PROBLEMS: SET A

P1-1A
Barone's Repair Inc. was started on May 1. A summary of May transactions is presented below.

1. Stockholders invested $10,000 cash in the business in exchange for common stock.
2. Purchased equipment for $5,000 cash.
3. Paid $400 cash for May office rent.
4. Paid $500 cash for supplies.
5. Incurred $250 of advertising costs in the Beacon News on account.
6. Received $5,100 in cash from customers for repair service.
7. Declared and paid a $1,000 cash dividend.
8. Paid part-time employee salaries $2,000.
9. Paid utility bills $140.
10. Provided repair service on account to customers $750.
11. Collected cash of $120 for services billed in transaction (10).

Analyze transactions and compute net income.
(SO 6, 7)

Instructions

(a) Prepare a tabular analysis of the transactions, using the following column headings: Cash, Accounts Receivable, Supplies, Equipment, Accounts Payable, Common Stock, and Retained Earnings (with separate columns for Revenues, Expenses, and Dividends). Include margin explanations for any changes in Retained Earnings. Revenue is called Service Revenue.

Total retained earnings $2,060

(b) From an analysis of the Retained Earnings columns, compute the net income or net loss for May.

Net income $3,060

P1-2A
On August 31, the balance sheet of Nashville Veterinary Clinic showed Cash $9,000, Accounts Receivable $1,700, Supplies $600, Office Equipment $6,000, Accounts Payable $3,600, Common Stock $13,000, and Retained Earnings $700. During September the following transactions occurred.

1. Paid $2,900 cash for accounts payable due.
2. Collected $1,300 of accounts receivable.
3. Purchased additional office equipment for $2,100, paying $800 in cash and the balance on account.
4. Earned revenue of $8,000, of which $2,500 is paid in cash and the balance is due in October.
5. Declared and paid a $1,000 cash dividend.
6. Paid salaries $1,700, rent for September $900, and advertising expense $300.
7. Incurred utilities expense for month on account $170.
8. Received $10,000 from Capital Bank on a 6-month note payable.

Check figures next to some Problems give you a key number, to let you know if you are on the right track with your solution.

Analyze transactions and prepare income statement, retained earnings statement, and balance sheet.
(SO 6, 7, 8)

Instructions

(a) Prepare a tabular analysis of the September transactions beginning with August 31 balances. The column headings should be as follows: Cash + Accounts Receivable + Supplies + Office Equipment = Notes Payable + Accounts Payable + Common Stock + Retained Earnings + Revenues - Expenses - Dividends.

Ending retained earnings $4,630

(b) Prepare an income statement for September, a retained earnings statement for September, and a balance sheet at September 30.

Net income $4,930
Total assets $29,800

P1-3A
On May 1, Skyline Flying School, a company that provides flying lessons, was started with an investment of $45,000 cash in the business. Following are the assets and liabilities of the company on May 31, 2011, and the revenues and expenses for the month of May.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$5,600</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

Cash $5,600 Notes Payable $30,000

No additional investments were made in May, but the company paid dividends of $1,500 during the month.

Prepare income statement, retained earnings statement, and balance sheet. (SO 8)

Instructions

(a) Prepare an income statement and a retained earnings statement for the month of May and a balance sheet at May 31.

Net income $2,500
Total assets $76,800

(b) Prepare an income statement and a retained earnings statement for May assuming the following data are not included above: (1) $900 of revenue was earned and billed but not collected at May 31, and (2) $1,500 of fuel expense was incurred but not paid.

Net income $1,900

P1-4A
Mark Miller started a delivery service, Miller Deliveries, on June 1, 2011. The following transactions occurred during the month of June.

June 1 Stockholders invested $10,000 cash in the business in exchange for common stock.
2 Purchased a used van for deliveries for $12,000. Mark paid $2,000 cash and signed a note payable for the remaining balance.
3 Paid $500 for office rent for the month.
5 Performed $4,400 of services on account.
9 Declared and paid $200 in cash dividends.
12 Purchased supplies for $150 on account.
15 Received a cash payment of $1,250 for services provided on June 5.
17 Purchased gasoline for $100 on account.
20 Received a cash payment of $1,500 for services provided.
23 Made a cash payment of $500 on the note payable.
26 Paid $250 for utilities.
29 Paid for the gasoline purchased on account on June 17.
30 Paid $1,000 for employee salaries.

Analyze transactions and prepare financial statements. (SO 6, 7, 8)

Instructions

(a) Show the effects of the previous transactions on the accounting equation using the following format.

<table>
<thead>
<tr>
<th>Date</th>
<th>Cash</th>
<th>Accounts Receivable</th>
<th>Supplies</th>
<th>Delivery Van</th>
<th>Notes Payable</th>
<th>Accounts Payable</th>
<th>Common Stock</th>
<th>Retained Earnings</th>
</tr>
</thead>
</table>

Include margin explanations for any changes in the Retained Earnings account in your analysis.

Retained earnings $3,850

(b) Prepare an income statement for the month of June.

Net income $4,050

(c) Prepare a balance sheet at June 30, 2011.

Cash $8,200

P1-5A
Financial statement information about four different companies is as follows.

<table>
<thead>
<tr>
<th>January 1, 2011</th>
<th>Karma Company</th>
<th>Yates Company</th>
<th>McCain Company</th>
<th>Dench Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$95,000</td>
<td>$110,000</td>
<td>(g)</td>
<td>$170,000</td>
</tr>
<tr>
<td>Liabilities</td>
<td>50,000</td>
<td>(d)</td>
<td>75,000</td>
<td>(j)</td>
</tr>
</tbody>
</table>
Stockholders' equity (a)   60,000 45,000 90,000
December 31, 2011
Assets (b)   137,000 200,000 (k)
Liabilities 55,000 75,000 (h)   80,000
Stockholders' equity 60,000 (e)   130,000 170,000

Stockholders' equity changes in year
Additional investment (c)   15,000 10,000 15,000
Dividends 25,000 (f)   14,000 20,000
Total revenues 350,000 420,000 (i)   520,000
Total expenses 320,000 385,000 342,000 (l)

Determine financial statement amounts and prepare retained earnings statement.
(SO 7, 8)

Instructions
(a) Determine the missing amounts. (Hint: For example, to solve for (a), Assets - Liabilities = Stockholders' Equity = $45,000.)
(b) Prepare the retained earnings statement for Yates Company. Assume beginning retained earnings was $20,000.
(c) Write a memorandum explaining the sequence for preparing financial statements and the interrelationship of the retained earnings statement to the income statement and balance sheet.

PROBLEMS: SET B

P1-1B
On April 1, Jenny Russo established Matrix Travel Agency. The following transactions were completed during the month.

1. Stockholders invested $10,000 cash in the business in exchange for common stock.
2. Paid $400 cash for April office rent.
3. Purchased office equipment for $2,500 cash.
4. Incurred $300 of advertising costs in the Chicago Tribune, on account.
5. Paid $600 cash for office supplies.
6. Earned $9,500 for services provided: $3,000 is collected in cash and the balance of $6,500 is billed to customers on account.
7. Declared and paid a $200 cash dividend.
8. Paid Chicago Tribune amount due in transaction (4).
10. Received $4,000 in cash from customers billed previously in transaction (6).

Analyze transactions and compute net income.
(SO 6, 7)

Instructions
(a) Prepare a tabular analysis of the transactions using the following column headings: Cash, Accounts Receivable, Supplies, Office Equipment, Accounts Payable, Common Stock, and Retained Earnings (with separate columns for Revenues, Expenses, and Dividends). Include margin explanation for any changes in Retained Earnings.
Ending retained earnings $6,400
(b) From an analysis of the column Retained Earnings, compute the net income or net loss for April.
Net income $6,600a

P1-2B
Cindy Belton opened a law office, Cindy Belton, Attorney at Law, on July 1, 2011. On July 31, the balance sheet showed Cash $4,000, Accounts Receivable $1,500, Supplies $500, Office Equipment $5,000, Accounts Payable $4,200, and Common Stock $6,000, and Retained Earnings $800. During August the following transactions occurred.

1. Collected $1,400 of accounts receivable due from clients.
2. Paid $2,700 cash for accounts payable due.
3. Earned revenue of $9,000 of which $3,000 is collected in cash and the balance is due in September.
4. Purchased additional office equipment for $1,000, paying $400 in cash and the balance on account.
5. Paid salaries $3,000, rent for August $900, and advertising expenses $350.
6. Declared and paid a $750 cash dividend.
7. Received $2,000 from Standard Federal Bank; the money was borrowed on a 4-month note payable.
8. Incurred utility expenses for month on account $250.

Analyze transactions and prepare income statement, retained earnings statement, and balance sheet.
(SO 6, 7, 8)

Instructions

(a) Prepare a tabular analysis of the August transactions beginning with July 31 balances. The column headings should be as follows: Cash + Accounts Receivable + Supplies + Office Equipment = Notes Payable + Accounts Payable + Common Stock + Retained Earnings + Revenues - Expenses - Dividends.
   Ending expenses $4,500
(b) Prepare an income statement for August, a retained earnings statement for August, and a balance sheet at August 31.
   Net income $4,500
   Total assets $14,900

P1-3B
Divine Cosmetics Co., a company that provides individual skin care treatment, was started on June 1 with an investment of $26,200 cash. Following are the assets and liabilities of the company at June 30 and the revenues and expenses for the month of June.

Stockholders made no additional investments in June. The company paid a cash dividend of $1,200 during the month.

Prepare income statement, retained earnings statement, and balance sheet.
(SO 8)

Instructions

(a) Prepare an income statement and a retained earnings statement for the month of June and a balance sheet at June 30, 2011.
   Net income $2,800
   Total assets $42,000
(b) Prepare an income statement and a retained earnings statement for June assuming the following data are not included above: (1) $800 of revenue was earned and billed but not collected at June 30, and (2) $100 of gas and oil expense was incurred but not paid.
   Net income $3,500

P1-4B
Laura Geller started a consulting firm, Geller Consulting, on May 1, 2011. The following transactions occurred during the month of May.

May 1  Geller invested $8,000 cash in the business in exchange for stock.
   2  Paid $800 for office rent for the month.
   3  Purchased $500 of supplies on account.
   5  Paid $50 to advertise in the County News.
   9  Received $3,000 cash for services provided.
  12  Declared and paid a $700 cash dividend.
  15  Performed $5,300 of services on account.
  17  Paid $3,000 for employee salaries.
  20  Paid for the supplies purchased on account on May 3.
  23  Received a cash payment of $3,000 for services provided on account on May 15.
  26  Borrowed $5,000 from the bank on a note payable.
  29  Purchased office equipment for $2,800 on account.
  30  Paid $150 for utilities.

Analyze transactions and prepare financial statements.
(SO 6, 7, 8)

Instructions
(a) Show the effects of the previous transactions on the accounting equation using the following format.

\[
\begin{align*}
\text{Assets} & = \text{Liabilities} + \text{Stockholders' Equity} \\
\text{Date} & \quad \text{Cash} + \text{Accounts Receivable} + \text{Supplies} + \text{Office Equipment} = \text{Notes Payable} + \text{Accounts Payable} + \text{Common Stock} + \text{Retained Earnings} \\
\text{Rev. - Exp. - Div.} & \\
\text{Ending retained earnings } \$3,600
\end{align*}
\]

Include margin explanations for any changes in the Retained Earnings account in your analysis.

(b) Prepare an income statement for the month of May.

Net income $4,300

(c) Prepare a balance sheet at May 31, 2011.

Cash $13,800

\section*{P1-5B}

Financial statement information about four different companies is as follows.

\begin{tabular}{|l|c|c|c|c|}
\hline
& McKane Company & Selara Company & Gordon Company & Hindi Company \\
\hline
\text{January 1, 2011} & & & & \\
\text{Assets} & $ 80,000 & $90,000 & (g) & $150,000 \\
\text{Liabilities} & 50,000 & (d) & 75,000 & (j) \\
\text{Stockholders' equity} & (a) & 50,000 & 49,000 & 100,000 \\
\hline
\text{December 31, 2011} & & & & \\
\text{Assets} & (b) & 117,000 & 180,000 & (k) \\
\text{Liabilities} & 55,000 & 72,000 & (h) & 80,000 \\
\text{Stockholders' equity} & 40,000 & (e) & 100,000 & 145,000 \\
\hline
\text{Stockholders' equity changes in year} & & & & \\
\text{Additional investment} & (c) & 8,000 & 10,000 & 15,000 \\
\text{Dividends} & 10,000 & (f) & 12,000 & 10,000 \\
\text{Total revenues} & 350,000 & 400,000 & (i) & 500,000 \\
\text{Total expenses} & 335,000 & 385,000 & 360,000 & (l) \\
\hline
\end{tabular}

\begin{itemize}
\item Determine financial statement amounts and prepare retained earnings statement.
\end{itemize}

\begin{itemize}
\item (SO 7, 8)
\end{itemize}

\begin{itemize}
\item (a) Determine the missing amounts. \text{(Hint: For example, to solve for (a), Assets - Liabilities = Stockholders' Equity = $30,000.)}
\item (b) Prepare the retained earnings statement for McKane Company. Assume beginning retained earnings was $0.
\item (c) Write a memorandum explaining the sequence for preparing financial statements and the interrelationship of the retained earnings statement to the income statement and balance sheet.
\end{itemize}

\section*{PROBLEMS: SET C}

\section*{P1-1C}

On April 1, Styler Wachorek established SW Travel Agency. The following transactions were completed during the month.

\begin{itemize}
\item 1. Stockholders invested $10,000 cash in the business in exchange for common stock.
\item 2. Paid $600 cash for April office rent.
\item 3. Purchased office equipment for $2,500 cash.
\item 4. Incurred $400 of advertising costs in the \textit{Chicago Tribune}, on account.
\item 5. Paid $600 cash for office supplies.
\item 6. Earned $8,700 for services provided: $3,000 cash is received from customers, and the balance of $5,700 is billed to customers on account.
\item 7. Declared and paid a $200 cash dividend.
\item 8. Paid \textit{Chicago Tribune} amount due in transaction (4).
\item 9. Paid employees' salaries $3,100.
\item 10. Received $4,000 in cash from customers billed previously in transaction (6).
\end{itemize}
Analyze transactions and compute net income.
(SO 6, 7)

Instructions

(a) Prepare a tabular analysis of the transactions using the following column headings: Cash, Accounts Receivable, Supplies, Office Equipment, Accounts Payable, Common Stock, and Retained Earnings (with separate columns for Revenues, Expenses, and Dividends). Include margin explanation for any changes in Retained Earnings.
Ending retained earnings $4,400

(b) From an analysis of the column Retained Earnings, compute the net income or net loss for April.
Net income $4,600

P1-2C
Missy Monroe opened a law office, Missy Monroe, Attorney at Law, on July 1, 2011. On July 31, the balance sheet showed Cash $3,000, Accounts Receivable $1,500, Supplies $500, Office Equipment $5,000, Accounts Payable $4,200, and Common Stock $5,000, and Retained Earnings $800. During August the following transactions occurred.

1. Collected $1,300 of accounts receivable due from clients.
2. Paid $2,700 cash for accounts payable due.
3. Earned revenue of $9,000 of which $3,000 is collected in cash and the balance is due in September.
4. Purchased additional office equipment for $1,000, paying $400 in cash and the balance on account.
5. Paid salaries $2,650, rent for August $900, and advertising expenses $600.
6. Received $2,000 from Standard Federal Bank; the money was borrowed on a 4-month note payable.
7. Declared and paid a $750 cash dividend.
8. Incurred utility expenses for month on account $300.

Analyze transactions and prepare income statement, retained earnings statement, and balance sheet.
(SO 6, 7, 8)

Instructions

(a) Prepare a tabular analysis of the August transactions beginning with July 31 balances. The column headings should be as follows: Cash + Accounts Receivable + Supplies + Office Equipment = Notes Payable + Accounts Payable + Common Stock + Retained Earnings + Revenues - Expenses - Dividends.
Ending expenses $4,450

(b) Prepare an income statement for August, a retained earnings statement for August, and a balance sheet at August 31.
Net income $4,550
Total assets $14,000

P1-3C
Travolta Cosmetics Co., a company that provides individual skin care treatment, was started on June 1 with an investment of $20,000 cash. Following are the asset and liabilities of the company at June 30 and the revenues and expenses for the month of June.

<table>
<thead>
<tr>
<th>Cash</th>
<th>$ 4,700</th>
<th>Notes Payable</th>
<th>$13,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>4,000</td>
<td>Accounts Payable</td>
<td>1,200</td>
</tr>
<tr>
<td>Service Revenue</td>
<td>7,000</td>
<td>Supplies Expense</td>
<td>1,600</td>
</tr>
<tr>
<td>Cosmetic Supplies</td>
<td>2,000</td>
<td>Gas and Oil Expense</td>
<td>1,300</td>
</tr>
<tr>
<td>Advertising Expense</td>
<td>500</td>
<td>Utilities Expense</td>
<td>300</td>
</tr>
<tr>
<td>Equipment</td>
<td>25,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Stockholders made no additional investments in June. The company paid a cash dividend of $1,200 during the month.

Prepare income statement, retained earnings statement, and balance sheet.
(SO 8)

Instructions

(a) Prepare an income statement and a retained earnings statement for the month of June and a balance sheet at June 30, 2011.
Net income $2,700
Total assets $35,700

(b) Prepare an income statement and a retained earnings statement for June assuming the following data are not included above: (1) $900 of revenue was earned and billed but not collected at June 30, and (2) $300 of gas and oil expense was incurred but not paid.
Net income $3,900

P1-4C
Laci Beacham started a consulting firm, Beacham Consulting, on May 1, 2011. The following transactions occurred during the month of May.
May 1 Beacham invested $6,000 cash in the business in exchange for stock.
2 Paid $800 for office rent for the month.
3 Purchased $500 of supplies on account.
5 Paid $450 to advertise in the Rock County News.
9 Received $3,000 cash for services provided.
12 Declared and paid a $700 cash dividend.
15 Performed $5,300 of services on account.
17 Paid $4,000 for employee salaries.
20 Paid for the supplies purchased on account on May 3.
23 Received a cash payment of $3,000 for services provided on account on May 15.
26 Borrowed $5,000 from the bank on a note payable.
29 Purchased office equipment for $3,800 on account.
30 Paid $150 for utilities.

Analyze transactions and prepare financial statements.
(SO 6, 7, 8)

Instructions

(a) Show the effects of the previous transactions on the accounting equation using the following format.

<table>
<thead>
<tr>
<th>Date</th>
<th>Cash + Accounts Receivable + Supplies + Office Equipment = Notes Payable + Accounts Payable + Common Stock + Retained Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Include margin explanations for any changes in the Retained Earnings account in your analysis.

Ending retained earnings $2,200

(b) Prepare an income statement for the month of May.

Net income $2,900

(c) Prepare a balance sheet at May 31, 2011.

Cash $10,400

P1-5C

Financial statement information about four different companies is as follows.

<table>
<thead>
<tr>
<th>January 1, 2011</th>
<th>John Company</th>
<th>Serena Company</th>
<th>Ben Company</th>
<th>Budd Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$85,000</td>
<td>$90,000</td>
<td>(g)</td>
<td>$150,000</td>
</tr>
<tr>
<td>Liabilities</td>
<td>50,000</td>
<td>(d)</td>
<td>75,000</td>
<td>(j)</td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td>(a)</td>
<td>50,000</td>
<td>49,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2011</th>
<th>John Company</th>
<th>Serena Company</th>
<th>Ben Company</th>
<th>Budd Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>(b)</td>
<td>117,000</td>
<td>180,000</td>
<td>(k)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>55,000</td>
<td>72,000</td>
<td>(h)</td>
<td>80,000</td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td>42,000</td>
<td>(e)</td>
<td>100,000</td>
<td>145,000</td>
</tr>
</tbody>
</table>

Stockholders' equity changes in year

| Additional investment | (c)          | 8,000          | 10,000      | 15,000       |
| Dividends            | 10,000       | (f)            | 12,000      | 25,000       |
| Total revenues       | 350,000      | 400,000        | (i)         | 500,000      |
| Total expenses       | 335,000      | 380,000        | 350,000     |              |

Determine financial statement amounts and prepare retained earnings statement.
(SO 7, 8)

Instructions

(a) Determine the missing amounts. (Hint: For example, to solve for (a), Assets - Liabilities = Stockholders' Equity = $35,000.)
(b) Prepare the retained earnings statement for John Company. Assume beginning retained earnings was $3,000.
(c) Write a memorandum explaining the sequence for preparing financial statements and the interrelationship of the retained earnings statement to the income
statement and balance sheet.