

Chapter 4
 Summary question
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> Summary Problem

Ron Smith opens an apartment-locator business near a college campus. The company will be named Campus Apartment Locators. During the first month of operations, July 2015, the business completes the following transactions:

- a. Smith contributes \$35,000 to the business. The business gives capital to Smith.
- b. Purchases \$350 of office supplies on account.
- c. Pays cash of \$30,000 to acquire a lot next to campus.
- d. Locates apartments for clients and receives cash of \$1,900.
- e. Pays \$100 on the accounts payable the business created in transaction b.
- f. Pays cash expenses for office rent, \$400, and utilities, \$100.
- g. Smith withdrew cash of \$1,200.

Requirements

1. Analyze the preceding transactions in terms of their effects on the accounting equation of Campus Apartment Locators. Use Exhibit 2-4 as a guide.
2. Prepare the income statement, statement of owner's equity, and balance sheet of the business after recording the transactions.

1- Analyzing Transactions

	Assets			Liabilities	Equity				
	Cash	Supplies	Land	A/P	Capital	Withdrawal	Service Revenue	Rent Expense	Utilities Expense
a	35,000				35,000				
b	35,000	350		350	35,000				
c	5,000	350	30,000	350	35,000				
d	6,900	350	30,000	350	35,000		1,900		
e	6,800	350	30,000	250	35,000		100		
f	6,300	350	30,000	250	35,000		1,900	400	100
g	5,100	350	30,000	250	35,000	1,200	100	400	100
Bal.									

$$A = L + E$$

$$35,450 = 250 + 35,200$$

$$35,450 = 35,450 \checkmark$$

2- Preparing Financial Statements

Income Statement		
Revenues	Service Rev	1400
Expenses	Utility exp	400
	Rent exp	100
Net Income or Net Loss	Net income	1400

Statement of Owner's Equity		
Beg Capital	Beg capital	0
Owner's Contribution		35,000
Net Income or Net Loss		1400
Withdrawals		1200
End Capital		35200

Balance Sheet			
Assets		Liabilities	
Cash	5100	account payable	250
land	3000		
supplies	350	Owner's Equity	
		end capital	35200

Chapter 2
Summary Question

> Summary Problem

The trial balance of Harper Service Center as of February 28, 2015 follows:

HARPER SERVICE CENTER Trial Balance February 28, 2015		
Account Title	Balance	
	Debit	Credit
Cash	\$ 76,000	
Accounts Receivable	4,500	
Office Supplies	0	
Land	0	
Accounts Payable		\$ 2,900
Utilities Payable		0
Unearned Revenue		0
Notes Payable		0
Harper, Capital		28,500
Harper, Withdrawals	0	
Service Revenue		0
Salaries Expense	0	
Rent Expense	0	
Interest Expense	0	
Utilities Expense	0	
Total	\$ 30,500	\$ 30,500

During March, the business engaged in the following transactions:

- Mar. 2 Borrowed \$45,000 from the bank and signed a note payable in the name of the business.
- 4 Paid cash of \$40,000 to acquire land.
- 9 Performed services for a customer and received cash of \$5,000.
- 13 Purchased office supplies on account, \$300.
- 15 Performed services for a customer on account, \$2,600.
- 18 Paid \$1,200 on account.
- 21 Paid the following cash expenses: salaries, \$3,000; rent, \$1,500; and interest, \$400.
- 25 Received \$3,100 from customer on account.
- 27 Received a \$200 utility bill that will be paid next month.
- 29 Received \$1,500 for services to be performed next month.
- 30 Harper withdrew cash of \$1,800.

Requirements

1. Open the accounts listed in the trial balance using the balances indicated. Use the T-account format.
2. Journalize each transaction including explanations.
3. Post the journal entries to the ledger (use T-account format).
4. Prepare the trial balance of Harper Service Center as of March 31, 2015.

2- Journalize

Date	Account	Debit	Credit
Mar, 2	Cash ↑ A	45000	
	Notes payable ↑ L		45000
Mar, 4	Land ↑ A	40000	
	Cash ↓ A		40000
Mar, 9	Cash ↑ A	5000	
	Service Revenue ↑ E		5000
Mar, 13	Office Supplies ↑ A	300	
	Account Payable ↑ L		300
Mar, 15	Account Receivable ↑ A	2000	
	Service Revenue ↑ E		2000
Mar, 18	Account Payable ↓ L	1200	
	Cash ↓ A		1200
Mar, 21	Salary exp. ↓ E	3000	
	Rent exp. ↓ E	1500	
	Interest exp. ↓ E	500	
	Cash ↓ A		4900
Mar, 25	Cash ↑ A	3100	
	Account receivable ↓ A		3100
Mar, 27	Utility exp. ↓ E	200	
	Utility Payable ↑ L		200
Mar, 29	Cash ↑ A	1500	
	Unearned Revenue ↑ L		1500
Mar, 30	Withdrawal ↓ E	1800	
	Cash ↓ A		1800

4- Prepare Trial Balance

Trial Balance		
Account Title	Debit	Credit
Cash		
A/R		
Supplies		
Land		
A/P		
Utilities Payable		
Unearned Revenue		
N/P		
Capital		
Withdrawals		
Service Revenue		
Salaries Expense		
Rent Expense		
Interest Expense		
Utilities Expense		
Total		

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