,110		1,110			
Miscellaneous Expense	<u>240</u>				240		240			
Totals	<u>9,760</u>	<u>9,760</u>								
Supplies Expense			(a) 1,440		1,440		1,440			
Salaries and Wages Payable				(c) 250		250				250
Totals			<u>1,830</u>	<u>1,830</u>	<u>10,010</u>	<u>10,010</u>	2,790	3,540	7,220	6,470
Net Income							<u>750</u>			<u>750</u>
Totals							<u>3,540</u>	<u>3,540</u>	<u>7,220</u>	<u>7,220</u>

EXERCISE 4-2

ALBANESE COMPANY, SPA (Partial) Worksheet For the Month Ended April 30, 2017

Account Titles	Adjusted Trial Balance		Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	7,442				7,442	
Accounts Receivable	7,840				7,840	
Prepaid Rent	2,280				2,280	
Equipment	23,000				23,000	
Accum. Depreciation—						
Equipment		4,800				4,800
Notes Payable		5,700				5,700
Accounts Payable		5,672				5,672
Share Capital—		22,000				22,000
Ordinary						
Retained Earnings		4,000				4,000
Dividends	3,000				3,000	
Service Revenue		12,590		12,590		
Salaries and Wages						
Expense	9,840		9,840			
Rent Expense	760		760			
Depreciation Expense	600		600			
Interest Expense	57		57			
Interest Payable		57				57
Totals	<u>54,819</u>	<u>54,819</u>	<u>11,257</u>	<u>12,590</u>	<u>43,562</u>	<u>42,229</u>
Net Income			<u>1,333</u>			<u>1,333</u>
Totals			<u>12,590</u>	<u>12,590</u>	<u>43,562</u>	<u>43,562</u>

EXERCISE 4-3

ALBANESE COMPANY, SPA
Income Statement
For the Month Ended April 30, 2017

Revenues		
Service revenue		€12,590
Expenses		
Salaries and wages expense	€ 9,840	
Rent expense	760	
Depreciation expense.....	600	
Interest expense	57	
Total expenses		<u>11,257</u>
Net income.....		<u>€ 1,333</u>

ALBANESE COMPANY, SPA
Retained Earnings Statement
For the Month Ended April 30, 2017

Retained Earnings, April 1.....	€4,000
Add: Net income.....	<u>1,333</u>
	5,333
Less: Dividends.....	<u>3,000</u>
Retained Earnings, April 30.....	<u>€2,333</u>

ALBANESE COMPANY, SPA
Statement of Financial Position
April 30, 2017

Assets			
Property, plant, and equipment			
Equipment.....	€23,000		
Less: Accumulated depreciation—equipment	<u>4,800</u>		€18,200
Current assets			
Prepaid rent.....	2,280		
Accounts receivable.....	7,840		
Cash.....	<u>7,442</u>		<u>17,562</u>
Total assets			<u>€35,762</u>

EXERCISE 4-3 (Continued)

ALBANESE COMPANY, SPA Statement of Financial Position (Continued) April 30, 2017

Equity and Liabilities			
Equity			
Share capital—ordinary	€22,000		
Retained earnings	<u>2,333</u>	€24,333	
Current liabilities			
Notes payable.....	5,700		
Accounts payable	5,672		
Interest payable.....	<u>57</u>	<u>11,429</u>	
Total equity and liabilities		<u>€35,762</u>	

EXERCISE 4-4

(a)	Apr. 30	Service Revenue	12,590	
		Income Summary		12,590
30		Income Summary	11,257	
		Salaries and Wages Expense		9,840
		Rent Expense.....		760
		Depreciation Expense		600
		Interest Expense.....		57
30		Income Summary	1,333	
		Retained Earnings		1,333
30		Retained Earnings.....	3,000	
		Dividends		3,000

(b)

Income Summary		Retained Earnings	
11,257	12,590	3,000	Bal. 4,000
1,333			1,333
12,590	12,590		Bal. 2,333

EXERCISE 4-4 (Continued)**(c)**

ALBANESE COMPANY, SPA
Post-Closing Trial Balance
April 30, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	€7,442	
Accounts Receivable.....	7,840	
Prepaid Rent	2,280	
Equipment	23,000	
Accumulated Depreciation—Equipment.....		€ 4,800
Notes Payable		5,700
Accounts Payable.....		5,672
Interest Payable		57
Share Capital—Ordinary		22,000
Retained Earnings		2,333
	<u>€40,562</u>	<u>€40,562</u>

EXERCISE 4-5

(a)	Accounts Receivable.....	1,100	
	Service Revenue		1,100
	Insurance Expense	400	
	Prepaid Insurance		400
	Depreciation Expense	900	
	Accumulated Depreciation—Equipment ...		900
	Salaries and Wages Expense	500	
	Salaries and Wages Payable		500

EXERCISE 4-5 (Continued)

(b)	<u>Income Statement</u>		<u>Statement of Financial Position</u>	
	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>
Accounts Receivable			X	
Prepaid Insurance			X	
Accum. Depreciation—Equip.				X
Salaries and Wages Payable				X
Service Revenue		X		
Salaries and Wages Expense	X			
Insurance Expense	X			
Depreciation Expense	X			

EXERCISE 4-6

- (a) Accounts Receivable—27,000 (34,000 – 7,000).
 Supplies—2,300 (7,000 – 4,700).
 Accumulated Depreciation—Equipment—22,000 (12,000 + 10,000).
 Salaries and Wages Payable—0 No liability recorded until adjustments are made.
 Insurance Expense—8,000 (26,000 – 18,000).
 Salaries and Wages Expense—44,000 (49,000 – 5,000).

(b)	Accounts Receivable	7,000	
	Service Revenue		7,000
	Insurance Expense	8,000	
	Prepaid Insurance		8,000
	Supplies Expense	4,700	
	Supplies		4,700
	Depreciation Expense	10,000	
	Accumulated Depreciation—Equipment		10,000
	Salaries and Wages Expense	5,000	
	Salaries and Wages Payable		5,000

EXERCISE 4-7

(a)	Service Revenue	4,300	
	Income Summary.....		4,300
	Income Summary.....	2,724	
	Salaries and Wages Expense		1,344
	Miscellaneous Expense		180
	Supplies Expense.....		1,200
	Income Summary.....	1,576	
	Retained Earnings		1,576
	Retained Earnings	300	
	Dividends		300

(b) **LANZA COMPANY, SA**
Post-Closing Trial Balance
For the Month Ended June 30, 2017

<u>Account Titles</u>	<u>Debit</u>	<u>Credit</u>
Cash.....	R\$3,712	
Accounts Receivable.....	2,904	
Supplies	480	
Accounts Payable.....		R\$1,056
Salaries and Wages Payable.....		244
Unearned Service Revenue.....		160
Share Capital—Ordinary		3,000
Retained Earnings		2,636
	<u>R\$7,096</u>	<u>R\$7,096</u>

EXERCISE 4-8

(a)

General Journal				J15
Date	Account Titles	Ref.	Debit	Credit
July 31	Service Revenue.....	400	64,000	
	Rent Revenue.....	429	6,500	
	Income Summary.....	350		70,500
31	Income Summary.....	350	74,300	
	Salaries and Wages Expense ...	726		55,700
	Utilities Expense.....	732		14,900
	Depreciation Expense	711		3,700
31	Retained Earnings	320	3,800	
	Income Summary.....	350		3,800
31	Retained Earnings	320	12,000	
	Dividends	332		12,000

(b)

Retained Earnings					No. 320
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Balance				20,260
31	Close net loss	J15	3,800		16,460
31	Close dividends	J15	12,000		4,460

Income Summary					No. 350
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Close revenue	J15		70,500	70,500
31	Close expenses	J15	74,300		(3,800)
31	Close net loss	J15		3,800	0

EXERCISE 4-8 (Continued)**(c)**

WINDSOR COMPANY, LTD.
Post-Closing Trial Balance
July 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	£9,840	
Accounts Receivable.....	8,140	
Equipment.....	15,900	
Accumulated Depreciation—Equipment.....		£ 5,400
Accounts Payable.....		2,220
Unearned Rent Revenue		3,800
Share Capital—Ordinary		18,000
Retained Earnings		4,460
	<u>£33,880</u>	<u>£33,880</u>

EXERCISE 4-9**(a)**

WINDSOR COMPANY, LTD.
Income Statement
For the Year Ended July 31, 2017

Revenues		
Service revenue.....	£64,000	
Rent revenue	<u>6,500</u>	
Total revenues		£70,500
Expenses		
Salaries and wages expense.....	55,700	
Utilities expense.....	14,900	
Depreciation expense	<u>3,700</u>	
Total expenses.....		<u>74,300</u>
Net loss		<u>(£ 3,800)</u>

EXERCISE 4-9 (Continued)

WINDSOR COMPANY, LTD.
Retained Earnings Statement
For the Year Ended July 31, 2017

Retained Earnings, August 1, 2016.....		£20,260
Less: Net loss.....	£ 3,800	
Dividends.....	<u>12,000</u>	<u>15,800</u>
Retained Earnings, July 31, 2017		<u>£ 4,460</u>

(b)

WINDSOR COMPANY, LTD.
Statement of Financial Position
July 31, 2017

Assets		
Property, plant, and equipment		
Equipment.....	£15,900	
Less: Accumulated depreciation— equipment.....	<u>5,400</u>	£10,500
Current assets		
Accounts receivable.....	8,140	
Cash.....	<u>9,840</u>	<u>17,980</u>
Total assets		<u>£28,480</u>
Equity and Liabilities		
Equity		
Share capital—ordinary	£18,000	
Retained earnings.....	<u>4,460</u>	£22,460
Current liabilities		
Accounts payable.....	2,220	
Unearned rent revenue.....	<u>3,800</u>	<u>6,020</u>
Total equity and liabilities.....		<u>£28,480</u>

EXERCISE 4-10

1. False. "*Analyze business transactions*" is the first step in the accounting cycle.
2. False. Reversing entries are an *optional* step in the accounting cycle.
3. True.
4. True.
5. True.
6. False. Steps 1–3 may occur daily in the accounting cycle. Steps 4–7 are performed on a periodic basis. Steps 8 and 9 are usually prepared only at the end of a company's annual accounting period.
7. False. The step of "*journalize the transactions*" occurs before the step of "*post to the ledger accounts.*"
8. False. Closing entries are prepared *after* financial statements are prepared.

EXERCISE 4-11

(a)	June 30	Service Revenue	18,100	
		Income Summary.....		18,100
	30	Income Summary	13,000	
		Salaries and Wages Expense		8,800
		Supplies Expense		1,200
		Rent Expense.....		3,000
	30	Income Summary	5,100	
		Retained Earnings		5,100
	30	Retained Earnings.....	2,200	
		Dividends		2,200

(b)

Income Summary			
June 30	13,000	June 30	18,100
June 30	5,100		
	18,100		18,100

EXERCISE 4-12

(a)	1.	Cash	700	
		Equipment		700
		Salaries and Wages Expense	700	
		Cash		700
	2.	Service Revenue.....	300	
		Cash		300
		Cash	800	
		Accounts Receivable		800
	3.	Accounts Payable	670	
		Equipment		670
(b)		Equipment	760	
		Accounts Payable		760
	1.	Salaries and Wages Expense	700	
		Equipment		700
	2.	Service Revenue.....	300	
		Cash	500	
		Accounts Receivable		800
	3.	Equipment	90	
		Accounts Payable		90

EXERCISE 4-13

1.	Accounts Payable (R\$840 – R\$480).....	360	
	Cash		360
2.	Supplies	380	
	Equipment		38
	Accounts Payable		342
3.	Dividends	620	
	Salaries and Wages Expense		620

EXERCISE 4-14

(a) **PATEL BOWLING ALLEY, LTD.**
Statement of Financial Position
December 31, 2017

Assets			
Property, plant, and equipment			
Land		£67,000	
Buildings.....	£128,000		
Less: Acc. depr.—buildings	<u>42,600</u>	85,400	
Equipment	62,400		
Less: Acc. depr.—equipment....	<u>18,720</u>	<u>43,680</u>	£196,080
Current assets			
Prepaid insurance		4,680	
Accounts receivable		7,540	
Cash		<u>18,040</u>	<u>30,260</u>
Total assets			<u>£226,340</u>

EXERCISE 4-14 (Continued)

PATEL BOWLING ALLEY, LTD.
Statement of Financial Position (Continued)
December 31, 2017

Equity and Liabilities		
Equity		
Share capital—ordinary	£80,000	
Retained earnings (£28,000 + £8,440*)	<u>36,440</u>	£116,440
Non-current liabilities		
Note payable		80,000
Current liabilities		
Current portion of note payable	15,000	
Accounts payable	12,300	
Interest payable	<u>2,600</u>	<u>29,900</u>
Total equity and liabilities		<u>£226,340</u>

*Net income = £19,180 – £780 – £7,360 – £2,600 = £8,440

- (b) Current assets exceed current liabilities by only £360 (£30,260 – £29,900). However, approximately 60% of current assets are in the form of cash. The company's liquidity appears to be reasonably good, but some caution is needed.

EXERCISE 4-15

<u>CL</u> Accounts payable	<u>PPE</u> Accumulated depreciation
<u>CA</u> Accounts receivable	<u>PPE</u> Buildings
<u>CA</u> Cash	<u>PPE</u> Land
<u>E</u> Share capital—ordinary	<u>NCL</u> Long-term debt
<u>IA</u> Patents	<u>CA</u> Supplies
<u>CL</u> Salaries and wages payable	<u>PPE</u> Equipment
<u>CA</u> Inventory	<u>CA</u> Prepaid expenses
<u>LTI</u> Investments	

EXERCISE 4-16

SEXTON COMPANY, LTD.
Statement of Financial Position
December 31, 2017
(in thousands)

Assets		
Property, plant, and equipment		
Equipment	£11,500	
Less: Accumulated depreciation— equipment	<u>(4,125)</u>	£ 7,375
Long-term investments		1,200
Current assets		
Prepaid insurance	680	
Inventory	1,256	
Accounts receivable	1,696	
Short-term investments	3,619	
Cash	<u>2,668</u>	<u>9,919</u>
Total assets		<u>£18,494</u>
Equity and Liabilities		
Equity		
Share capital—ordinary	£10,000	
Retained earnings	<u>4,750</u>	£14,750
Non-current liabilities		
Long-term debt	1,000	
Notes payable (due after 2018)	<u>800</u>	1,800
Current liabilities		
Notes payable due in 2018	500	
Accounts payable	<u>1,444</u>	<u>1,944</u>
Total equity and liabilities		<u>£18,494</u>

EXERCISE 4-17**(a)**

VAN DIJK COMPANY, NV
Income Statement
For the Year Ended July 31, 2017

Revenues		
Service revenue	€62,000	
Rent revenue	<u>8,500</u>	
Total revenues		€70,500
Expenses		
Salaries and wages expense	50,700	
Utilities expense	22,600	
Depreciation expense	<u>2,400</u>	
Total expense		<u>75,700</u>
Net loss		<u>€ (5,200)</u>

VAN DIJK COMPANY, NV
Retained Earnings Statement
For the Year Ended July 31, 2017

Retained Earnings, August 1, 2016		€22,700
Less: Net loss	€5,200	
Dividends	<u>3,000</u>	<u>8,200</u>
Retained Earnings, July 31, 2017		<u>€14,500</u>

EXERCISE 4-17 (Continued)**(b)**

VAN DIJK COMPANY, NV
Statement of Financial Position
July 31, 2017

Assets		
Property, plant, and equipment		
Equipment	€30,000	
Less: Accumulated depreciation— equipment	<u>6,000</u>	€24,000
Current assets		
Accounts receivable	9,240	
Cash	<u>14,200</u>	<u>23,440</u>
Total assets		<u>€47,440</u>
Equity and Liabilities		
Equity		
Share capital—ordinary	€25,000	
Retained earnings	<u>14,500</u>	€39,500
Non-current liabilities		
Note payable		1,800
Current liabilities		
Accounts payable	4,100	
Salaries and wages payable	<u>2,040</u>	<u>6,140</u>
Total equity and liabilities		<u>€47,440</u>

***EXERCISE 4-18**

(a)	Dec. 31	Salaries and Wages Expense		
		(R\$9,000 X 4/5)	7,200	
		Salaries and Wages Payable		7,200
	Jan. 4	Salaries and Wages Payable.....	7,200	
		Salaries and Wages Expense		
		(R\$9,000 X 1/5)	1,800	
		Cash		9,000
(b)	Dec. 31	Salaries and Wages Expense.....	7,200	
		Salaries and Wages Payable		7,200
	Jan. 1	Salaries and Wages Payable.....	7,200	
		Salaries and Wages Expense		7,200
	Jan. 4	Salaries and Wages Expense.....	9,000	
		Cash		9,000

***EXERCISE 4-19**

(a)	Dec. 31	Service Revenue	2,820,000	
		Income Summary		2,820,000
	31	Income Summary.....	249,000	
		Interest Expense		249,000
(b)	Jan. 1	Service Revenue	153,000	
		Accounts Receivable		153,000
	1	Interest Payable	39,000	
		Interest Expense		39,000

***EXERCISE 4-19 (Continued)**

(c) & (e)

Accounts Receivable			
Dec. 31	Balance	*567,000	
31	Adjusting	<u>153,000</u>	
		720,000	
			Jan. 1 Reversing 153,000

***(NT\$720,000 – NT\$153,000)**

Service Revenue			
Dec. 31	Closing	2,820,000	Dec. 31 Balance 2,667,000*
		<u>2,820,000</u>	31 Adjusting <u>153,000</u>
			2,820,000
Jan. 1	Reversing	153,000	Jan. 10 153,000

***(NT\$2,820,000 – NT\$153,000)**

Interest Payable			
			Dec. 31 Adjusting 39,000
Jan. 1	Reversing	39,000	

Interest Expense			
Dec. 31	Balance	*210,000	Dec. 31 Closing 249,000
31	Adjusting	<u>39,000</u>	
		249,000	249,000
Jan. 15		90,000	Jan. 1 Reversing 39,000

***(NT\$249,000 – NT\$39,000)**

(d)				(1)	
Jan. 10	Cash		153,000		
	Service Revenue				153,000
				(2)	
15	Interest Expense		90,000		
	Cash.....				90,000

PROBLEM 4-1A

(a)

HERCULES POIROT, P.I., SA
Worksheet
For the Quarter Ended March 31, 2017

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	11,410				11,410				11,410	
Accounts Receivable	5,920		(e) 1,080		7,000				7,000	
Supplies	1,250			(a) 750	500				500	
Prepaid Insurance	2,400			(d) 600	1,800				1,800	
Equipment	15,000				15,000				15,000	
Notes Payable		10,000				10,000				10,000
Accounts Payable		7,350				7,350				7,350
Share Capital—Ordinary		14,000				14,000				14,000
Dividends	600				600				600	
Service Revenue		10,200		(e) 1,080		11,280	11,280			
Salaries and Wages Expense	2,240				2,240		2,240			
Travel Expense	1,300				1,300		1,300			
Rent Expense	1,200				1,200		1,200			
Miscellaneous Expense	230				230		230			
Totals	<u>41,550</u>	<u>41,550</u>								
Supplies Expense			(a) 750		750		750			
Depreciation Expense			(b) 680		680		680			
Accumulated Depreciation—Equipment				(b) 680		680				680
Interest Expense			(c) 300		300		300			
Interest Payable				(c) 300		300				300
Insurance Expense			(d) 600		600		600			
Totals			<u>3,410</u>	<u>3,410</u>	<u>43,610</u>	<u>43,610</u>	<u>7,300</u>	<u>11,280</u>	<u>36,310</u>	<u>32,330</u>
Net Income							<u>3,980</u>			<u>3,980</u>
Totals							<u>11,280</u>	<u>11,280</u>	<u>36,310</u>	<u>36,310</u>

Key: (a) Supplies Used; (b) Depreciation Expensed; (c) Accrued Interest on note; (d) Insurance Expired; (e) Service Revenue

PROBLEM 4-1A (Continued)

(b)

HERCULES POIROT, P.I., SA
Income Statement
For the Quarter Ended March 31, 2017

Revenues		
Service revenue.....		€11,280
Expenses		
Salaries and wages expense	€2,240	
Travel expense	1,300	
Rent expense.....	1,200	
Depreciation expense	680	
Insurance expense.....	600	
Supplies expense.....	750	
Interest expense.....	300	
Miscellaneous expense	230	
Total expenses.....		<u>7,300</u>
Net income		<u>€ 3,980</u>

HERCULES POIROT, P.I., SA
Retained Earnings Statement
For the Quarter Ended March 31, 2017

Retained Earnings, January 1.....	€ 0
Add: Net income.....	<u>3,980</u>
	3,980
Less: Dividends	<u>600</u>
Retained Earnings, March 31.....	<u>€3,380</u>

PROBLEM 4-1A (Continued)

HERCULES POIROT, P.I., SA
Statement of Financial Position
March 31, 2017

Assets			
Property, plant, and equipment			
Equipment	€15,000		
Less: Accumulated depreciation— equipment	<u>680</u>	€14,320	
Current assets			
Prepaid insurance	1,800		
Supplies	500		
Accounts receivable	7,000		
Cash	<u>11,410</u>	<u>20,710</u>	
Total assets		<u>€35,030</u>	
Equity and Liabilities			
Equity			
Share capital—ordinary	€14,000		
Retained earnings	<u>3,380</u>	€17,380	
Current liabilities			
Notes payable	10,000		
Accounts payable	7,350		
Interest payable	<u>300</u>	<u>17,650</u>	
Total equity and liabilities		<u>€35,030</u>	
 (c) Mar. 31			
Supplies Expense	750		
Supplies		750	
31			
Depreciation Expense	680		
Accumulated Depreciation— Equipment		680	
31			
Interest Expense	300		
Interest Payable		300	
31			
Insurance Expense	600		
Prepaid Insurance		600	

PROBLEM 4-1A (Continued)

Mar. 31	Accounts Receivable	1,080	
	Service Revenue		1,080
(d) Mar. 31	Service Revenue.....	11,280	
	Income Summary.....		11,280
31	Income Summary.....	7,300	
	Travel Expense.....		1,300
	Salaries and Wages Expense.....		2,240
	Rent Expense		1,200
	Insurance Expense		600
	Depreciation Expense.....		680
	Supplies Expense		750
	Interest Expense		300
	Miscellaneous Expense.....		230
31	Income Summary.....	3,980	
	Retained Earnings		3,980
31	Retained Earnings	600	
	Dividends.....		600

PROBLEM 4-2A

(a)

WATSON COMPANY, LTD.
Partial Worksheet
For the Year Ended December 31, 2017

Account		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
No.	Titles	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101	Cash	17,800				17,800	
112	Accounts Receivable	14,400				14,400	
126	Supplies	2,300				2,300	
130	Prepaid Insurance	4,400				4,400	
157	Equipment	46,000				46,000	
158	Acc. Depr.—Equip.		18,000				18,000
200	Notes Payable		20,000				20,000
201	Accounts Payable		8,000				8,000
212	Salaries and Wages Payable		2,600				2,600
230	Interest Payable		1,000				1,000
311	Share Capital—Ordinary		15,000				15,000
320	Retained Earnings		9,800				9,800
332	Dividends	12,000				12,000	
400	Service Revenue		86,200		86,200		
610	Advertising Expense	10,000		10,000			
631	Supplies Expense	3,700		3,700			
711	Depreciation Expense	6,000		6,000			
722	Insurance Expense	4,000		4,000			
726	Salaries and Wages Expense	39,000		39,000			
905	Interest Expense	1,000		1,000			
	Totals	<u>160,600</u>	<u>160,600</u>	<u>63,700</u>	<u>86,200</u>	<u>96,900</u>	<u>74,400</u>
	Net Income			<u>22,500</u>			<u>22,500</u>
	Totals			<u>86,200</u>	<u>86,200</u>	<u>96,900</u>	<u>96,900</u>

PROBLEM 4-2A (Continued)

(b)

**WATSON COMPANY, LTD.
Income Statement
For the Year Ended December 31, 2017**

Revenues		
Service revenue.....		£86,200
Expenses		
Salaries and wages expense	£39,000	
Advertising expense	10,000	
Depreciation expense	6,000	
Insurance expense.....	4,000	
Supplies expense.....	3,700	
Interest expense.....	1,000	
Total expenses.....		<u>63,700</u>
Net income		<u>£22,500</u>

**WATSON COMPANY, LTD.
Retained Earnings Statement
For the Year Ended December 31, 2017**

Retained Earnings, January 1.....	£ 9,800
Add: Net income	<u>22,500</u>
	32,300
Less: Dividends	<u>12,000</u>
Retained Earnings, December 31	<u>£20,300</u>

PROBLEM 4-2A (Continued)

**WATSON COMPANY, LTD.
Statement of Financial Position
December 31, 2017**

Assets		
Property, plant, and equipment		
Equipment.....	£46,000	
Less: Accumulated depreciation— equipment.....	<u>18,000</u>	£28,000
Current assets		
Prepaid insurance	4,400	
Supplies	2,300	
Accounts receivable	14,400	
Cash	<u>17,800</u>	<u>38,900</u>
Total assets		<u>£66,900</u>
Equity and Liabilities		
Equity		
Share capital—ordinary	£15,000	
Retained earnings	<u>20,300</u>	£35,300
Non-current liabilities		
Notes payable (due after 2018).....		15,000
Current liabilities		
Notes payable (due in 2018)	5,000	
Accounts payable.....	8,000	
Salaries and wages payable	2,600	
Interest payable	<u>1,000</u>	<u>16,600</u>
Total equity and liabilities		<u>£66,900</u>

PROBLEM 4-2A (Continued)

(c)

General Journal				J14
Date	Account Titles	Ref.	Debit	Credit
Dec. 31	Service Revenue	400	86,200	
	Income Summary	350		86,200
31	Income Summary	350	63,700	
	Advertising Expense.....	610		10,000
	Supplies Expense	631		3,700
	Depreciation Expense.....	711		6,000
	Insurance Expense	722		4,000
	Salaries and Wages Expense....	726		39,000
	Interest Expense	905		1,000
31	Income Summary	350	22,500	
	Retained Earnings.....	320		22,500
31	Retained Earnings.....	320	12,000	
	Dividends.....	332		12,000

(d)

Retained Earnings					No. 320
Date	Explanation	Ref.	Debit	Credit	Balance
	Balance	✓		9,800	9,800
Dec. 31	Closing entry	J14		22,500	32,300
31	Closing entry	J14	12,000		20,300

Dividends					No. 332
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	12,000		12,000
31	Closing entry	J14		12,000	0

PROBLEM 4-2A (Continued)

Income Summary					No. 350
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Closing entry	J14		86,200	86,200
31	Closing entry	J14	63,700		22,500
31	Closing entry	J14	22,500		0

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓		86,200	86,200
31	Closing entry	J14	86,200		0

Advertising Expense					No. 610
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	10,000		10,000
31	Closing entry	J14		10,000	0

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	3,700		3,700
31	Closing entry	J14		3,700	0

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	6,000		6,000
31	Closing entry	J14		6,000	0

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	4,000		4,000
31	Closing entry	J14		4,000	0

PROBLEM 4-2A (Continued)

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	39,000		39,000
31	Closing entry	J14		39,000	0

Interest Expense					No. 905
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	1,000		1,000
31	Closing entry	J14		1,000	0

(e) **WATSON COMPANY, LTD.**
Post-Closing Trial Balance
December 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	£17,800	
Accounts Receivable.....	14,400	
Supplies	2,300	
Prepaid Insurance.....	4,400	
Equipment.....	46,000	
Accumulated Depreciation— Equipment		£18,000
Notes Payable		20,000
Accounts Payable.....		8,000
Salaries and Wages Payable.....		2,600
Interest Payable		1,000
Share Capital—Ordinary		15,000
Retained Earnings		20,300
	<u>£84,900</u>	<u>£84,900</u>

PROBLEM 4-3A

(a)

**RAHIM COMPANY, LTD.
Income Statement
For the Year Ended December 31, 2017**

Revenues		
Service revenue.....		€47,000
Expenses		
Salaries and wages expense	€35,200	
Maintenance and repairs expense	4,100	
Utilities expense	4,000	
Depreciation expense	3,300	
Insurance expense	<u>2,400</u>	
Total expenses.....		<u>49,000</u>
Net loss.....		<u>€ (2,000)</u>

**RAHIM COMPANY, LTD.
Retained Earnings Statement
For the Year Ended December 31, 2017**

Retained Earnings, January 1.....		€9,700
Less: Net loss	€2,000	
Dividends	<u>4,000</u>	<u>6,000</u>
Retained Earnings, December 31		<u>€3,700</u>

**RAHIM COMPANY, LTD.
Statement of Financial Position
December 31, 2017**

Assets		
Property, plant, and equipment		
Equipment.....	€33,000	
Less: Accumulated depreciation— equipment	<u>9,900</u>	€23,100
Current assets		
Prepaid insurance	600	
Accounts receivable	7,500	
Cash	<u>6,200</u>	<u>14,300</u>
Total assets		<u>€37,400</u>

PROBLEM 4-3A (Continued)

RAHIM COMPANY, LTD.
Statement of Financial Position (Continued)
December 31, 2017

Equity and Liabilities		
Equity		
Share capital—ordinary	€20,000	
Retained earnings	<u>3,700</u>	€23,700
Current liabilities		
Accounts payable	10,700	
Salaries and wages payable	<u>3,000</u>	<u>13,700</u>
Total equity and liabilities		<u>€37,400</u>

(b)

General Journal				
Date	Account Titles	Ref.	Debit	Credit
Dec. 31	Service Revenue	400	47,000	
	Income Summary	350		47,000
31	Income Summary	350	49,000	
	Maintenance and Repairs			
	Expense	622		4,100
	Depreciation Expense	711		3,300
	Insurance Expense	722		2,400
	Salaries and Wages Expense ...	726		35,200
	Utilities Expense	732		4,000
31	Retained Earnings	320	2,000	
	Income Summary	350		2,000
31	Retained Earnings	320	4,000	
	Dividends	332		4,000

PROBLEM 4-3A (Continued)

(c)

Retained Earnings		No. 320
12/31	2,000	1/1 Bal. 9,700
12/31	4,000	
		12/31 Bal. 3,700

Dividends		No. 332
12/31 Bal.	4,000	12/31 4,000

Income Summary		No. 350
12/31	49,000	12/31 47,000
		12/31 2,000
	49,000	49,000

Service Revenue		No. 400
12/31	47,000	12/31 Bal. 47,000

Maintenance and Repairs Expense		No. 622
12/31 Bal.	4,100	12/31 4,100

Depreciation Expense		No. 711
12/31 Bal.	3,300	12/31 3,300

Insurance Expense		No. 722
12/31 Bal.	2,400	12/31 2,400

Salaries and Wages Expense		No. 726
12/31 Bal.	35,200	12/31 35,200

Utilities Expense		No. 732
12/31 Bal.	4,000	12/31 4,000

(d)

RAHIM COMPANY, LTD. Post-Closing Trial Balance December 31, 2017

	Debit	Credit
Cash.....	€ 6,200	
Accounts Receivable.....	7,500	
Prepaid Insurance.....	600	
Equipment.....	33,000	
Accumulated Depreciation—Equipment.....		€ 9,900
Accounts Payable.....		10,700
Salaries and Wages Payable.....		3,000
Share Capital—Ordinary.....		20,000
Retained Earnings.....		3,700
Totals	<u>€47,300</u>	<u>€47,300</u>

(a)

TERESINA AMUSEMENT PARK, SA
Worksheet
For the Year Ended September 30, 2017

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	34,400				34,400				34,400	
Supplies	18,600			(a) 16,400	2,200				2,200	
Prepaid Insurance	29,900			(b) 19,000	10,900				10,900	
Land	80,000				80,000				80,000	
Equipment	120,000				120,000				120,000	
Accumulated Depreciation— Equipment		36,200		(c) 6,000		42,200				42,200
Accounts Payable		14,600				14,600				14,600
Unearned Ticket Revenue		3,900	(d) 2,900			1,000				1,000
Mortgage Payable		50,000				50,000				50,000
Share Capital—Ordinary		60,000				60,000				60,000
Retained Earnings		36,100				36,100				36,100
Dividends	14,000				14,000				14,000	
Ticket Revenue		277,900		(d) 2,900		280,800	280,800			
Salaries and Wages Expense	98,000				98,000		98,000			
Maintenance and Repairs Expense	30,500				30,500		30,500			
Advertising Expense	9,400				9,400		9,400			
Utilities Expense	16,900				16,900		16,900			
Property Tax Expense	21,000		(e) 3,000		24,000		24,000			
Interest Expense	6,000		(f) 2,000		8,000		8,000			
Totals	<u>478,700</u>	<u>478,700</u>								
Insurance Expense			(b) 19,000		19,000		19,000			
Supplies Expense			(a) 16,400		16,400		16,400			
Interest Payable				(f) 2,000		2,000				2,000
Depreciation Expense			(c) 6,000		6,000		6,000			
Property Taxes Payable				(e) 3,000		3,000				3,000
Totals			<u>49,300</u>	<u>49,300</u>	<u>489,700</u>	<u>489,700</u>	<u>228,200</u>	<u>280,800</u>	<u>261,500</u>	<u>208,900</u>
Net Income							52,600			52,600
Totals							<u>280,800</u>	<u>280,800</u>	<u>261,500</u>	<u>261,500</u>

Key: (a) Supplies Used; (b) Expired Insurance; (c) Depreciation Expensed; (d) Ticket Revenue Earned; (e) Accrued Property Taxes; (f) Accrued Interest Payable.

PROBLEM 4-4A

PROBLEM 4-4A (Continued)

(b) TERESINA AMUSEMENT PARK, SA
Statement of Financial Position
September 30, 2017

Assets			
Property, plant, and equipment			
Land		R\$80,000	
Equipment.....	R\$120,000		
Less: Accum. depreciation— equipment	42,200	77,800	R\$157,800
Current assets			
Prepaid insurance		10,900	
Supplies		2,200	
Cash		34,400	47,500
Total assets			<u>R\$205,300</u>
Equity and Liabilities			
Equity			
Share capital—ordinary		R\$60,000	
Retained earnings		74,700*	R\$134,700
Non-current liabilities			
Mortgage payable (due after 2018).....			35,000
Current liabilities			
Mortgage payable (due in 2018) .		15,000	
Accounts payable.....		14,600	
Interest payable		2,000	
Property taxes payable		3,000	
Unearned ticket revenue		1,000	35,600
Total equity and liabilities			<u>R\$205,300</u>

***R\$36,100 + R\$52,600 – R\$14,000**

PROBLEM 4-4A (Continued)

(c)	Sept. 30	Supplies Expense	16,400	
		Supplies		16,400
	30	Insurance Expense	19,000	
		Prepaid Insurance		19,000
	30	Depreciation Expense.....	6,000	
		Accumulated Depreciation— Equipment.....		6,000
	30	Unearned Ticket Revenue	2,900	
		Ticket Revenue		2,900
	30	Property Tax Expense	3,000	
		Property Taxes Payable		3,000
	30	Interest Expense	2,000	
		Interest Payable.....		2,000
(d)	Sept. 30	Ticket Revenue.....	280,800	
		Income Summary		280,800
	30	Income Summary	228,200	
		Salaries and Wages Expense		98,000
		Maintenance and Repairs Expense		30,500
		Insurance Expense.....		19,000
		Property Tax Expense.....		24,000
		Supplies Expense.....		16,400
		Utilities Expense.....		16,900
		Interest Expense.....		8,000
		Advertising Expense		9,400
		Depreciation Expense		6,000
	30	Income Summary	52,600	
		Retained Earnings.....		52,600
	30	Retained Earnings	14,000	
		Dividends		14,000

PROBLEM 4-4A (Continued)

(e) TERESINA AMUSEMENT PARK, SA
Post-Closing Trial Balance
September 30, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	R\$ 34,400	
Supplies.....	2,200	
Prepaid Insurance.....	10,900	
Land	80,000	
Equipment	120,000	
Accumulated Depreciation—Equipment		R\$ 42,200
Accounts Payable		14,600
Interest Payable		2,000
Property Taxes Payable.....		3,000
Unearned Ticket Revenue		1,000
Mortgage Payable		50,000
Share Capital—Ordinary.....		60,000
Retained Earnings		74,700
	<u>R\$247,500</u>	<u>R\$247,500</u>

PROBLEM 4-5A

(a)

General Journal					J1
Date	Account Titles	Ref.	Debit	Credit	
Mar. 1	Cash	101	14,000		
	Share Capital—Ordinary	311		14,000	
1	Equipment	157	10,000		
	Cash	101		3,000	
	Accounts Payable	201		7,000	
3	Supplies	126	1,200		
	Accounts Payable	201		1,200	
5	Prepaid Insurance	130	1,800		
	Cash	101		1,800	
14	Accounts Receivable	112	4,500		
	Service Revenue	400		4,500	
18	Accounts Payable	201	2,000		
	Cash	101		2,000	
20	Salaries and Wages Expense	726	1,800		
	Cash	101		1,800	
21	Cash	101	1,600		
	Accounts Receivable	112		1,600	
28	Accounts Receivable	112	2,500		
	Service Revenue	400		2,500	
31	Gasoline Expense	633	320		
	Cash	101		320	
31	Dividends	332	800		
	Cash	101		800	

(b)&(c)

FRESH STEP CARPET CLEANERS, LTD.
Worksheet
For the Month Ended March 31, 2017

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	5,880				5,880				5,880	
Accounts Receivable	5,400		(a) 1,000		6,400				6,400	
Supplies	1,200			(d) 950	250				250	
Prepaid Insurance	1,800			(c) 150	1,650				1,650	
Equipment	10,000				10,000				10,000	
Accounts Payable		6,200				6,200				6,200
Share Capital—Ordinary		14,000				14,000				14,000
Dividends	800				800				800	
Service Revenue		7,000		(a) 1,000		8,000		8,000		
Gasoline Expense	320				320		320			
Salaries and Wages Expense	<u>1,800</u>		(e) 690		2,490		2,490			
Totals	<u>27,200</u>	<u>27,200</u>								
Depreciation Expense			(b) 300		300		300			
Accum. Depr.—Equipment				(b) 300		300				300
Insurance Expense			(c) 150		150		150			
Supplies Expense			(d) 950		950		950			
Salaries and Wages Payable				(e) <u>690</u>		<u>690</u>				<u>690</u>
Totals			<u>3,090</u>	<u>3,090</u>	<u>29,190</u>	<u>29,190</u>	4,210	8,000	24,980	21,190
Net Income							<u>3,790</u>			<u>3,790</u>
Totals							<u>8,000</u>	<u>8,000</u>	<u>24,980</u>	<u>24,980</u>

Key: (a) Service Revenue Earned; (b) Depreciation Expensed; (c) Insurance Expired; (d) Cleaning Supplies Used; (e) Unpaid Salaries.

PROBLEM 4-5A (Continued)

(a), (e) & (f)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1		J1	14,000		14,000
1		J1		3,000	11,000
5		J1		1,800	9,200
18		J1		2,000	7,200
20		J1		1,800	5,400
21		J1	1,600		7,000
31		J1		320	6,680
31		J1		800	5,880

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 14		J1	4,500		4,500
21		J1		1,600	2,900
28		J1	2,500		5,400
31	Adjusting	J2	1,000		6,400

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 3		J1	1,200		1,200
31	Adjusting	J2		950	250

Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 5		J1	1,800		1,800
31	Adjusting	J2		150	1,650

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1		J1	10,000		10,000

PROBLEM 4-5A (Continued)
Accumulated Depreciation—Equipment
No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2		300	300

Accounts Payable
No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1		J1		7,000	7,000
3		J1		1,200	8,200
18		J1	2,000		6,200

Salaries and Wages Payable
No. 212

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2		690	690

Share Capital—Ordinary
No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1		J1		14,000	14,000

Retained Earnings
No. 320

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1					0
31	Closing	J3		3,790	3,790
31	Closing	J3	800		2,990

Dividends
No. 332

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	800		800
31	Closing	J3		800	0

Income Summary
No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Closing	J3		8,000	8,000
31	Closing	J3	4,210		3,790
31	Closing	J3	3,790		0

PROBLEM 4-5A (Continued)

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 14		J1		4,500	4,500
28		J1		2,500	7,000
31	Adjusting	J2		1,000	8,000
31	Closing	J3	8,000		0

Gasoline Expense					No. 633
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	320		320
31	Closing	J3		320	0

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2	950		950
31	Closing	J3		950	0

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2	300		300
31	Closing	J3		300	0

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2	150		150
31	Closing	J3		150	0

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 20		J1	1,800		1,800
31	Adjusting	J2	690		2,490
31	Closing	J3		2,490	0

PROBLEM 4-5A (Continued)

**(d) FRESH STEP CARPET CLEANERS, LTD.
Income Statement
For the Month Ended March 31, 2017**

Revenues		
Service revenue.....		£8,000
Expenses		
Salaries and wages expense	£2,490	
Supplies expense	950	
Depreciation expense	300	
Gasoline expense.....	320	
Insurance expense	150	
Total expenses.....		<u>4,210</u>
Net income		<u>£3,790</u>

**FRESH STEP CARPET CLEANERS, LTD.
Retained Earnings Statement
For the Month Ended March 31, 2017**

Retained Earnings, March 1	£ 0
Add: Net income	<u>3,790</u>
	3,790
Less: Dividends	<u>800</u>
Retained Earnings, March 31	<u>£2,990</u>

**FRESH STEP CARPET CLEANERS, LTD.
Statement of Financial Position
March 31, 2017**

Assets		
Property, plant, and equipment		
Equipment.....	£10,000	
Less: Accumulated depreciation— equipment.....	<u>300</u>	£ 9,700

PROBLEM 4-5A (Continued)

**FRESH STEP CARPET CLEANERS, LTD.
Statement of Financial Position (Continued)
March 31, 2017**

Assets (Continued)			
Current assets			
Prepaid insurance	1,650		
Supplies	250		
Accounts receivable	6,400		
Cash	<u>5,880</u>	<u>14,180</u>	
Total assets			<u>£23,880</u>
Equity and Liabilities			
Equity			
Share capital—ordinary	£14,000		
Retained earnings	<u>2,990</u>		£16,990
Current liabilities			
Accounts payable	6,200		
Salaries and wages payable	<u>690</u>	<u>6,890</u>	
Total equity and liabilities			<u>£23,880</u>

(e)

General Journal				J2
Date	Account Titles	Ref.	Debit	Credit
Mar. 31	Accounts Receivable	112	1,000	
	Service Revenue	400		1,000
31	Depreciation Expense	711	300	
	Accumulated Depreciation— Equipment	158		300
31	Insurance Expense	722	150	
	Prepaid Insurance	130		150
31	Supplies Expense	631	950	
	Supplies	126		950
31	Salaries and Wages Expense	726	690	
	Salaries and Wages Payable	212		690

PROBLEM 4-5A (Continued)

(f)

General Journal				J3
Date	Account Titles	Ref.	Debit	Credit
Mar. 31	Service Revenue.....	400	8,000	
	Income Summary.....	350		8,000
31	Income Summary	350	4,210	
	Salaries and Wages Expense ...	726		2,490
	Depreciation Expense	711		300
	Insurance Expense.....	722		150
	Supplies Expense.....	631		950
	Gasoline Expense.....	633		320
31	Income Summary	350	3,790	
	Retained Earnings	320		3,790
31	Retained Earnings.....	320	800	
	Dividends	332		800

(g)

**FRESH STEP CARPET CLEANERS, LTD.
Post-Closing Trial Balance
March 31, 2017**

	Debit	Credit
Cash.....	£ 5,880	
Accounts Receivable.....	6,400	
Supplies.....	250	
Prepaid Insurance.....	1,650	
Equipment	10,000	
Accumulated Depreciation—Equipment.....		£ 300
Accounts Payable		6,200
Salaries and Wages Payable.....		690
Share Capital—Ordinary.....		14,000
Retained Earnings		2,990
	<u>£24,180</u>	<u>£24,180</u>

(a)

(1) INCORRECT ENTRY			(2) CORRECT ENTRY			(3) CORRECTING ENTRY		
1.	Cash.....	950	Cash.....	590		Accounts Receivable.....	360	
	Accts. Receivable.....	950	Accts. Receivable.....	590	590	Cash.....		360
2.	Misc. Expense.....	75	Advertising Expense	75		Advertising Expense	75	
	Cash	75	Cash		75	Misc. Expense.....		75
3.	Salaries and Wages		Salaries and Wages			Salaries and Wages		
	Expense.....	1,850	Expense.....	1,150		Payable	700	
	Cash	1,850	Salaries and Wages			Salaries and Wages		
			Payable	700		Expense.....		700
			Cash		1,850			
4.	Supplies.....	310	Equipment	310		Equipment	310	
	Accounts Payable	310	Accounts Payable		310	Supplies		310
5.	Equipment	152	Maintenance and Repairs			Maintenance and Repairs		
	Cash	152	Expense.....	125		Expense	125	
			Cash		125	Cash	27	
						Equipment.....		152

PROBLEM 4-6A (Continued)

**(b) INFO CABLE, LTD.
Trial Balance
April 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash (£4,100 – £360 + £27).....	£ 3,767	
Accounts Receivable (£3,200 + £360).....	3,560	
Supplies (£800 – £310).....	490	
Equipment (£10,600 + £310 – £152)	10,758	
Accumulated Depreciation—Equipment		£ 1,250
Accounts Payable		2,100
Salaries and Wages Payable (£700 – £700).....		0
Unearned Service Revenue		890
Share Capital—Ordinary.....		10,000
Retained Earnings		2,880
Service Revenue		5,450
Salaries and Wages Expense (£3,300 – £700).....	2,600	
Advertising Expense (£480 + £75)	555	
Miscellaneous Expense (£290 – £75).....	215	
Depreciation Expense	500	
Maintenance and Repairs Expense	125	
	<u>£22,570</u>	<u>£22,570</u>

(a)

FIRMAMENT ROOFING, LTD.
Worksheet
For the Month Ended March 31, 2017

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	2,720				2,720				2,720	
Accounts Receivable	2,700				2,700				2,700	
Supplies	1,500			(a) 950	550				550	
Equipment	11,000				11,000				11,000	
Accumulated Depreciation—Equipment		1,250		(b) 250		1,500				1,500
Accounts Payable		2,500				2,500				2,500
Unearned Service Revenue		650	(c) 430			220				220
Share Capital—Ordinary		10,000				10,000				10,000
Dividends	1,100				1,100				1,100	
Service Revenue		6,300		(c) 430		6,730		6,730		
Salaries and Wages Expense	1,300		(d) 420		1,720		1,720			
Miscellaneous Expense	380				380		380			
Totals	<u>20,700</u>	<u>20,700</u>								
Supplies Expense			(a) 950		950		950			
Depreciation Expense			(b) 250		250		250			
Salaries and Wages Payable				(d) 420		420				420
Totals			<u>2,050</u>	<u>2,050</u>	<u>21,370</u>	<u>21,370</u>	<u>3,300</u>	<u>6,730</u>	<u>18,070</u>	<u>14,640</u>
Net Income							<u>3,430</u>			<u>3,430</u>
Totals							<u>6,730</u>	<u>6,730</u>	<u>18,070</u>	<u>18,070</u>

Key: (a) Supplies Used; (b) Depreciation Expensed; (c) Service Revenue Earned; (d) Salaries Accrued.

PROBLEM 4-1B

PROBLEM 4-1B (Continued)

(b) **FIRMAMENT ROOFING, LTD.**
Income Statement
For the Month Ended March 31, 2017

Revenues		
Service revenue.....		£6,730
Expenses		
Salaries and wages expense	£1,720	
Supplies expense	950	
Miscellaneous expense.....	380	
Depreciation expense	250	
Total expenses.....		<u>3,300</u>
Net income		<u>£3,430</u>

FIRMAMENT ROOFING, LTD.
Retained Earnings Statement
For the Month Ended March 31, 2017

Retained Earnings, March 1	£ 0
Add: Net income	<u>3,430</u>
	3,430
Less: Dividends	<u>1,100</u>
Retained Earnings, March 31	<u>£2,330</u>

FIRMAMENT ROOFING, LTD.
Statement of Financial Position
March 31, 2017

Assets		
Property, plant, and equipment		
Equipment.....	£11,000	
Less: Accum. depreciation—equipment	<u>1,500</u>	£ 9,500
Current assets		
Supplies	550	
Accounts receivable	2,700	
Cash	<u>2,720</u>	<u>5,970</u>
Total assets		<u>£15,470</u>

PROBLEM 4-1B (Continued)

**FIRMAMENT ROOFING, LTD.
Statement of Financial Position (Continued)
March 31, 2017**

Equity and Liabilities					
Equity					
		Share capital—ordinary	£10,000		
		Retained earnings	<u>2,330</u>	£12,330	
Current liabilities					
		Accounts payable	2,500		
		Salaries and wages payable	420		
		Unearned service revenue.....	<u>220</u>	<u>3,140</u>	
		Total equity and liabilities		<u>£15,470</u>	
(c)	Mar. 31	Supplies Expense.....	950		
		Supplies.....		950	
	31	Depreciation Expense	250		
		Accumulated Depreciation— Equipment		250	
	31	Unearned Service Revenue	430		
		Service Revenue		430	
	31	Salaries and Wages Expense	420		
		Salaries and Wages Payable		420	
	(d)	Mar. 31	Service Revenue.....	6,730	
			Income Summary		6,730
31		Income Summary.....	3,300		
		Salaries and Wages Expense.....		1,720	
		Supplies Expense		950	
		Depreciation Expense.....		250	
		Miscellaneous Expense.....		380	
31		Income Summary.....	3,430		
		Retained Earnings		3,430	
31		Retained Earnings	1,100		
	Dividends.....		1,100		

PROBLEM 4-2B

**(a) BLEECKER STREET, LTD.
Partial Worksheet
For the Year Ended December 31, 2017**

Account		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
No.	Titles	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101	Cash	5,300				5,300	
112	Accounts Receivable	10,800				10,800	
126	Supplies	1,500				1,500	
130	Prepaid Insurance	2,000				2,000	
157	Equipment	27,000				27,000	
158	Acc. Depr.—Equip.		5,600				5,600
200	Notes Payable		15,000				15,000
201	Accounts Payable		4,600				4,600
212	Salaries and Wages Payable		2,400				2,400
230	Interest Payable		600				600
311	Share Capital—Ordinary		10,000				10,000
320	Retained Earnings		4,200				4,200
332	Dividends	5,000				5,000	
400	Service Revenue		59,000		59,000		
610	Advertising Expense	8,400		8,400			
631	Supplies Expense	4,000		4,000			
711	Depreciation Expense	5,600		5,600			
722	Insurance Expense	3,200		3,200			
726	Salaries and Wages Expense	28,000		28,000			
905	Interest Expense	600		600			
	Totals	<u>101,400</u>	<u>101,400</u>	<u>49,800</u>	<u>59,000</u>	<u>51,600</u>	<u>42,400</u>
	Net Income			<u>9,200</u>			<u>9,200</u>
	Totals			<u>59,000</u>	<u>59,000</u>	<u>51,600</u>	<u>51,600</u>

PROBLEM 4-2B (Continued)

(b)

**BLEECKER STREET, LTD.
Income Statement
For the Year Ended December 31, 2017**

Revenues		
Service revenue.....		£59,000
Expenses		
Salaries and wages expense	£28,000	
Advertising expense	8,400	
Depreciation expense	5,600	
Supplies expense.....	4,000	
Insurance expense.....	3,200	
Interest expense.....	600	
Total expenses.....		<u>49,800</u>
Net income		<u>£ 9,200</u>

**BLEECKER STREET, LTD.
Retained Earnings Statement
For the Year Ended December 31, 2017**

Retained Earnings, January 1.....	£4,200
Add: Net income	<u>9,200</u>
	13,400
Less: Dividends	<u>5,000</u>
Retained Earnings, December 31	<u>£8,400</u>

PROBLEM 4-2B (Continued)

BLEECKER STREET, LTD.
Statement of Financial Position
December 31, 2017

Assets		
Property, plant, and equipment		
Equipment.....	£27,000	
Less: Accumulated depreciation— equipment	<u>5,600</u>	£21,400
Current assets		
Prepaid insurance	2,000	
Supplies	1,500	
Accounts receivable	10,800	
Cash	<u>5,300</u>	<u>19,600</u>
Total assets		<u>£41,000</u>
Equity and Liabilities		
Equity		
Share capital—ordinary	£10,000	
Retained earnings	<u>8,400</u>	£18,400
Non-current liabilities		
Notes payable (due after 2018).....		12,000
Current liabilities		
Notes payable (due in 2018)	3,000	
Accounts payable.....	4,600	
Salaries and wages payable	2,400	
Interest payable	<u>600</u>	<u>10,600</u>
Total equity and liabilities		<u>£41,000</u>

PROBLEM 4-2B (Continued)

(c)

General Journal				J14
Date	Account Titles	Ref.	Debit	Credit
Dec. 31	Service Revenue	400	59,000	
	Income Summary	350		59,000
31	Income Summary	350	49,800	
	Advertising Expense.....	610		8,400
	Supplies Expense	631		4,000
	Depreciation Expense.....	711		5,600
	Insurance Expense	722		3,200
	Salaries and Wages Expense....	726		28,000
	Interest Expense	905		600
31	Income Summary	350	9,200	
	Retained Earnings.....	320		9,200
31	Retained Earnings.....	320	5,000	
	Dividends.....	332		5,000

(d)

Retained Earnings					No. 320
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓		4,200	4,200
Dec. 31	Closing entry	J14		9,200	13,400
31	Closing entry	J14	5,000		8,400

Dividends					No. 332
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	5,000		5,000
31	Closing entry	J14		5,000	0

PROBLEM 4-2B (Continued)

Income Summary

No. 350

Date		Explanation	Ref.	Debit	Credit	Balance
Dec.	31	Closing entry	J14		59,000	59,000
	31	Closing entry	J14	49,800		9,200
	31	Closing entry	J14	9,200		0

Service Revenue

No. 400

Date		Explanation	Ref.	Debit	Credit	Balance
Dec.	31	Balance	✓		59,000	59,000
	31	Closing entry	J14	59,000		0

Advertising Expense

No. 610

Date		Explanation	Ref.	Debit	Credit	Balance
Dec.	31	Balance	✓	8,400		8,400
	31	Closing entry	J14		8,400	0

Supplies Expense

No. 631

Date		Explanation	Ref.	Debit	Credit	Balance
Dec.	31	Balance	✓	4,000		4,000
	31	Closing entry	J14		4,000	0

Depreciation Expense

No. 711

Date		Explanation	Ref.	Debit	Credit	Balance
Dec.	31	Balance	✓	5,600		5,600
	31	Closing entry	J14		5,600	0

Insurance Expense

No. 722

Date		Explanation	Ref.	Debit	Credit	Balance
Dec.	31	Balance	✓	3,200		3,200
	31	Closing entry	J14		3,200	0

PROBLEM 4-2B (Continued)

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	28,000		28,000
31	Closing entry	J14		28,000	0

Interest Expense					No. 905
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	600		600
31	Closing entry	J14		600	0

(e) **BLEECKER STREET, LTD.**
Post-Closing Trial Balance
December 31, 2017

	Debit	Credit
Cash.....	£ 5,300	
Accounts Receivable.....	10,800	
Supplies	1,500	
Prepaid Insurance.....	2,000	
Equipment.....	27,000	
Accumulated Depreciation— Equipment		£ 5,600
Notes Payable		15,000
Accounts Payable.....		4,600
Salaries and Wages Payable.....		2,400
Interest Payable		600
Share Capital—Ordinary		10,000
Retained Earnings		8,400
Totals	<u>£46,600</u>	<u>£46,600</u>

PROBLEM 4-3B

(a)

**YULON COMPANY, LTD.
Income Statement
For the Year Ended December 31, 2017**

Revenues		
Service revenue.....		NT\$1,680,000
Expenses		
Salaries and wages expense	NT\$810,000	
Depreciation expense	90,000	
Insurance expense	64,800	
Maintenance and repairs expense	48,000	
Utilities expense	<u>39,000</u>	
Total expenses.....		<u>1,051,800</u>
Net income		NT\$ <u>628,200</u>

**YULON COMPANY, LTD.
Retained Earnings Statement
For the Year Ended December 31, 2017**

Retained Earnings, January 1.....	NT\$430,800
Add: Net income	<u>628,200</u>
	1,059,000
Less: Dividends	<u>210,000</u>
Retained Earnings, December 31	NT\$ <u>849,000</u>

**YULON COMPANY, LTD.
Statement of Financial Position
December 31, 2017**

Assets		
Property, plant, and equipment		
Equipment.....	NT\$840,000	
Less: Accumulated depreciation— equipment	<u>180,000</u>	NT\$660,000
Current assets		
Prepaid insurance	84,000	
Accounts receivable	324,000	
Cash	<u>267,000</u>	<u>675,000</u>
Total assets		NT\$ <u>1,335,000</u>

PROBLEM 4-3B (Continued)

**YULON COMPANY, LTD.
Statement of Financial Position (Continued)
December 31, 2017**

Equity and Liabilities			
Equity			
Share capital—ordinary	NT\$360,000		
Retained earnings	<u>849,000</u>	NT\$1,209,000	
Current liabilities			
Accounts payable	60,000		
Salaries and wages payable	<u>66,000</u>		<u>126,000</u>
Total equity and liabilities			<u>NT\$1,335,000</u>

(b)

General Journal				
Date	Account Titles		Ref.	Debit Credit
Dec. 31	Service Revenue		400	1,680,000
	Income Summary		350	1,680,000
31	Income Summary		350	1,051,800
	Maintenance and Repairs Expense		622	48,000
	Depreciation Expense		711	90,000
	Insurance Expense		722	64,800
	Salaries and Wages Expense		726	810,000
	Utilities Expense		732	39,000
31	Income Summary		350	628,200
	Retained Earnings		320	628,200
31	Retained Earnings		320	210,000
	Dividends		332	210,000

PROBLEM 4-3B (Continued)

(c)

Retained Earnings		No. 320
12/31	210,000	1/1 Bal. 430,800
		12/31 628,200
		12/31 Bal. 849,000

Dividends		No. 332
12/31 Bal.	210,000	12/31 210,000

Income Summary		No. 350
12/31	1,051,800	12/31 1,680,000
12/31	628,200	
	1,680,000	1,680,000

Service Revenue		No. 400
12/31	1,680,000	12/31 Bal. 1,680,000

Maintenance and Repairs Expense		No. 622
12/31 Bal.	48,000	12/31 48,000

Depreciation Expense		No. 711
12/31 Bal.	90,000	12/31 90,000

Insurance Expense		No. 722
12/31 Bal.	64,800	12/31 64,800

Salaries and Wages Expense		No. 726
12/31 Bal.	810,000	12/31 810,000

Utilities Expense		No. 732
12/31 Bal.	39,000	12/31 39,000

(d)

YULON COMPANY, LTD. Post-Closing Trial Balance December 31, 2017

	Debit	Credit
Cash.....	NT\$267,000	
Accounts Receivable.....	324,000	
Prepaid Insurance.....	84,000	
Equipment.....	840,000	
Accumulated Depreciation—Equipment...		NT\$ 180,000
Accounts Payable.....		60,000
Salaries and Wages Payable.....		66,000
Share Capital—Ordinary.....		360,000
Retained Earnings		849,000
Totals	<u>NT\$1,515,000</u>	<u>NT\$1,515,000</u>

(a)

CARROLL MANAGEMENT SERVICES, LTD.

Worksheet

For the Year Ended December 31, 2017

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	13,800				13,800				13,800	
Accounts Receivable	26,300				26,300				26,300	
Prepaid Insurance	3,600			(a) 1,800	1,800				1,800	
Land	67,000				67,000				67,000	
Buildings	127,000				127,000				127,000	
Equipment	59,000				59,000				59,000	
Accounts Payable		12,500				12,500				12,500
Unearned Rent Revenue		8,000	(c) 4,500			3,500				3,500
Mortgage Payable		120,000				120,000				120,000
Share Capital—Ordinary		80,000				80,000				80,000
Retained Earnings		54,000				54,000				54,000
Dividends	16,000				16,000				16,000	
Service Revenue		90,700				90,700		90,700		
Rent Revenue		26,000		(c) 4,500		30,500		30,500		
Salaries and Wages Expense	42,000				42,000		42,000			
Advertising Expense	17,500				17,500		17,500			
Utilities Expense	19,000				19,000		19,000			
Totals	<u>391,200</u>	<u>391,200</u>								
Insurance Expense			(a) 1,800		1,800		1,800			
Depr. Expense			(b) 6,600		6,600		6,600			
Accum. Depr.—Buildings				(b) 3,000		3,000				3,000
Accum. Depr.—Equipment				(b) 3,600		3,600				3,600
Interest Expense			(d) 9,600		9,600		9,600			
Interest Payable				(d) <u>9,600</u>		<u>9,600</u>				<u>9,600</u>
Totals			<u>22,500</u>	<u>22,500</u>	<u>407,400</u>	<u>407,400</u>	96,500	121,200	310,900	286,200
Net Income							<u>24,700</u>			<u>24,700</u>
Totals							<u>121,200</u>	<u>121,200</u>	<u>310,900</u>	<u>310,900</u>

Key: (a) Expired Insurance; (b) Depreciation Expense—Buildings and Equipment; (c) Rent Revenue Earned; (d) Accrued Interest Payable.

PROBLEM 4-4B

PROBLEM 4-4B (Continued)

**(b) CARROLL MANAGEMENT SERVICES, LTD.
Statement of Financial Position
December 31, 2017**

Assets			
Property, plant, and equipment			
Land		£ 67,000	
Buildings.....	£127,000		
Less: Accumulated depreciation—buildings ...	<u>3,000</u>	124,000	
Equipment.....	59,000		
Less: Accumulated depreciation—equipment ..	<u>3,600</u>	<u>55,400</u>	£246,400
Current assets			
Prepaid insurance		1,800	
Accounts receivable		26,300	
Cash		<u>13,800</u>	<u>41,900</u>
Total assets			<u>£288,300</u>
Equity and Liabilities			
Equity			
Share capital—ordinary		£80,000	
Retained earnings		<u>62,700*</u>	£142,700
Non-current liabilities			
Mortgage payable (due after 2018).....			95,000
Current liabilities			
Mortgage payable (due in 2018)		25,000	
Accounts payable.....		12,500	
Interest payable		9,600	
Unearned rent revenue		<u>3,500</u>	<u>50,600</u>
Total equity and liabilities			<u>£288,300</u>

***£54,000 + £24,700 – £16,000**

PROBLEM 4-4B (Continued)

(c)	Dec. 31	Insurance Expense.....	1,800	
		Prepaid Insurance.....		1,800
	31	Depreciation Expense	6,600	
		Accumulated Depreciation—		
		Buildings		3,000
		Accumulated Depreciation—		
	31	Equipment		3,600
		Unearned Rent Revenue	4,500	
	31	Rent Revenue.....		4,500
		Interest Expense	9,600	
	31	Interest Payable		9,600
(d)	Dec. 31	Service Revenue	90,700	
		Rent Revenue	30,500	
		Income Summary.....		121,200
	31	Income Summary	96,500	
		Salaries and Wages Expense		42,000
		Advertising Expense		17,500
		Interest Expense		9,600
		Utilities Expense		19,000
		Depreciation Expense		6,600
		Insurance Expense		1,800
		Income Summary	24,700	
	31	Retained Earnings		24,700
		Retained Earnings.....	16,000	
	31	Dividends		16,000

PROBLEM 4-4B (Continued)

**(e) CARROLL MANAGEMENT SERVICES, LTD.
Post-Closing Trial Balance
December 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	£ 13,800	
Accounts Receivable.....	26,300	
Prepaid Insurance.....	1,800	
Land	67,000	
Buildings	127,000	
Accumulated Depreciation—Buildings		£ 3,000
Equipment	59,000	
Accumulated Depreciation—Equipment		3,600
Accounts Payable		12,500
Interest Payable		9,600
Unearned Rent Revenue.....		3,500
Mortgage Payable		120,000
Share Capital—Ordinary.....		80,000
Retained Earnings		62,700
	<u>£294,900</u>	<u>£294,900</u>

PROBLEM 4-5B

(a)

General Journal					J1
Date		Account Titles	Ref.	Debit	Credit
July 1		Cash.....	101	20,000	
		Share capital—ordinary.....	311		20,000
	1	Equipment	157	12,000	
		Cash.....	101		4,000
		Accounts Payable	201		8,000
	3	Supplies.....	126	2,100	
		Accounts Payable	201		2,100
	5	Prepaid Insurance.....	130	3,600	
		Cash.....	101		3,600
	12	Accounts Receivable.....	112	5,900	
		Service Revenue	400		5,900
	18	Accounts Payable	201	2,900	
		Cash.....	101		2,900
	20	Salaries and Wages Expense.....	726	4,500	
		Cash.....	101		4,500
	21	Cash.....	101	4,400	
		Accounts Receivable	112		4,400
	25	Accounts Receivable.....	112	9,400	
		Service Revenue	400		9,400
	31	Gasoline Expense	633	400	
		Cash.....	101		400
	31	Dividends.....	332	1,200	
		Cash.....	101		1,200

(b) & (c)

CALLEBAUT CLEANING SERVICE, AG
Worksheet
For the Month Ended July 31, 2017

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Statement of Financial sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	7,800				7,800				7,800	
Accounts Receivable	10,900		(a) 3,300		14,200				14,200	
Supplies	2,100			(d) 1,540	560				560	
Prepaid Insurance	3,600			(c) 300	3,300				3,300	
Equipment	12,000				12,000				12,000	
Accounts Payable		7,200				7,200				7,200
Share Capital—Ordinary		20,000				20,000				20,000
Dividends	1,200				1,200				1,200	
Service Revenue		15,300		(a) 3,300		18,600		18,600		
Gasoline Expense	400				400		400			
Salaries and Wages Expense	<u>4,500</u>		(e) 2,200		6,700		6,700			
Totals	<u>42,500</u>	<u>42,500</u>								
Depreciation Expense			(b) 500		500		500			
Accum. Depr.—Equipment				(b) 500		500				500
Insurance Expense			(c) 300		300		300			
Supplies Expense			(d) 1,540		1,540		1,540			
Salaries and Wages Payable				(e) <u>2,200</u>		<u>2,200</u>				<u>2,200</u>
Totals			<u>7,840</u>	<u>7,840</u>	<u>48,500</u>	<u>48,500</u>	9,440	18,600	39,060	29,900
Net Income							<u>9,160</u>			<u>9,160</u>
Totals							<u>18,600</u>	<u>18,600</u>	<u>39,060</u>	<u>39,060</u>

Key: (a) Service Revenue Earned; (b) Depreciation Expense; (c) Insurance Expired; (d) Cleaning Supplies Used; (e) Unpaid Salaries.

PROBLEM 4-5B (Continued)

(a), (e) & (f)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1	20,000		20,000
1		J1		4,000	16,000
5		J1		3,600	12,400
18		J1		2,900	9,500
20		J1		4,500	5,000
21		J1	4,400		9,400
31		J1		400	9,000
31		J1		1,200	7,800

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
July 12		J1	5,900		5,900
21		J1		4,400	1,500
25		J1	9,400		10,900
31	Adjusting	J2	3,300		14,200

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
July 3		J1	2,100		2,100
31	Adjusting	J2		1,540	560

Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
July 5		J1	3,600		3,600
31	Adjusting	J2		300	3,300

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1	12,000		12,000

PROBLEM 4-5B (Continued)
Accumulated Depreciation—Equipment
No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2		500	500

Accounts Payable
No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1		8,000	8,000
3		J1		2,100	10,100
18		J1	2,900		7,200

Salaries and Wages Payable
No. 212

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2		2,200	2,200

Share Capital—Ordinary
No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1		20,000	20,000

Retained Earnings
No. 320

Date	Explanation	Ref.	Debit	Credit	Balance
July 1					
31	Closing	J3		9,160	9,160
31	Closing	J3	1,200		7,960

Dividends
No. 332

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		J1	1,200		1,200
31	Closing	J3		1,200	0

Income Summary
No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Closing	J3		18,600	18,600
31	Closing	J3	9,440		9,160

31 Closing

J3

9,160

0

PROBLEM 4-5B (Continued)

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
July 12		J1		5,900	5,900
25		J1		9,400	15,300
31	Adjusting	J2		3,300	18,600
31	Closing	J3	18,600		0

Gasoline Expense					No. 633
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		J1	400		400
31	Closing	J3		400	0

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	1,540		1,540
31	Closing	J3		1,540	0

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	500		500
31	Closing	J3		500	0

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	300		300
31	Closing	J3		300	0

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
July 20		J1	4,500		4,500
31	Adjusting	J2	2,200		6,700
31	Closing	J3		6,700	0

PROBLEM 4-5B (Continued)

(d) CALLEBAUT CLEANING SERVICE, AG
Income Statement
For the Month Ended July 31, 2017

Revenues		
Service revenue.....		€18,600
Expenses		
Salaries and wages expense	€6,700	
Supplies expense.....	1,540	
Depreciation expense	500	
Gasoline expense.....	400	
Insurance expense.....	300	
Total expenses.....		<u>9,440</u>
Net income		<u>€ 9,160</u>

CALLEBAUT CLEANING SERVICE, AG
Retained Earnings Statement
For the Month Ended July 31, 2017

Retained Earnings, July 1	€ 0
Add: Net income	<u>9,160</u>
	9,160
Less: Dividends	<u>1,200</u>
Retained Earnings, July 31	<u>€ 7,960</u>

CALLEBAUT CLEANING SERVICE, AG
Statement of Financial Position
July 31, 2017

Assets		
Property, plant, and equipment		
Equipment	€ 12,000	
Less: Accumulated depreciation— equipment.....	<u>500</u>	€ 11,500

PROBLEM 4-5B (Continued)

CALLEBAUT CLEANING SERVICE, AG
Statement of Financial Position (Continued)
July 31, 2017

Assets (Continued)			
Current assets			
Prepaid insurance	3,300		
Supplies	560		
Accounts receivable	14,200		
Cash	<u>7,800</u>	<u>25,860</u>	
Total assets		<u>€37,360</u>	
Equity and Liabilities			
Equity			
Share capital—ordinary	€20,000		
Retained earnings	<u>7,960</u>	€27,960	
Current liabilities			
Accounts payable.....	7,200		
Salaries and wages payable	<u>2,200</u>	<u>9,400</u>	
Total equity and liabilities		<u>€37,360</u>	

(e)

General Journal				J2
Date	Account Titles	Ref.	Debit	Credit
July 31	Accounts Receivable	112	3,300	
	 Service Revenue	400		3,300
31	Depreciation Expense.....	711	500	
	 Accumulated Depreciation—			
	 Equipment.....	158		500
31	Insurance Expense	722	300	
	 Prepaid Insurance	130		300
31	Supplies Expense	631	1,540	
	 Supplies	126		1,540
31	Salaries and Wages Expense.....	726	2,200	
	 Salaries and Wages Payable ...	212		2,200

PROBLEM 4-5B (Continued)

(f)

General Journal

J3

Date	Account Titles	Ref.	Debit	Credit
July 31	Service Revenue.....	400	18,600	
	Income Summary	350		18,600
31	Income Summary	350	9,440	
	Salaries and Wages Expense ...	726		6,700
	Depreciation Expense	711		500
	Insurance Expense.....	722		300
	Supplies Expense.....	631		1,540
	Gasoline Expense	633		400
31	Income Summary	350	9,160	
	Retained Earnings.....	320		9,160
31	Retained Earnings.....	320	1,200	
	Dividends.....	332		1,200

(g)

CALLEBAUT CLEANING SERVICE, AG
Post-Closing Trial Balance
July 31, 2017

	Debit	Credit
Cash.....	€ 7,800	
Accounts Receivable.....	14,200	
Supplies	560	
Prepaid Insurance.....	3,300	
Equipment.....	12,000	
Accumulated Depreciation—Equipment.....		€ 500
Accounts Payable.....		7,200
Salaries and Wages Payable.....		2,200
Share Capital—Ordinary		20,000
Retained Earnings		7,960
	<u>€37,860</u>	<u>€37,860</u>

COMPREHENSIVE PROBLEM: CHAPTERS 2 TO 4

(a)

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
July 1	Cash	101	15,000	
	Share Capital—Ordinary	311		15,000
1	Equipment	157	10,000	
	Cash	101		3,000
	Accounts Payable	201		7,000
3	Supplies	126	1,700	
	Accounts Payable	201		1,700
5	Prepaid Insurance	130	1,800	
	Cash	101		1,800
12	Accounts Receivable	112	4,200	
	Service Revenue	400		4,200
18	Accounts Payable	201	1,400	
	Cash	101		1,400
20	Salaries and Wages Expense	726	1,900	
	Cash	101		1,900
21	Cash	101	2,400	
	Accounts Receivable	112		2,400
25	Accounts Receivable	112	2,100	
	Service Revenue	400		2,100
31	Gasoline Expense	633	400	
	Cash	101		400
31	Dividends	332	500	
	Cash	101		500

(b) & (c)

TARA'S MAIDS CLEANING SERVICE, LTD.
Worksheet
For the Month Ended July 31, 2017

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Statement of Financial Position	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	8,400				8,400				8,400	
Accounts Receivable	3,900		(a) 1,300		5,200				5,200	
Supplies	1,700			(d) 1,420	280				280	
Prepaid Insurance	1,800			(c) 150	1,650				1,650	
Equipment	10,000				10,000				10,000	
Accounts Payable		7,300				7,300				7,300
Share Capital—Ordinary		15,000				15,000				15,000
Dividends	500				500				500	
Service Revenue		6,300		(a) 1,300		7,600		7,600		
Gasoline Expense	400				400		400			
Salaries and Wages Expense	<u>1,900</u>		(e) 630		2,530		2,530			
Total	<u>28,600</u>	<u>28,600</u>								
Depreciation Expense			(b) 200		200		200			
Accum. Depr.—Equipment				(b) 200		200				200
Insurance Expense			(c) 150		150		150			
Supplies Expense			(d) 1,420		1,420		1,420			
Salaries and Wages Payable				(e) <u>630</u>		<u>630</u>				<u>630</u>
Totals			<u>3,700</u>	<u>3,700</u>	<u>30,730</u>	<u>30,730</u>	4,700	7,600	26,030	23,130
Net Income							<u>2,900</u>			<u>2,900</u>
Totals							<u>7,600</u>	<u>7,600</u>	<u>26,030</u>	<u>26,030</u>

Key: (a) Service Revenue; (b) Depreciation Expense; (c) Insurance Expired; (d) Cleaning Supplies Used; (e) Unpaid Salaries.

COMPREHENSIVE PROBLEM (Continued)

(a), (e) & (f)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1	15,000		15,000
1		J1		3,000	12,000
5		J1		1,800	10,200
18		J1		1,400	8,800
20		J1		1,900	6,900
21		J1	2,400		9,300
31		J1		400	8,900
31		J1		500	8,400

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
July 12		J1	4,200		4,200
21		J1		2,400	1,800
25		J1	2,100		3,900
31	Adjusting	J2	1,300		5,200

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
July 3		J1	1,700		1,700
31	Adjusting	J2		1,420	280

Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
July 5		J1	1,800		1,800
31	Adjusting	J2		150	1,650

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1	10,000		10,000

COMPREHENSIVE PROBLEM (Continued)

Accumulated Depreciation—Equipment					No. 158
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2		200	200

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1		7,000	7,000
3		J1		1,700	8,700
18		J1	1,400		7,300

Salaries and Wages Payable					No. 212
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2		630	630

Share Capital—Ordinary					No. 311
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1		15,000	15,000

Retained Earnings					No. 320
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Closing	J3		2,900	2,900
31	Closing	J3	500		2,400

Dividends					No. 332
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		J1	500		500
31	Closing	J3		500	0

Income Summary					No. 350
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Closing	J3		7,600	7,600
31	Closing	J3	4,700		2,900
31	Closing	J3	2,900		0

COMPREHENSIVE PROBLEM (Continued)

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
July 12		J1		4,200	4,200
25		J1		2,100	6,300
31	Adjusting	J2		1,300	7,600
31	Closing	J3	7,600		0

Gasoline Expense					No. 633
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		J1	400		400
31	Closing	J3		400	0

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	1,420		1,420
31	Closing	J3		1,420	0

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	200		200
31	Closing	J3		200	0

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	150		150
31	Closing	J3		150	0

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
July 20		J1	1,900		1,900
31	Adjusting	J2	630		2,530
31	Closing	J3		2,530	0

COMPREHENSIVE PROBLEM (Continued)

(d) **TARA'S MAIDS CLEANING SERVICE, LTD.**
Income Statement
For the Month Ended July 31, 2017

<hr/>		
Revenues		
Service revenue.....		£7,600
Expenses		
Salaries and wages expense	£2,530	
Supplies expense.....	1,420	
Gasoline expense.....	400	
Depreciation expense	200	
Insurance expense.....	<u>150</u>	
Total expenses.....		<u>4,700</u>
Net income		<u>£2,900</u>

TARA'S MAIDS CLEANING SERVICE, LTD.
Retained Earnings Statement
For the Month Ended July 31, 2017

<hr/>	
Retained Earnings, July 1	£ 0
Add: Net income	<u>2,900</u>
	2,900
Less: Dividends	<u>500</u>
Retained Earnings, July 31	<u>£2,400</u>

COMPREHENSIVE PROBLEM (Continued)

TARA'S MAIDS CLEANING SERVICE, LTD. Statement of Financial Position July 31, 2017

Assets		
Property, plant, and equipment		
Equipment.....	£10,000	
Less: Accumulated depreciation— equipment.....	<u>200</u>	£ 9,800
Current assets		
Prepaid insurance	1,650	
Supplies	280	
Accounts receivable	5,200	
Cash	<u>8,400</u>	<u>15,530</u>
Total assets		<u>£25,330</u>
Equity and Liabilities		
Equity		
Share capital—ordinary	£15,000	
Retained earnings	<u>2,400</u>	£17,400
Current liabilities		
Accounts payable.....	7,300	
Salaries and wages payable	<u>630</u>	<u>7,930</u>
Total equity and liabilities		<u>£25,330</u>

COMPREHENSIVE PROBLEM (Continued)

(e)

General Journal				J2
Date	Account Titles	Ref.	Debit	Credit
July 31	Accounts Receivable	112	1,300	
	Service Revenue	400		1,300
31	Depreciation Expense	711	200	
	Accumulated Depreciation— Equipment	158		200
31	Insurance Expense	722	150	
	Prepaid Insurance	130		150
31	Supplies Expense	631	1,420	
	Supplies	126		1,420
31	Salaries and Wages Expense	726	630	
	Salaries and Wages Payable	212		630

(f)

General Journal				J3
Date	Account Titles	Ref.	Debit	Credit
July 31	Service Revenue	400	7,600	
	Income Summary	350		7,600
31	Income Summary	350	4,700	
	Salaries and Wages Expense...	726		2,530
	Depreciation Expense	711		200
	Insurance Expense	722		150
	Supplies Expense	631		1,420
	Gasoline Expense	633		400
31	Income Summary	350	2,900	
	Retained Earnings	320		2,900
31	Retained Earnings	320	500	
	Dividends	332		500

COMPREHENSIVE PROBLEM (Continued)

(g) **TARA'S MAIDS CLEANING SERVICE, LTD.**
Post-Closing Trial Balance
July 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	£ 8,400	
Accounts Receivable.....	5,200	
Supplies.....	280	
Prepaid Insurance.....	1,650	
Equipment.....	10,000	
Accumulated Depreciation—Equipment.....		£ 200
Accounts Payable.....		7,300
Salaries and Wages Payable.....		630
Share Capital—Ordinary.....		15,000
Retained Earnings		2,400
	<u>£25,530</u>	<u>£25,530</u>

(a)

MATCHA CREATIONS
Income Statement
For the Two Months Ended December 31, 2017

Revenues		
Service revenue		NT\$4,515
Expenses		
Supplies expense	NT\$1,025	
Salaries and wages expense	1,006	
Advertising expense.....	165	
Utilities expense	125	
Insurance expense	110	
Depreciation expense.....	40	
Interest expense	<u>15</u>	
Total expenses		<u>2,486</u>
Net income		<u><u>NT\$2,029</u></u>

MATCHA CREATIONS
Retained Earnings Statement
For the Two Months Ended December 31, 2017

Retained earnings, November 1.....	NT\$ 0
Add: Net income	<u>2,029</u>
	2,029
Less: Dividends	<u>500</u>
Retained earnings, December 31.....	<u><u>NT\$1,529</u></u>

MC4 (Continued)

(a) (Continued)

MATCHA CREATIONS
Statement of Financial Position
December 31, 2017

Assets			
Property, plant, and equipment			
Equipment	NT\$1,200		
Less: Accumulated depreciation—equipment.....	<u>40</u>	NT\$1,160	
Current assets			
Prepaid insurance.....	1,210		
Supplies.....	350		
Accounts receivable	875		
Cash.....	<u>1,180</u>		
Total current assets		<u>3,615</u>	
Total assets		<u>NT\$4,775</u>	
Equity and Liabilities			
Equity			
Share capital—ordinary.....	NT\$ 800		
Retained earnings.....	<u>1,529</u>	NT\$2,329	
Non-current liabilities			
Interest payable.....	NT\$ 15		
Notes payable	<u>2,000</u>		
Total non-current liabilities.....		2,015	
Current liabilities			
Accounts payable	75		
Salaries and wages payable.....	56		
Unearned service revenue	<u>300</u>		
Total current liabilities		<u>431</u>	
Total liabilities.....		<u>2,446</u>	
Total equity and liabilities		<u>NT\$4,775</u>	

MC4 (Continued)

(b)		GENERAL JOURNAL		J4
Date	Account Titles	Debit	Credit	
2017				
Dec. 31	Service Revenue.....	4,515		
	Income Summary.....		4,515	
31	Income Summary	2,486		
	Salaries and Wages Expense.....		1,006	
	Utilities Expense		125	
	Advertising Expense		165	
	Supplies Expense		1,025	
	Insurance Expense		110	
	Depreciation Expense		40	
	Interest Expense		15	
31	Income Summary	2,029		
	Retained Earnings		2,029	
31	Retained Earnings.....	500		
	Dividends		500	

MC4 (Continued)

(c)

MATCHA CREATIONS
Post-Closing Trial Balance
December 31, 2017

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Cash	NT\$1,180	
Accounts Receivable	875	
Supplies	350	
Prepaid Insurance	1,210	
Equipment	1,200	
Accumulated Depreciation—Equipment.....		NT\$ 40
Accounts Payable		75
Salaries and Wages Payable		56
Unearned Service Revenue		300
Interest Payable		15
Notes Payable		2,000
Share Capital—Ordinary.....		800
Retained Earnings.....		1,529
	<u>NT\$4,815</u>	<u>NT\$4,815</u>

- (a) Total current assets were NT\$358,486.7 million at December 31, 2013, and NT\$250,325.4 million at December 31, 2012.**
- (b) No. Current assets are normally listed in reverse order of liquidity. TSMC's current assets are listed in order of liquidity.**
- (c) The asset classifications are: (1) current assets, and non-current assets.**
- (d) Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.**
- (e) Total current liabilities were NT\$189,777.9 million at December 31, 2013, and NT\$148,473.9 million at December 31, 2012.**

(a)	Nestlé (in millions)	Petra Foods (in thousands)
1. Total current assets	CHF30,066	US\$373,037
2. Net property, plant & equipment	26,895	81,796
3. Total current liabilities	32,917	161,678
4. Total equity	64,139	290,386

- (b)** Current assets are cash and other resources that are reasonably expected to be realized in cash or sold or consumed within one year or the company's operating cycle, whichever is longer. Current liabilities are obligations that are reasonably expected to be paid from existing current assets or through the creation of other current liabilities.

Nestlé's current liabilities were 9.5% greater than its current assets, while Petra Food's current assets were 130.7% greater than its current liabilities. From this information, it appears that Petra Foods is in a much better liquidity position than Nestlé.

The solution is dependent upon the companies chosen by the student.

(a) **EVERCLEAN JANITORIAL SERVICE, LTD.**
Statement of Financial Position
December 31, 2017

Assets			
Property, plant, and equipment			
Equipment			
(£22,000 + £4,000)	£26,000		
Less: Accum. depreciation—equipment			
(£4,000 + £2,000)	<u>6,000</u>	£20,000	
Delivery trucks (£34,000 + £5,000) ...	39,000		
Less: Accum. depreciation—delivery trucks			
(£5,000 + £5,000)	<u>10,000</u>	<u>29,000</u>	£49,000
Current assets			
Prepaid insurance (£4,800 X 2/3).....		3,200	
Supplies			
(£5,200 – £3,100)		2,100	
Accounts receivable			
(£9,000 + £3,900)		12,900	
Cash		<u>5,500</u>	<u>23,700</u>
Total assets			<u>£72,700</u>
Equity and Liabilities			
Equity			
Share capital—ordinary	£30,000		
Retained earnings	<u>14,330*</u>	£44,330	
Non-current liabilities			
Notes payable, due July 1, 2019.....		15,000	
Current liabilities			
Notes payable due within one year	10,000		
Accounts payable (£1,500 + £620)	2,120		
Interest payable (£25,000 X 10% X 6/12)	<u>1,250</u>	<u>13,370</u>	
Total equity and liabilities			<u>£72,700</u>

BYP 4-4 (Continued)

EVERCLEAN JANITORIAL SERVICE, LTD.
Statement of Financial Position (Continued)
December 31, 2017

*Retained earnings balance as reported.....		£24,000
Add: Earned but unbilled fees		<u>3,900</u>
		27,900
Less: Janitorial supplies used	£3,100	
Insurance expired (£4,800 X 1/3)	1,600	
Depreciation (£2,000 + £5,000)	7,000	
Expenses incurred but unpaid	620	
Interest accrued	<u>1,250</u>	
Total.....		<u>13,570</u>
Retained earnings balance as adjusted.....		<u><u>£14,330</u></u>

- (b) Everclean Janitorial Service met the terms of the bank loan because current assets exceed current liabilities by £10,330 (£23,700 – £13,370) at December 31, 2017.

MEMO

To: Accounting Instructor

From: Student

Re: Accounting Cycle

The required steps in the accounting cycle, in the order in which they should be completed, are:

- 1. Analyze business transactions.**
- 2. Journalize the transactions.**
- 3. Post to ledger accounts.**
- 4. Prepare a trial balance.**
- 5. Journalize and post adjusting entries.**
- 6. Prepare an adjusted trial balance.**
- 7. Prepare financial statements.**
- 8. Journalize and post closing entries.**
- 9. Prepare a post-closing trial balance.**

The optional steps in the accounting cycle include preparing a worksheet and preparing reversing entries. If a worksheet is prepared, it is done after step 3 above, and it includes steps 4 and 6. The worksheet is a form used to make it easier to prepare adjusting entries and financial statements. If reversing entries are prepared, they are journalized and posted after step 9, at the beginning of the next accounting period. A reversing entry is the exact opposite of a previously recorded adjusting entry and simplifies the recording of subsequent transactions.

- (a) The stakeholders in this case are:
- ▶ You, as controller.
 - ▶ Fabien LaRue, president.
 - ▶ Users of the company's financial statements.
- (b) The ethical issue is the continued circulation of significantly misstated financial statements. As controller, you have just issued misleading financial statements. You have acted ethically by telling the company's president. The president has reacted unethically by allowing the misleading financial statements to continue to circulate.
- (c) As controller, you should impress upon the president the consequences of having those misleading financial statements be detected by some user or securities regulator. Also stress upon him that you have a professional obligation to correct the statements or to resign.

GAAP EXERCISES

GAAP 4-1

The statement of financial position required under IFRS and the balance sheet prepared under GAAP usually present the same information regarding a company's assets, liabilities, and equity at a point in time. IFRS does not dictate a specific order but most companies list non-current items before current. Differences in ordering are:

IFRS	GAAP
Statement of Financial Position presentation	Balance Sheet presentation
Non-current assets	Current assets
Current assets	Non-current assets
Equity	Current liabilities
Non-current liabilities	Non-current liabilities
Current liabilities	Stockholders' equity

Under GAAP, current assets are usually listed in the order of liquidity.

GAAP 4-2

GAAP uses the term balance sheet rather than statement of financial position.

GAAP 4-3

DIAZ COMPANY Partial Balance Sheet

Current assets	
Cash.....	\$ 15,400
Short-term investments.....	6,700
Accounts receivable	12,500
Supplies.....	5,200
Prepaid insurance.....	<u>3,600</u>
Total	<u>\$43,400</u>

ZURICH COMPANY
Partial Balance Sheet
December 31, 2017

Current assets		
Cash.....	\$ 13,100	
Short-term investments	120	
Accounts receivable.....	4,300	
Inventories	<u>2,700</u>	\$20,220
Long-term investments		
Investments in stock		6,500
Property, plant and equipment		
Equipment.....	21,700	
Less: Accumulated depreciation— equipment	<u>5,700</u>	<u>16,000</u>
Total assets		<u><u>\$42,720</u></u>

GAAP 4-5

(a) **REGO BOWLING ALLEY**
Balance Sheet
December 31, 2017

Assets			
Current assets			
Cash.....		\$18,040	
Accounts receivable		7,540	
Prepaid insurance.....		<u>4,680</u>	\$30,260
Property, plant, and equipment			
Land		67,000	
Buildings	\$128,000		
Less: Acc. depr.—buildings.....	<u>42,600</u>	85,400	
Equipment	62,400		
Less: Acc. depr.—equipment.....	<u>18,720</u>	<u>43,680</u>	<u>196,080</u>
Total assets			<u>\$226,340</u>

Liabilities and Stockholders' Equity			
Current liabilities			
Current portion of notes payable.....	\$ 13,900		
Accounts payable	12,300		
Interest payable	<u>2,600</u>	\$28,800	
Long-term liabilities			
Notes payable		<u>81,100</u>	
Total liabilities			\$109,900
Stockholders' equity			
Common stock		90,000	
Retained earnings (\$22,000 + \$4,440*) ...		<u>26,440</u>	<u>116,440</u>
Total liabilities and stockholders' equity.....			<u>\$226,340</u>

*Net income = \$15,180 – \$780 – \$7,360 – \$2,600 = \$4,440

GAAP 4-6

It is possible to compare liquidity and solvency for companies using different currencies. The ratios that are used to do so, such as the current ratio and debt to total assets, indicate relative amounts of assets and liabilities rather than absolute monetary values.

GAAP FINANCIAL REPORTING PROBLEM

GAAP 4-7

- (a) Total current assets were \$73,286 million at September 28, 2013, and \$57,653 million at September 29, 2012.
- (b) Current assets are properly listed in the order of liquidity. As you will learn in the next chapter, inventory is considered to be less liquid than accounts receivable. Thus, it is listed below accounts receivable and before prepaid expenses and other current assets.
- (c) The asset classifications are similar to the text: (1) current assets, (2) investments, (3) property, plant, and equipment, and (4) intangible assets.
- (d) Total current liabilities were \$43,658 million at September 28, 2013, and \$38,542 million at September 29, 2012.