CHAPTER 1

PROBLEM 1-1C

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) DIVERSE TRAVEL AGENCY | | | | | | | | | | | | | | | | |  | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | | | **Stockholders’ Equity** | | | | | |  |
|  |  | Cash | + | Accounts  Receivable | + | Supplies | + | Equipment | = | Accounts  Payable | + | Common  Stock | + | Retained Earnings | | | | | |  |
| Revenues | – | Expenses | – | Dividends | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |
| 1.  2.  3.  4.  5.  6.  7.  8.  9.  10. |  | +$13,000  + 13,000  +   –500    12,500  + –2,700  +  9,800  +00  9,800  +   –600  +  9,200  – +4,000  + 13,200  +   –260  + 12,940  +   –400  + 12,540  + –2,500  + 10,040  – +3,000  +$13,040 | +  +  +  +  + | +$4,500  + 4,500  + 0,000  + 4,500  + 0,000  + 4,500  + 0,000  + 4,500  +–3,000  +$1,500 | +  +  +  +  +  + | +$600  + 600  +0000  + 600  +0000  + 600  +0000  + 600  +0000  + 600  +  +$600 | +  +  +  +  +  +  +  + | +$2,700  + 2,700  +00,000  + 2,700  +00,000  + 2,700  +00,000  + 2,700  +00,000  + 2,700  +00,000  + 2,700  +00,000  + 2,700    +$2,700 | =  =  =  =  =  =  =  =  =  = | +$400  + 400  +0000  + 400  +0000  + 400  +0000  + 400  +–400  +   0  +0000  +  +$  0 | +  +  +  +  +  + | +$13,000  13,000    13,000    13,000    13,000    13,000    13,000    13,000    13,000    $13,000 | +  +  +  +  +  + | +  +000,000  –$8,500  + 8,500  + 8,500  +000,000  + 8,500  + 8,500  +  +$8,500 | –  –  –  –  –  –  –  –  –  –  –  – | $ 500  500    500     400  900    900  900  900  900     2,500  3,400    $3,400 | –  –  –  –  – | $260  260  260  260    $260 | | (a)  (b)  (c)  (d)  (e) |
|  |  | $17,840 | | | | | | |  | $17,840 | | | | | | | | | |  |

PROBLEM 1-1C (Continued)

Key to Retained Earnings Column

(a) Rent Expense (d) Dividends

(b) Advertising Expense (e) Salaries and Wages Expense

(c) Service Revenue

(b) Service revenue $8,500

Expenses

Salaries and wages $2,500

Rent 500

Advertising 400 3,400

Net income $5,100

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) WILL TROUT, ATTORNEY AT LAW | | | | | | | | | | | | | | | | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |  |
|  |  | Cash | + | Accounts  Receivable | + | Supplies | + | Equipment | = | Notes  Payable | + | Accounts  Payable | + | Common Stock | + | Retained  Earnings | + | Revenues | – | Expenses | – | Dividends |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |
| Bal.  1.  2.  3.  4.  5.  6.  7.  8. |  | $5,000  +1,300   6,300  –2,800   3,500  +3,000   6,500    –600   5,900  –4,750   1,150    –650    500  +2,400   2,900    $2,900 | +  +  +  +  +  +  +  +  + | $1,600  –1,300     300  00,000     300  +5,000   5,300  00,000   5,300  00,000   5,300  00,000   5,300  00,000   5,300    $5,300 | +  +  +  +  +  +  +  +  + | $400  0000   400  0000   400  0000   400  0000   400  0000   400  0000   400  0000   400    $400 | +  +  +  +  +  +  +  +  + | $6,000  00,000   6,000  00,000   6,000  00,000   6,000  +1,500   7,500  00,000   7,500  00,000   7,500  00,000   7,500    $7,500 | =  =  =  =  =  =  =  =  = | +$2,400  + 2,400    +$2,400 | +  + | $5,100  00,000   5,100  –2,800   2,300  00,000   2,300    +900   3,200  00,000   3,200  00,000   3,200  00,000   3,200    +350  $3,550 | +  +  +  +  +  +  +  +  + | $7,000  7,000  7,000  7,000  7,000  7,000    7,000    7,000    $7,000 | +  +  +  +  +  +  +  +  + | $ 900  000,000  900  000,000    900     900  000,000   900   900  900  000,000  900    $ 900 | +  +  +  +  +  + | +$8,000  8,000  8,000  8,000  8,000  8,000    $8,000 | –  –  –  – | –$3,500  –800    –450  4,750  4,750  4,750     –350  $5,100 | –  –  – | –$650  650  650    $650 | (a)  (b)  (c)  (d)  (e)  (f) |
|  |  | $16,100 | | | | | | |  | $16,100 | | | | | | | | | | | | |  |

1. Service revenue (d) Advertising expense
2. Salaries and wages expense (e) Dividends

(c) Rent expense (f) Utilities expense

PROBLEM 1-2C

PROBLEM 1-2C (Continued)

(b) WILL TROUT, ATTORNEY AT LAW

Income Statement

For the Month Ended August 31, 2022

Revenues

Service revenue $8,000

Expenses

Salaries and wages expense $3,500

Rent expense 800

Advertising expense 450

Utilities expense 350

Total expenses 5,100

Net income $2,900

WILL TROUT, ATTORNEY AT LAW

Retained Earnings Statement

For the Month Ended August 31, 2022

Retained earnings, August 1 $ 900

Add: Net income 2,900

3,800

Less: Dividends 650

Retained earnings, August 31 $3,150

PROBLEM 1-2C (Continued)

WILL TROUT, ATTORNEY AT LAW

Balance Sheet

August 31, 2022

Assets

Cash $ 2,900

Accounts receivable 5,300

Supplies 400

Equipment 7,500

Total assets $16,100

Liabilities and Stockholders’ Equity

Liabilities

Notes payable $ 2,400

Accounts payable 3,550

Total liabilities 5,950

Stockholders’ equity

Common stock $7,000

Retained earnings   3,150   10,150

Total liabilities and stockholders’ equity $16,100

|  |
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| PROBLEM 1-3C |

(a) KLUM COSMETICS CO.

Income Statement

For the Month Ended June 30, 2022

Revenues

Service revenue $6,000

Expenses

Rent expense $1,400

Gasoline expense 900

Advertising expense 600

Utilities expense 400

Total expenses 3,300

Net income $2,700

KLUM COSMETICS CO.

Retained Earnings Statement

For the Month Ended June 30, 2022

Retained Earnings, June 1 $ 0

Add: Net income 2,700

2,700

Less: Dividends 1,400

Retained Earnings, June 30 $1,300

KLUM COSMETICS CO.

Balance Sheet

June 30, 2022

Assets

Cash $11,900

Accounts receivable 4,000

Supplies 2,000

Equipment 25,000

Total assets $42,900

PROBLEM 1-3C (Continued)

KLUM COSMETICS CO.

Balance Sheet (Continued)

June 30, 2022

Liabilities and Stockholders’ Equity

Liabilities

Notes payable $15,000

Accounts payable 1,400

Total liabilities  16,400

Stockholders’ equity

Common stock $25,200

Retained earnings     1,300   26,500

Total liabilities and stockholders’ equity $42,900

(b) KLUM COSMETICS CO.

Income Statement

For the Month Ended June 30, 2022

Revenues

Service revenue ($6,000 + $900) $6,900

Expenses

Rent expense $1,400

Gasoline expense ($900 + $150) 1,050

Advertising expense 600

Utilities expense 400

Total expenses 3,450

Net income $3,450

KLUM COSMETICS CO.

Retained Earnings Statement

For the Month Ended June 30, 2022

Retained earnings, June 1 $ 0

Add: Net income 3,450

3,450

Less: Dividends 1,400

Retained earnings, June 30 $2,050

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) ANDERSEN CONSULTING | | | | | | | | | | | | | | | | | |  |  |  |  |
|  |  |  |  | Assets | | |  |  |  | Liabilities | | |  | Stockholders’ Equity | | | | | | |  |
| Date |  | Cash | + | Accounts  Receivable | + | Supplies | + | Equipment | = | Notes  Payable | + | Accounts  Payable | + | Common  Stock | + | Retained Earnings | | | | |  |
| Revenues | – | Expenses | – | Dividends |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| May 1  May 2  May 3  May 5  May 9  May 12  May 15  May 17  May 20  May 23  May 26  May 29  May 30 |  | +$ 9,000  9,000      –700  8,300  8,300         –80  +  8,220  +3,500  11,720       –750  10,970  10,970  –3,800  7,170      –600  6,570    +3,400  + 9,970    +4,000  13,970  13,970       –250  $13,720 | +  +  +  +  +  +  +  +  +  +  + | +$5,400  5,400  5,400    5,400    –3,400  2,000  2,000  2,000    $ 2,000 | +  +  +  +  +  +  + | +$600  600  600  +050  600  600  600  600  600  600  600  600    $600 | +  + | +  +  +  +$3,800  3,800    $3,800 | =  =  =  =  =  =  =  =  =  =  =  =  = | +$4,000  4,000  4,000    $4,000 | + | +$ 600  600  600  600  600  600  600     –600      –0–  +  +    –0–      –0–  +3,800  3,800    $3,800 | +  +  +  +  +  +  +  +  +  +  + | +$9,000  9,000  9,000  9,000  9,000  9,000  9,000  9,000  9,000  9,000  9,000  9,000  9,000    $9,000 | +  +  +  +  +  +  +  +  +  +  + | +$3,500  3,500  3,500  +5,400  8,900  8,900  8,900  8,900  8,900  8,900    $8,900 | –  –  –  –  –  –  –  –  –  –  –  – | –$ 700  700  700  –80  780  780  780  780  –3,800  4,580  4, 580  4, 580  4, 580  4,580     –250  $4,830 | –  –  –  –  –  –  –  – | –$750  750  750  750  750  750  750  750    $750 | (a)  (b)  (c)  (d)  (e)  (f)  (g) |
|  |  | $20,120 | | | | | | | **$20,120** | | | | | | | | | | | |  |
|  |  |  |

PROBLEM 1-4C

PROBLEM 1-4C (Continued)

Key to Retained Earnings Colum

(a) Rent Expense (e) Service Revenue

(b) Advertising Expense (f) Salaries and Wages Expense

(c) Service Revenue (g) Utilities Expense

(d) Dividends

(b) ANDERSEN CONSULTING

Income Statement

For the Month Ended May 31, 2022

Revenues

Service revenue ($3,500 + $5,400) $8,900

Expenses

Salaries and wages expense $3,800

Rent expense 700

Utilities expense 250

Advertising expense 80

Total expenses 4,830

Net income $4,070

(c) ANDERSEN CONSULTING

Balance Sheet

May 31, 2022

Assets

Cash $13,720

Accounts receivable 2,000

Supplies 600

Equipment 3,800

Total assets $20,120

Liabilities and Stockholders’ Equity

Liabilities

Notes payable $ 4,000

Accounts payable 3,800

Total liabilities 7,800

Stockholders’ equity

Common stock $9,000

Retained earnings   3,320   12,320

Total liabilities and stockholders’ equity $20,120

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| --- |
| PROBLEM 1-5C |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) | Nick  Company | |  | Joe  Company | |  | Kevin  Company | |  | Frank  Company | |
|  | (a) | $40,000 |  | (d) | $40,000 |  | (g) | $125,000 |  | (j) | $ 60,000 |
|  | (b) | 111,000 |  | (e) | 47,000 |  | (h) | 70,000 |  | (k) | 205,000 |
|  | (c) | 10,000 |  | (f) | 22,000 |  | (i) | 403,000 |  | (l) | 469,000 |

(b) NICK COMPANY

Retained Earnings Statement

For the Year Ended December 31, 2022

Retained earnings, January 1 $         0

Add: Net income 25,000

25,000

Less: Dividends 20,000

Retained earnings December 31 $ 5,000

(c) The sequence of preparing financial statements is income statement, retained earnings statement, and balance sheet. The interrelationship of the retained earnings statement to the other financial statements results from the fact that net income from the income statement is reported in the retained earnings statement and ending retained earnings reported in the retained earnings statement is the amount reported for retained earnings on the balance sheet.