1

Accounting Concepts and Procedures

ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

1. The functions of accounting are to analyze, record, classify, summarize, report, and interpret financial information.

2. Sole proprietorship—1 owner; unlimited liability; easy to form; limited life
Partnership—2 or more owners; unlimited liability; easy to form; limited life
Corporation—Stockholders; limited liability; difficult to form; unlimited life

3. Service, merchandise, or manufacturing

4. Bookkeeping is the recording function of the accounting process.

5. The three elements of the basic accounting equation are assets, liabilities, owner's equity.

6. Capital is the owner's current investment or equity in the assets of a business. It is one subdivision of owner's equity.

7. True. The sum of the left side of the equation (assets) must equal the sum of the right side of the equation (liabilities and owner's equity).

8. False. That is the income statement.

9. False. Revenue is a subdivision of owner's equity.

10. Owner's equity is subdivided into Capital, Withdrawals, Revenue, and Expenses.

11. False. It is non-business expense; a subdivision of owner's equity.

12. False. As expenses increase, owner's equity decreases.

13. Revenue less Expenses; an income statement shows performance.

14. False. It calculates ending capital.

15. The question in this case is whether Paul should be allowed to "pad" his expense account with an additional $100 of expenses. I feel that Paul should only be allowed to expense those items that are business related. Paul's argument that he is entitled to an additional $100 is not a valid assumption. However, he should be allocated money for any business expenses during the weekend.

SOLUTIONS TO CHAPTER 1 CLASSROOM DEMONSTRATION EXERCISES

SET A

1. A. A
B. L
C. A
D. A
E. OE
F. A

2. A. Liabilities
B. Assets
C. Accounts Payable

3. A. I
B. S

4. $34,000 + $21,000 =$55,000

5. B. J. Penny, Capital
D. J. Penny, Withdrawals
F. Advertising Expense
G. Taxi Fees Earned

6. C. Accounts Payable
D. Grooming Fees Earned

7. A,B,D

8. A. IS
B. BS
C. BS
D. BS
E. IS
F. IS
G. OE
H. BS

9. A. OE
B. BS
C. BS
D. IS

SOLUTIONS TO EXERCISES

SET A

1A-1. A. $27,000 =$9,000 + $18,000
B. $75,000 =$6,000 + $69,000
C. $35,000 =$10,000 + $25,000

1A-2.

	ASSETS	=	LIABILITIES	+	OWNER'S EQUITY
A.	$112,000	=		+	$112,000
B.	$ 0	=		+	
C.	$750	=	$750	+	

1A-3.

RAUCSHER COMPANY
BALANCE SHEET
APRIL 30, 201X

Assets		Liabilities	
Cash	$52 000	Accounts Payable	$14 000
Equipment	28 000		
		Total Liabilities	14 000
		Owner's Equity	
		B. Rauscher, Capital	66 000
		Total Liabilities and	
Total Assets	$80 000	Owner's Equity	$80 000

1A-4.

	ASSETS					=	LIABILITIES	+	OWNER'S EQUITY						
	Cash	+	Accounts Rec.	+	Computer Equip.	=	Accounts Payable	+	B. Baker, Capital	–	B. Baker, Withd.	+	Revenues	–	Expenses
A.	90,000							+	90,000						
B.				+	10,200		$10,200								
C.	(50)										(50)				
D.	13,700												13,700		
E.			29,000										29,000		
F.	(4,200)														4,200
G.	(1,510)														1,510

Remember, as withdrawals or expenses increase, the end result is to reduce owner's equity.

EXERCISES (CONTINUED)

1A-5.

(A)

FRECHETTE REALTY
INCOME STATEMENT
MONTH ENDED SEPTEMBER 30, 201X

Revenue:		
Professional Fees		$3500
Operating Expenses:		
Salaries Expense	$600	
Utilities Expense	150	
Rent Expense	475	
Total Operating Expenses		1225
Net Income		$2275

(B)

FRECHETTE REALTY
STATEMENT OF OWNER'S EQUITY
MONTH ENDED SEPTEMBER 30, 201X

S. Frechette, Capital, September 1, 201X		$1840
Net Income for September	$2275	
Less: Withdrawals for September	(225)	
Increase in Capital		2050
S. Frechette, Capital, September 30, 201X		$3890

(C)

FRECHETTE REALTY
BALANCE SHEET
SEPTEMBER 30, 201X

Assets		**Liabilities**	
Cash	$5700	Liabilities	
Accounts Receivable	990	Accounts Payable	$10000
Office Equipment	7200	**Owner's Equity**	
		S. Frechette, Capital	3890
		Total Liabilities and	
Total Assets	$13890	Owner's Equity	$13890

SET B

1B-1.

A	$30,000	=$15,000 + $15,000
B	$65,000	=$10,000 + $55,000
C	$15,000	=$ 3,000 + $12,000

1B-2.

ASSETS	=	LIABILITIES	+	OWNER'S EQUITY
A. $118,000	=		+	$118,000
B. $ 0	=		+	
C. $800	=	$800	+	

1B-3.

RAUSHER COMPANY
BALANCE SHEET
APRIL 30, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$18 000	Liabilities	
Equipment	40 000	Accounts Payable	$25 000
		Owner's Equity	
		B. Rausher, Capital	33 000
		Total Liabilities and	
Total Assets	$58 000	Owner's Equity	$58 000

1B-4.

	ASSETS			=	LIABILITIES	+	OWNER'S EQUITY			
	Cash	+ Accounts Rec.	+ Computer Equip.	=	Accounts Payable	+	B. Baker, Capital	– B. Baker, Withdr	+ Revenues	– Expenses
A.	60,000					+	60,000			
B.			+ 10,000		10,000					
C.	(150)							150		
D.	14,000								14,000	
E.		30,000							30,000	
F.	(3,500)									3,500
G.	(1,470									1,470

Remember, as withdrawals or expenses increase, the end result is to reduce owner's equity.

EXERCISES (CONTINUED)

1B-5.

(A)

FRECHETTE REALTY
INCOME STATEMENT
MONTH ENDED SEPTEMBER 30, 201X

Revenue:		
Professional Fees		$4 000
Operating Expenses:		
Salaries Expense	$ 400	
Utilities Expense	360	
Rent Expense	400	
Total Operating Expenses		1 160
Net Income		$2 840

(B)

FRECHETTE REALTY
STATEMENT OF OWNER'S EQUITY
MONTH ENDED SEPTEMBER 30, 201X

S. Frechette, Capital, September 1, 201X		$10 770
Net Income for September	$2 840	
Less: Withdrawals for September	(800)	
Increase in Capital		2 040
S. Frechette, Capital, September 30, 201X		$12 810

(C)

FRECHETTE REALTY
BALANCE SHEET
SEPTEMBER 30, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$7 050	Liabilities	
Accounts Receivable	1 060	Accounts Payable	$2 000
Office Equipment	6 700	Owner's Equity	
		S. Frechette, Capital	12 810
		Total Liabilities and	
Total Assets	$14 810	Owner's Equity	$14 810

SOLUTIONS TO A PROBLEMS

PROBLEM 1A-1

MIKE'S NAIL SPA

	ASSETS	=	LIABILITIES	+	OWNER'S EQUITY
TRANSACTION A	17,000			+	17,000
NEW BALANCE	17,000	=	0	+	17,000
TRANSACTION B	0	=		+	
NEW BALANCE	17000	=	0	+	17,000
TRANSACTION C	6,100	=	6,100	+	
NEW BALANCE	23,100	=	6,100	+	17,000
TRANSACTION D	(700)	=	(700)	+	
ENDING BALANCE	22,400	=	5,400	+	17,000

PROBLEM 1A-2

SHIRE'S INTERNET SERVICE
BALANCE SHEET
SEPTEMBER 30, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$35 0 0 0	Liabilities	
Equipment	29 0 0 0	Accounts Payable	$17 0 0 0
Building	30 0 0 0		
		Owner's Equity	
		Shire, Capital	77 0 0 0
		Total Liabilities and	
Total Assets	$94 0 0 0	Owner's Equity	$94 0 0 0

PROBLEM 1A-3

RON FERLITO
TYPING SERVICE

	ASSETS					=	LIABILITIES	+	OWNER'S EQUITY						
	Cash	+	Accounts Receivable	+	Office Equipment	=	Accounts Payable	+	R. Ferlito, Capital	–	R. Ferlito, Withd.	+	Typing Revenue	–	Expenses
A.	15,000	+		+				+	15,000	-		+		-	
BALANCE	15,000	+	0	+	0	=	0	+	15,000	-	0	+	0	-	0
B.		+		+	6,500	=	6,500	+		-		+		-	
BALANCE	15,000	+	0	+	6,500	=	6,500	+	15,000	-	0	+	0	-	0
C.	900	+		+		=		+		-		+	900	-	
BALANCE	15,900	+	0	+	6,500	=	6,500	+	15,000	-	0	+	900	-	0
D.		+	3,600	+		=		+		-		+	3,600	-	
BALANCE	15,9000	+	3,600	+	6,500	=	6,500	+	15,000	-	0	+	4,500	-	0
E.	(325)	+		+		=		+		-		+		-	325
BALANCE	15,575	+	3,600	+	6,500	=	6,500	+	15,000	-	0	+	4,500	–	325
F.	(150)	+		+		=		+		-		+		-	150
BALANCE	15,425	+	3,600	+	6,500	=	6,500	+	15,000	-	0	+	4,500	–	475
G.		+		+		=	900	+		-		+		-	900
BALANCE	15,425	+	3,600	+	6,500	=	7,400	+	15,000	-	0	+	4,500	–	1,375
H.	(600)	+		+		=		+		-	600	+		-	
ENDING BALANCE	14,825	+	3,600	+	6,500	=	7,400	+	15,000	–	600	+	4,500	–	1,375

PROBLEM 1A-4

(A)

WELDON STENCILING SERVICE
INCOME STATEMENT
MONTH ENDED NOVEMBER 30, 201X

Revenue:		
Stenciling Fees		$2 600
Operating Expenses:		
Advertising Expense	$ 110	
Repair Expense	20	
Travel Expense	225	
Supplies Expense	155	
Rent Expense	375	
Total Operating Expenses		885
Net Income		$1 715

(B)

WELDON STENCILING SERVICE
STATEMENT OF OWNER'S EQUITY
MONTH ENDED NOVEMBER 30, 201X

J. Weldon, Capital, November 1, 201X		$2 510
Net Income for November	$1 715	
Less: Withdrawals for November	(900)	
Increase in Capital		815
J. Weldon, Capital, November 30, 201X		$3 325

(C)

WELDON STENCILING SERVICE
BALANCE SHEET
NOVEMBER 30, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$1 900	Liabilities	
Accounts Receivable	650	Accounts Payable	$ 250
Equipment	1 025		
		Owner's Equity	
		J. Weldon, Capital	3 325
		Total Liabilities and	
Total Assets	$3 575	Owner's Equity	$3 575

PROBLEM 1A-5

TRICKETT'S CATERING SERVICE

	ASSETS		=	LIABILITIES +	OWNER'S EQUITY			
	Cash +	Accounts Receivable +	Equipment =	Accounts Payable +	J. Trickett, Capital –	J. Trickett, Withd +	Catering Revenue –	Expenses
3/25	45,000				45,000			
BALANCE	45.000	0		0	45.000	0	0	0
3/27	(1,600)		1,600					
BALANCE	43.400	0	1.600	0	45.000	0	0	0
3/28			2,200	2,200				
BALANCE	43,400	0	3,800	2,200	45,000	0	0	0
3/29	(100)			(100)				
BALANCE	43,300	0	3,800	2,100	45,000	0	0	0
4/1	1,900						1,900	
BALANCE	45,200	0	3,800	2,100	45,000	0	1,900	0
4/5	(700)							700
BALANCE	44,500	0	3,800	2,100	45,000	0	1,900	700
4/8		150					150	
BALANCE	44,500	150	3,800	2,100	45,000	0	2,050	700
4/10	75	(75)						
BALANCE	44.575	75	3.800	2.100	45.000	0	2.050	700
4/15	(120)							120
BALANCE	44.455	75	3.800	2.100	45.000	0	2.050	820
4/17	(80)					80		
BALANCE	44.375	75	3.800	2.100	45.000	80	2.050	820
4/20	2,700						2,700	
BALANCE	47,075	75	3,800	2,100	45,000	80	4,750	820
4/25			1.000	1.000				
BALANCE	47.075	75	4.800	3.100	45.000	80	4.750	820
4/28				500				500
BALANCE	47.075	75	4.800	3.600	45.000	80	4.750	1.320
4/30	(550)							550
END BAL	46.525	75	4.800	3.600	45.000	80	4.750	1.870

PROBLEM 1A-5 (CONTINUED)

(B)

TRICKETT'S CATERING SERVICE
BALANCE SHEET
MARCH 31, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$43 300	Liabilities	
Equipment	3 800	Accounts Payable	$2 100
		Owner's Equity	
		J. Trickett, Capital	45 000
		Total Liabilities and	
Total Assets	$47 100	Owner's Equity	$47 100

(C)

TRICKETT'S CATERING SERVICE
INCOME STATEMENT
MONTH ENDED APRIL 30, 201X

Revenue:		
Catering Fees		$4 750
Operating Expenses:		
Salaries Expense	$ 700	
Telephone Expense	120	
Rent Expense	500	
Supplies Expense	550	
Total Operating Expenses		1 870
Net Income		$2 880

(D)

TRICKETT'S CATERING SERVICE
STATEMENT OF OWNER'S EQUITY
MONTH ENDED APRIL 30, 201X

J. Trickett, Capital April 1, 201X						$45	0	0	0	
Net Income for November	$2	8	8	0						
Less: Withdrawals for April			(8	0)						
Increase in Capital						2	8	0	0	
J. Trickett, Capital, April 30, 201X						$47	8	0	0	

(E)

TRICKETT'S CATERING SERVICE
BALANCE SHEET
APRIL 30, 201X

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	$46,	5	2	5		Liabilities					
Accounts Receivable			7	5		Accounts Payable	$3	6	0	0	
Equipment	4	8	0	0		Owner's Equity					
						J. Trickett, Capital	47	8	0	0	
						Total Liabilities and					
Total Assets	$51	4	0	0		Owner's Equity	$51	4	0	0	

SOLUTIONS TO B PROBLEMS

PROBLEM 1 B-1

MIKE'S NAIL SPA

	ASSETS	=	LIABILITIES	+	OWNER'S EQUITY
TRANSACTION A	24,000			+	24,000
NEW BALANCE	24,000	=	0	+	24,000
TRANSACTION B	0	=		+	
NEW BALANCE	24,000	=	0	+	24,000
TRANSACTION C	6,100	=	6,100	+	
NEW BALANCE	30,100	=	6,100	+	24,000
TRANSACTION D	(900)	=	(900)	+	
ENDING BALANCE	29,200	=	5,200	+	24,000

PROBLEM 1 B-2

SHIRE'S INTERNET SERVICE
BALANCE SHEET
SEPTEMBER 30, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$48 000	Liabilities	
Equipment	54 000	Accounts Payable	$15 000
Building	55 000		
		Owner's Equity	
		Shire, Capital	142 000
		Total Liabilities and	
Total Assets	$157 000	Owner's Equity	$157 000

PROBLEM 1B-3

	ASSETS					=	LIABILITIES	+	OWNER'S EQUITY						
	Cash	+	Accounts Receivable	+	Office Equipment	=	Accounts Payable	+	R. Ferlito, Capital	–	R, Ferlito, Withd.	+	Typing Revenue	–	Expenses
A.	30,000	+		+		=		+	30,000	-		+		-	
BALANCE	30,000	+	0	+	0	=	0	+	30,000	-	0	+	0	-	0
B.		+		+	5,000	=	5,000	+		-		+		-	
BALANCE	30,000	+	0	+	5,000	=	5,000	+	30,000	-	0	+	0	-	0
C.	400	+		+		=		+		-		+	400	-	
BALANCE	30,400	+	0	+	5,000	=	5,000	+	30,000	-	0	+	400	-	0
D.		+	3,100	+		=		+		-		+	3,100	-	
BALANCE	30,400	+	3,100	+	5,000	=	5,000	+	30,000	-	0	+	3,500	–	0
E.	(425)	+		+		=		+		-		+		-	425
BALANCE	29,975	+	3,100	+	5,000	=	5,000	+	30,000	-	0	+	3,500	–	425
F.	(130)	+		+		=		+		-		+		-	130
BALANCE	29,845	+	3,100	+	5,000	=	5,000	+	30,000	-	0	+	3,500	–	555
G.		+		+		=	750	+		-		+		-	750
BALANCE	29,845	+	3,100	+	5,000	=	5,750	+	30,000	–	0	+	3,500	–	1,305
H.	(500)	+		+		=		+		-	500	+		-	
ENDING BALANCE	29,345	+	3,100	+	5,000	=	5,750	+	30,000	–	500	+	3,500	–	1,305

PROBLEM 1 B-4

(A)

WELDON STENCILING SERVICE
INCOME STATEMENT
MONTH ENDED NOVEMBER 30, 201X

Revenue:		
Stenciling Fees		$3 000
Operating Expenses:		
Advertising Expense	$ 110	
Repair Expense	50	
Travel Expense	550	
Supplies Expense	55	
Rent Expense	175	
Total Operating Expenses		940
Net Income		$2 060

(B)

WELDON STENCILING SERVICE
STATEMENT OF OWNER'S EQUITY
MONTH ENDED NOVEMBER 30, 201X

J. Weldon, Capital, November 1, 201X		$1 125
Net Income for November	$2 060	
Less: Withdrawals for November	(300)	
Increase in Capital		1 760
J. Weldon, Capital, November 30, 201X		$2 885

(C)

WELDON STENCILING SERVICE
BALANCE SHEET
NOVEMBER 30, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$2 400	Liabilities	
Accounts Receivable	650	Accounts Payable	$ 850
Equipment	685		
		Owner's Equity	
		J. Weldon, Capital	2 885
		Total Liabilities and	
Total Assets	$3 735	Owner's Equity	$3 735

PROBLEM 1B-5

TRICKETT'S CATERING SERVICE

	ASSETS					=	LIABILITIES	+	OWNER'S EQUITY						
	Cash	+	Accounts Receivable	+	Equipment	=	Accounts Payable	+	J. Trickett, Capital	–	J. Trickett, Withd	+	Catering Revenue	–	Expenses
3/25	30,000	+		+		=		+	30,000	-		+		-	
BALANCE	30,000	+	0	+	0	=	0	+	30,000	-	0	+	0	-	0
3/27	(700)	+		+	700	=		+		-		+		-	
BALANCE	29.300	+	0	+	700	=	0	+	30.000	-	0	+	0	-	0
3/28		+		+	3.000	=	3.000	+		-		+		-	
BALANCE	29,300	+	0	+	3,700	=	3,000	+	30,000	-	0	+	0	-	0
3/29	(1.000)	+		+		=	(1.000)	+		-		+		-	
BALANCE	28,300	+	0	+	3,700	=	2,0000	+	30,000	-	0	+	0	-	0
4/1	2,500	+		+		=		+		-		+	2,500	-	
BALANCE	30.800	+	0	+	3.700	=	2.000	+	30.000	-	0	+	2.500	-	0
4/5	(1.500)	+		+		=		+		-		+		-	1.500
BALANCE	29,300	+	0	+	3,700	=	2,000	+	30,000	-	0	+	2,500	–	1,500
4/8		+	200	+		=		+		-		+	200	-	
BALANCE	29,300	+	200	+	3,700	=	2,000	+	30,000	-	0	+	2,700	–	1,500
4/10	100	+	(100)	+		=		+		-		+		-	
BALANCE	29,400	+	100	+	3,700	=	2,000	+	30,000	-	0	+	2,700	–	1,500
4/15	(60)	+		+		=		+		-		+		-	60
BALANCE	29,340	+	100	+	3,700	=	2,000	+	30,000	-	0	+	2,700	-	1,560
4/17	(90)	+		+		=		+		-	90	+		-	
BALANCE	29.250	+	100	+	3.700	=	2.000	+	30.000	–	90	+	2.700	–	1.560
4/20	1.400	+		+		=		+		-		+	1.400	-	
BALANCE	30,650	+	100	+	3,700	=	2,000	+	30,000	-	90	+	4,100	-	1,560
4/25		+		+	900	=	900	+		-		+		-	
BALANCE	19.405	+	100	+	4.600	=	2.900	+	30.000	–	90	+	4.100	–	1.560
4/28		+		+		=	900	+		-		+		-	900
BALANCE	19.405	+	100	+	4.600	=	3.800	+	30.000	–	90	+	4.100	–	2.460
4/30	(250)	+		+		=		+		-		+		-	250
END BAL.	30.400	+	100	+	4.600	=	3.800	+	30.000	–	90	+	4.100	–	2.710

PROBLEM 1 B-5 (CONTINUED)

(B)

TRICKETT'S CATERING SERVICE
BALANCE SHEET
MARCH 31, 201X

ASSETS			LIABILITIES AND OWNER'S EQUITY		
Cash	$28	300	Liabilities		
Equipment	3	700	Accounts Payable	$2	000
			Owner's Equity		
			J. Trickett, Capital	30	000
			Total Liabilities and		
Total Assets	$32	000	Owner's Equity	$32	000

(C)

TRICKETT'S CATERING SERVICE
INCOME STATEMENT
MONTH ENDED APRIL 30, 201X

Revenue:				
Catering Fees			$4	100
Operating Expenses:				
Salaries Expense	$1	500		
Telephone Expense		60		
Rent Expense		900		
Supplies Expense		250		
Total Operating Expenses			2	710
Net Income			$1	390

(D)

TRICKETT'S CATERING SERVICE
STATEMENT OF OWNER'S EQUITY
MONTH ENDED APRIL 30, 201X

J. Trickett, Capital, April 1, 201X						$30	0	0	0	
Net Income for April	$1	3	9	0						
Less: Withdrawals for April			(9	0)						
Increase in Capital						1	3	0	0	
J. Trickett, Capital, April 30, 201X						$31	3	0	0	

(E)

TRICKETT'S CATERING SERVICE
BALANCE SHEET
APRIL 30, 201X

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	$30	4	0	0		Liabilities					
Accounts Receivable		1	0	0		Accounts Payable	$3	8	0	0	
Equipment	4	6	0	0		Owner's Equity					
						J. Trickett, Capital	31	3	0	0	
						Total Liabilities and					
Total Assets	$35	1	0	0		Owner's Equity	$35	1	0	0	

FINANCIAL REPORT PROBLEM SOLUTION—2010 Kellogg's Annual Report

$444
\- 334
$110 in millions

ON THE JOB--Sanchez Computer Center Solution

SANCHEZ COMPUTER CENTER

	ASSETS				= LIABILITIES +		– OWNER'S EQUITY		
	Cash +	Supplies +	Computer Shop Equipment +	Office Equipment =	Accounts Payable +	Freedman, Capital –	Freedman, Withdrawals +	Revenue –	Expenses
A.	+					+$4,500			
BALANCE	4,500			=		4,500			
B.	–1,200		+$1,200						
BALANCE	3,300	+	1,200	=	+	4,500			
C	–600			+$600					
BALANCE	2,700	+	1,200 +	600 =	+	4,500			
D.		+$250			+$250				
BALANCE	2,700 +	250 +	1,200 +	600 =	250 +	4,500			
E.	–400								+$400 (Rent)
BALANCE	2,300 +	250 +	1,200 +	600 =	250 +	4,500		–	400
F.	+250							+$250	
BALANCE	2,550 +	250 +	1,200 +	600 =	250 +	4,500	+	250 –	400
G.	+200							+200	
BALANCE	2,750 +	250 +	1,200 +	600 =	250 +	4,500	+	450 –	400
H.					+85				+85 (Electric)
BALANCE	2,750 +	250 +	1,200 +	600 =	335 +	4,500	+	450 –	485
I.	+1,200							+1,200	
BALANCE	3,950 +	250 +	1,200 +	600 =	335 +	4,500	+	1,650 –	485
J.	–100					–	+100		
END BALANCE	$3,850 +	$250 +	$1,200 +	$600 =	$335 +	$4,500	$100 +	$1,650 –	$485
				$5,900 =		$5,900			

SANCHEZ COMPUTER CENTER
INCOME STATEMENT
FOR THE MONTH ENDED JULY 31, 201X

Revenue:										
Service Revenue						$1	6	5	0	00
Operating Expenses:										
Rent Expense	$	4	0	0	00					
Electric Expense			8	5	00					
Total Operating Expenses							4	8	5	00
Net Income						$1	1	6	5	00

SANCHEZ COMPUTER CENTER
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED JULY 31, 201X

T. Freedman, Capital, July 1, 201X						$4	5	0	0	00
Net Income for July	$1	1	6	5	00					
Less: Withdrawals for July		(1	0	0	00)					
Increase in Capital						$1	0	6	5	00
T. Freedman, Capital, July 31, 201X						$5	5	6	5	00

SANCHEZ COMPUTER CENTER
BALANCE SHEET
JULY 31, 201X

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	$3	8	5	0	00	Liabilities:					
Supplies		2	5	0	00	Accounts Payable	$	3	3	5	00
Computer Shop Equipment	1	2	0	0	00						
Office Equipment		6	0	0	00	Owners Equity					
						T. Freedman, Capital	5	5	6	5	00
Total Assets	$5	9	0	0	00	Total Liabilities and	$5	9	0	0	00
						Owner's Equity					