CHAPTER 3

**SOLUTIONS TO B PROBLEMS**

|  |  |  |
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|  | **PROBLEM 3.1B** |  |

**(a) (Explanations are omitted.) and (d)**

| **Cash** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | | | | **Equipment** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| **Mar.** | | | | | | **1** | | | | | | | |  | | | | | **50,000** | | | | | | | | | | | | | **Mar.** | | | | | | | | | | **3** | | | | | |  | | | | **1,500** | | | | | | | | | | | | | |  | | | | | | **Mar.** | | | | | | | | | | | | | | | | **2** | | | | | | | | | | | |  | | | | **22,800** | | | | | | | | | | | | | |  | | | | | |  | | | | | | | | |  | | | | | | | | | | | | | | |  | | | | | | | | | |
|  | | | | | | **10** | | | | | | | |  | | | | | **850** | | | | | | | | | | | | |  | | | | **4** | | | | | | | | | | | |  | | | | **1,165** | | | | | | | | | | | | | |  | | | | | |  | | | | | | | | | | | | | | | |  | | | | | | | | | | | |  | | | |  | | | | | | | | | | | | | |  | | | | | |  | | | | | | | | |  | | | | | | | | | | | | | | |  | | | | | | | | | |
|  | | | | | | **26** | | | | | | | |  | | | | | **2,600** | | | | | | | | | | | | |  | | | | **21** | | | | | | | | | | | |  | | | | **7,600** | | | | | | | | | | | | | |  | | | | | |  | | | | | | | | | | | | | | | |  | | | | | | | | | | | |  | | | |  | | | | | | | | | | | | | |  | | | | | |  | | | | | | | | |  | | | | | | | | | | | | | | |  | | | | | | | | | |
|  | | | |  | | | | | | | | | |  | | | | |  | | | | | | | | | | | | |  | | | | **23** | | | | | | | | | | | |  | | | | **3,000** | | | | | | | | | | | | | |  | | | | | | **Owner’s Capital** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | |  | | | | | | | | | |  | | | | |  | | | | | | | | | | | | |  | | | | **31** | | | | | | | | | | | |  | | | | **2,500** | | | | | | | | | | | | | |  | | | | | | **Mar.** | | | | | | | **23** | | | | | | | | | | | | | | | | | | | |  | | | | | **3,000** | | | | | | | | | | | | | | **Mar.** | | | | | | | | | | **1** | | | | | | | |  | | | | | | | **50,000** | | | | | | | | | | | | | | |
|  | | | |  | | | | | | | | | |  | | | | |  | | | | | | | | | | | | |  | | | | **31** | | | | | | | | | | | |  | | | | **910** | | | | | | | | | | | | | |  | | | | | |  | | | | | | |  | | | | | | | | | | | | | | | | | | | |  | | |  | | | | | | | | | | | | | | | |  | | | | | | | | | | **31** | | | | | | | |  | | | | | | | | | | **13,315** | | | | | | | | | | | |
|  | | | |  | | | | | | | | | |  | | | | |  | | | | | | | | | | | | |  | | | |  | | | | | | | | | | | |  | | | |  | | | | | | | | | | | | | |  | | | | | |  | | | | | | |  | | | | | | | | | | | | | | | | | | | |  | | | | |  | | | | | | | | | | | | | | **Bal.** | | | | | | | | | | **31** | | | | | | | |  | | | | | | | **60,315** | | | | | | | | | | | | | | |
| **Bal.** | | | | | | **31** | | | | | | | |  | | | | | | **36,775** | | | | | | | | | | | |  | | | |  | | | | | | | | | | | |  | | | |  | | | | | | | | | | | | | |  | | | | | |  | | | | | | |  | | | | | | | | | | | | | | | | | | | |  | | | | |  | | | | | | | | | | | | | |  | | | | | | | | | |  | | | | | | | |  | | | | | | |  | | | | | | | | | | | | | | |
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| **Accounts Receivable** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | | | |  | | | | | | |  | | | | | | | | | | | | | | | | | | | |  | | | | |  | | | | | | | | | | | | | |  | | | | | | | | | |  | | | | | | | |  | | | | | | |  | | | | | | | | | | | | | | |
| **Mar.** | | | | **15** | | | | | | | | |  | | **11,560** | | | | | | | | | | | | | | | | **Mar.** | | | | | | | | | **26** | | | | | | | | | | | |  | | | | | | | | **2,600** | | | | | |  | | | | | |  | | | | | | |  | | | | | | | | | | | | | | | | | | | |  | | | | |  | | | | | | | | | | | | | |  | | | | | | | | | |  | | | | | | | |  | | | | | | |  | | | | | | | | | | | | | | |
|  | | | | **30** | | | | | | | | |  | | **6,890** | | | | | | | | | | | | | | | |  | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | |  | | | | | |  | | | | | | **Accounts Payable** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Bal.** | | | | **30** | | | | | | | | |  | | **15,850** | | | | | | | | | | | | | | | |  | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | |  | | | | | |  | | | | | | **Mar.** | | | | | | **21** | | | | | | | | | | |  | | | | | | | | | | | | | | **7,600** | | | | | | | | | | | | | | | **Mar.** | | | | | | | | **2** | | | | | | | | |  | | | | | | | **22,800** | | | | | | | | | | | | | | | |
|  | | | |  | | | | | | | | |  | | | | | | | | |  | | | | | | | | |  | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | |  | | | | | |  | | | | | |  | | | | | |  | | | | | | | | | | |  | | | | | | | | | | | | | | | | | | | | |  | | | | | | | | **Bal.** | | | | | | | | **31** | | | | | | | | |  | | | | | | | **15,200** | | | | | | | | | | | | | | | |
| **Rent Expense** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | | |  | | | | | | | | | | | |  | | | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | | | | | | | | | | | | | |  | | | | |
| **Mar.** | | | | **3** | | | | | | | | |  | | | | **1,500** | | | | | | | | | | | | | | **Mar.** | | | | | | | | | **31** | | | | | | | | | | |  | | | | **1,500** | | | | | | | | | |  | | | | |  | | | | | | | | | | | |  | | | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | | | | | | |  | | | | | | | | | | | | | |
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| **Supplies** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | | | | **Service Revenue** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Mar.** | | | | | | | **4** | | | | | |  | | **1,165** | | | | | | | | | | | | | | **Mar.** | | | | | | | | | **31** | | | | | | | | | | |  | | | | | | | | **695** | | | | | | | | |  | | | | | | **Mar.** | | | | | | | | **31** | | | | | | | | | | |  | | | | | | | | | | | | | | | | | **19,300** | | | | | | | | | | **Mar.** | | | | | | | | | | | | **10** | | | | | | | | |  | | | | | | | | | | | | | **850** | | | | |
| **Bal.** | | | | | **31** | | | | | | | | |  | | | | | | | | | | | **470** | | | | |  | | | | | | |  | | | | | | | | | |  | | | | | | | | | | | | | | |  | | | | | |  | | | | | | | | |  | | | | | | | | | |  | | | | | | | | | |  | | | | | | | | | | | | | | |  | | | | | | |  | | | | **15** | | | | | | | | | | | | | |  | | | | | | | | | | **11,560** | | | | | | | | | | |
|  | | | | |  | | | | | | | | |  | | | | | | | | |  | | | | | | |  | | | | | | |  | | | | | | |  | | | | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | | | | | | | | |  | | | | | | | | | | | | | | | | | |  | | | | |  | | | | | | | | | | | **30** | | | | | | | | |  | | | | | | | | | | | | | | | | **6,890** | | |
|  | | | | |  | | | | | | | | |  | | | | | | | | |  | | | | | | |  | | | | | | |  | | | | | | |  | | | | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | | | | | | | | |  | | | | | | | | | | | | | | | **19,300** | | | | | | | |  | | | | | | | | | | |  | | | | | | | | |  | | | | | | | | | | | **19,300** | | | | | | | |
|  | |  | | | | | | |  | | | | | | | | | | | | | | | | |  | | | | | | |  | | | | |  | | | | | | |  | | | | | | | | | | | |  | | | | | | |  | | | | | | |  | | | | | | | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | | | | | | | |  | | | | |  | | | | |  | | | | | | | | | |  | | | | | | | | | | | | |  | | | | | | | | | | | | |
| **Office Expense** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | | | | | **Accumulated Depreciation—Equipment** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Mar.** | | | **31** | | | | | | | | |  | | | | | | | | | **910** | | | | | | | **Mar.** | | | | | | | **31** | | | | | | | | | | |  | | | | | | | | **910** | | | | | | | | | |  | | | | | | | | | |  | | | | | | | | |  | | | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | | | | | **Mar.** | | | | | | | | | | **31** | | | | | | | | | | |  | | | | | | | | | | | **380** | | | | | | | | |
|  | | |  | | | | | | | | |  | | | | | | | | | | | | | | |  |  | | | | | | | | | | | | | | |  | | | | | | | | | |  | | | | | | | |  | | |  | | | | | | | | | | |  | | | | | | | | |  | | | | | | | | | | |  | | | | | | | | | | | |  | | | | | | | |  | | | | | |  | | | | | | | |  | | | | | | | | | | | |  | | | | | | | | | | | | | | | | |
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| **Salaries and Wages Expense** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | | | | | **Supplies Expense** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Mar.** | | | **31** | | | | | | | | |  | | | | | | **2,500** | | | | | | | | | | **Mar.** | | | | | | | **31** | | | | | | | | | | |  | | | | | | | | **2,500** | | | | | | | | | |  | | | | | | | **Mar.** | | | | | | | | | **31** | | | | | | | | | | |  | | | | | | |  | | | | | | | | | | **695** | | | | | | | | **Mar.** | | | | | | | | | | | **31** | | | | | | | | | | |  | | | | | | | | | | | | | | **695** | | | | |

PROBLEM 3.1B (Continued)

| **Depreciation Expense** | | | | | | | |  | **Income Summary** | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Mar.** | **31** |  | **380\*** | **Mar.** | **31** |  | **380** |  | **Mar.** | **31** |  | | **1,500** | **Mar.** | **31** |  | **19,300** |
|  |  |  |  |  |  |  |  |  |  | **31** |  | | **910** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **31** |  | | **2,500** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **31** |  | | **695** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **31** |  | | **380** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **31** | **Inc.** | **13,315** | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | **19,300** | |  |  |  | **19,300** |

**\*($22,800 ÷ 60 months)**

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| **(b) ROOK MEDICAL** | | | |
| **Trial Balance** | | |
| March 31, XXXX | | |
|  | **Debit** | **Credit** |
| **Cash** | **$36,775** |  |
| **Accounts Receivable** | **15,850** |  |
| **Supplies** | **470** |  |
| **Equipment** | **22,800** |  |
| **Accumulated Depreciation—Equipment** |  | **$ 380** |
| **Accounts Payable** |  | **15,200** |
| **Owner’s Capital** |  | **47,000** |
| **Service Revenue** |  | **19,300** |
| **Rent Expense** | **1,500** |  |
| **Office Expense** | **910** |  |
| **Salaries and Wages Expense** | **2,500** |  |
| **Supplies Expense** | **695** |  |
| **Depreciation Expense** | **380** |  |
| **Totals** | **$81,880** | **$81,880** |

PROBLEM 3.1B (Continued)

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| --- | --- | --- | --- |
| **(c) ROOK MEDICAL** | | | |
| **Income Statement** | | |
| **For the Month Ended March 31, XXXX** | | |
| **Service revenue** |  | **$19,300** |
| **Expenses:** |  |  |
| **Salaries and wages expense** | **$2,500** |  |
| **Rent expense** | **1,500** |  |
| **Office expense** | **910** |  |
| **Supplies expense** | **695** |  |
| **Depreciation expense** | **380** |  |
| **Total expenses** |  | **5,985** |
| **Net income** |  | **$13,315a** |

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| --- | --- | --- |
| **ROOK MEDICAL** | | |
| **Statement of Owners’ Equity** | | |
| **For the Month Ended March 31, XXXX** | | |
| **Owner’s Capital, March 1** |  | **$50,000** |
| **Add: Net income for March** |  | **13,315a** |
|  |  | **63,315** |
| **Less: Withdrawal by owner** |  | **(3,000)** |
| **Owner’s Capital, March 31** |  | **$60,315b** |

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| **ROOK MEDICAL** | | | | |
| **Balance Sheet** | | | | |
| **March 31, XXXX** | | | | |
| **Assets** | |  | **Liabilities and Owners’ Equity** | |
| **Cash** | **$36,775** |  | **Accounts payable** | **$15,200** |
| **Accounts receivable** | **15,850** |  | **Owner’s Capital** | **60,315b** |
| **Supplies** | **470** |  |  |  |
| **Equipment** | **22,800** |  |  |  |
| **Accum. depreciation—**  **equipment** | **(380)** |  | **Total liabilities and** |  |
| **Total assets** | **$75,515** |  | **owners’ equity** | **$75,515** |

**PROBLEM 3.1B (Continued)**

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| --- | --- | --- | --- |
| **(e) ROOK MEDICAL** | | | |
| **Post-Closing Trial Balance** | | |
| **March 31, XXXX** | | |
|  | **Debit** | **Credit** |
| **Cash** | **$36,775** |  |
| **Accounts Receivable** | **15,850** |  |
| **Supplies** | **470** |  |
| **Equipment** | **22,800** |  |
| **Accumulated Depreciation—Equipment** |  | **$ 380** |
| **Accounts Payable** |  | **15,200** |
| **Owner’s Capital** |  | **60,315** |
| **Totals** | **$75,895** | **$75,895** |

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|  | **PROBLEM 3.2B** |  |

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| --- | --- | --- | --- | --- |
| **(a)** | **Dec. 31** | **Accounts Receivable ($7,250 - $6,500)** | **750** |  |
|  |  | **Service Revenue** |  | **750** |
|  |  |  |  |  |
|  | **31** | **Unearned Service Revenue ($1,100 - $250)** | **850** |  |
|  |  | **Service Revenue** |  | **850** |
|  |  |  |  |  |
|  | **31** | **Supplies Expense** | **2,800** |  |
|  |  | **Supplies ($3,600 - $800)** |  | **2,800** |
|  |  |  |  |  |
|  | **31** | **Depreciation Expense** | **3,000** |  |
|  |  | **Accumulated Depreciation—**  **Equipment ($15,000 - $12,000)** |  | **3,000** |
|  |  |  |  |  |
|  | **31** | **Interest Expense ($600 - $0)** | **600** |  |
|  |  | **Interest Payable** |  | **600** |
|  |  |  |  |  |
|  | **31** | **Insurance Expense** | **1,200** |  |
|  |  | **Prepaid Insurance ($2,000 - $800)** |  | **1,200** |
|  |  |  |  |  |
|  | **31** | **Salaries and Wages Expense**  **($27,850 - $26,000)** | **1,850** |  |
|  |  | **Salaries and Wages Payable** |  | **1,850** |

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| **(b) PALM TRAVEL AGENCY** | | | |
| **Income Statement** | | |
| **For the Year Ended December 31, 2020** | | |
| **Revenues** |  |  |
| **Service revenue** |  | **$47,700** |
| **Expenses** |  |  |
| **Salaries and wages expense** | **$27,850** |  |
| **Depreciation expense** | **3,000** |  |
| **Supplies expense** | **2,800** |  |
| **Rent expense** | **2,000** |  |
| **Insurance expense** | **1,200** |  |
| **Interest expense** | **600** |  |
| **Total expenses** |  | **37,450** |
| **Net income** |  | **$10,250a** |

**PROBLEM 3.2B (Continued)**

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| **PALM TRAVEL AGENCY** | |
| **Statement of Retained Earnings** | |
| **For the Year Ended December 31, 2020** | |
| **Retained earnings, January 1** | **$ 13,800** |
| **Add: Net income** | **10,250a** |
| **Retained earnings, December 31** | **$24,050b** |

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| **PALM TRAVEL AGENCY**  **Balance Sheet**  **December 31, 2020** | | | |
| **Assets** | | | |
| **Cash** |  | | **$16,500** |
| **Accounts receivable** |  | | **7,250** |
| **Supplies** |  | | **800** |
| **Prepaid insurance** |  | | **800** |
| **Equipment** | **$30,000** | |  |
| **Less: Accumulated depreciation—equipment** | **(15,000)** | | **15,000** |
| **Total assets** |  | | **$40,350** |
|  |  | |  |
| **Liabilities and Stockholders’ Equity** | | | |
| **Liabilities** | |  |  |
| **Notes payable** | | **$ 10,000** |  |
| **Accounts payable** | | **2,600** |  |
| **Salaries and wages payable** | | **1,850** |  |
| **Unearned service revenue** | | **250** |  |
| **Interest payable** | | **600** |  |
| **Total liabilities** | |  | **15,300** |
| **Stockholders’ equity** | |  |  |
| **Common stock** | | **1,000** |  |
| **Retained earnings** | | **24,050b** | **25,050** |
| **Total liabilities and stockholders’  equity** | |  | **$40,350** |

**(c) 1. Interest is $100 per month or 1% of the note payable. 1% X 12 = 12% interest per year.**

**2. Salaries and Wages Expense, $27,850 less Salaries and Wages Payable 12/31/20, $1,850 = $26,000. Total Payments, $27,200 – $26,000 = $1,200 Salaries and Wages Payable 12/31/19.**

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|  | **PROBLEM 3.3B** |  |

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| **1.** | **Dec. 31** | **Salaries and Wages Expense** | **3,750** |  |
|  |  | **Salaries and Wages Payable** |  | **3,750** |
|  |  | **(5 X $850 X 3/5) = $2,550** |  |  |
|  |  | **(4 X $500 X 3/5) = 1,200** |  |  |
|  |  | **Total accrued salaries $3,750** |  |  |
|  |  |  |  |  |
| **2.** | **31** | **Unearned Rent Revenue** | **102,000** |  |
|  |  | **Rent Revenue** |  | **102,000** |
|  |  | **(2 X $8,000 X 3) = $48,000** |  |  |
|  |  | **(1 X $10,000 X 2) = 20,000** |  |  |
|  |  | **(4 X $8,500 X 1) = 34,000** |  |  |
|  |  | **Total rent earned $102,000** |  |  |
|  |  |  |  |  |
| **3.** | **31** | **Advertising Expense** | **6,600** |  |
|  |  | **Prepaid Advertising** |  | **6,600** |
|  |  | **(J5K – $500 ($6,000 ÷ 12)** |  |  |
|  |  | **per month for 6 months) = $3,000** |  |  |
|  |  | **(K56 – $700 ($8,400 ÷12)** |  |  |
|  |  | **per month for 3 months) = 2,100** |  |  |
|  |  | **(L76H – $1,500 ($9,000 ÷ 6)** |  |  |
|  |  | **per month for 1 months) = 1,500** |  |  |
|  |  | **Total advertising expense $6,600** |  |  |
|  |  |  |  |  |
| **4.** | **31** | **Interest Expense** | **3,600** |  |
|  |  | **Interest Payable** |  |  |
|  |  | **($108,000 X 10% X 4/12)** |  | **3,600** |

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|  | **PROBLEM 3.4B** |  |

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| **(a)** | **June 30** | **Supplies Expense ($5,600 – $2,200)** | **3,400a** |  |
|  |  | **Supplies** |  | **3,400b** |
|  |  |  |  |  |
|  | **30** | **Depreciation Expense** | **6,800c** |  |
|  |  | **Accumulated Depreciation—  Equipment** |  | **6,800d** |
|  |  |  |  |  |
|  | **30** | **Interest Expense** | **3,800e** |  |
|  |  | **Interest Payable** |  | **3,800f** |
|  |  |  |  |  |
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**PROBLEM 3.4B (Continued)**

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| **(b) ORANGE CENTER** | | | | |
| **Adjusted Trial Balance** | | | |
| **June 30, 2020** | | | |
|  | **Dr.** |  | **Cr.** |
| **Cash** | **$ 6,800** |  |  |
| **Accounts Receivable** | **49,800** |  |  |
| **Inventory** | **56,950** |  |  |
| **Supplies ($5,600 - $3,400b)** | **2,200** |  |  |
| **Equipment** | **62,000** |  |  |
| **Accumulated Depr.— Equipment**  **($20,000 + $6,800d)** |  |  | **$ 26,800** |
| **Notes Payable** |  |  | **41,000** |
| **Accounts Payable** |  |  | **32,500** |
| **Interest Payable ($0 + $3,800f)** |  |  | **3,800** |
| **Common Stock** |  |  | **1,000** |
| **Retained Earnings** |  |  | **61,700f** |
| **Sales** |  |  | **506,800** |
| **Sales Returns and Allowances** | **13,000** |  |  |
| **Cost of Goods Sold** | **246,900** |  |  |
| **Salaries and Wages Expense** | **125,650** |  |  |
| **Advertising Expense** | **36,000** |  |  |
| **Utilities Expense** | **6,890** |  |  |
| **Maintenance and Repairs Expense** | **9,810** |  |  |
| **Freight-Out** | **16,800** |  |  |
| **Rent Expense** | **26,800** |  |  |
| **Supplies Expense ($0 + $3,400a)** | **3,400** |  |  |
| **Depreciation Expense ($0 + $6,800c)** | **6,800** |  |  |
| **Interest Expense ($0 + $3,800e)** | **3,800** |  |  |
| **Totals** | **$ 673,600** |  | **$ 673,600** |

**PROBLEM 3.4B (Continued)**

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| --- | --- | --- | --- | --- |
| **(c) ORANGE CENTER** | | | | |
| **Income Statement** | | | |
| **For the Year Ended June 30, 2020** | | | |
| **Sales revenue** |  |  |  |
| **Sales** |  |  | **$506,800** |
| **Less: Sales returns and**  **allowances** |  |  | **(13,000)** |
| **Net sales** |  |  | **493,800** |
| **Cost of goods sold** |  |  | **246,900** |
| **Gross profit** |  |  | **246,900** |
| **Operating expenses** |  |  |  |
| **Selling expenses** |  |  |  |
| **Salaries and wages expense** |  |  |  |
| **($125,650 X 60%)** | **$75,390** |  |  |
| **Advertising expense** | **36,000** |  |  |
| **Rent expense** |  |  |  |
| **($26,800 X 70%)** | **18,760** |  |  |
| **Freight Out** | **16,800** |  |  |
| **Depreciation Expense** | **6,800** |  |  |
| **Utilities expense** |  |  |  |
| **($6,890 X 70%)** | **4,823** |  |  |
| **Supplies expense** | **3,400** |  |  |
| **Total selling expenses** |  | **$161,973** |  |
| **Administrative expenses** |  |  |  |
| **Salaries and wages expense** |  |  |  |
| **($125,650 X 40%)** | **50,260** |  |  |
| **Maintenance and Repairs      Expense** | **9,810** |  |  |
| **Rent expense** |  |  |  |
| **($26,800 X 30%)** | **8,040** |  |  |
| **Utilities expense** |  |  |  |
| **($6,890 X 30%)** | **2,067** |  |  |
| **Total admin. expenses** |  | **70,177** |  |
| **Total oper. expenses** |  |  | **232,150** |
| **Income from operations** |  |  | **14,750** |
| **Other expenses and losses** |  |  |  |
| **Interest expense** |  |  | **3,800** |
| **Net income** |  |  | **$ 10,950a** |

**PROBLEM 3.4B (Continued)**

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| **ORANGE CENTER** | |
| **Retained Earnings Statement** | |
| **For the Year Ended June 30, 2020** | |
| **Retained earnings, July 1, 2019** | **$ 61,700** |
| **Less: Net income** | **10,950a** |
| **Retained earnings, June 30, 2020** | **$ 72,650b** |

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| **ORANGE CENTER**  **Balance Sheet**  **June 30, 2020** | | | | | |
| **Assets** | | | | | |
| **Current assets** | |  |  |  | |
| **Cash** | |  | **$ 6,800** |  | |
| **Accounts receivable** | |  | **49,800** |  | |
| **Inventory** | |  | **56,950** |  | |
| **Supplies** | |  | **2,200** |  | |
| **Total current assets** | |  |  | **$115,750** | |
| **Property, plant, and equipment** | |  |  |  | |
| **Equipment** | |  | **62,000** |  | |
| **Accumulated depreciation—**  **equipment** | |  | **(26,800)** | **35,200** | |
| **Total assets** | |  |  | **$150,950** | |
| **Liabilities and Stockholders’ Equity** | | | | | |
| **Current liabilities** |  |  | | |  |
| **Notes payable due next year** | | **$10,000\*** | | |  |
| **Accounts payable** | | **32,500** | | |  |
| **Interest payable** | | **3,800** | | |  |
| **Total current liabilities** | |  | | | **$ 46,300** |
| **Long-term liabilities** | |  | | |  |
| **Notes payable ($41,000 - $10,000\*)** | |  | | | **31,000** |
| **Total liabilities** | |  | | | **77,300** |
| **Stockholders’ equity** |  |  | | |  |
| **Common stock** | | **1,000** | | |  |
| **Retained earnings** | | **72,650b** | | | **73,650** |
| **Total liabilities and stockholders’       equity** | |  | | | **$150,950** |

**PROBLEM 3.4B (Continued)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **(d)** | **June 30** | **Sales Revenue** | **506,800** |  |
|  |  | **Income Summary** |  | **506,800c** |
|  |  |  |  |  |
|  | **30** | **Income Summary** | **495,850d** |  |
|  |  | **Sales Returns and Allowances** |  | **13,000** |
|  |  | **Cost of Goods Sold** |  | **246,900** |
|  |  | **Salaries and Wages Expense** |  | **125,650** |
|  |  | **Advertising Expense** |  | **36,000** |
|  |  | **Utilities Expense** |  | **6,890** |
|  |  | **Maintenance and Repair Expense** |  | **9,810** |
|  |  | **Freight Out** |  | **16,800** |
|  |  | **Rent Expense** |  | **26,800** |
|  |  | **Supplies Expense** |  | **3,400** |
|  |  | **Depreciation Expense** |  | **6,800** |
|  |  | **Interest Expense** |  | **3,800** |
|  |  |  |  |  |
|  | **30** | **Income Summary (506,800c - 495,850d)** | **10,950** |  |
|  |  | **Retained Earnings** |  | **10,950e** |
|  |  |  |  |  |

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| **(e) ORANGE CENTER** | | | |
| **Post-Closing Trial Balance** | | |
| **June 30, 2020** | | |
|  | **Debit** | **Credit** |
| **Cash** | **$ 6,800** |  |
| **Accounts Receivable** | **49,800** |  |
| **Inventory** | **56,950** |  |
| **Supplies** | **2,200** |  |
| **Equipment** | **62,000** |  |
| **Accumulated Depreciation—Equipment** |  | **$ 26,800** |
| **Notes Payable** |  | **41,000** |
| **Accounts Payable** |  | **32,500** |
| **Interest Payable** |  | **3,800** |
| **Common Stock** |  | **1,000** |
| **Retained Earnings ($61,700f + $10,950e)** |  | **72,650b** |
|  | **$177,750** | **$177,750** |

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|  | **PROBLEM 3.5B** |  |

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| **(a)** | **-1-** | | | |
| **Dec. 31** | **Depreciation Expense** | **20,000** |  | |
|  | **Accumulated Depr.—Equipment** |  |  | |
|  | **([$268,000 – $28,000] ÷ 12)** |  | **20,000** | |
|  |  |  |  | |
|  | **-2-** | | | |
| **31** | **Interest Expense** | **7,200a** |  | |
|  | **Interest Payable** |  |  |
|  | **($160,000 X 12% X 135/360) \*** |  | **7,200** |
|  |  |  |  |
|  | **-3-** | | |
| **31** | **Admissions Revenue** | **125,000b** |  |
|  | **Unearned Admissions Revenue** |  |  |
|  | **(5,000 X $25)** |  | **125,000** |
|  |  |  |  |
|  | **-4-** | | |
| **31** | **Prepaid Advertising** | **4,500** |  |
|  | **Advertising Expense** |  | **4,500c** |
|  |  |  |  |
|  | **-5-** | | |
| **31** | **Salaries and Wages Expense** | **9,200d** |  |
|  | **Salaries and Wages Payable** |  | **9,200** |
|  |  |  |  |

**(b) 1. Interest expense, $9,200 ($2,000 + $7,200a).**

**2. Admissions revenue, $555,000 ($680,000 – $125,000b).**

**3. Advertising expense, $52,080 ($56,580 – $4,500c).**

**4. Salaries and wages expense, $177,200 ($168,000 + $9,200d).**

**\*Note to instructor: If 30-day months are assumed, interest expense = $7,040 ($160,000 X 12% X 132/360).**

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|  | **PROBLEM 3.6B** |  |

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| **(a)** | **-1-** | | |
| **Dec. 31** | **Service Revenue** | **9,000a** |  |
|  | **Unearned Service Revenue** |  | **9,000** |
|  |  |  |  |
|  | **-2-** | | |
| **31** | **Accounts Receivable** | **12,600j** |  |
|  | **Service Revenue** |  | **12,600b** |
|  |  |  |  |
|  | **-3-** | | |
| **31** | **Bad Debt Expense** | **3,650** |  |
|  | **Allowance for Doubtful Accounts** |  | **3,650h** |
|  |  |  |  |
|  | **-4-** | | |
| **31** | **Insurance Expense** | **2,100** |  |
|  | **Prepaid Insurance** |  | **2,100k** |
|  |  |  |  |
|  | **-5-** | | |
| **31** | **Depreciation Expense** | **4,300** |  |
|  | **Accumulated Depreciation—Equipment** |  |  |
|  | **($43,000 X 10%)** |  | **4,300i** |
|  |  |  |  |
|  | **-6-** | | |
| **31** | **Interest Expense** | **500** |  |
|  | **Interest Payable** |  |  |
|  | **($50,000 X 12% X 30/360)** |  | **500** |
|  |  |  |  |
|  | **-7-** | | |
| **31** | **Prepaid Rent (2 x $3,000)** | **6,000** |  |
|  | **Rent Expense** |  | **6,000d** |
|  |  |  |  |
|  | **-8-** | | |
| **31** | **Salaries and Wages Expense** | **2,650c** |  |
|  | **Salaries and Wages Payable** |  | **2,650** |

**PROBLEM 3.6B (Continued)**

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| **(b) GATOR CONSULTING** | | | | |
| **Income Statement** | | | |
| **For the Year Ended December 31, 2020** | | | |
| **Service revenue ($427,500 – $9,000a + $12,600b)** |  |  | **$431,100** |
| **Expenses** |  |  |  |
| **Salaries and wages expense   ($256,800 + $2,650c)** |  | **$259,450** |  |
| **Rent expense ($42,000 – $6,000d)** |  | **36,000** |  |
| **Office expense** |  | **26,900** |  |
| **Utilities expense** |  | **16,800** |  |
| **Depreciation expense** |  | **4,300** |  |
| **Bad debt expense** |  | **3,650** |  |
| **Insurance expense** |  | **2,100** |  |
| **Interest expense** |  | **500** |  |
| **Total expenses** |  |  | **349,700** |
| **Net income** |  |  | **$ 81,400e** |

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| **GATOR CONSULTING** | |
| **Statement of Owners’ Equity** | |
| **For the Year Ended December 31, 2020** | |
| **Onwer’s Capital, January 1** | **$ 43,250f** |
| **Add: Net income** | **81,400e** |
| **Less: Withdrawals** | **(25,000)** |
| **Owner’s Capital, December 31** | **$ 99,650g** |

**fOwner’s Capital—trial balance $ 18,250**

**Withdrawals during the year 25,000**

**Owner’s Capital, as of January 1, 2020 $ 43,250**

**PROBLEM 3.6B (Continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **GATOR CONSULTING**  **Balance Sheet**  **December 31, 2020** | | | | | |
| **Assets** | | | | | |
| **Current assets** |  | |  |  | |
| **Cash** |  | | **$21,600** |  | |
| **Accounts receivable**  **($85,600 + $12,600j)** | **$98,200** | |  |  | |
| **Less: Allowance for   doubtful accounts** | **(5,250)\*** | | **92,950** |  | |
| **Supplies** |  | | **12,600** |  | |
| **Prepaid insurance**  **($2,800 – $2,100k)** |  | | **700** |  | |
| **Prepaid rent** |  | | **6,000** |  | |
| **Total current assets** |  | |  | **$ 133,850** | |
| **Equipment** |  | | **43,000** |  | |
| **Less: Accumulated depreciation** |  | **(15,050)\*\*** | | | **27,950** |
| **Total assets** |  | |  | **$161,800** | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities and Owners’ Equity** | | | |
| **Current liabilities** |  |  |  |
| **Notes payable** |  | **$50,000** |  |
| **Unearned service revenue** |  | **9,000** |  |
| **Salaries and wages payable** |  | **2,650** |  |
| **Interest payable** |  | **500** | **$ 62,150** |
|  |  |  |  |
| **Owner’s Capital** |  |  | **99,650g** |
| **Total liabilities and owners’ equity .** |  | | **$161,800** |

**\*($1,600 + $3,650h)**

**\*\*($10,750 + $4,300i)**

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|  | **PROBLEM 3.7B** |  |

(a)

|  |  |  |  |
| --- | --- | --- | --- |
| **Jun. 30** | **Accounts Receivable ($7,200 - $6,500)** | **700** |  |
|  | **Service Revenue** |  | **700** |
|  |  |  |  |
| **30** | **Rent Expense** | **600** |  |
|  | **Prepaid Rent ($600 - $0)** |  | **600** |
|  |  |  |  |
| **30** | **Supplies Expense** | **750** |  |
|  | **Supplies ($1,600 - $850)** |  | **750** |
|  |  |  |  |
| **30** | **Depreciation Expense** | **650** |  |
|  | **Accumulated Depreciation—Equipment** |  | **650** |
|  |  |  |  |
| **30** | **Interest Expense ($500 - $0)** | **500** |  |
|  | **Interest Payable** |  | **500** |
|  |  |  |  |
| **30** | **Unearned Rent Revenue ($2,000 - $600)** | **1,400** |  |
|  | **Rent Revenue** |  | **1,400** |
|  |  |  |  |
| **30** | **Salaries and Wages Expense ($21,700 - $20,100)** | **1,600** |  |
|  | **Salaries and Wages Payable** |  | **1,600** |

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| **(b) AUSTIN SPORTS INC.** | | | | |
| **Income Statement** | | | |
| **For the Quarter Ended June 30, 2020** | | | |
| **Revenues** |  |  |  |
| **Service revenue** |  | **$36,150** |  |
| **Rent revenue** |  | **2,600** |  |
| **Total revenue** |  |  | **$38,750** |
| **Expenses** |  |  |  |
| **Salaries and wages expense** |  | **21,700** |  |
| **Rent expense** |  | **2,200** |  |
| **Utilities expense** |  | **950** |  |
| **Supplies expense** |  | **750** |  |
| **Depreciation expense** |  | **650** |  |
| **Interest expense** |  | **500c** |  |
| **Total expenses** |  |  | **26,750** |
| **Net income** |  |  | **$ 12,000a** |

**PROBLEM 3.7B (Continued)**

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| --- | --- |
| **AUSTIN SPORTS INC.** | |
| **Retained Earnings Statement** | |
| **For the Quarter Ended June 30, 2020** | |
| **Retained earnings, April 1** | **$ 0** |
| **Add: Net income** | **12,000a** |
| **Less: Dividends** | **(500)** |
| **Retained earnings, June 30** | **$11,500b** |

|  |  |  |  |  |
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| **AUSTIN SPORTS INC.**  **Balance Sheet**  **June 30, 2020** | | | | |
| **Assets** | | | | |
| **Current assets** |  |  |  | |
| **Cash** |  | **$12,500** |  | |
| **Accounts receivable** |  | **7,200** |  | |
| **Supplies** |  | **850** |  | |
| **Total current assets** |  |  | **$ 20,550** | |
| **Equipment** |  | **26,000** |  | |
| **Less: Accumulated depreciation** |  | **(650)** | | **25,350** |
| **Total assets** |  |  | **$45,900** | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities and Stockholders’ Equity** | | | |
| **Current liabilities** |  |  |  |
| **Notes payable** |  | **$20,000e** |  |
| **Accounts payable** |  | **1,200** |  |
| **Salaries and wages payable** |  | **1,600** |  |
| **Unearned rent revenue** |  | **600** |  |
| **Interest payable** |  | **500** | **$ 23,900** |
|  |  |  |  |
| **Stockholders’ Equity** |  |  |  |
| **Common stock** |  | **10,500** |  |
| **Retained earnings** |  | **11,500b** |  |
| **Total stockholders’ equity** |  |  | **22,000** |
| **Total liabilities and**  **stockholders’ equity** |  | | **$45,900** |

PROBLEM 3.7B (Continued)

(c) Assuming accounts are closed each quarter, the following accounts would be closed: Service Revenue, Rent Revenue, Salaries and Wages Expense, Rent Expense, Utilities Expense, Depreciation Expense, Supplies Expense, Interest Expense, Dividends.

(d) Interest of 10% per year equals a monthly rate of 0.833% (10%/12); monthly interest is $166.67d ($20,000e X 0.833%). Since total interest expense is $500c, the note has been outstanding three months ($500c/$166.67d = 3 months).

|  |  |  |
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|  | **PROBLEM 3.8B** |  |

(a)

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| **Dec. 31** | **Accounts Receivable ($26,100 - $22,600)** | **3,500** |  |
|  | **Service Revenue** |  | **3,500** |
|  |  |  |  |
| **31** | **Supplies Expense** | **1,850** |  |
|  | **Supplies ($3,650 - $1,800)** |  | **1,850** |
|  |  |  |  |
| **31** | **Insurance Expense** | **1,300** |  |
|  | **Prepaid Insurance ($2,400 - $$,100)** |  | **1,300** |
|  |  |  |  |
| **31** | **Depreciation Expense ($5,700 - $0)** | **5,700** |  |
|  | **Accumulated Depreciation—Equipment** |  | **5,700** |
|  |  |  |  |
| **31** | **Interest Expense ($1,350 - $0)** | **1,350** |  |
|  | **Interest Payable** |  | **1,350** |
|  |  |  |  |
| **31** | **Unearned Service Revenue ($3,600 - $2,100)** | **1,500** |  |
|  | **Service Revenue** |  | **1,500** |
|  |  |  |  |
| **31** | **Salaries and Wages Expense ($48,250 - $46,950)** | **1,300** |  |
|  | **Salaries and Wages Payable** |  | **1,300** |

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| **(b)** | **BALTIC TRAVEL AGENCY**  **Income Statement**  **For the Year Ended December 31, 2020** | | |
|  | **Revenues** |  |  |
|  | **Service revenue** |  | **$90,200** |
|  | **Expenses** |  |  |
|  | **Salaries and wages expense** | **$48,250** |  |
|  | **Rent expense** | **12,500** |  |
|  | **Depreciation expense** | **5,700** |  |
|  | **Supplies expense** | **1,850** |  |
|  | **Insurance expense** | **1,300** |  |
|  | **Interest expense** | **1,350c** |  |
|  | **Total expenses** |  | **70,950** |
|  | **Net income** |  | **$19,250a** |

**PROBLEM 3.8B (Continued)**

|  |  |
| --- | --- |
| **BALTIC TRAVEL AGENCY** | |
| **Retained Earnings Statement** | |
| **For the Year Ended December 31, 2020** | |
| **Retained earnings, January 1** | **$ 6,400** |
| **Add: Net income** | **19,250a** |
| **Less: Dividends** | **(6,000)** |
| **Retained earnings, December 31** | **$19,650b** |

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| --- | --- | --- | --- | --- |
| **BALTIC TRAVEL AGENCY**  **Balance Sheet**  **December 31, 2020** | | | | |
| **Assets** | | | | |
| **Current assets** |  |  |  | |
| **Cash** | | **$6,500** |  | |
| **Accounts receivable** | | **26,100** |  | |
| **Supplies** | | **1,800** |  | |
| **Prepaid insurance** | | **1,100** |  | |
| **Total current assets** | |  | **$35,500** | |
| **Equipment** | | **36,900** |  | |
| **Less: Accumulated depreciation** | | **(21,500)** | | **15,400** |
| **Total assets** | |  | **$50,900** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Liabilities and Stockholders’ Equity** | | | | |
| **Current liabilities** |  | |  |  |
| **Notes payable** | | | **$15,000d** |  |
| **Accounts payable** | | | **1,500** |  |
| **Unearned service revenue** | | | **2,100** |  |
| **Salaries and wages payable** | | | **1,300** |  |
| **Interest payable** | | | **1,350** | **$ 21,250** |
|  |  | |  |  |
| **Stockholders’ Equity** |  | |  |  |
| **Common stock** | | | **10,000** |  |
| **Retained earnings** | | | **19,650b** |  |
| Total stockholders’ equity | | |  | **29,650** |
| **Total liabilities and**  **stockholders’ equity** | |  | | **$50,900** |

**PROBLEM 3.8B (Continued)**

(c) Service Revenue, Salaries and Wages Expense, Depreciation Expense, Rent Expense, Supplies Expense, Insurance Expense, Interest Expense, Dividends.

(d) Interest is $150e per month ($1,350c ÷ 9) or 1.0% of the note payable ($150e ÷ $15,000d). 1.0% X 12 = 12% interest per year.

(e) Salaries and Wages Expense, $48,250, less Salaries and Wages Payable 12/31/20, $1,300 = $46,950. Total payments, $48,000 – $46,950 = $1,050 Salaries Payable 12/31/19.

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|  | **PROBLEM 3.9B** |  |

**(a), (b), (d)**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash** | | | | |  | **Prepaid Insurance** | | | |  | **Salaries and Wages Expense** | | | |
| **Bal.** | **9,500** |  |  | |  | **Bal.** | **4,850** | **Adj.** | **3,000** |  | **Bal.** | **165,000** | **Close** | **169,600** |
|  |  |  |  | |  |  | **1,850** |  |  |  | **Adj.** | **4,600** |  |  |
|  |  |  |  | |  |  |  |  |  |  |  | **169,600** |  | **169,600** |
|  |  |  |  | |  | **Equipment** | | | |  |  |  |  |  |
|  |  |  |  | |  | **Bal.** | **261,000** |  |  |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Accounts Receivable** | | | | |  | **Retained Earnings** | | | |  | **Maintenance and Repairs Expense** | | | |
| **Bal.** | **23,500** |  |  | |  |  |  | **Bal.** | **200,900** |  | **Bal.** | **95,000** | **Close** | **95,000** |
|  |  |  |  | |  |  |  | **Inc.** | **244,300** |  |  |  |  |  |
|  |  |  |  | |  |  |  |  | **345,200** |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Allow. for Doubtful Accts.** | | | | |  | **Dues Revenue** | | | |  | **Depr. Expense** | | | |
|  |  | **Bal.** | **3,800** | |  | **Adj.** | **16,600** | **Bal.** | **489,600** |  | **Adj.** | **18,300** | **Close** | **44,400** |
|  |  | **Adj.** | **900** | |  | **Cls.** | **473,000** |  |  |  | **Adj.** | **26,100** |  |  |
|  |  |  | **4,700** | |  |  | **489,600** |  | **489,600** |  |  | **44,400** |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Land** | | | | |  | **Green Fees Revenue** | | | |  |  | | | |
| **Bal.** | **650,000** |  |  | |  | **Close** | **121,000** | **Bal.** | **121,000** |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Buildings** | | | | |  | **Rent Revenue** | | | |  | **Accum. Depr.—Equipment** | | | |
| **Bal.** | **549,000** |  |  | |  | **Close** | **28,800** | **Bal.** | **26,400** |  |  |  | **Bal.** | **121,850** |
|  |  |  |  | |  |  |  | **Adj.** | **2,400** |  |  |  | **Adj.** | **26,100** |
|  |  |  |  | |  |  | **28,800** |  | **28,800** |  |  |  |  | **147,950** |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Accum. Depr.—Buildings** | | | | |  | **Utilities Expense** | | | |  | **Insurance Expense** | | | |
|  |  | **Bal.** | **59,900** | |  | **Bal.** | **65,600** | **Close** | **65,600** |  | **Adj.** | **3,000** | **Close** | **3,000** |
|  |  | **Adj.** | **18,300** | |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **78,200** | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Rent Receivable** | | | | |  | **Bad Debt Expense** | | | |  | **Income Summary** | | | |
| **Adj.** | **$2,400** |  | |  |  | **Adj.** | **900** | **Close** | **900** |  | **Exp.** | **378,500** | **Rev.** | **622,800** |
|  |  |  | |  |  |  |  |  |  |  | **Inc.** | **244,300** |  |  |
|  |  |  | |  |  |  |  |  |  |  |  | **622,800** |  | **622,800** |

**PROBLEM 3.9B (Continued)**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Salaries and Wages Payable** | | | |  | **Unearned Dues Revenue** | | | |  |
|  |  | **Adj.** | **4,600** |  |  |  | **Adj.** | **16,600** |  |
|  |  |  |  |  |  |  |  |  |  |
| **Common Stock** | | | |  |  |  |  |  |  |
|  |  | **Bal.** | **800,000** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **(b)** | **-1-** | | |
| **Dec. 31** | **Depreciation Expense** | **18,300** |  |
|  | **Accumulated Depreciation—Buildings** |  |  |
|  | **($549,000 ÷ 30)** |  | **18,300** |
|  |  |  |  |
|  | **-2-** | | |
| **31** | **Depreciation Expense** | **26,100** |  |
|  | **Accumulated Depreciation—Equipment** |  |  |
|  | **(10% X $261,000)** |  | **26,100** |
|  |  |  |  |
|  | **-3-** | | |
| **31** | **Insurance Expense** | **3,000** |  |
|  | **Prepaid Insurance** |  | **3,000** |
|  |  |  |  |
|  | **-4-** | | |
| **31** | **Rent Receivable** | **2,400** |  |
|  | **Rent Revenue ($26,400 ÷ 11)…………..** |  | **2,400** |
|  |  |  |  |
|  | **-5-** | | |
| **31** | **Bad Debt Expense** | **900** |  |
|  | **Allowance for Doubtful Accounts** |  |  |
|  | **[($23,500 X 20%) – $3,800]** |  | **900** |
|  |  |  |  |
|  | **-6-** | | |
| **31** | **Salaries and Wages Expense** | **4,600** |  |
|  | **Salaries and Wages Payable** |  | **4,600** |
|  |  |  |  |
|  | **-7-** | | |
| **31** | **Dues Revenue** | **16,600** |  |
|  | **Unearned Dues Revenue** |  | **16,600** |

PROBLEM 3.9B (Continued)

|  |  |  |  |
| --- | --- | --- | --- |
| **(c) ALI GOLF AND TENNIS CLUB, INC.** | | | |
| **Adjusted Trial Balance** | | |
| **December 31, XXXX** | | |
|  | **Dr.** | **Cr.** |
| **Cash** | **$ 9,500** |  |
| **Accounts Receivable** | **23,500** |  |
| **Allowance for Doubtful Accounts** |  | **$ 4,700** |
| **Rent Receivable** | **2,400** |  |
| **Prepaid Insurance** | **1,850** |  |
| **Land** | **650,000** |  |
| **Buildings** | **549,000** |  |
| **Accum. Depreciation—Buildings** |  | **78,200** |
| **Equipment** | **261,000** |  |
| **Accum. Depreciation—Equipment** |  | **147,950** |
| **Salaries and Wages Payable** |  | **4,600** |
| **Unearned Dues Revenue** |  | **16,600** |
| **Common Stock** |  | **800,000** |
| **Retained Earnings** |  | **200,900** |
| **Dues Revenue** |  | **473,000** |
| **Green Fees Revenue** |  | **121,000** |
| **Rent Revenue** |  | **28,800** |
| **Utilities Expense** | **65,600** |  |
| **Salaries and Wages Expense** | **169,600** |  |
| **Maintenance and Repairs Expenses** | **95,000** |  |
| **Bad Debt Expense** | **900** |  |
| **Depreciation Expense** | **44,400** |  |
| **Insurance Expense** | **3,000** |  |
| **Totals** | **$1,875,750** | **$1,875,750** |

**PROBLEM 3.9B (Continued)**

|  |  |  |  |
| --- | --- | --- | --- |
| **(d)** | **-Dec. 31-** | | |
|  | **Dues Revenue** | **473,000** |  |
|  | **Green Fees Revenue** | **121,000** |  |
|  | **Rent Revenue** | **28,800** |  |
|  | **Income Summary** |  | **622,800a** |
|  |  |  |  |
|  | **-Dec. 31-** | | |
|  | **Income Summary** | **378,500b** |  |
|  | **Utilities Expense** |  | **65,600** |
|  | **Bad Debt Expense** |  | **900** |
|  | **Salaries and Wages Expense** |  | **169,600** |
|  | **Maintenance and Repairs Expense** |  | **95,000** |
|  | **Depreciation Expense** |  | **44,400** |
|  | **Insurance Expense** |  | **3,000** |
|  |  |  |  |
|  | **-Dec. 31-** | | |
|  | **Income Summary (622,800a - 378,500b)** | **244,300** |  |
|  | **Retained Earnings** |  | **244,300** |

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|  | **PROBLEM 3.10B** |  |

**(a), (b), (c)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash** | | | | |  | **Accounts Receivable** | | | |  | **Allow. for Doubtful Accts.** | | | |
| **Bal.** | **23,850** |  |  | |  | **Bal.** | **16,000** |  |  |  |  |  | **Bal.** | **600** |
|  |  |  |  | |  |  |  |  |  |  |  |  | **Adj.** | **1,600** |
|  |  |  |  | |  |  |  |  |  |  |  |  |  | **2,200** |
|  | | | | |  |  | | | |  |  | | | |
| **Inventory** | | | | |  | **Equipment** | | | |  | **Accum. Depr.—Equipment** | | | |
| **Bal.** | **73,600** |  |  | |  | **Bal.** | **60,000** |  |  |  |  |  | **Bal.** | **26,000** |
|  |  |  |  | |  |  |  |  |  |  |  |  | **Adj.** | **7,500** |
|  |  |  |  | |  |  |  |  |  |  |  |  |  | **33,500** |
|  | | | | |  |  | | | |  |  | | | |
| **Prepaid Insurance** | | | | |  | **Notes Payable** | | | |  | **Accounts Payable** | | | |
| **Bal.** | **5,200** | **Adj.** | **3,650** | |  |  |  | **Bal.** | **21,000** |  |  |  | **Bal.** | **18,400** |
|  | **1,550** |  |  | |  |  |  |  |  |  |  |  |  |  |
|  | | | | |  |  | | | |  |  | | | |
| **Common Stock** | | | | |  | **Sales Revenue** | | | |  | **Insurance Expense** | | | |
|  |  | **Bal.** | **10,000** | |  | **Cls.** | **397,300** | **Bal.** | **397,300** |  | **Adj.** | **3,650** | **Cls.** | **3,650** |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Salaries and Wages Expense (Sales)** | | | | |  | **Advertising Expense** | | | |  | **Salaries and Wages Expense (Administrative)** | | | |
| **Bal.** | **56,850** | **Cls.** | **59,600** | |  | **Bal.** | **26,700** | **Adj.** | **1,100** |  | **Bal.** | **79,300** | **Cls.** | **79,300** |
| **Adj.** | **2,750** |  |  | |  |  |  | **Cls.** | **25,600** |  |  |  |  |  |
|  | **59,600** |  | **59,600** | |  |  | **26,700** |  | **26,700** |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Bad Debt Expense** | | | | |  | **Supplies Expense** | | | |  | **Prepaid Advertising** | | | |
| **Adj.** | **1,600** | **Cls.** | **1,600** | |  | **Bal.** | **4,200** | **Adj.** | **900** |  | **Adj.** | **1,100** |  |  |
|  |  |  |  | |  |  |  | **Cls.** | **3,300** |  |  |  |  |  |
|  |  |  |  | |  |  | **4,200** |  | **4,200** |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Interest Payable** | | | | |  | **Depreciation Expense** | | | |  | **Income Summary** | | | |
|  |  | **Adj.** | | **2,050** |  | **Adj.** | **7,500** | **Cls.** | **7,500** |  | **Exp.** | **386,750** | **Rev.** | **397,300** |
|  |  |  | |  |  |  |  |  |  |  | **Inc.** | **10,550** |  |  |
|  |  |  |  | |  |  |  |  |  |  |  | **397,300** |  | **397,300** |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Supplies** | | | | |  | **Salaries and Wages Payable** | | | |  | **Interest Expense** | | | |
| **Adj.** | **900** |  | |  |  |  |  | **Adj.** | **2,750** |  | **Adj.** | **2,050** | **Cls.** | **2,050** |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| **Retained Earnings** | | | | |  | **Cost of Goods Sold** | | | |  |  | | | |
|  |  | **Bal.** | **76,550** | |  | **Bal.** | **204,150** | **Cls.** | **204,150** |  |  |  |  |  |
|  |  | **Inc.** | **10,550** | |  |  |  |  |  |  |  |  |  |  |
|  |  | **Bal.** | **87,100** | |  |  |  |  |  |  |  |  |  |  |

**PROBLEM 3.10B (Continued)**

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| **(b)** | **-1-** | | |
| **Dec. 31** | **Bad Debt Expense ($2,200 - $1,600)** | **1,600** |  |
|  | **Allowance for Doubtful Accounts** |  | **1,600** |
|  |  |  |  |
|  | **-2-** | | |
| **31** | **Depreciation Expense ($60,000 ÷ 8)** | **7,500** |  |
|  | **Accumulated Depreciation—Equipment** |  | **7,500** |
|  |  |  |  |
|  | **-3-** | | |
| **31** | **Insurance Expense** | **3,650** |  |
|  | **Prepaid Insurance** |  | **3,650** |
|  |  |  |  |
|  | **-4-** | | |
| **31** | **Interest Expense** | **2,050** |  |
|  | **Interest Payable** |  | **2,050** |
|  |  |  |  |
|  | **-5-** | | |
| **31** | **Salaries and Wages Expense (Sales)** | **2,750** |  |
|  | **Salaries and Wages Payable** |  | **2,750** |
|  |  |  |  |
|  | **-6-** | | |
| **31** | **Prepaid Advertising** | **1,100** |  |
|  | **Advertising Expense** |  | **1,100** |
|  |  | | |
|  | **-7-** | | |
| **31** | **Supplies** | **900** |  |
|  | **Supplies Expense** |  | **900** |
|  |  |  |  |

**PROBLEM 3.10B (Continued)**

|  |  |  |  |
| --- | --- | --- | --- |
| **(c)** | **- Dec. 31 -** | | |
|  | **Sales Revenue** | **397,300** |  |
|  | **Income Summary** |  | **397,300a** |
|  |  |  |  |
|  | **- Dec. 31 -** | | |
|  | **Income Summary** | **386,750b** |  |
|  | **Cost of Goods Sold** |  | **204,150** |
|  | **Advertising Expense** |  | **25,600** |
|  | **Salaries and Wages Expense (Admin.)** |  | **79,300** |
|  | **Salaries and Wages Expense (Sales)** |  | **59,600** |
|  | **Supplies Expense** |  | **3,300** |
|  | **Insurance Expense** |  | **3,650** |
|  | **Bad Debt Expense** |  | **1,600** |
|  | **Depreciation Expense** |  | **7,500** |
|  | **Interest Expense** |  | **2,050** |
|  |  |  |  |
|  | **- Dec. 31 -** | | |
|  | **Income Summary (397,300a - 386,750b)** | **10,550** |  |
|  | **Retained Earnings** |  | **10,550** |

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|  | **\*PROBLEM 3.11B** |  |

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| --- | --- | --- | --- | --- |
| **(a) LAMBCHOP REFRIGERATION SALES AND SERVICE** | | | | |
| **Income Statement** | | | |
| **For the Month Ended January 31, 2020** | | | |
|  | **(1)   Cash Basis** |  | **(2) Accrual Basis** |
| **Revenues** | **$ 19,250** |  | **$39,600a** |
|  |  |  |  |
| **Expenses** |  |  |  |
| **Cost of refrigerators:** |  |  |  |
| **Purchased and paid** | **33,000b** |  |  |
| **Cost of goods sold** |  |  | **19,800c** |
| **Salaries and wages** | **6,500d** |  | **10,600** |
| **Rent** | **9,300** |  | **3,100e** |
| **Other operating expenses** | **2,200** |  | **3,050** |
| **Total expenses** | **51,000** |  | **36,550** |
| **Net income (loss)** | **$(31,750)j** |  | **$3,050k** |

**a($3,100 X 6) + ($1,750 X 12)**

**b($1,500 X 10) + ($900 X 20)**

**c($1,500 X 6) + ($900 X 12)**

**d($10,600 – $4,100)**

**e($9,300 ÷ 3)**

**\*PROBLEM 3.11B (Continued)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **(b) LAMBCHOP REFRIGERATION SALES AND SERVICE** | | | | |
| **Balance Sheet** | | | |
| **As of January 31, 2020** | | | |
|  | **(1) Cash Basis** |  | **(2) Accrual Basis** |
| **Assets** |  |  |  |
| **Cash** | **$68,250f** |  | **$ 68,250f** |
| **Accounts receivable** |  |  | **20,350** |
| **Inventory** |  |  | **13,200g** |
| **Prepaid rent ($9,300 X 2/3)** |  |  | **6,200** |
| **Total assets** | **$68,250** |  | **$108,000** |
|  |  |  |  |
| **Liabilities and Owners’ Equity** |  |  |  |
| **Salaries and wages payable** |  |  | **$ 4,100** |
| **Accounts payable** |  |  | **850** |
| **Owners’ capital** | **$68,250h** |  | **103,050i** |
| **Total liabilities and owners’      equity** | **$68,250** |  | **$108,000** |

**fOriginal investment $ 100,000**

**Cash sales 19,250**

**Cash purchases (33,000)**

**Rent paid (9,300)**

**Salaries paid (6,500)**

**Other operating expenses (2,200)**

**Cash balance Jan. 31 $ 68,250**

**g(4 @ $1,500) + (8 @ $900).**

**hInitial investment minus net loss: $100,000 – $31,750j.**

**iInitial investment plus net income: $100,000 + $3,050k.**

**\*PROBLEM 3.11B (Continued)**

**(c) 1. The $20,350 in receivables from customers is an asset and a future cash flow resulting from sales that is ignored. The cash basis understates the amount of revenues and inflow of assets in January from the sale of deluxe and standard refrigerators by $20,350.**

**2. The cost of refrigerators sold in January is overstated by $13,200. The unsold refrigerators are an asset of $13,200 in the form of inventory.**

**3. The cash basis ignores $4,100 of the salaries that have been earned by the employees in January and will be paid in February.**

**4. Rent expense on the cash basis is overstated by $6,200 under the cash basis. This prepayment is an asset in the form of two months’ future right to the use of office, showroom, and repair space and should appear on the balance sheet.**

**5. Other operating expenses on a cash basis are understated by $850 as is the liability for the unpaid portion of these expenses incurred in January.**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | **\*PROBLEM 3.12B** | | | | | | | | | | | | | |  | | | | | | | | | | | |
|  | | | | | | | | | | |  | | | | | | | | | | | | | |  | | | | | | | | | | | |
| **(a) YOUNG COMPANY** | | **Worksheet** | **For the Month Ended June 30, 2020** | **Balance Sheet** | **Cr.** |  |  |  |  |  | **63,800** | | **8,500** | **2,600** | **60,000** | **117,490** |  |  |  |  |  |  |  |  |  | |  |  | **3,000** |  | **2,500** | **257,890** | **94,360** | **352,250** |  | **Key: (a) Expired Insurance; (b) Supplies Used; (c) Depreciation Expensed; (d) Admission Revenue Earned; (e) Accrued Property** | **Taxes; (f) Accrued Interest Payable.** |
| **Dr.** | **36,500** | **6,200** | **4,550** | **105,000** | **164,000** |  | |  |  |  |  | **36,000** |  |  |  |  |  |  |  |  | |  |  |  |  | **\_\_\_\_\_\_** | **352,250** | **\_\_\_\_\_\_** | **352,250** |  |
| **Income Statement** | **Cr.** |  |  |  |  |  |  | |  |  |  |  |  | **365,110** |  |  |  |  |  |  |  | |  |  |  |  | **\_\_\_\_\_\_** | **365,110** | **\_\_\_\_\_\_** | **365,110** |  |
| **Dr.** |  |  |  |  |  |  | |  |  |  |  |  |  | **133,700** | **26,500** | **31,000** | **29,500** | **9,000** | **9,000** |  | | **14,350** | **6,400** |  | **11,300** | **\_\_\_\_\_\_** | **270,750** | **94,360** | **365,110** |  |
| **Adjusted Trial Balance** | **Cr.** |  |  |  |  |  | **63,800** | | **8,500** | **2,600** | **60,000** | **117,490** |  | **365,110** |  |  |  |  |  |  |  | |  |  | **3,000** |  | **2,500** | **623,000** |  |  |  |
| **Dr.** | **36,500** | **6,200** | **4,550** | **105,000** | **164,000** |  | |  |  |  |  | **36,000** |  | **133,700** | **26,500** | **31,000** | **29,500** | **9,000** | **9,000** |  | | **14,350** | **6,400** |  | **11,300** | **\_\_\_\_\_\_** | **623,000** |  |  |  |
| **Adjustments** | **Cr.** |  | **6,400** | **14,350** |  |  | **11,300** | |  |  |  |  |  | **3,610** |  |  |  |  |  |  |  | |  |  | **3,000** |  | **2,500** | **41,160** |  |  |  |
|  |  | **(b)** | **(a)** |  |  | **(c)** | |  |  |  |  |  | **(d)** |  |  |  |  |  |  |  | |  |  | **(f)** |  | **(e)** |  |  |  |  |
| **Dr.** |  |  |  |  |  |  | |  | **3,610** |  |  |  |  |  |  |  |  | **2,500** | **3,000** |  | | **14,350** | **6,400** |  | **11,300** | **\_\_\_\_\_** | **41,160** |  |  |  |
|  |  |  |  |  |  |  | |  | **(d)** |  |  |  |  |  |  |  |  | **(e)** | **(f)** |  | | **(a)** | **(b)** |  | **(c)** |  |  |  |  |  |
| **Trial Balance** | **Cr.** |  |  |  |  |  | **52,500** | | **8,500** | **6,210** | **60,000** | **117,490** |  | **361,500** |  |  |  |  |  | **\_\_\_\_\_\_** | **606,200** | |  |  | **0** |  | **0** |  |  |  |  |
| **Dr.** | **36,500** | **12,600** | **18,900** | **105,000** | **164,000** |  | |  |  |  |  | **36,000** |  | **133,700** | **26,500** | **31,000** | **29,500** | **6,500** | **6,000** | **606,200** | | **0** | **0** |  | **0** |  |  |  |  |  |
| **Account Titles** |  | **Cash** | **Supplies** | **Prepaid Insurance** | **Land** | **Equipment** | **Accum. Depr.-Equip.** | | **Accounts Payable** | **Unearned Adm. Rev.** | **Mortgage Payable** | **Owner’s Capital** | **Owner’s Drawings** | **Admissions Revenue** | **Sal. and Wages Exp.** | **Maintenance and  Repairs Expense** | **Advertising Expense** | **Utilities Expenses** | **Prop. Tax Expense** | **Interest Expense** | **Totals** | | **Insurance Expense** | **Supplies Expense** | **Interest Payable** | **Depreciation Expense** | **Prop. Taxes Payable** | **Totals** | **Net Income** | **Totals** |  |

**\*PROBLEM 3.12B (Continued)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **(b) YOUNG COMPANY** | | | | |
| **Balance Sheet** | | | |
| **June 30, 2020** | | | |
| **Assets** | | | |
| **Current assets** |  |  |  |
| **Cash** |  | **$36,500** |  |
| **Supplies** |  | **6,200** |  |
| **Prepaid insurance** |  | **4,550** |  |
| **Total current assets** |  |  | **$ 47,250** |
| **Property, plant, and equipment** |  |  |  |
| **Land** |  | **105,000** |  |
| **Equipment** | **$164,000** |  |  |
| **Less: Accum. depreciation** | **(63,800)** | **100,200** | **205,200** |
| **Total assets** |  |  | **$252,450** |
| **Liabilities and Owners’ Equity** | | | |
| **Current liabilities** |  |  |  |
| **Current maturity of long-term debt** | | **$12,000** |  |
| **Accounts payable** | | **8,500** |  |
| **Interest payable** | | **3,000** |  |
| **Property taxes payable** | | **2,500** |  |
| **Unearned admissions revenue** | | **2,600** |  |
| **Total current liabilities** | |  | **$ 28,600** |
| **Long-term liabilities** | |  |  |
| **Mortgage payable ($60,000 - $12,000)** | |  | **48,000** |
| **Total liabilities** | |  | **76,600** |
| **Owner’s equity** |  |  |  |
| **Owner’s capital      ($117,490 + $94,360 – $36,000)** | |  | **175,850** |
| **Total liabilities and owners’ equity** | |  | **$252,450** |

\*PROBLEM 3.12B (Continued)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **(c)** | **Jun. 30** | **Insurance Expense** | **14,350** |  |
|  |  | **Prepaid Insurance ($18,900 - $$4,550)** |  | **14,350** |
|  |  |  |  |  |
|  | **30** | **Supplies Expense** | **6,400** |  |
|  |  | **Supplies ($12,600 - $6,200)** |  | **6,400** |
|  |  |  |  |  |
|  | **30** | **Depreciation Expense** | **11,300** |  |
|  |  | **Accum. Depreciation—**     Equipment ($63,800 - $52,500) |  | **11,300** |
|  |  |  |  |  |
|  | **30** | **Unearned Admissions Revenue**  **($6,210 - $2,600)** | **3,610** |  |
|  |  | **Admissions Revenue** |  | **3,610** |
|  |  |  |  |  |
|  | **30** | **Property Tax Expense ($9,000 - $6,500)** | **2,500** |  |
|  |  | **Property Taxes Payable** |  | **2,500** |
|  |  |  |  |  |
|  | **30** | **Interest Expense ($9,000 - $6,000)** | **3,000** |  |
|  |  | **Interest Payable** |  | **3,000** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **(d)** | **Jun. 30** | | **Admissions Revenue** | | **365,110** |  |
|  |  | | **Income Summary** | |  | **365,110a** |
|  |  | |  | |  |  |
|  | **30** | | **Income Summary** | | **270,750b** |  |
|  |  | | **Salaries and Wages Expense** | |  | **133,700** |
|  |  | | **Advertising Expense** | |  | **31,000** |
|  |  | | **Utilities Expenses** | |  | **29,500** |
|  |  | | **Maintenance and Repairs      Expenses** | |  | **26,500** |
|  |  | | **Insurance Expense** | |  | **14,350** |
|  |  | | **Depreciation Expense** | |  | **11,300** |
|  |  | | **Property Tax Expense** | |  | **9,000** |
|  |  | | **Interest Expense** | |  | **9,000** |
|  |  | | **Supplies Expense** | |  | **6,400** |
|  | |  | |  |  |  |
|  | | **30** | | **Income Summary (365,110a - 270,750b)** | **94,360** |  |
|  | |  | | **Owner’s Capital** |  | **94,360c** |
|  | |  | |  |  |  |
|  | | **30** | | **Owner’s Capital** | **36,000d** |  |
|  | |  | | **Owner’s Drawings** |  | **36,000** |

**\*PROBLEM 3.12B (Continued)**

|  |  |  |  |
| --- | --- | --- | --- |
| **(e) YOUNG COMPANY** | | | |
| **Post-Closing Trial Balance** | | |
| **June 30, 2020** | | |
|  | **Debit** | **Credit** |
| **Cash** | **$ 36,500** |  |
| **Supplies** | **6,200** |  |
| **Prepaid Insurance** | **4,550** |  |
| **Land** | **105,000** |  |
| **Equipment** | **164,000** |  |
| **Accumulated Depreciation** |  | **$ 63,800** |
| **Accounts Payable** |  | **8,500** |
| **Unearned Admissions Revenue** |  | **2,600** |
| **Interest Payable** |  | **3,000** |
| **Property Tax Payable** |  | **2,500** |
| **Mortgage Payable** |  | **60,000** |
| **Owner’s Capital ($117,490 + 94,360c - 36,000d)** |  | **175,850** |
|  | **$316,250** | **$316,250** |