

E3–5. (dollars in millions)

Balance Sheet				Income Statement		
	Assets	Liabilities	Stockholders' Equity	Revenues	Expenses	Net Income
a.	+ 623	NE	+ 623	NE	NE	NE
b.	+ 6,320 - 4,893 or +1,427 net effect	+ 1,427	NE	NE	NE	NE
c.	- 5,300	- 5,000	- 300	NE	+ 300	- 300
d.	+ 123,949 + 53,917 or + 177,866 net effect	NE	+ 177,866	+ 177,866	NE	+ 177,866
e.	NE	+ 25,249	- 25,249	NE	+ 25,249	- 25,249
f.	- 118,241	- 118,241	NE	NE	NE	NE
g.	- 10,069	NE	- 10,069	NE	+ 10,069	- 10,069
h.	+ 38,200 - 38,200 or no net effect	NE	NE	NE	NE	NE
i.	+ 16,231	+ 16,231	NE	NE	NE	NE
j.	- 111,934	NE	- 111,934	NE	+ 111,934	- 111,934
k.	- 830	- 830	NE	NE	NE	NE

E3–7. (dollars in millions)

- a. Buildings (+A) 432
Equipment (+A) 254
Cash (–A) 686
Debits equal credits. Assets increase and decrease by the same amount.
- b. Cash (+A) 119
Short-term notes payable (+L) 119
Debits equal credits. Assets and liabilities increase by the same amount.

- c. Cash (+A) 26,813
Accounts receivable (+A) 28,558
Service revenue (+R, +SE) 55,371
Debits equal credits. Revenue increases retained earnings (part of stockholders' equity). Stockholders' equity and assets increase by the same amount.
- d. Accounts payable (–L) 132,074
Cash (–A) 132,074
Debits equal credits. Assets and liabilities decrease by the same amount.
- e. Inventory (+A) 41,683
Accounts payable (+L) 41,683
Debits equal credits. Assets and liabilities increase by the same amount.
- f. Wages expense (+E, –SE) 6,540
Cash (–A) 6,540
Debits equal credits. Expenses decrease retained earnings (part of stockholders' equity). Stockholders' equity and assets decrease by the same amount.
- g. Cash (+A) 22,043
Accounts receivable (–A) 22,043
Debits equal credits. Assets increase and decrease by the same amount.
- h. Fuel expense (+E, –SE) 1,750
Cash (–A) 1,750
Debits equal credits. Expenses decrease retained earnings (part of stockholders' equity). Stockholders' equity and assets decrease by the same amount.
- i. Retained earnings (–SE) 698
Dividends payable (+L) 698
Debits equal credits. Liabilities increase and stockholders' equity decrease by the same amount, keeping the equation in balance.
- j. Utilities expense (+E, –SE) 121
Cash (–A) 110
Accounts payable (+L) 11
Debits equal credits. Expenses decrease retained earnings (part of stockholders' equity). Together, stockholders' equity and liabilities decrease by the same amount as assets.

E3–9.

2/1	Rent expense (+E, –SE)	275	
	Cash (–A)		275
2/2	Fuel expense (+E, –SE)	490	
	Accounts payable (+L)		490
2/4	Cash (+A)	820	
	Unearned revenue (+L)		820
2/7	Cash (+A)	910	
	Transport revenue (+R, +SE)		910
2/10	Advertising expense (+E, –SE)	175	
	Cash (–A)		175
2/14	Wages payable (–L)	2,300	
	Cash (–A)		2,300
2/18	Cash (+A)	1,600	
	Accounts receivable (+A)	2,200	
	Transport revenue (+R, +SE)		3,800
2/25	Parts supplies (+A)	2,550	
	Accounts payable (+L)		2,550
2/27	Retained earnings (–SE)	200	
	Dividends payable (+L)		200

E3-10.

Req. 1 and 2

Cash		Accounts Receivable		Supplies	
Beg. 6,400		Beg. 32,000		Beg. 1,500	
(a) 19,000	2,300 (g)		7,200 (d)	(k) 960	
(b) 600	16,500 (i)				
(c) 850	2,200 (j)				
(d) 7,200	960 (k)				
<u>12,090</u>		<u>24,800</u>		<u>2,460</u>	
Equipment		Land		Building	
Beg. 9,500		Beg. 7,400		Beg. 25,300	
(h) 920					
<u>10,420</u>		<u>7,400</u>		<u>25,300</u>	
Accounts Payable		Unearned Revenue		Long-term Note Payable	
	9,600 Beg.		3,840 Beg.		48,500 Beg.
(g) 2,300	400 (e)		600 (b)		
	<u>7,700</u>		<u>4,440</u>		<u>48,500</u>
Common Stock		Additional Paid-in Capital		Retained Earnings	
	1,600 Beg.		7,000 Beg.		11,560 Beg.
	100 (h)		820 (h)	(j) 2,200	
	<u>1,700</u>		<u>7,820</u>		<u>9,360</u>
Rebuilding Fees Revenue		Rent Revenue			
	0 Beg.		0 Beg.		
	19,000 (a)		850 (c)		
	<u>19,000</u>		<u>850</u>		
Wages Expense		Utilities Expense			
Beg. 0		Beg. 0			
(i) 16,500		(e) 400			
<u>16,500</u>		<u>400</u>			

Item (f) is not a transaction; there has been no exchange.

E3–10. (continued)

Req. 3

Net income using the accrual basis of accounting:

Revenues	\$19,850	(\$19,000 + \$850)
<u>– Expenses</u>	<u>16,900</u>	(\$16,500 + \$400)
<u>Net Income</u>	<u>\$ 2,950</u>	
(accrual basis)		

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Stockholders' Equity</u>
\$12,090		\$ 7,700		\$ 1,700
24,800		4,440		7,820
2,460		48,500		9,360
10,420				2,950 net income
7,400				
25,300				
<u>\$82,470</u>		<u>\$60,640</u>		<u>\$21,830</u>

Req. 4

Net income using the cash basis of accounting:

Cash receipts	\$27,650	(transactions <i>a</i> through <i>d</i>)
<u>– Cash disbursements</u>	<u>19,760</u>	(transactions <i>g</i> , <i>i</i> , and <i>k</i>)
<u>Net Income</u>	<u>\$ 7,890</u>	
(cash basis)		

Cash basis net income (\$7,890) is higher than accrual basis net income (\$2,950) because of the differences in the timing of recording revenues versus receipts and expenses versus disbursements between the two methods. The \$7,800 higher amount in cash receipts over revenues includes cash received prior to being earned (from (b), \$600) and cash received after being earned (in (d), \$7,200). The \$2,860 higher amount in cash disbursements over expenses includes cash paid after being incurred in the prior period (in (g), \$2,300), plus cash paid for supplies to be used and expensed in the future (in (k), \$960), less an expense incurred in January to be paid in February (in (e), \$400).

E3-15.

Req. 1 and 2

Cash	
Beg. 0	72,000 (b)
(a) 160,000	10,200 (d)
(c) 50,000	363 (h)
(e) 2,600	6,280 (i)
(f) 16,900	600 (j)
	70,000 (k)
<u>70,057</u>	

Accounts Receivable	
Beg. 0	
(a) 2,000	
(e) 1,600	
<u>3,600</u>	

Supplies	
Beg. 0	
(a) 1,200	
(d) 10,200	10,830 (f)
<u>570</u>	

Equipment	
Beg. 0	
(a) 18,300	
(k) 50,000	
<u>68,300</u>	

Building	
Beg. 0	
(b) 360,000	
(k) 20,000	
<u>380,000</u>	

Accounts Payable	
	0 Beg.
	420 (g)
<u>420</u>	

Note Payable	
	0 Beg.
	50,000 (c)
<u>50,000</u>	

Mortgage Payable	
	0 Beg.
	288,000 (b)
<u>288,000</u>	

Common Stock	
	0 Beg.
	1,000 (a)
<u>1,000</u>	

Additional Paid-in Capital	
	0 Beg.
	180,500 (a)
<u>180,500</u>	

Retained Earnings	
	0 Beg.
(j) 600	
<u>600</u>	

Food Sales Revenue	
	0 Beg.
	16,900 (f)
<u>16,900</u>	

Catering Sales Revenue	
	0 Beg.
	4,200 (e)
<u>4,200</u>	

Supplies Expense	
Beg. 0	
(f) 10,830	
<u>10,830</u>	

Utilities Expense	
Beg. 0	
(g) 420	
<u>420</u>	

Wages Expense	
Beg. 0	
(i) 6,280	
<u>6,280</u>	

Fuel Expense	
Beg. 0	
(h) 363	
<u>363</u>	