**Assignment 2**

**Requirements:**

Students are expected to solve both problems manually (handwritten). The last date to submit the assignment is Thursday, 16 May 2024 (in class). Please follow proper formats.

**Question # 1**

Dr. Cravati, DMD., opened a dental clinic on August 1, 2011. The business transactions for August are shown below:

Aug. 1 Dr. Cravati invested $280,000 cash in the business in exchange for 1,000 shares of

capital stock.

Aug. 4 Land and a building were purchased for $400,000. Of this amount, $60,000 applied to the land and $340,000 to the building. A cash payment of $80,000 was made at the time of the purchase, and a note payable was issued for the remaining balance.

Aug. 9 Medical instruments were purchased for $75,000 cash.

Aug. 16 Office fixtures and equipment were purchased for $25,000. Dr. Cravati paid $10,000 at the time of purchase and agreed to pay the entire remaining balance in 15 days.

Aug. 21 Office supplies expected to last several months were purchased for $4,200 cash.

Aug. 24 Dr. Cravati billed patients $13,000 for services rendered. Of this amount, $1,000 was received in cash, and $12,000 was billed on account (due in 30 days).

Aug. 27 A $450 invoice was received for several newspaper advertisements placed in August. The entire amount is due on September 8.

Aug. 28 Received a $500 payment on the $12,000 account receivable recorded August 24.

Aug. 31 Paid employees $2,200 for salaries earned in August. A partial list of account titles used by Dr. Cravati includes:

Cash Office Fixtures and Equipment Accounts Receivable Land Office Supplies Building Notes Payable Service Revenue Accounts Payable Advertising Expense

Capital Stock Salary Expense Medical Instruments

**Instructions**

a. Analyze the effects that each of these transactions will have on the company’s financial statements for the month of August. Organize your answer in tabular form.

Use **I** for increase, **D** for decrease, and **NE** for no effect.

b. Prepare journal entries (including explanations) for each transaction.

c. Post each transaction to the appropriate ledger accounts

d. Prepare a trial balance dated August 31, 2011.

e. Using figures from the trial balance prepared in part d, compute total assets, total liabilities.

**Question # 2**

In March 2011, Mary Tone organized a corporation to provide package delivery services. The company, called Tone Deliveries, Inc., began operations immediately. Transactions during the month of March were as follows:

Mar. 2 The corporation issued 40,000 shares of capital stock to Mary Tone in exchange for $80,000 cash.

Mar. 4 Purchased a truck for $45,000. Made a $15,000 cash down payment and issued a note payable for the remaining balance.

Mar. 5 Paid Sloan Properties $2,500 to rent office space for the month.

Mar. 9 Billed customers $11,300 for services for the first half of March.

Mar. 15 Paid $7,100 in salaries earned by employees during the first half of March.

Mar. 19 Paid Bill’s Auto $900 for maintenance and repair services on the company truck.

Mar. 20 Collected $3,800 of the amounts billed to customers on March 9.

Mar. 28 Billed customers $14,400 for services performed during the second half of the month.

Mar. 30 Paid $7,500 in salaries earned by employees during the second half of the month.

Mar. 30 Received an $830 bill from SY Petroleum for fuel purchased in March. The entire amount is due by April 15.

Mar. 30 Declared a $1,200 dividend payable on April 30.

The account titles used by Tone Deliveries are:

Cash Retained Earnings Accounts Receivable Dividends Truck Service Revenue Notes Payable Maintenance Expense Accounts Payable Fuel Expense Dividends Payable

Salaries Expense Capital Stock Rent Expense

**Instructions**

1. Analyze the effects that each of these transactions will have on the following six components of the company’s financial statements for the month of March. Organize your answer in tabular form, using the column headings shown below. Use I for increase, D for decrease, and NE for no effect.
2. Prepare journal entries (including explanations) for each transaction.
3. Post each transaction to the appropriate ledger accounts.
4. Prepare a trial balance dated March 31, 2011.
5. Using figures from the trial balance prepared in part d, compute total assets, total liabilities, and owners’ equity.