

1

Accounting Concepts and Procedures: An Introduction

ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

- 1. The functions of accounting are to analyze, record, classify, summarize, report and interpret information.
- 2. Sole proprietorship—1 owner, unlimited liability; easy to form Partnership—2 or more owners; unlimited liability, easy to form Corporation—1 or more shareholders; limited liability; more difficult to form
- 3. Service, merchandising, or manufacturing
- Bookkeeping is the recording function of the accounting process. Accounting is the reporting and interpreting of that information as well as setting up the record keeping accounting system.
- 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 must equal the sum of the right side of the equation.
- 8. False. It is the income statement that tells how well the company has performed.
- 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 a subdivision of owner's equity.
- 12. Reject. As expenses increase, owner's equity decreases.
- 13. Revenue less Expenses; an income statement shows performance—profit or loss for the period.
- 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 be allowed to charge only 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. Paul should also ask his employer for additional compensation for working during his non scheduled time. The important point is that accountants need to be seen as being ethical and should not do unethical activities.







SOLUTIONS TO CLASSROOM DEMONSTRATION EXERCISES

CDE1.	a.	\boldsymbol{A}	CDE4.	\$24	¹ ,000 (\$12,000 + \$12,000)	CDE8.	a.	IS
	<i>b</i> .	\boldsymbol{A}					b .	BS
	<i>c</i> .	L	CDE5.	<i>c</i> .	J. Penny, Capital		<i>c</i> .	BS
	d.	\boldsymbol{A}		d.	Advertising Expense		d.	BS
	e.	OE		f.	Taxi Fees Earned		e.	IS
	f.	\boldsymbol{A}		g.	J. Penny, Withdrawls		f.	IS
							g.	OE
							h.	BS
CDE2.	a.	Liabilities and or Equities	CDE6.	<i>c</i> .	Accounts Payable			
	<i>b</i> .	Assets		d.	Grooming Fees Earned	CDE9.	a.	OE
	<i>c</i> .	Accounts Payable					b .	BS
							<i>c</i> .	BS
							d.	IS
CDE2	_	7	CDE7	_				
CDE3.	a.	I	CDE7.	a.				
	<i>b</i> .	\boldsymbol{S}		<i>b</i> .				
				d.				

SOLUTIONS TO EXERCISES—SET A

E1-1A.

a.	\$15,000	(\$19,000 - \$4,000)
b.	\$15,000	(\$ 6,000 + \$9,000)
c .	\$ 6,000	(\$10,000 - \$4,000)

© 2018 Pearson Canada All Rights Reserved

E1-2A.

Assets	=	Liabilities	+	Owner's Equity
Cash + Equipment				Matty, Capital
a. + \$130,000				+ \$130,000
b1,100 +\$1,100				
c. + 950		+ \$950		

E1-3A.

1-3A Solutions

- 1. B
- 2. B
- 3. B
- 4. A
- 5. D
- 6. D 7. D
- 8. B
- 9. C
- 10. A



E1-4A.

BELL'S COMPUTER COMPANY

		Asse	ets			=	Liabilities	+		Owner's Equity						
	Cash		ounts eivable	+	Computer Equipment	=	Accounts Payable	+	B. Bell, Capital	_	B. Bell, Withdrawals	+	Revenue	_	Expenses	
a.	+ \$60,000								+ \$60,000							
<i>b</i> .					+ \$7,000		+ \$7,000									
<i>c</i> .	- \$200										+ \$200					
d.	+ \$14,000												+ \$14,000			
e.		+ \$.	30,000										+ \$30,000			
f.	- \$4,000														+ \$4,000	
g.	- \$1,500														+ \$1,500	
ENDING BALANCE	\$68,300	+ \$.	30,000		+ \$7,000	=	+ \$7,000		+ \$60,000		- \$200		+ \$44,000		- \$5,500	

+ \$105,300 = \$105,300

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

E1-5A.

(a)

FREDERICK REALTY

INCOME STATEMENT

FOR THE MONTH ENDED NOVEMBER 30, 2019

Revenue:										
Professional Fees						\$3	0	0	0	00
Operating Expenses:										
Salaries Expense	\$	5	5	0	00					
Utilities Expense		2	0	0	00					
Rent Expense		8	0	0	00					
Total Operating Expenses						1	5	5	0	00
Net Income						\$1	4	5	0	00

(b)

FREDERICK REALTY

STATEMENT OF OWNER'S EQUITY

FOR THE MONTH ENDED NOVEMBER 30, 2019

S. Frederick, Capital, November 1, 2019						\$9	0	0	0	00
Net Income for November	\$1	4	5	0	00					
Less: Withdrawals for November		1	2	0	00					
Increase in Capital						1	3	3	0	00
S. Frederick, Capital, November 30, 2019						\$10	3	3	0	00

M01_SLAT7156_12_ISM_C01.indd 3 3/9/17 12:53 PM



SOLUTIONS TO EXERCISES—SET A, Cont.

(c)

FREDERICK REALTY

BALANCE SHEET

NOVEMBER 30, 2019

ASSETS

LIABILITIES AND OWNER'S EQUITY

Cash	\$4	8	0	0	00	Liabilities					
Accounts Receivable	1	2	3	0	00	Accounts Payable	\$4	0	0	0	00
Office Equipment	8	3	0	0	00	Owner's Equity					
						S. Frederick, Capital	10	3	3	0	00
						Total Liabilities					
Total Assets	\$14	3	3	0	00	and Owner's Equity	\$14	3	3	0	00

SOLUTIONS TO EXERCISES—SET B

E1-1B.

<i>a</i> .	\$9,000	(\$15,000 - \$6,000)
<i>b</i> .	\$19,000	(\$8,000 + \$11,000)
<i>c</i> .	\$9,000	(\$14,000 - \$5,000)

E1-2B.

Assets	=	Liabilities	+	Owner's Equity
Cash + Equipment				Mandy, Capital
a. +\$114,000				+ \$114,000
b1,600 +\$1,600				
c. + 1,150		+ \$1,150		

E1-3B

Accounting profession- als practice in four broad fields including	Accounting-related opportunities within each field are numerous and include
Financial accounting	 Statement preparation Statement analysis Auditing Regulatory Consulting Planning Criminal investigation
Managerial accounting	 General accounting Cost accounting Budgeting Internal auditing Management advisory services



Taxation	- Preparation - Planning - Regulatory - Investigations - Consulting
Accounting-related	- Lenders - Consultants - Analysts - Traders - Managers - Directors - Underwriters - Planners - Appraisers - Teachers

E1-4B.

BELL'S COMPUTER COMPANY

		Assets		=	Liabilities	+	-	Owner	r's Equity	
	Cash	Accounts + Receivable	Computer + Equipment		Accounts Payable	+	B. Bell, Capital	B. Bell, - Withdrawals	+ Revenue	- Expenses
<i>a</i> .	+ \$40,000						+ \$40,000			
b.			+ \$8,000)	+ \$8,000					
<i>c</i> .	- \$150							+ \$150		
d.	+ \$12,000								+ \$12,000	
e.		+ \$25,000							+ \$25,000	
f.	- \$3,000									+ \$3,000
g.	- \$900									+ \$900
ENDING BALANCE	\$47,950	+ \$25,000	+ \$8,000) =	+ \$8,000		+ \$40,000	- \$150	+ \$37,000	- \$3,900

+ \$80,950 = \$80,950

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

E1-5B.

(a)

FRENCH REALTY

INCOME STATEMENT

FOR THE MONTH ENDED JUNE 30, 2019

Revenue:										ı
Professional Fees						\$5	6	0	0	00
Operating Expenses:										
Salaries Expense	\$	8	0	0	00					
Utilities Expense		7	6	0	00					
Rent Expense		6	5	0	00					
Total Operating Expenses						2	2	1	0	0 (
Net Income						\$3	3	9	0	0
									٦	

© 2018 Pearson Canada All Rights Reserved







E1-5B, Cont.

(b)

FRENCH REALTY

STATEMENT OF OWNER'S EQUITY

FOR THE MONTH ENDED JUNE 30, 2019

S. French, Capital, June 1, 2019						\$9	0	0	0 0	0
Net Income for June	\$3	3	9	0	00					
Less: Withdrawals for June		6	4	0	00					
Increase in Capital						2	7	5	0 0	0
S. French, Capital, June 30, 2019						\$11	7	5	0 0	0
									Т	

SOLUTIONS TO EXERCISES—SET B, Cont.

(c)

FRENCH REALTY

BALANCE SHEET

JUNE 30, 2019

ASSETS

LIABILITIES AND OWNER'S EQUITY

Cash	\$4	6	5	0	0	0	Liabilities					
Accounts Receivable	2	6	0	0	0	0	Accounts Payable	\$4	0	0	0	00
Office Equipment	8	5	0	0	0	0	Owner's Equity					
							S. French, Capital	11	7	5	0	00
							Total Liabilities					
Total Assets	\$15	7	5	0	0	0	and Owner's Equity	\$15	7	5	0	00

P1-1A.

MIA'S NAIL SPA

		Assets		=	Liabilities	+	Owner's Equity
	Cash	+	Equipment	=	Accounts Payable	+	Mia Annabelle, Capital
Transaction a	+ \$20,000						+ \$20,000
Transaction b	- 4,000		+\$4,000				
Transaction c			+6,000		+\$6,000		
Transaction d	- 1,000				- 1,000		
ENDING BALANCE	\$15,000	+	\$10,000	=	\$5,000	+	\$20,000
			\$25,000	_	\$25,000		_

1-6 © 2018 Pearson Canada All Rights Reserved



3/9/17 12:53 PM

P1-2A.

SEE'S INTERNET SERVICE

BALANCE SHEET

SEPTEMBER 30, 2020

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets:							Liabilities:					
Cash	\$18	0	0	0	0	0	Accounts Payable	\$15	0	0	0	00
Equipment	14	0	0	0	0	0						
Building	20	0	0	0	0	0	Owner's Equity:					
							B. See, Capital	37	0	0	0	00
							Total Liabilities and					
Total Assets	\$52	0	0	0	0	0	Owner's Equity	\$52	0	0	0	00

P1-3A.

FONTAN COMPUTER SERVICE

			Assets			=	Liabilities	+			Owne	r's E	quity		
	Cash	+	Accounts Receivable	+	Office Equipment	=	Accounts Payable	+	R. Fontan, Capital	_	R. Fontan, Withd.	Co.	mputer Serv Revenue	ice –	Expenses
a.	+25,000	+		+			-	+	+25,000	_		+		_	
<i>b</i> .		+		+	+ 2,500	=	+ 2,500	+		_		+		-	
<i>c</i> .	+800	+		+		=		+		_		+	+ 800	_	
d.		+	+ \$2,100	+		=		+		_		+	+2,100	-	
<i>e</i> .	(275)	+		+		=		+		-		+		-	+ 275
f.	(170)	+		+		=		+		_		+		-	+ 170
g.		+		+		=	1,200	+		-		+		-	+1,200
h.	(700)	+		+		=		+		-	+700	+		-	
ENDING BALANCE	24,655	+	2,100	+	2,500	=	3,700	+	25,000	_	700	+	2,900	_	1,645

29,255 29,255

M01_SLAT7156_12_ISM_C01.indd 7 3/9/17 12:53 PM



P1-4A.

(a)

WEST'S STENCILLING SERVICE

INCOME STATEMENT

FOR THE MONTH ENDED JUNE 30, 2020

Revenue:									
Stenciling Fees						\$3	0	0	000
Operating Expenses:									
Advertising Expense	\$	1	1	0	00				
Repair Expense			2	5	00				
Travel Expense		2	5	0	00				
Supplies Expense		1	9	0	00				
Rent Expense		2	5	0	00				
Total Operating Expenses							8	2 :	5 0 0
Net Income						\$2	1	7 :	5 0 0

(b)

WEST'S STENCILLING SERVICE

STATEMENT OF OWNER'S EQUITY

$FOR\ THE\ MONTH\ ENDED\ JUNE\ 30,\ 2020$

J. West, Capital, June 1, 2020					\$1	2	0	0	00
Net Income for June	\$2	1	7 5	5 0 0					
Less: Withdrawals for June		3	0 0	00					
Increase in Capital			Τ		1	8	7	5	00
J. West, Capital, June 30, 2020					\$3	0	7	5	00



P1-4A, Cont.

(c)

WEST'S STENCILLING SERVICE

BALANCE SHEET

JUNE 30, 2020

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets:							Liabilities:					
Cash	\$2	3	0	0	0	0	Accounts Payable	\$	3	1	0	00
Accounts Receivable		4	0	0	0	0						
Equipment		6	8	5	0	0	Owner's Equity					
							J. West, Capital	3	0	7	5	00
							Total Liabilities and					
Total Assets	\$3	3	8	5	0	0	Owner's Equity	\$3	3	8	5	00
												1
							·					

P1-5A.

1.

MARTIN'S CATERING SERVICE

			Assets			=	Liabilities	+			Owner	's E	quity		
	Cash	+	Accounts Receivable	+	Equipment	=	Accounts Payable	+	Jill Martin, Capital	_	Jill Martin, Withdrawals	+	Catering Revenue	_	Expenses
10/28	+\$8,000								+ \$8,000						
10/29	- 900				+\$900										
10/30					+1,800		+\$1,800								
10/31	- 1,000						- 1,000								
11/1	+ 2,900												+\$2,900		
11/4	- 720														+\$720
11/8			+\$300										+300		
11/11	+100		- 100												
11/15	- 75														+75
11/18	- 90										+90				
11/19	+1,800												+1,800		
11/25					+400		+400								
11/28							+600								+600
11/29	- 400														+400
ENDING BALANCE	\$9,615	+	\$200	+	\$3,100	=	\$1,800	+	\$8,000	_	\$90	+	\$5,000	_	\$1,795

\$12,915 = \$12,915

P1A-5., Cont.

2.	MARTIN'S CATERING SERVICE
	BALANCE SHEET
	OCTOBER 31, 2019

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets:							Liabilities:					
Cash	\$6	1	0	0	0	0	Accounts Payable	\$	8	0	0	00
Equipment	2	7	0	0	0	0						
							Owner's Equity:					
							Jill Martin, Capital	8	0	0	0	00
									Π			
							Total Liabilities and					
Total Assets	\$8	8	0	0	0	0	Owner's Equity	\$8	8	0	0	00
									Γ			

3. MARTIN'S CATERING SERVICE INCOME STATEMENT FOR THE MONTH ENDING NOVEMBER 30, 2019

1			'	1 !			
				\$5	0	0	0 0 0
		L					
\$ 7	2	0	00				
	7	5	00				
6	0	0	00				
4	0	0	00				
				1	7	9	5 0 0
				\$3	2	0	5 0 0
 \$	6	6 0	7 5 6 0 0	7 5 0 0 6 0 0 0 0	\$ 7 2 0 0 0 7 5 0 0 6 0 0 0 0 4 0 0 0 0	\$ 7 2 0 0 0 0 7 5 0 0 6 0 0 0 0 4 0 0 0 0	7 5 0 0 6 0 0 0 0 4 0 0 0 0

P1-5A., Cont.

4. MARTIN'S CATERING SERVICE STATEMENT OF OWNER'S EQUITY FOR THE MONTH ENDED NOVEMBER 30, 2019

Jill Martin, Capital, November 1, 2019						\$8	0	0	0	00
Net Income for November	\$3	2	0	5	00					
Less: Withdrawals for November			9	0	00					
Increase in Capital						3	1	1	5	00
Jill Martin, Capital, November 30, 2019						\$11	1	1	5	00
							Г			

5	MARTIN'S CATERING SERVICE
	BALANCE SHEET
	NOVEMBER 30, 2019

ASSETS

LIABILITIES AND OWNER'S EQUITY

© 2018 Pearson Canada All Rights Reserved

Assets:						Liabilities:					
Cash	\$9	6	1	5	00	Accounts Payable	\$1	8	0	0	00
Accounts Receivable		2	0	0	00						
Equipment	3	1	0	0	00	Owner's Equity:					
						Jill Martin, Capital	11	1	1	5	00
						Total Liabilities and					
Total Assets	\$12	9	1	5	00	Owner's Equity	\$12	9	1	5	00





P1-1B.

MIA'S NAIL SPA

	Ass	ets		=	Liabilities	+	Owner's Equity
	Cash	+	Equipment	=	Accounts Payable	+	Mia Annabelle, Capital
Transaction a	+ \$16,000						+\$16,000
Transaction b			+\$1,500		+ \$1,500		
Transaction c	- 800				-800		
Transaction d	-3,000		+3,000				
ENDING BALANCE	\$12,200	+	\$4,500	=	\$700	+	\$16,000
			\$16,700	=	\$16,700		

P1-2B.

1-12

SEE'S INTERNET SERVICE

BALANCE SHEET SEPTEMBER 30, 2020

ASSETS

© 2018 Pearson Canada All Rights Reserved

LIABILITIES AND OWNER'S EQUITY

Assets:						Liabilities:				
Cash	\$16	0	0	0	00	Accounts Payable	\$60	0	0	00
Building	28	0	0	0	00					
Equipment	40	0	0	0	00	Owner's Equity:				
						B. See, Capital	24	0	0	000
						Total Liabilities and				
Total Assets	\$84	0	0	0	00	Owner's Equity	\$84	0	0	00





P1-3B.

RICK FOX DESKTOP PUBLISHING SERVICE

			Assets			=	Liabilities	+			Owner	r's E	quity		
	Cash	+	Accounts Receivable	+	Office Equipment	=	Accounts Payable	+	R. Fox, Capital	_	R. Fox, Withdrawals	+	Revenue	_	Expenses
a	+\$9,000								+\$9,000						
BALANCE	9,000					=			9,000						
b					+ \$3,000		+ \$3,000								
c	+1,290												+ \$1,290		
BALANCE	10,290			+	3,000	=	3,000	+	9,000			+	1,290		
d	- 625														+\$625
e			+\$2,690										+2,690		
\overline{f}	- 500														+500
g	- 350										+\$350				
h							+100								+100
ENDING BALANCE	\$8,815	+	\$2,690	+	\$3,000	=	\$3,100	+	\$9,000	_	\$350	+	\$3,980	_	\$1,225

\$14,505 = *\$14,505*

P1-4B.

(a)

WEST'S STENCILLING SERVICE

INCOME STATEMENT

FOR THE MONTH ENDED JUNE 30, 2020

Revenue:										
Stencilling Fees						\$1	0	9	8	00
Operating Expenses:										
Advertising Expense	\$	1	3	5	00					
Repair Expense			4	5	00					
Travel Expense			9	0	00					
Supplies Expense		2	7	0	00					
Rent Expense		2	4	0	00					
Total Operating Expenses							7	8	0	00
Net Income						\$	3	1	8	00

M01_SLAT7156_12_ISM_C01.indd 13 3/9/17 12:53 PM



P1-4B. Cont.

(b)

WEST'S STENCILLING SERVICE

STATEMENT OF OWNER'S EQUITY

$FOR\ THE\ MONTH\ ENDED\ JUNE\ 30,\ 2020$

J. West, Capital, June 1, 2020						\$3	7	2	0	00
Net Income for June	\$	3	1	8	00					
Less: Withdrawals for June		3	6	0	00					
Decrease in Capital								4	2	0 (
J. West, June 30, 2020						\$3	6	7	8	<u>0 (</u>

(c)

WEST'S STENCILLING SERVICE

BALANCE SHEET

JUNE 30, 2020

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets:						Liabilities:					
Cash	\$2	0	4	3	00	Accounts Payable	\$		4	5	00
Accounts Receivable	1	1	4	0	00						
Equipment		5	4	0	00	Owner's Equity					
						J. West, Capital	3	6	7	8	00
						Total Liabilities and					
Total Assets	\$3	7	2	3	00	Owner's Equity	\$3	7	2	3	00

© 2018 Pearson Canada All Rights Reserved



P1-5B.

1.

THILDORE'S CATERING SERVICE

			Assets			=	Liabilities	+			Owner	r's E	quity		
	Cash	+	Accounts Receivable	+	Equipment	=	Accounts Payable	+	J. Thildore, Capital	_	Thildore, Withd	+	Catering Revenue	_	Expenses
10/25	+25,000	+		+				+	+25,000	_		+		_	
10/27	(1,200)	+		+	+1,200	=		+		_		+		_	
10/28		+		+	+800	=	+800	+		_		+		-	
10/29	(400)	+		+		=	(400)	+		_		+		_	
11/1	+2,200	+		+		=		+		_		+	+2,200	_	
11/5	(550)	+		+		=		+		_		+		_	+550
11/8		+	+250	+		=		+		_		+	+250	_	
11/10	+80	+	(80)	+		=		+		_		+		_	
11/15	(50)	+		+		=		+		_		+		_	+50
11/17	(120)	+		+		=		+		_	+120	+		_	
11/20	+2,500	+		+		=		+		_		+	+2,500	_	
11/25		+		+	+1,300	=	+1,300	+		_		+		_	
11/28		+		+		=	+650	+		_		+		_	+650
11/30	(550)	+		+		=		+		_		+		_	+550
ENDING BALANCE	26,910	+	170	+	3,300	=	2,350	+	25,000	_	120	+	4,950	_	1,800
					\$30 380	_	\$30.380								

0,380 = \$30,380



P1-5B., Cont.

2.

THILDORE'S CATERING SERVICE

BALANCE SHEET

OCTOBER 31, 2019

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets						Liabilities					
Cash	\$23	4	0	0	00	Accounts Payable	\$	4	0	0	00
Equipment	2	0	0	0	00						
						Owner's Equity					
						J. Thildore, Capital	25	0	0	0	00
						Total Liabilities and					
Total Assets	\$ 25	4	0	0	00	Owner's Equity	<u>\$ 25</u>	4	0	0	00

3.

1-16

THILDORE'S CATERING SERVICE

INCOME STATEMENT

FOR THE MONTH ENDED NOVEMBER 30, 2019

Revenue:										
Catering Revenue						\$	4 9	9 5	0	0 0
Operating Expenses:							+			
Salaries Expense	\$	5	5	0	0 0					
Telephone Expense			5	0	00					
Rent Expense		6	5	0	00					
Supplies Expense		5	5	0	00					
Total Operating Expenses							1 8	8 0	0	00
Net Income						\$.	3 1	1 5	0	0 0



P1-5B., (CONCLUDED)

4.

THILDORE'S CATERING SERVICE

STATEMENT OF OWNER'S EQUITY

FOR THE MONTH ENDED NOVEMBER 30, 2019

J. Thildore, Capital, November 1, 2019						\$25	0	0	0	0 0
Net Income for November	\$3	1	5	0	0 0					
Less: Withdrawals for November	(1	2	0	0	0)					
Increase in Capital						3	0	3	0	0 0
J. Thildore, Capital, November 30, 2019						\$28	0	3	0	0 0
				T						

5.		
	THILDORE'S CATERING SERVICE	
	BALANCE SHEET	
	NOVEMBER 30, 2019	

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets						Liabilities					
Cash	\$26	9	1	0	00	Accounts Payable	\$ 2	3	5	0	0 0
Accounts Receivable		1	7	0	00						
Equipment	3	3	0	0	00	Owner's Equity		Г			
						J. Thildore, Capital	28	0	3	0	0 0
						Total Liabilities and					
Total Assets	\$30	3	8	0	00	Owner's Equity	\$30	3	8	0	00



P1-1C.

(20 minutes)

GOOD HOME HARDWARE

INCOME STATEMENT

FOR THE YEAR ENDED JULY 31, 2019

Revenues:										
Service revenue						\$142	0	0	0	00
Repair revenue						6	0	0	0	00
Total revenues						\$148	0	0	0	00
Operating expenses:										
Wages expense	\$52	0	0	0	00					
Rent expense	24	0	0	0	00					
Supplies expense	11	4	0	0	00					
Utilities expense	9	8	0	0	00					
Interest expense		5	0	0	00					
Total operating expenses						97	7	0	0	00
Net income						\$50	3	0	0	00

GOOD HOME HARDWARE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JULY 31, 2019

M. Good, capital, August 1, 2018						\$79	3	0	0	00
Add: Investments by owner	\$	_	0	_						
Net income	50	3	0	0	00	50	3	0	0	00
Total						\$129	6	0	0	00
Less: Withdrawals by owner						34	0	0	0	00
M. Good, capital, July 31, 2016						\$95	6	0	0	00

GOOD HOME HARDWARE

BALANCE SHEET

JULY 31, 2019

ASSETS

LIABILITIES

Cash	\$11	8	0	0	0	00	Accounts payable	\$14	8	0	0	00
Accounts receivable	56	0	0	0	0	00	Notes payable	20	0	0	0	00
Supplies	2	4	0	0	0	0	Total liabilities	\$34	8	0	0	00
Prepaid rent	12	0	0	0	0	0						
Office equipment	29	2	0	0	0	0	Equity					
Furniture	19	0	0	0	0	00	M. Good, capital	95	6	0	0	00
Total assets	\$130	4	0	0	0	0	Total liabilities and equity	\$130	4	0	0	00







P1-2C.

LEROY'S TRAINING SERVICES

			Assets			=	Liabilities	+			Owner	's E	quity		
	Cash	+	Accounts Receivable	+	Office Equipment	=	Accounts Payable	+	L. Greene, Capital	_	L. Greene, Withdrawals	+	Revenue	_	Expenses
\boldsymbol{A}	+\$9,000								+\$9,000						
В					+\$4,250		\$4,250								
<u>C</u>	+2,350												+\$2,350		
D	- 800														+\$800
E			+\$3,650										+3,650		
F	- 600														+600
G	- 1,000										+ \$1,000				
H							+400								+400
I	- 192														192
ENDING BALANCE	\$8,758	+	\$3,650	+	\$4,250	=	\$4,650	+	\$9,000	_	\$1,000	+	\$6,000	_	\$1,992

\$16,658 = \$16,658

M01_SLAT7156_12_ISM_C01.indd 19

© 2018 Pearson Canada All Rights Reserved



P1-3C.

1.

FIRST CITY SURVEYING SERVICE

			Assets			=	Liabilities	+			Owner	's E	Equity		
	Cash	+	Accounts Receivable	+	Surveying Equipment	=	Accounts Payable	+	H. McGraw Capital	_	H. McGraw, Withdrawals	+	Surveying Revenue	_	Expenses
04/23	\$17,000								\$17,000						
04/26	- 250				\$5,000		+\$4,750								
04/29	- 2,895				+2,895										
04/30	- 2,375						-2,375								
05/02	+2,350												+\$2,350		
05/03	- 975														+\$975
05/10	+2,000		+2,950										+4,950		
05/13	+2,500		- 2,500												
05/14	- 104														+104
05/17	- 1,043										+\$1,043				
05/21	+1,825												+1,825		
05/24					+2,415		+2,415								
05/27	- 825														+825
05/28	- 246														+246
05/31							+410								+410
ENDING BALANCE	16,962	+	450	+	10310	=	\$5,200	+	\$17,000	_	\$1,043	+	\$9,125	_	\$2,560

<u>\$27,722</u> = <u>\$27,722</u>







P1-3C., Cont.

3.

2.

FIRST CITY SURVEYING SERVICE

BALANCE SHEET

APRIL 30, 2019

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets:						Liabilities:					
Cash	\$11	4	8	0	00	Accounts Payable	\$2	3	7	5	00
Surveying Equipment	7	8	9	5	00						
						Owner's Equity:					
						Howard McGraw, Capital	17	0	0	0	00
						Total Liabilities and					
Total Assets	\$19	3	7	5	00	Owner's Equity	\$19	3	7	5	00
										T	

FIRST CITY SURVEYING SERVICE

INCOME STATEMENT

FOR THE MONTH ENDING MAY 31, 2019

Revenue:										
Surveying Revenue						\$9	1	2	5	00
							L			
Operating Expenses:										
Salaries Expense	\$	9	7	5	00					
Telephone Expense		1	0	4	00					
Rent Expense		8	2	5	00					
Supplies Expense		2	4	6	00					
Advertising Expense		4	1	0	00					
Total Operating Expenses						2	5	6	0	00
Net Income						\$6	5	6	5	00

M01_SLAT7156_12_ISM_C01.indd 21 3/9/17 12:53 PM

P1-3C., Cont.

4.

FIRST CITY SURVEYING SERVICE

STATEMENT OF OWNER'S EQUITY

FOR THE MONTH ENDED MAY 31, 2019

Howard McGraw, Capital, May 1, 2019						\$17	0	0	0	00
Net Income for May	\$6	5	6	5	00					
Less: Withdrawals for May	1	0	4	3	00					
Increase in Capital						5	5	2	2	00
Howard McGraw, Capital, May 31, 2019						\$22	5	2	2	00

<i>5</i> .		
	FIRST CITY SURVEYING SERVICE	
	BALANCE SHEET	_
	MAY 31, 2019	_

ASSETS

© 2018 Pearson Canada All Rights Reserved

LIABILITIES AND OWNER'S EQUITY

Assets:						Liabilities:					
Cash	\$16	9	6	2	00	Accounts Payable	\$5	2	0	0	00
Accounts Receivable		4	5	0	00						
Equipment	10	3	1	0	00	Owner's Equity:					
						Howard McGraw, Capital	22	5	2	2	00
						Total Liabilities and					
Total Assets	\$27	7	2	2	00	Owner's Equity	\$27	7	2	2	00

M01_SLAT7156_12_ISM_C01.indd 22 3/9/17 12:53 PM



P1-4C

Roger's Window W	ashing C	Cor	np	an	y					
Income S	tatement									
For The Year Ended	Decemb	er.	31,	, 2	019					
Revenue:										
Window Cleaning						\$14	2	7	6	00
Operating Expenses:										
Salaries Expense	\$6	8	8	0	00					
Supplies Expense	1	4	0	0	00					
Interest Expense		3	0	0	00					
Advertising Expense			9	5	00					
Total Operating Expenses						8	6	7	5	00
Net Income						\$5	6	0	1	00

1	ns	ig	hts	ľ
\$11	3	7	6	00
+2	9	0	0	00
\$14	2	7	6	00
\$5	0	8	0	00
+1	8	0	0	00
\$6	8	8	0	00

Advice to Roger: In the long run, a formal bookkeeping and accounting system may prove less costly than creating statements from informal records—and provide more reliance for Canada Revenue Agency as well.

P1-5C

1.	LUNE CO.
	BALANCE SHEET
	DECEMBER 31, 2019

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets:						Liabilities:										
Cash	\$10	0	1	6	0	Accounts Payable	127	6	0	4	00					
Accounts Receivable	104	3	3	7	0	Notes Payable	\$75	3	2	8	00					
Land	72	9	3	5	0	Total Liabilities						\$202	9	3	2	00
Building	44	6	0	0	0	0										
Desks	6	8	2	5	0	Owner's Equity:										
Auto	14	2	6	8	0	J. Lune, Capital						50	0	4	9	00
						Total Liabilities and										
Total Assets	\$252	9	8	1	0	Owner's Equity						\$252	9	8	1	00
					<u> </u>	_										

^{2.} Slowe does not seem to understand the basic accounting equation, the classification of accounts, or the double entry accounting system which would keep all of the accounts in balance (including the Capital account). If she stays in the position of bookkeeper, it is likely that the accounting records will not be accurate.

<i>3</i> .	LUNE CO.	
	BALANCE SHEET	
	REVISED IANUARY 4 2020	

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets:						Liabilities:										
Cash	\$28	0	1	6	00	Notes Payable	\$79	3	2	8	00					
Accounts Receivable	104	3	3	7	00	Accounts Payable	127	6	0	4	00					
Land	72	9	3	5	00	Total Liabilities						\$206	9	3	2	00
Building	44	6	0	0	00											
Desks	14	8	2	5	00	Owner's Equity:										
Auto	20	2	6	8	00	J. Lune, Capital						78	0	4	9	00
						Total Liabilities and										
Total Assets	\$284	9	8	1	00	Owner's Equity						\$284	9	8	1	00

Insight

Ca	ısh	Desks	Auto	J. Lune	Notes Payable
10,016	2,000	6,825	14,268	50,049	75,328
20,000		8,000	6,000	28,000	4,000







CONTINUING PROBLEM

1., 2.

PRECISION COMPUTER CENTRE

			Asse	ts		= <u>Liabilities</u> +				Owner's Equity						
	Cash	+	Supplies +	Computer Shop Equipment		Office quipment		counts yable		T. Freedman, Capital		Freedman, ithdrawals		Service Revenue	– 1	Expenses
а	+\$4,500									+\$4,500						
b	- 1,200			+1,200												
c	- 600					+600										
d			+250				-	- 250								
e	- 400															+400 Rent
\overline{f}	+250													+250		
g	+200													+200		
h								+ 85								+85 Utilities
i	1,200													1,200		
\overline{j}	- 100											+100				
ENDING BALANCE	\$3,850	+	\$250 +	\$1,200	+	\$600	=	\$335	+	\$4,500	_	\$100	+	\$1,650	_	\$485

 $\underline{\$5,900} \quad = \quad \underline{\$5,900}$







CONTINUING PROBLEM, Cont.

3.

PRECISION COMPUTER CENTRE

INCOME STATEMENT

FOR THE MONTH ENDED MAY 31, 2019

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

PRECISION COMPUTER CENTRE

STATEMENT OF OWNER'S EQUITY

FOR THE MONTH ENDED MAY 31, 2019

T. Freedman, Capital Contribution, May 1, 2019						\$4	5	0	0	0 (
Plus: Net Income for May	\$1	1	6	5	00					
Less: Withdrawals for May		1	0	0	00					
Increase in Capital						1	0	6	5	0
T. Freedman, Capital, May 31, 2019						\$5	5	6	5	0
		Γ								
		T								_

M01_SLAT7156_12_ISM_C01.indd 26 3/9/17 12:53 PM



CONTINUING PROBLEM, Cont.

<i>3</i> .		
	PRECISION COMPUTER CENTRE	
	BALANCE SHEET	
	MAY 31, 2019	

ASSETS

LIABILITIES AND OWNER'S EQUITY

Assets:						Liabilities:					
Cash	\$3	8	5	0	00	Accounts Payable	\$	3	3	5	00
Supplies		2	5	0	00			Г			
Computer Shop Equipment		2	0	0	00	Owner's Equity					
Office Equipment		6	0	0	00	T. Freedman, Capital	5	5	6	5	00
								Γ			
						Total Liabilities and					
Total Assets	\$5	9	0	0	00	Owner's Equity	\$5	9	0	0	00
								Γ			



