

Assignment Problems

E1-6 Selected transactions for Green Valley Lawn Care Company are listed below.

Analyze the effect of transactions.

(LO 4)

1. Made cash investment to start business.
2. Paid monthly rent.
3. Purchased equipment on account.
4. Billed customers for services performed.
5. Withdrew cash for owner's personal use.
6. Received cash from customers billed in (4).
7. Incurred advertising expense on account.
8. Purchased additional equipment for cash.
9. Received cash from customers when service was performed.

Instructions

List the numbers of the above transactions and describe the effect of each transaction on assets, liabilities, and owner's equity. For example, the first answer is: (1) Increase in assets and increase in owner's equity.

E1-7 Falske Computer Timeshare Company entered into the following transactions during May 2017.

Analyze the effect of transactions on assets, liabilities, and owner's equity.

(LO 4)

1. Purchased computers for \$20,000 from Digital Equipment on account.
2. Paid \$4,000 cash for May rent on storage space.
3. Received \$17,000 cash from customers for contracts billed in April.
4. Performed computer services for Viking Construction Company for \$4,000 cash.
5. Paid Tri-State Power Co. \$11,000 cash for energy usage in May.
6. Falske invested an additional \$29,000 in the business.
7. Paid Digital Equipment for the computers purchased in (1) above.
8. Incurred advertising expense for May of \$1,200 on account.

Instructions

Indicate with the appropriate letter whether each of the transactions above results in:

- (a) An increase in assets and a decrease in assets.
- (b) An increase in assets and an increase in owner's equity.
- (c) An increase in assets and an increase in liabilities.
- (d) A decrease in assets and a decrease in owner's equity.
- (e) A decrease in assets and a decrease in liabilities.
- (f) An increase in liabilities and a decrease in owner's equity.
- (g) An increase in owner's equity and a decrease in liabilities.

Analyze transactions and compute net income.

(LO 4)

E1-8 An analysis of the transactions made by Arthur Cooper & Co., a certified public accounting firm, for the month of August is shown below. The expenses were \$650 for rent, \$4,800 for salaries and wages, and \$400 for utilities.

Cash	+ Accounts Receivable	+ Supplies	+ Equipment	= Accounts Payable	+ Owner's Capital	- Owner's Drawings	+ Revenues	- Expenses
1. +\$15,000					+\$15,000			
2. -2,000			+\$5,000	+\$3,000				
3. -750		+\$750						
4. +4,600	+\$3,900						+\$8,500	
5. -1,500				-1,500				
6. -2,000						-\$2,000		
7. -650								-\$650
8. +450	-450							
9. -4,800								-4,800
10.				+400				-400

Instructions

- Describe each transaction that occurred for the month.
- Determine how much owner's equity increased for the month.
- Compute the amount of net income for the month.

PROBLEMS

Analyze transactions and compute net income.

(LO 3, 4)



Check figures provide a key number to let you know you are on the right track.

(a) Total assets \$20,800

(b) Net income \$6,200

P1-1A On April 1, Julie Spengel established Spengel's Travel Agency. The following transactions were completed during the month:

- Invested \$15,000 cash to start the agency.
- Paid \$600 cash for April office rent.
- Purchased equipment for \$3,000 cash.
- Incurred \$700 of advertising costs in the *Chicago Tribune*, on account.
- Paid \$900 cash for office supplies.
- Performed services worth \$10,000: \$3,000 cash is received from customers, and the balance of \$7,000 is billed to customers on account.
- Withdrew \$600 cash for personal use.
- Paid *Chicago Tribune* \$500 of the amount due in transaction (4).
- Paid employees' salaries \$2,500.
- Received \$4,000 in cash from customers who have previously been billed in transaction (6).

Instructions

- Prepare a tabular analysis of the transactions using the following column headings: Cash, Accounts Receivable, Supplies, Equipment, Accounts Payable, Owner's Capital, Owner's Drawings, Revenues, and Expenses.
- From an analysis of the owner's equity columns, compute the net income or net loss for April.

Determine financial statement amounts and prepare owner's equity statement.

(LO 4, 5)

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

	<u>Alpha Company</u>	<u>Beta Company</u>	<u>Psi Company</u>	<u>Omega Company</u>
January 1, 2017				
Assets	\$ 80,000	\$ 90,000	(g)	\$150,000
Liabilities	41,000	(d)	80,000	(j)
Owner's equity	(a)	40,000	49,000	90,000
December 31, 2017				
Assets	(b)	112,000	170,000	(k)
Liabilities	60,000	72,000	(h)	100,000
Owner's equity	50,000	(e)	82,000	151,000
Owner's equity changes in year				
Additional investment	(c)	8,000	10,000	15,000
Drawings	15,000	(f)	12,000	10,000
Total revenues	350,000	410,000	(i)	500,000
Total expenses	333,000	385,000	350,000	(l)

Instructions

- Determine the missing amounts. (*Hint:* For example, to solve for (a), Assets – Liabilities = Owner's equity = \$39,000.)
- Prepare the owner's equity statement for Alpha Company.
- Write a memorandum explaining the sequence for preparing financial statements and the interrelationship of the owner's equity statement to the income statement and balance sheet.