# **Chapter 2**

## Transaction Analysis

**Ethics Check**

**(5-10 min.) EC 2-1**

1. **Due care**
2. **Integrity**
3. **Due care**
4. **Objectivity and independence**

### Short Exercises

 **(5 min.) S 2-1**

1. **No (no dollars involved)**
2. **Yes**
3. **No (no dollars involved yet)**
4. **Yes**
5. **Yes**
6. **Yes**
7. **No**
8. **Yes**

**(5 min.) S 2-2**

**a. L**

**b. E**

**c. A**

**d. L**

**e. E**

**f. A**

**g. A**

**h. L**

**i. A**

**j. E**

**(10 min.) S 2-3**

|  |  |  |  |
| --- | --- | --- | --- |
|  **G** |  **1. Debit** |  |  |
|  **A** |  **2. Expense** |  |  |
|  **F** |  **3. Net income** |  |  |
|  **C** |  **4. Ledger** |  |  |
|  **D** |  **5. Posting** |  |  |
|  **I** |  **6. Normal balance** |  |  |
|  **J** |  **7. Payable** |  |  |
|  **E** |  **8. Journal** |  |  |
|  **H** |  **9. Receivable**  |  |  |
|  **B** | **10. Owners’ equity** |  |  |

**(5 min.) S 2-4**

**Anderson’s payment was *not* an expense.**

**Anderson acquired an *asset*, Equipment, because the computer is an economic resource of the business.**

**(5 min.) S 2-5**

**a. Purchase of asset on account**

 **Borrow money**

**b. Declaration and payment of dividends to owners**

 **Expense transaction (ex: received and paid utility bill)**

**c. Pay a liability**

 **Return an asset purchased on account**

**d. Issuance of stock**

**Revenue transaction (ex: provided services on account or for cash)**

**e. Purchase of asset for cash**

 **Sale of asset for cash**

 **Collection of an account receivable**

 **(Answers may vary.)**

**(5 min.) S 2-6**

 **Assets Liabilities Stk. Equity**

 **Incr Decr Incr Decr Incr Decr**

**Jan 2 X X**

**Jan 4 X X**

**Jan 10 X X**

**Jan 1 5 X X**

**Jan 18 X X**

**Jan 21 X X**

**Jan 31 X X**

**(5 min.) S 2-7**

**a. $19,200 ($17,000 + $2,200 + $4,600 − $4,600)**

**b. $ 2,200**

**(5-10 min.) S 2-8**

***Reqs. 1, 2***

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Computer Equipment** |
|  | **250,000** |  |  |  |  | **106,000** |  |  |
|  |  |  |  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Accounts Payable** |  | **Common Stock** |
|  |  |  | **106,000** |  |  |  |  | **250,000** |
|  |  |  |  |  |  |  |  |  |

***Req. 3***

**Total debits = $356,000 ($250,000 + $106,000)**

**Total credits = $356,000 ($106,000 + $250,000)**

**(5-10 min.) S 2-9**

|  |  |  |
| --- | --- | --- |
| **Cash** |  |  |
|  |  **29,000** |  | **4,000** |  |  |  |  |  |
|  |  **7,100** |  |  |  |  |  |  |  |
| **Bal.** |  **32,100** |  |  |  |  |  |  |  |

**(10 min.) S 2-10**

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
| **Jan.** | **15** | **Cash**  | **31,000** |  |
|  |  |  **Note Payable**  |  | **31,000** |
|  |  | **Borrowed money from the bank.** |  |  |
|  |  |  |  |  |
|  | **22** | **Accounts Receivable**  | **16,800** |  |
|  |  |  **Service Revenue**  |  | **16,800** |
|  |  | **Performed service on account.** |  |  |
|  |  |  |  |  |
|  | **28** | **Cash**  | **12,000** |  |
|  |  |  **Accounts Receivable**  |  | **12,000** |
|  |  | **Received cash on account.** |  |  |
|  |  |  |  |  |
|  | **29** | **Utilities Expense**  | **1,400** |  |
|  |  |  **Cash**  |  | **1,400** |
|  |  | **Paid utility bill.** |  |  |
|  |  |  |  |  |
|  | **31** | **Salary Expense**  | **9,000** |  |
|  |  |  **Cash**  |  | **9,000** |
|  |  | **Paid salary expense.** |  |  |

**(10-15 min.) S 2-11**

### *Req. 1*

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
|  |  | **Supplies**  | **5,200** |  |
|  |  |  **Accounts Payable**  |  | **5,200** |
|  |  | **Purchased supplies on account.** |  |  |
|  |  |  |  |  |
|  |  | **Accounts Payable**  | **1,750** |  |
|  |  |  **Cash**  |  | **1,750** |
|  |  | **Paid cash on account.** |  |  |

### *Req. 2*

|  |
| --- |
| **Accounts Payable** |
|  | **1,750** |  | **5,200** |
|  |  | **Bal.** | **3,450** |

### *Req. 3*

The business owes $3,450, as shown in the Accounts Payable account.

**(10-15 min.) S 2-12**

### *Req. 1*

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
|  |  | **Accounts Receivable**  | **4,900** |  |
|  |  |  **Service Revenue**  |  | **4,900** |
|  |  | **Performed service on account.** |  |  |
|  |  |  |  |  |
|  |  | **Cash**  | **2,300** |  |
|  |  |  **Accounts Receivable**  |  | **2,300** |
|  |  | **Received cash on account.** |  |  |

### *Req. 2*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  **Cash** |  | **Accounts Receivable** |  | **Service Revenue** |
|  | **2,300** |  |  |  |  | **4,900** |  | **2,300** |  |  |  |  | **4,900** |
| **Bal.** | **2,300** |  |  |  | **Bal.** | **2,600** |  |  |  |  | **Bal.** | **4,900** |

**(15-20 min.) S 2-13**

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
| **July** |  **1** | **Cash**  | **10,000** |  |
|  |  |  **Common Stock**  |  | **10,000** |
|  |  | **Issued stock to owner.** |  |  |
|  |  |  |  |  |
|  |  **5** | **Accounts Receivable**  | **5,000** |  |
|  |  |  **Service Revenue**  |  | **5,000** |
|  |  | **Provided (sold) services on account.** |  |  |
|  |  |  |  |  |
|  |  **9** | **Office Supplies**  | **500** |  |
|  |  |  **Accounts Payable**  |  | **500** |
|  |  | **Purchased supplies on account.** |  |  |
|  |  |  |  |  |
|  | **10** | **Cash**  | **2,100** |  |
|  |  |  **Service Revenue**  |  | **2,100** |
|  |  | **Provided (sold) services for cash.** |  |  |
|  |  |  |  |  |
|  | **12** | **Cash**  | **5,000** |  |
|  |  |  **Accounts Receivable**  |  | **5,000** |
|  |  | **Collected cash on account.** |  |
|  |  |  |  |  |
|  | **24** | **Accounts Payable**  | **500** |  |
|  |  |  **Cash**  |  | **500** |
|  |  | **Paid on account.** |  |  |
|  |  |  |  |  |
|  | **25** | **Utilities Expense**  | **200** |  |
|  |  |  **Cash**  |  | **200** |
|  |  | **Paid expenses.** |  |  |
|  |  |  |  |  |
|  | **30** | **Office Furniture**  | **3,500** |  |
|  |  |  **Note Payable**  |  | **3,500** |
|  |  | **Purchased furniture with note payable.** |  |  |
|  |  |  |  |  |
|  | **31** | **Salary Expense**  | **3,000** |  |
|  |  |  **Cash**  |  | **3,000** |
|  |  | **Paid payroll.** |  |  |

**(10 min.) S 2-14**

|  |
| --- |
| **Navy Port Company** |
| **Trial Balance** |
| **December 31, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
|  | ***Millions*** |
| **Cash**  | **$ 4** |  |
| **Other assets**  | **23** |  |
| **Accounts payable**  |  | **$ 5** |
| **Other liabilities**  |  | **1** |
| **Stockholders’ equity**  |  | **6** |
| **Revenues**  |  | **39** |
| **Expenses**  |  **24** | **\_\_\_** |
| **Total**  | **$51** | **$51** |

**Navy Port Company’s net income: $15 million ($39 − $24)**

**(10 min.) S 2-15**

**1. Total assets = $94,000 ($4,000 + $14,000 + $1,000 +**

 **$48,000 + $27,000)**

**2. Total liabilities = $80,000 ($54,000 + $26,000)**

**3. Net income (loss) = ($8,000) ($31,600 − $29,000 − $9,000 − $1,600)**

**(10 min.) S 2-16**

**1. Total debits = $ 90,400 ($133,600 + $4,800 − $48,000)**

 **Total credits = $133,600**

 **Difference = $ 43,200 ($133,600 − $90,400);**

**$43,200 / 9 = $4,800 (an integer), which suggests either a transposition or a slide.**

**2. Total debits = $160,600 ($133,600 + $41,000 − $14,000)**

 **Total credits = $133,600**

 **Difference = $ 27,000 ($160,600 − $133,600);**

**$27,000 / 9 = $3,000 (an integer), which suggests either a transposition or a slide.**

**3. Total debits = $119,600 ($133,600 − $14,000)**

 **Total credits = $147,600 ($133,600 + $14,000)**

 **Difference = $ 28,000 ($147,600 − $119,600)**

**$28,000 / 2 = $14,000 (original amount of accounts receivable).**

**Exercises**

**(10-15 min.) E 2-17A**

**TO: Home Office**

**FROM: Laura Sprague, Store Manager**

**During the first week, I used the store’s beginning cash to purchase equipment and supplies. I signed a note payable to buy land and a building. After all these transactions, the store’s balance sheet appears as follows:**

|  |
| --- |
| **Designs Unlimited** |
| **Columbus Store** |
| **Balance Sheet** |
| **Date** |
| **ASSETS** | **LIABILITIES** |
| **Cash** | **$ 55,400** | **Note payable\***  | **$275,000** |
| **Supplies** | **6,600** |  |
| **Land** | **76,000** | STOCKHOLDERS’ EQUITY |
| **Building** | **199,000** | **Common stock** |  **98,000** |
| **Equipment** |  **36,000** | **Total liabilities and** |  |
| **Total assets** | **$373,000** |  **stockholders’ equity**  | **$373,000** |

**\*$76,000 + $199,000 = $275,000**

|  |  |  |
| --- | --- | --- |
| **Cash** |  |  |
|  | **98,000** |  | **36,000** |  |  |  |  |  |
|  |  |  | **6,600** |  |  |  |  |  |
|  | **55,400** |  |  |  |  |  |  |  |

 **(10-15 min.) E 2-18A**

a. No effect on total assets. Increase in cash offsets the decrease in land.

**b. No effect on total assets. Increase in cash offsets the decrease in accounts receivable.**

**c. No effect on total assets. Increase in land offsets the decrease in cash.**

**d. Increased assets. (Cash)**

e. No effect. (A personal transaction)

**f. Increased assets. (Equipment)**

**g. Increased assets. (Office supplies)**

**h. Increased assets. (Cash)**

**i. Decreased assets. (Cash)**

**j. Decreased assets. (Cash)**

 **(15-20 min.) E 2-19A**

### *Req. 1*

|  |
| --- |
| **Analysis of Transactions** |
| **ASSETS** | **=** |  **LIABILITIES + STOCKHOLDERS’**  **EQUITY** |
| **Date** |  Cash + |  **Accounts****Receivable +**  | **Medical****Supplies +** |  **Land**  |  **=** | **Accounts** **Payable +** |  **Note** **Payable +** | **Common** **Stock +** | **Retained****Earnings** | **Type of Stockholders’****Equity Transaction** |
| July 6 | **148,000** |  |  |  |  |  |  | **148,000** |  | **Issued stock** |
| **9** | **(66,000)** |  |  | **66,000** |  |  |  |  |  |  |
| **12** |  |  | **2,000** |  |  | **2,000** |  |  |  |  |
| **15** | **Not a transaction of the business.** |  |  |  |  |  |  |
| **15-31** | **4,600** | **4,600** |  |  |  |  |  |  |  **9,200** | **Service revenue** |
| **15-31** | **(2,900)** |  |  |  |  |  |  |  | **(2,900)** | **Salary expense** |
|  | **(1,500)** |  |  |  |  |  |  |  | **(1,500)** | **Rent expense** |
|  | **(700)** |  |  |  |  |  |  |  | **(700)** | **Utilities expense** |
| **31** | **600** |  | **(600)** |  |  |  |  |  |  |  |
| **31** | **36,000** |  |  |  |  |  | **36,000** |  |  |  |
| **31** |  **(1,500)** |  |  |  |  | **(1,500)** |  |  |  |  |
| **Bal.** | **116,600** | **4,600** | **1,400** | **66,000** |  |  **500** | **36,000** | **148,000** | **4,100** |  |

 **$188,600 = $188,600**

**(continued) E 2-19A**

### *Req. 2*

**a. $188,600**

**b. $4,600**

**c. $36,500 ($500 + $36,000)**

**d. $152,100 ($188,600 − $36,500, or $148,000 + $4,100)**

**e. $4,100 (Revenue, $9,200 minus expenses, $5,100 equals net income, $4,100.)**

**(10-15 min.) E 2-20A**

***Req. 1***

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
| **July** |  **6** | **Cash**  | **148,000** |  |
|  |  |  **Common Stock**  |  | **148,000** |
|  |  | **Issued stock to owner.** |  |  |
|  |  |  |  |  |
|  |  **9** | **Land**  | **66,000** |  |
|  |  |  **Cash**  |  | **66,000** |
|  |  | **Purchased land.** |  |  |
|  |  |  |  |  |
|  | **12** | **Medical Supplies**  | **2,000** |  |
|  |  |  **Accounts Payable**  |  | **2,000** |
|  |  | **Purchased supplies on account.** |  |  |
|  |  |  |  |  |
|  | **15** | **Not a transaction of the business.** |  |  |
|  |  |  |  |  |
|  | **15-31** | **Cash**  | **4,600** |  |
|  |  | **Accounts Receivable**  | **4,600** |  |
|  |  |  **Service Revenue**  |  | **9,200** |
|  |  | **Performed service for cash and on account.** |  |
|  | **15-31** | **Salary Expense**  | **2,900** |  |
|  |  | **Rent Expense**  | **1,500** |  |
|  |  | **Utilities Expense**  | **700** |  |
|  |  |  **Cash**  |  | **5,100** |
|  |  | **Paid expenses.** |  |  |
|  |  |  |  |  |
|  | **31** | **Cash**  | **600** |  |
|  |  |  **Medical Supplies**  |  | **600** |
|  |  | **Sold supplies.** |  |  |
|  | **31** | **Cash**  | **36,000** |  |
|  |  |  **Note Payable**  |  | **36,000** |
|  |  | **Borrowed money.** |  |  |
|  |  |  |  |  |
|  | **31** | **Accounts Payable**  | **1,500** |  |
|  |  |  **Cash**  |  | **1,500** |
|  |  | **Paid on account.** |  |  |

 **(20-30 min.) E 2-21A**

### *Req. 1*

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **July 6** | **148,000** | **July 9** | **66,000** |  | **July 15-31** | **4,600** |  |  |
| **15-31** | **4,600** | **15-31** | **5,100** |  | **Bal.** | **4,600** |  |  |
| **31** | **600** | **31** | **1,500** |  |  |  |  |  |
| **31** | **36,000** |  |  |  |  |  |  |  |
|  **Bal.** | **116,600** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Medical Supplies** |  | **Land** |
| **July 12** | **2,000** | **July 31** | **600** |  | **July 9** | **66,000** |  |  |
|  **Bal.** | **1,400** |  |  |  |  **Bal.** | **66,000** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Accounts Payable** |  | **Note Payable** |
| **July 31** | **1,500** | **July 12** | **2,000** |  |  |  | **July 31** | **36,000** |
|  |  | **Bal.** | **500** |  |  |  |  **Bal.** | **36,000** |
|  |  |  |  |  |  |  |  |  |
| **Common Stock** |  | **Service Revenue** |
|  |  | **July 6** | **148,000** |  |  |  | **July 15-31** | **9,200** |
|  |  | **Bal.** | **148,000** |  |  |  | **Bal.** | **9,200** |
|  |  |  |  |  |  |  |  |  |
| **Salary Expense** |  | **Rent Expense** |
| **July 15-31** | **2,900** |  |  |  | **July 15-31** | **1,500** |  |  |
| **Bal.** | **2,900** |  |  |  | **Bal.** | **1,500** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Utilities Expense** |  |  |  |  |  |
| **July 15-31** | **700** |  |  |  |  |  |  |  |
| **Bal.** | **700** |  |  |  |  |  |  |  |

**(continued) E 2-21A**

### *Req. 2*

|  |
| --- |
| **Dr. Kristine Cohen, P.C.** |
| **Trial Balance** |
| **July 31, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$116,600** |  |
| **Accounts receivable**  | **4,600** |  |
| **Medical supplies**  | **1,400** |  |
| **Land**  | **66,000** |  |
| **Accounts payable**  |  | **$ 500** |
| **Note payable**  |  | **36,000** |
| **Common stock**  |  | **148,000** |
| **Service revenue**  |  | **9,200**  |
| **Salary expense**  | **2,900** |  |
| **Rent expense**  | **1,500** |  |
| **Utilities expense**  |  **700** |  |
| **Total**  | **$193,700** | **$193,700** |

***Req. 3***

**Total assets ($116,600 + $4,600 + $1,400 + $66,000) $188,600**

**Total liabilities ($500 + $36,000) (36,500)**

**Total stockholders’ equity ($148,000 + $4,100\*) $152,100**

**\*Net income = $4,100 ($9,200 – $2,900 – $1,500 – $700)**

**(10-15 min.) E 2-22A**

***Req. 1***

|  |
| --- |
| **Journal** |
| **ACCOUNT TITLES AND EXPLANATION** |  **DEBIT** | **CREDIT** |
|  |  |  |  |
| **1.** | **Cash**  | **8,900** |  |
|  |  **Common Stock**  |  | **8,900** |
|  | **Issued common stock.** |  |  |
|  |  |  |  |
| **2.** | **Cash**  | **10,000** |  |
|  |  **Note Payable**  |  | **10,000** |
|  | **Borrowed money; signed note payable.** |  |  |
|  |  |  |  |
| **3.** | **Supplies**  | **1,000** |  |
|  |  **Accounts Payable**  |  | **1,000** |
|  | **Purchased supplies on account.** |  |  |
|  |  |  |  |
| **4.** | **Land**  | **36,000** |  |
|  |  **Cash**  |  | **12,000** |
|  |  **Note Payable**  |  | **24,000** |
|  | **Purchased land by paying cash and signing** **a note payable.** |  |  |
|  |  |  |  |
| **5.** | **Cash**  | **75** |  |
|  |  **Supplies**  |  | **75** |
|  | **Sold supplies for cash.** |  |  |
|  |  |  |  |
| **6.** | **Accounts Payable**  | **300** |  |
|  |  **Cash**  |  | **300** |
|  | **Paid cash on account.** |  |  |
|  |  |  |  |
| **7.** | **Equipment**  | **3,700** |  |
|  |  **Cash**  |  | **3,700** |
|  | **Paid cash for equipment.** |  |  |

**Cash balance = $2,975 ($8,900 + $10,000 − $12,000 + $75 − $300 − $3,700)**

**Company owes $34,700 ($10,000 + $1,000 + $24,000 − $300)**

**(10-20 min.) E 2-23A**

### *Req. 1*

|  |
| --- |
| **Custom Patio Service, Inc.** |
| **Trial Balance** |
| **April 30, 2016** |
| **ACCOUNT** |  **DEBIT** | **CREDIT** |
| **Cash**  | **$18,700** |  |
| **Accounts receivable**  | **5,100** |  |
| **Equipment**  |  **30,400** |  |
| **Accounts payable**  |  |  **$ 4,900** |
| **Note payable**  |  | **24,000** |
| **Common stock**  |  | **16,800** |
| **Retained earnings**  |  | **2,400** |
| **Dividends**  | **3,400** |  |
| **Service revenue**  |  | **21,100** |
| **Salary expense**  | **8,800** |  |
| **Utilities expense**  | **2,200** |  |
| **Delivery expense**  |  **600** |  |
| **Total**  | **$69,200** |  **$69,200** |

### *Req. 2*

|  |
| --- |
| **Custom Patio Service, Inc.** |
| **Income Statement** |
| **For the Month Ended April 30, 2016** |
| **Service revenue**  |  | **$21,100** |
| **Salary expense**  | **$8,800** |  |
| **Utilities expense**  | **2,200** |  |
| **Delivery expense**  |  **600** |  |
| **Total expenses**  |  |  **11,600** |
| **Net income**  |  | **$ 9,500** |

**(15-25 min.) E 2-24A**

***Req. 1***

|  |
| --- |
| **Harper, Inc.** |
| **Trial Balance** |
| **September 30, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$15,000\*** |  |
| **Accounts receivable**  | **12,100\*** |  |
| **Inventory**  | **16,800** |  |
| **Supplies**  | **200** |  |
| **Land**  | **50,000** |  |
| **Accounts payable**  |  |  **$14,940\*** |
| **Common stock**  |  | **47,200\*** |
| **Sales revenue**  |  | **40,000** |
| **Insurance expense**  | **3,700\*** |  |
| **Salary expense**  | **2,400** |  |
| **Utilities expense**  | **1,040\*** |  |
| **Rent expense**  |  **900** | **\_\_\_\_\_\_\_** |
| **Total**  | **$102,140** | **$102,140** |

**\_\_\_\_\_**

**\*Computations:**

 **Cash: $14,500 + $500 = $15,000**

 **Accounts Receivable: $12,600 − $500 = $12,100**

 **Accounts Payable: $12,000 + $3,000 − $300 + $240 = $14,940**

 **Common Stock: $47,100 + $100 = $47,200**

 **Insurance Expense: $0 + $3,700 = $3,700**

 **Utilities Expense: $800 + $240 = $1,040**

**(10-15 min.) E 2-25A**

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **(a)** | **22,500** | **(b)** | **1,600** |  | **(f)** | **10,100** |  |  |
|  |  | **(d)** | **3,300** |  | **Bal.** | **10,100** |  |  |
|  |  | **(e)** | **850** |  |  |  |  |  |
|  |  | **(g)** | **2,300** |  |  |  |  |  |
| **Bal.** | **14,450** |  |  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Office Supplies** |  | **Office Furniture** |
| **(c)** | **1,400** |  |  |  | **(a)** | **9,000** |  |  |
| **Bal.** | **1,400** |  |  |  | **Bal.** | **9,000** |  |  |

|  |  |  |
| --- | --- | --- |
| **Accounts Payable** |  | **Common Stock** |
| **(e)** | **850** | **(c)** | **1,400** |  |  |  | **(a)** | **31,500** |
|  |  | **Bal.** | **550** |  |  |  | **Bal.** |  **31,500** |

|  |  |  |
| --- | --- | --- |
| **Dividends** |  | **Service Revenue** |
| **(g)** | **2,300** |  |  |  |  |  | **(f)** | **10,100** |
| **Bal.** | **2,300** |  |  |  |  |  | **Bal.** | **10,100** |

|  |  |  |
| --- | --- | --- |
| **Salary Expense** |  | **Rent Expense** |
| **(d)** | **3,300** |  |  |  | **(b)** | **1,600** |  |  |
| **Bal.** | **3,300** |  |  |  | **Bal.** | **1,600** |  |  |

**(15-20 min.) E 2-26A**

### *Req. 1*

|  |
| --- |
| **Leigh Hampton, Attorney** |
| **Trial Balance** |
| **January 31, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$14,450** |  |
| **Accounts receivable**  | **10,100** |  |
| **Office supplies**  | **1,400** |  |
| **Office furniture**  | **9,000** |  |
| **Accounts payable**  |  | **$ 550** |
| **Common stock**  |  | **31,500** |
| **Dividends**  | **2,300** |  |
| **Service revenue**  |  | **10,100** |
| **Salary expense**  | **3,300** |  |
| **Rent expense**  |  **1,600** |  |
| **Total**  | **$42,150** | **$42,150** |

### *Req. 2*

The business performed well during January. The result of operations was net income of $5,200, as shown by the income statement accounts:

 **Service revenue $ 10,100**

 **Salary expense $3,300**

 **Rent expense 1,600**

 **Total expenses (4,900)**

 **Net income $ 5,200**

 **(15-20 min.) E 2-27A**

### *Req. 1*

***(amounts in millions)***

**Cash (X) + Other assets (21) = Accounts payable (7) + Other liabilities (6) + S/E (5) + Revenues (37) – Expenses (30)**

 **Cash (X) = 4**

### *Req. 2*

***(amounts in millions)***

|  |
| --- |
| **New Towne Company** |
| **Trial Balance** |
| **September 30, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$ 4** |  |
| **Other assets**  | **21** |  |
| **Accounts payable**  |  | **$ 7** |
| **Other liabilities**  |  | **6** |
| **Stockholders’ equity**  |  | **5** |
| **Revenues**  |  | **37** |
| **Expenses**  |  **30** |  |
| **Total** **Net income is $7 ($37 – $30)** | **$55** | **$55** |

 **(10-15 min.) E 2-28B**

**TO: Home Office**

**FROM: Gary Breen, Store Manager**

**During the first week, I used the store’s beginning cash to purchase equipment and supplies. I signed a note payable to buy land and a building. After all these transactions, the store’s balance sheet appears as follows:**

|  |
| --- |
| **Summertime Fashions** |
| **Orlando Store** |
| **Balance Sheet** |
| **Date** |
| **ASSETS** | **LIABILITIES** |
| **Cash** | **$ 60,300** | **Note payable\*** | **$279,000** |
| **Supplies** | **5,700** |  |
| **Land** | **79,000** | STOCKHOLDERS’ EQUITY |
| **Building** | **200,000** | **Common stock** |  **108,000** |
| **Equipment** |  **42,000** | **Total liabilities and** |  |
| **Total assets** | **$387,000** |  **stockholders’ equity $324,000** | **$387,000** |

**\_\_\_\_\_**

**\*($79,000 + $200,000) = $279,000**

|  |  |  |
| --- | --- | --- |
| **Cash** |  |  |
|  | **108,000** |  | **42,000** |  |  |  |  |  |
|  |  |  | **5,700** |  |  |  |  |  |
|  | **60,300** |  |  |  |  |  |  |  |

**(10-15 min.) E 2-29B**

**a. No effect on total assets. Increase in notes receivable offsets the decrease in land.**

b. Increased assets. (Cash)

c. No effect on total assets. Increase in equipment offsets the decrease in cash.

**d. Increased assets. (Cash)**

**e. Increased assets. (Land)**

**f. Increased assets. (Accounts receivable)**

**g. Decreased assets. (Cash)**

**h. Increased assets. (Supplies)**

**i. No effect. (A personal transaction)**

**j. Decreased assets. (Cash)**

 **(10-20 min.) E 2-30B**

### *Req. 1*

|  |
| --- |
| **Analysis of Transactions** |
|  **ASSETS =** |  **LIABILITIES + STOCKHOLDERS’**  **EQUITY** |
| **Date** |  Cash + |  **Accounts****Receivable +**  | **Medical****Supplies +** |  **Land =** | **Accounts** **Payable +** |  **Note** **Payable +** | **Common** **Stock +** | **Retained****Earnings** | **Type of Stockholders’****Equity Transaction** |
| May 6 |  **148,000** |  |  |  |  |  |  **148,000** |  | **Issued stock** |
| **9** | **(59,000)** |  |  | **59,000** |  |  |  |  |  |
| **12** |  |  | **1,700** |  | **1,700** |  |  |  |  |
| **15** |  **Not a transaction of the business.** |  |  |  |  |  |
| **15-31** | **4,500** | **4,500** |  |  |  |  |  |  **9,000** | **Service revenue** |
| **15-31** | **(3,200)** |  |  |  |  |  |  |  **(3,200)** | **Salary expense** |
|  | **(1,100)** |  |  |  |  |  |  |  **(1,100)** | **Rent expense** |
|  | **(1,200)** |  |  |  |  |  |  |  **(1,200)** | **Utilities expense** |
| **31** | **300** |  |  **(300)** |  |  |  |  |  |  |
| **31** | **32,000** |  |  |  |  |  **32,000** |  |  |  |
| **31** |  **(1,300)** |  |  |  | **(1,300)** |  |  |  |  |
| **Bal.** | **119,000** | **4,500** | **1,400** | **59,000** | **400** |  **32,000** |  **148,000** |  **3,500** |  |

 **$183,900 $183,900**

**(continued)** **E2-30B**

### *Req. 2*

**a. $183,900**

**b. $4,500**

**c. $32,400 ($400 + $32,000)**

**d. $151,500 ($183,900 − $32,400, or $148,000 + $3,500)**

**e. $3,500 (Revenue, $9,000 minus expenses, $5,500, equals net income, $3,500)**

**(10-15 min.) E 2-31B**

***Req. 1***

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
| **May** |  **6** | **Cash**  | **148,000** |  |
|  |  |  **Common Stock**  |  | **148,000** |
|  |  | **Issued stock to owner.** |  |  |
|  |  |  |  |  |
|  |  **9** | **Land**  | **59,000** |  |
|  |  |  **Cash**  |  | **59,000** |
|  |  | **Purchased land.** |  |  |
|  |  |  |  |  |
|  | **12** | **Medical Supplies**  | **1,700** |  |
|  |  |  **Accounts Payable**  |  | **1,700** |
|  |  | **Purchased supplies on account.** |  |  |
|  |  |  |  |  |
|  | **15** | **Not a transaction of the business.** |  |  |
|  |  |  |  |  |
|  | **15-31** | **Cash**  | **4,500** |  |
|  |  | **Accounts Receivable**  | **4,500** |  |
|  |  |  **Service Revenue**  |  | **9,000** |
|  |  | **Performed service for cash and on account.** |  |
|  |  |  |  |  |
|  | **15-31** | **Salary Expense**  | **3,200** |  |
|  |  | **Rent Expense**  | **1,100** |  |
|  |  | **Utilities Expense**  | **1,200** |  |
|  |  |  **Cash**  |  | **5,500** |
|  |  | **Paid expenses.** |  |  |
|  |  |  |  |  |
|  | **31** | **Cash**  | **300** |  |
|  |  |  **Medical Supplies**  |  | **300** |
|  |  | **Sold supplies.** |  |  |
|  |
|  | **31** | **Cash**  | **32,000** |  |
|  |  |  **Note Payable**  |  | **32,000** |
|  |  | **Borrowed money.** |  |  |
|  |  |  |  |  |
|  | **31** | **Accounts Payable**  | **1,300** |  |
|  |  |  **Cash**  |  | **1,300** |
|  |  | **Paid on account.** |  |  |

**(20-30 min.) E 2-32B**

### *Req. 1*

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **May 6** | **148,000** | **May 9** | **59,000** |  | **May 15-31** | **4,500** |  |  |
| **15-31** | **4,500** | **15-31** | **5,500** |  |  **Bal.** | **4,500** |  |  |
| **31** | **300** | **31** | **1,300** |  |  |  |  |  |
| **31** | **32,000** |  |  |  |  |  |  |  |
| **Bal.** | **119,000** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Medical Supplies** |  | **Land** |
| **May 12** | **1,700** | **May 31** | **300** |  | **May 9** | **59,000** |  |  |
|  **Bal.** | **1,400** |  |  |  |  **Bal.** | **59,000** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Accounts Payable** |  | **Note Payable** |
| **May 31** | **1,300** | **May 12** | **1,700** |  |  |  |  **May 31** | **32,000** |
|  |  |  **Bal.** | **400** |  |  |  |  **Bal.** | **32,000** |
|  |  |  |  |  |  |  |  |  |
| **Common Stock** |  | **Service Revenue** |
|  |  | **May 6** | **148,000** |  |  |  | **May 15-31** | **9,000** |
|  |  | **Bal.** | **148,000** |  |  |  |  **Bal.** | **9,000** |
|  |  |  |  |  |  |  |  |  |
| **Salary Expense** |  | **Rent Expense** |
| **May 15-31** | **3,200** |  |  |  | **May 15-31** | **1,100** |  |  |
|  **Bal.** |  **3,200** |  |  |  |  **Bal.** | **1,100** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Utilities Expense** |  |  |  |  |  |
| **May 15-31** | **1,200** |  |  |  |  |  |  |  |
|  **Bal.** | **1,200** |  |  |  |  |  |  |  |

**(continued) E 2-32B**

### *Req. 2*

|  |
| --- |
| **Dr. Sue Smith, P.C.** |
| **Trial Balance** |
| **May 31, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$119,000** |  |
| **Accounts receivable**  | **4,500** |  |
| **Medical supplies**  | **1,400** |  |
| **Land**  | **59,000** |  |
| **Accounts payable**  |  | **$ 400** |
| **Note payable**  |  | **32,000** |
| **Common stock**  |  | **148,000** |
| **Service revenue**  |  | **9,000**  |
| **Salary expense**  | **3,200** |  |
| **Utilities expense**  | **1,200** |  |
| **Rent expense**  |  **1,100** |  |
| **Total**  | **$189,400** | **$189,400** |

***Req. 3***

**Total assets ($119,000 + $4,500 + $1,400 + $59,000) $183,900**

**Total liabilities ($400 + $32,000) (32,400)**

**Total stockholders’ equity ($148,000 + $3,500\*) $151,500**

**\*Net income = $3,500 ($9,000 − $3,200 − $1,200 − $1,100)**

**(10-15 min.) E 2-33B**

***Req. 1***

|  |
| --- |
| Journal |
| **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |
| **1.** | **Cash**  | **8,600** |  |
|  |  **Common Stock**  |  | **8,600** |
|  | **Issued common stock.** |  |  |
|  |  |  |  |
| **2.** | **Cash**  | **7,500** |  |
|  |  **Note Payable**  |  | **7,500** |
|  | **Borrowed money; signed note payable.** |  |
|  |  |  |  |
| **3.** | **Supplies**  | **800** |  |
|  |  **Accounts Payable**  |  | **800** |
|  | **Purchased supplies on account.** |  |  |
|  |  |  |  |
| **4.** | **Land**  | **36,000** |  |
|  |  **Cash**  |  | **7,000** |
|  |  **Note Payable**  |  | **29,000** |
|  | **Purchased land by paying cash and signing** |  |  |
|  | **a note payable.** |  |  |
|  |  |  |  |
| **5.** | **Cash.**  | **70** |  |
|  |  **Supplies**  |  | **70** |
|  | **Sold supplies for cash.** |  |  |
|  |  |  |  |
| **6.** | **Accounts Payable**  | **230** |  |
|  |  **Cash**  |  | **230** |
|  | **Paid cash on account.** |  |  |
|  |  |  |  |
| **7.** | **Equipment**  | **3,500** |  |
|  |  **Cash**  |  | **3,500** |
|  | **Paid cash for equipment.** |  |  |

**Cash balance = $5,440 ($8,600 + $7,500 − $7,000 + $70 − $230 − $3,500)**

**Company owes $37,070 ($7,500 + $800 + $29,000 − $230)**

**(10-20 min.) E 2-34B**

### *Req. 1*

|  |
| --- |
| **Deluxe Deck Service, Inc.** |
| **Trial Balance** |
| **April 30, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$18,500** |  |
| **Accounts receivable**  | **5,800** |  |
| **Equipment**  | **30,000** |  |
| **Accounts payable**  |  |  **$ 4,900** |
| **Note payable**  |  | **22,500** |
| **Common stock**  |  | **16,800**  |
| **Retained earnings**  |  | **3,450** |
| **Dividends**  | **3,900** |  |
| **Service revenue**  |  | **21,200** |
| **Salary expense**  | **8,500** |  |
| **Utilities expense**  | **1,400** |  |
| **Delivery expense**  |  **750** |  |
| **Total**  | **$68,850** |  **$68,850** |

### *Req. 2*

|  |
| --- |
| **Deluxe Deck Service, Inc.** |
| **Income Statement** |
| **For the Month Ended April 30, 2016** |
| **Service revenue**  |  | **$21,200** |
|  **Salary expense**  | **$8,500** |  |
|  **Utilities expense**  | **1,400** |  |
|  **Delivery expense**  |  **750** |  |
| **Total expenses**  |  |  **10,650** |
| **Net income**  |  | **$10,550** |

**(15-25 min.) E 2-35B**

***Req. 1***

|  |
| --- |
| **Carver, Inc.** |
| **Trial Balance** |
| **September 30, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$ 14,300\*** |  |
| **Accounts receivable**  | **12,400\*** |  |
| **Inventory**  | **17,200** |  |
| **Supplies**  | **800** |  |
| **Land**  |  **52,000** |  |
| **Accounts payable**  |  | **$ 14,550\*** |
| **Common stock**  |  | **47,900\*** |
| **Sales revenue**  |  | **41,000**  |
| **Insurance expense**  | **3,300\*** |  |
| **Salary expense**  | **2,100** |  |
| **Utilities expense**  | **850\*** |  |
| **Rent expense**  |  **500** | **\_\_\_\_\_\_\_** |
| **Total**  | **$103,450** | **$103,450** |

**\_\_\_\_\_**

**\*Computations:**

 **Cash: $14,100 + $200 = $14,300**

 **Accounts Receivable: $12,600 − $200 = $12,400**

 **Accounts Payable: $12,100 + $2,000 − $200 + $650 = $14,550**

 **Common Stock: $47,600 + $300 = $47,900**

 **Insurance Expense: $0 + $3,300 = $3,300**

 **Utilities Expense: $200 + $650 = $850**

**(10-15 min.) E 2-36B**

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **(a)** | **23,000** | **(b)** | **1,000** |  | **(f)** | **10,900** |  |  |
|  |  | **(d)** | **2,500** |  | **Bal.** | **10,900** |  |  |
|  |  | **(e)** | **150** |  |  |  |  |  |
|  |  | **(g)** | **2,000** |  |  |  |  |  |
| **Bal.** | **17,350** |  |  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Office Supplies** |  | **Office Furniture** |
| **(c)** | **700** |  |  |  | **(a)** | **9,400** |  |  |
| **Bal.** | **700** |  |  |  | **Bal.** | **9,400** |  |  |

|  |  |  |
| --- | --- | --- |
| **Accounts Payable** |  | **Common Stock** |
| **(e)** | **150** | **(c)** | **700** |  |  |  | **(a)** | **32,400** |
|  |  | **Bal.** | **550** |  |  |  | **Bal.** | **32,400** |

|  |  |  |
| --- | --- | --- |
| **Dividends** |  | **Service Revenue** |
| **(g)** | **2,000** |  |  |  |  |  | **(f)** | **10,900** |
| **Bal.** | **2,000** |  |  |  |  |  | **Bal.** | **10,900** |

|  |  |  |
| --- | --- | --- |
| **Salary Expense** |  | **Rent Expense** |
| **(d)** | **2,500** |  |  |  | **(b)** | **1,000** |  |  |
| **Bal.** | **2,500** |  |  |  | **Bal.** | **1,000** |  |  |

**(15-20 min.) E 2-37B**

### *Req. 1*

|  |
| --- |
| **Eric Newton, Attorney** |
| **Trial Balance** |
| **December 31, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$ 17,350** |  |
| **Accounts receivable**  | **10,900** |  |
| **Office supplies**  | **700** |  |
| **Office furniture**  | **9,400** |  |
| **Accounts payable**  |  | **$ 550** |
| **Common stock**  |  | **32,400** |
| **Dividends**  | **2,000** |  |
| **Service revenue**  |  | **10,900** |
| **Salary expense**  | **2,500** |  |
| **Rent expense**  |  **1,000** |  |
| **Total**  | **$43,850** | **$43,850** |

### *Req. 2*

The business performed well during December. The result of operations was net income of $7,400, as shown by the income statement accounts:

 **Service revenue $10,900**

 **Salary expense $2,500**

 **Rent expense 1,000**

 **Total expenses (3,500)**

 **Net income $ 7,400**

### (15-20 min.) E 2-38B

### *Req. 1*

***(amounts in millions)***

**Cash (X) + Other assets (20) = Accounts payable (7) + Other liabilities (3) + S/E (6) + Revenues (38) – Expenses (25)**

 **Cash (X) = 9**

### *Req. 2*

***(amounts in millions)***

|  |
| --- |
| **Wolf Products Company** |
| **Trial Balance** |
| **May 31, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$ 9** |  |
| **Other assets**  | **20** |  |
| **Accounts payable**  |  | **$ 7** |
| **Other liabilities**  |  | **3** |
| **Stockholders’ equity**  |  | **6** |
| **Revenues**  |  | **38** |
| **Expenses**  |  **25** |  |
| **Total** **Net income is $13 ($38 – $25)** | **$54** | **$54** |

 **Serial Exercise**

 **(20-30 min.) E 2-39**

### *Req. 1*

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
| **Aug.** |  **2** | **Cash**  | **10,000** |  |
|  |  |  **Common Stock**  |  | **10,000** |
|  |  |  |  |  |
|  |  **2** | **Rent Expense**  | **600** |  |
|  |  |  **Cash**  |  | **600** |
|  |  |  |  |  |
|  |  **3** | **Equipment**  | **2,700** |  |
|  |  |  **Cash**  |  | **2,700** |
|  |  |  |  |  |
|  |  **4** | **Furniture**  | **4,500** |  |
|  |  |  **Accounts Payable**  |  | **4,500** |
|  |  |  |  |  |
|  |  **5** | **Supplies**  | **800** |  |
|  |  |  **Accounts Payable**  |  | **800** |
|  |  |  |  |  |
|  |  **9** | **Cash**  | **1,400** |  |
|  |  |  **Service Revenue**  |  | **1,400** |
|  |  |  |  |  |
|  | **12** | **Utilities Expense**  | **300** |  |
|  |  |  **Cash**  |  | **300** |
|  |  |  |  |  |
|  | **18** | **Accounts Receivable**  | **1,900** |  |
|  |  |  **Service Revenue**  |  | **1,900** |

**(continued) E 2-39**

### *Req. 2*

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **Aug. 2** | **10,000** | **Aug. 2** | **600** |  | **Aug. 18** | **1,900** |  |  |
|  **9** | **1,400** |  **3** | **2,700** |  | **Bal.** | **1,900** |  |  |
|  |  |  **12** | **300** |  |  |  |  |  |
| **Bal.** | **7,800** |  |  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Supplies** |  | **Equipment** |
| **Aug. 5** | **800** |  |  |  | **Aug. 3** | **2,700** |  |  |
| **Bal.** | **800** |  |  |  | **Bal.** | **2,700** |  |  |

|  |  |  |
| --- | --- | --- |
| **Furniture** |  | **Accounts Payable** |
| **Aug. 4** | **4,500** |  |  |  |  |  | **Aug. 4** | **4,500** |
| **Bal.** | **4,500** |  |  |  |  |  |  **5** | **800** |
|  |  |  |  |  |  |  | **Bal.** | **5,300** |

|  |  |  |
| --- | --- | --- |
| **Common Stock** |  | **Service Revenue** |
|  |  | **Aug. 2** | **10,000** |  |  |  | **Aug. 9** | **1,400** |
|  |  | **Bal.** | **10,000** |  |  |  |  **18** | **1,900** |
|  |  |  |  |  |  |  | **Bal.**  | **3,300** |

|  |  |  |
| --- | --- | --- |
| **Rent Expense** |  | **Utilities Expense** |
| **Aug. 2** | **600** |  |  |  | **Aug. 12** | **300** |  |  |
| **Bal.** | **600** |  |  |  | **Bal.** | **300** |  |  |
|  |  |  |  |  |  |  |  |  |

**(continued) E 2-39**

### *Req. 3*

|  |
| --- |
| **Barbara Miracle, Certified Public Accountant, P.C.** |
| **Trial Balance** |
| **August 18, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$ 7,800** |  |
| **Accounts receivable**  | **1,900** |  |
| **Supplies**  | **800** |  |
| **Equipment**  | **2,700** |  |
| **Furniture**  | **4,500** |  |
| **Accounts payable**  |  | **$ 5,300** |
| **Common stock**  |  | **10,000** |
| **Dividends**  | **—** |  |
| **Service revenue**  |  | **3,300** |
| **Rent expense**  | **600** |  |
| **Utilities expense**  | **300** |  |
| **Salary expense**  |  **—** |  |
| **Total**  | **$18,600** | **$18,600** |

**Quiz**

|  |  |  |  |
| --- | --- | --- | --- |
| **Q2-40** | **a** |  |  |
| **Q2-41** | **d** |  |  |
| **Q2-42** | **d** |  |  |
| **Q2-43** | **b** |  |  |
| **Q2-44** | **c** |  |  |
| **Q2-45** | **b** |  |  |
| **Q2-46** | **a** |  |  |
| **Q2-47** | **d** |  |  |
| **Q2-48** | **a** |  |  |
| **Q2-49** | **c** |  |  |
| **Q2-50** | **d** |  |  |
| **Q2-51** | **a** |  |  |
| **Q2-52** | **a** |  |  |
| **Q2-53** | **d** |  |  |
| **Q2-54** | **a** |  |  |
| **Q2-55** | **d** |  |  |
| **Q2-56** | **d** |  |  |
| **Q2-57** | **d** |  |  |
| **Q2-58** | **c** |  |  |
| **Q2-59** | **b** | **($51,000 + $30,000 + $22,000) = $103,000** |

**Problems**

**(15-30 min.) P 2-60A**

***Req. 1***

**Dear Vicki,**

This trial balance lists the accounts of the company, along with their balances at December 31, 2016. The trial balance provides the data for computing total assets, total liabilities, and net income or net loss.

**Amusement Specialties reports:**

**a. Total assets = $393,500 ($14,000 + $40,000 + $4,500 + $96,000**

 **+ $239,000)**

**b. Total liabilities = $147,300 ($51,300 + $96,000)**

**c. Net income = $139,000 ($270,000 − $47,000 − $2,000 − $79,000**

 **− $3,000)**

**Student responses may vary but should include these amounts.**

**(45-60 min.) P 2-61A**

### *Req. 1*

|  |
| --- |
| **Analysis of Transactions** |
| **ASSETS** | **= LIABILITIES + STOCKHOLDERS’**  **EQUITY** |
|  | **Cash** | **Accounts****+ Receivable**  | **+ Supplies** | **+ Equipment** |  **Accounts****= Payable** |  **Common****+ Stock** |  **Retained****+ Earnings** | **Type of Stockholders’****Equity Transaction** |
| **Bal.** | **2,200** | **3,600** |  | **12,000** | **7,700** | **6,200** | **3,900** |  |
| **a)** | **3,800** |  |  |  |  | **3,800** |  | **Issued stock** |
| **b)** | **6,000** |  |  |  |  |  | **6,000** | **Service revenue** |
| **c)** | **(4,300)** |  |  |  | **(4,300)** |  |  |  |
| **d)** |  |  | **500** |  | **500** |  |  |  |
| **e)** | **2,000** | **(2,000)** |  |  |  |  |  |  |
| **f)** |  | **4,000** |  |  |  |  | **4,000** | **Service revenue** |
| **g)** | **(1,300)** |  |  |  |  |  | **(1,300)** | **Rent expense** |
|  | **(700)** |  |  |  |  |  | **(700)** | **Advertising expense** |
|  **h)** | **(2,800)** |  |  |  |  |  | **(2,800)** | **Dividends** |
| **Bal.** | **4,900** | **5,600** | **500** | **12,000** | **3,900** | **10,000** |  **9,100** |  |

 **$23,000 $23,000**

**(continued) P 2-61A**

### *Req. 2*

|  |
| --- |
| **Rodriguez Computing, Inc.** |
| **Income Statement** |
| **Month Ended October 31, 2016** |
| **Revenues:** |  |  |
|  **Service revenue ($6,000 + $4,000)**  |  | **$10,000** |
| **Expenses:** |  |  |
|  **Rent expense**  | **$1,300** |  |
|  **Advertising expense**  |  **700** |  |
|  **Total expenses**  |  |  **2,000** |
| **Net income**  |  | **$8,000** |

### *Req. 3*

|  |
| --- |
| **Rodriguez Computing, Inc.** |
| **Statement of Retained Earnings** |
| **Month Ended October 31, 2016** |
| **Retained earnings, October 1, 2016**  | **$ 3,900** |
| **Add: Net income**  |  **8,000** |
| **Subtotal** | **11,900** |
| **Less: Dividends declared**  |  **(2,800)** |
| **Retained earnings, October 31, 2016**  | **$ 9,100** |

***Req. 4***

|  |
| --- |
| **Rodriguez Computing, Inc.** |
| **Balance Sheet** |
| **October 31, 2016** |
| **ASSETS** | **LIABILITIES** |  |
| **Cash**  | **$ 4,900** | **Accounts payable**  |  **$ 3,900** |
| **Accounts receivable**  | **5,600** | STOCKHOLDERS’ |  |
| **Supplies**  | **500** | **EQUITY** |  |
| **Equipment**  | **12,000** | **Common stock**  | **10,000** |
|  |  | **Retained earnings**  |  **9,100** |
|  |  | **Total stockholders’ equity** | **19,100** |
|  |  | **Total liabilities and** |  |
| **Total assets**  | **$23,000** |  **stockholders' equity**  | **$23,000** |

 **(30-40 min.) P 2-62A**

### *Req. 1*

|  |
| --- |
| Journal |
|  | **ACCOUNT TITLES**  | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
|  | **a.** | **Cash**  | **3,800** |  |
|  |  |  **Common Stock**  |  | **3,800** |
|  |  |  |  |  |
|  | **b.** | **Cash**  | **6,000** |  |
|  |  |  **Service Revenue**  |  | **6,000** |
|  |  |  |  |  |
|  | **c.** | **Accounts Payable**  | **4,300** |  |
|  |  |  **Cash**  |  | **4,300** |
|  |  |  |  |  |
|  | **d.** | **Supplies**  | **500** |  |
|  |  |  **Accounts Payable**  |  | **500** |
|  |  |  |  |  |
|  | **e.** | **Cash**  | **2,000** |  |
|  |  |  **Accounts Receivable**  |  | **2,000** |
|  |  |  |  |  |
|  | **f.** | **Accounts Receivable**  | **4,000** |  |
|  |  |  **Service Revenue**  |  | **4,000** |
|  |  |  |  |  |
|  | **g.** | **Rent Expense**  | **1,300** |  |
|  |  | **Advertising Expense**  | **700** |  |
|  |  |  **Cash**  |  | **2,000** |
|  |  |  |  |  |
|  | **h.** | **Dividends**  | **2,800** |  |
|  |  |  **Cash**  |  | **2,800** |

**(continued) P 2-62A**

### *Reqs. 2 and 3*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Cash** |  | **Accounts****Receivable** |  | **Supplies** |  | **Equipment** |
| **2,200** | **4,300** |  | **3,600** | **2,000** |  | **500** |  |  | **12,000** |  |
| **3,800** | **2,000** |  | **4,000** |  |  |  |  |  |  |  |
| **6,000** | **2,800** |  | **5,600** |  |  | **500** |  |  | **12,000** |  |
| **2,000** |  |  |  |  |  |  |  |  |  |  |
| **4,900** |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Accounts****Payable** |  | **Common Stock** |  | **Retained****Earnings** |  | **Dividends** |
| **4,300** | **7,700** |  |  | **6,200** |  |  | **3,900** |  | **2,800** |  |
|  | **500** |  |  | **3,800** |  |  |  |  |  |  |
|  | **3,900** |  |  | **10,000** |  |  | **3,900** |  | **2,800** |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Service****Revenue** |  | **Rent Expense** |  | **Advertising****Expense** |  |  |
|  | **6,000** |  | **1,300** |  |  | **700** |  |  |  |  |
|  | **4,000** |  |  |  |  |  |  |  |  |  |
|  | **10,000** |  | **1,300** |  |  | **700** |  |  |  |  |

The balances of all the accounts Cash through Common Stock agree with the ending balances obtained in Problem 2-61A.

**(50-60 min.) P 2-63A**

***Req. 1***

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES**  | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
| **May** |  **2** | **Cash**  | **65,000** |  |
|  |  |  **Common Stock**  |  | **65,000** |
|  |  |  |  |  |
|  |  **3** | **Supplies**  | **600** |  |
|  |  | **Equipment**  | **11,700** |  |
|  |  |  **Accounts Payable**  |  | **12,300** |
|  |  |  |  |  |
|  |  **4** | **Cash**  | **5,600** |  |
|  |  |  **Service Revenue**  |  | **5,600** |
|  |  |  |  |  |
|  |  **7** | **Land**  | **37,000** |  |
|  |  |  **Cash**  |  | **37,000** |
|  |  |  |  |  |
|  | **11** | **Accounts Receivable**  | **2,900** |  |
|  |  |  **Service Revenue**  |  | **2,900** |
|  |  |  |  |  |
|  | **16** | **Accounts Payable**  | **11,700** |  |
|  |  |  **Cash**  |  | **11,700** |
|  |  |  |  |  |
|  | **17** | **Advertising Expense**  | **610** |  |
|  |  |  **Cash**  |  | **610** |
|  |  |  |  |  |
|  | **18** | **Cash**  | **800** |  |
|  |  |  **Accounts Receivable**  |  | **800** |
|  |  |  |  |  |
|  | **22** | **Utilities Expenses**  | **440** |  |
|  |  |  **Cash**  |  | **440** |
|  |  |  |  |  |
|  | **29** | **Cash**  | **2,500** |  |
|  |  |  **Service Revenue**  |  | **2,500** |
|  |  |  |  |  |
|  | **31** | **Salary Expense**  | **2,400** |  |
|  |  |  **Cash**  |  | **2,400** |
|  |  |  |  |  |
|  | **31** | **Dividends**  | **2,000** |  |
|  |  |  **Cash**  |  | **2,000** |

**(continued) P 2-63A**

***Req. 2***

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **May 2** | **65,000** | **May 7** | **37,000** |  | **May 11** | **2,900** | **May 18** | **800** |
| **4** | **5,600** | **16** | **11,700** |  | **Bal.** | **2,100** |  |  |
| **18** | **800** | **17** | **610** |  |  |  |  |  |
| **29** | **2,500** | **22** | **440** |  |  |  |  |  |
|  |  | **31** | **2,400** |  | **Supplies** |
|  |  | **31** | **2,000** |  | **May 3** | **600** |  |  |
| **Bal.** | **19,750** |  |  |  | **Bal.** | **600** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Equipment** |  | **Land** |
| **May 3** | **11,700** |  |  |  | **May 7** | **37,000** |  |  |
| **Bal.**  | **11,700** |  |  |  | **Bal.** | **37,000** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Accounts Payable** |  | **Common Stock** |
| **May 16** | **11,700** | **May 3**  | **12,300** |  |  |  | **May 2** | **65,000** |
|  |  |  **Bal.** | **600** |  |  |  | **Bal.** | **65,000** |
|  |  |  |  |  |  |  |  |  |
| **Dividends** |  | **Service Revenue** |
| **May 31** | **2,000** |  |  |  |  | **May 4** | **5,600** |
| **Bal.** | **2,000** |  |  |  |  |  | **11** | **2,900** |
|  |  |  |  |  |  |  | **29** | **2,500** |
| **Salary Expense** |  |  |  |  **Bal.**  | **11,000** |
| **May 31** | **2,400** |  |  |  |  |  |  |  |
| **Bal.** | **2,400** |  |  |  | **Advertising Expense** |
|  |  |  |  |  | **May 17** | **610** |  |  |
| **Utilities Expense** |  | **Bal.** | **610** |  |  |
| **May 22** | **440** |  |  |  |  |  |  |  |
| **Bal.** | **440** |  |  |  |  |  |  |  |

**(continued) P 2-63A**

***Req. 3***

|  |
| --- |
| **Martinson Services, Inc.** |
| **Trial Balance** |
| **May 31, 20XX** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$19,750** |  |
| **Accounts receivable**  | **2,100** |  |
| **Supplies**  | **600** |  |
| **Land**  | **37,000** |  |
| **Equipment**  | **11,700** |  |
| **Accounts payable**  |  | **$ 600** |
| **Common stock**  |  | **65,000** |
| **Dividends**  | **2,000** |  |
| **Service revenue**  |  | **11,000** |
| **Salary expense**  | **2,400** |  |
| **Advertising expense**  | **610** |  |
| **Utilities expense**  |  **440** |  |
| **Total**  | **$76,600** | **$76,600** |

***Req. 4***

**Total resources (assets) = $71,150 ($19,750 + $2,100 + $600 +**

 **$37,000 + $11,700)**

**Amount owed (total liabilities) = $600**

**Profit (net income) = $7,550 ($11,000 − $2,400 − $610 –**

 **$440)**

**(40-50 min.) P 2-64A**

***Req. 1***

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **(a)** |  **44,000** | **(c)** | **49,000** | **(g)** | **13,300** | **(j)** | **1,200** |
| **(b)** | **63,000** | **(e)** | **6,000** |  | **Bal.** | **12,100** |  |  |
| **(f)** | **3,710** | **(h)** | **100** |  |  |  |  |  |
| **(j)** | **1,200** | **(k)** | **1,800** |  |  |  |  |  |
| **Bal.** | **55,010** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Supplies** |  | **Music Equipment** |
| **(d)** | **230** |  |  |  | **(c)** | **49,000** |  |  |
| **Bal.**  | **230** |  |  |  | **Bal.** | **49,000** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Building** |  | **Accounts Payable** |
| **(a)** | **106,000** |  |  |  | **(h)** | **100** | **(d)** | **230** |
| **Bal.**  | **106,000** |  |  |  |  |  | **(i)** | **800** |
|  |  |  |  |  |  |  | **Bal.** | **930** |
| **Note Payable** |  |  |  |  |  |
|  |  | **(b)** | **63,000** |  | **Common Stock** |
|  |  | **Bal.** | **63,000** |  |  |  | **(a)** | **150,000** |
|  |  |  |  |  |  |  | **Bal.** | **150,000** |
| **Service Revenue** |  |  |  |  |  |
|  |  | **(f)** | **3,710** |  | **Salary Expense** |
|  |  | **(g)** | **13,300** |  | **(e)** | **6,000** |  |  |
|  |  | **Bal.** | **17,010** |  | **Bal.**  | **6,000** |  |  |
|  |  |  |  |  |  |  |
| **Rent Expense** |  | **Advertising Expense** |
| **(k)** | **1,100** |  |  |  | **(k)** | **700** |  |  |
| **Bal.** | **1,100** |  |  |  | **Bal.**  | **700** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Utilities Expense** |  |  |  |  |  |
| **(i)** | **800** |  |  |  |  |  |  |  |
| **Bal.** | **800** |  |  |  |  |  |  |  |

**(continued) P 2-64A**

### *Req. 2*

|  |
| --- |
| **Stein Music Services Corporation** |
| **Trial Balance** |
| **April 30, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$ 55,010** |  |
| **Accounts receivable**  | **12,100** |  |
| **Supplies**  | **230** |  |
| **Building**  | **106,000** |  |
| **Music equipment**  | **49,000** |  |
| **Accounts payable**  |  | **$ 930** |
| **Note payable…**  |  | **63,000** |
| **Common stock**  |  | **150,000** |
| **Service revenue**  |  | **17,010** |
| **Salary expense**  | **6,000** |  |
| **Rent expense…**  | **1,100** |  |
| **Utilities expense**  | **800** |  |
| **Advertising expense**  |  **700** |  |
| **Total**  | **$230,940** | **$230,940** |

**(15-30 min.) P 2-65B**

***Req. 1***

**Dear Amy,**

This trial balance lists the accounts of the company, along with their balances at December 31, 2016. The trial balance provides the data for computing total assets, total liabilities, and net income or net loss.

**Larrabee Design reports:**

**a. Total assets = $392,500 ($13,000 + $47,000 + $5,500 + $103,000**

**+ $224,000)**

**b. Total liabilities = $148,400 ($50,400 + $98,000)**

**c. Net income = $91,000 ($220,000 − $33,000 − $15,000 − $79,000**

**− $2,000)**

**Student responses may vary but should include these calculations.**

**(45-60 min.) P 2-66B**

### *Req. 1*

|  |
| --- |
| **Analysis of Transactions** |
| **ASSETS** |  **= LIABILITIES + STOCKHOLDERS’ EQUITY** |
|  |  **Cash +** |  **Accounts****Receivable +**  | **Supplies +** | **Equipment =** |  **Accounts** **Payable +** |  **Common** **Stock +** | **Retained****Earnings** | **Type of Stockholders’****Equity Transaction** |
| **Bal.** | **2,100** | **3,400** |  | **12,400** | **7,500** | **5,600** | **4,800** |  |
| **a)** | **3,900** |  |  |  |  | **3,900** |  | **Issued stock** |
| **b)** | **6,000** |  |  |  |  |  | **6,000** | **Service revenue** |
| **c)** | **(4,800)** |  |  |  | **(4,800)** |  |  |  |
| **d)** |  |  | **900** |  | **900** |  |  |  |
| **e)** | **1,100** | **(1,100)** |  |  |  |  |  |  |
| **f)** |  | **4,500** |  |  |  |  | **4,500** | **Service revenue** |
| **g)** | **(1,700)** |  |  |  |  |  | **(1,700)** | **Rent expense** |
|  | **(1,300)** |  |  |  |  |  | **(1,300)** | **Advertising expense** |
| **h)** | **(2,300)** |  | **\_\_\_** |  |  |  | **(2,300)** | **Dividends** |
| **Bal.** | **3,000** | **6,800** | **900** | **12,400** | **3,600** | **9,500** | **10,000** |  |

 **$23,100 $23,100**

**(continued) P 2-66B**

### *Req. 2*

|  |
| --- |
| **Willis Computing, Inc.** |
| **Income Statement** |
| Month Ended November 30, 2016 |
| **Revenues:** |  |  |
| **Service revenue ($6,000 + $4,500)**  |  | **$10,500** |
| **Expenses:** |  |  |
|  **Rent expense**  | **$1,700** |  |
|  **Advertising expense**  |  **1,300** |  |
|  **Total expenses**  |  |  **3,000** |
| **Net income**  |  | **$ 7,500** |

### *Req. 3*

|  |
| --- |
| **Willis Computing, Inc.** |
| **Statement of Retained Earnings** |
| **For the Month Ended November 30, 2016** |
| **Retained earnings, October 31, 2016**  | **$ 4,800** |
| **Add: Net income**  |  **7,500** |
| **Subtotal** | **12,300** |
| **Less: Dividends declared**  |  **(2,300)** |
| **Retained earnings, November 30, 2016**  | **$10,000** |

**(continued) P 2-66B**

### *Req. 4*

|  |
| --- |
| **Willis Computing, Inc.** |
| **Balance Sheet** |
| **November 30, 2016** |
| **ASSETS** | **LIABILITIES** |
| **Cash**  | **$ 3,000** | **Accounts payable**  | **$ 3,600** |
| **Accounts receivable**  | **6,800** | STOCKHOLDERS’ |
| **Supplies**  | **900** | **EQUITY** |
| **Equipment**  | **12,400** | **Common stock**  | **9,500** |
|  |  | **Retained earnings**  |  **10,000** |
|  |  | **Total stockholders’ equity**  | **19,500** |
|  |  | **Total liabilities and** |  |
| **Total assets**  | **$23,100** |  **stockholders' equity**  | **$23,100** |

**(30-40 min.) P 2-67B**

### *Req. 1*

|  |
| --- |
| Journal |
|  | **ACCOUNT TITLES AND EXPLANATION** | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
|  | **a.** | **Cash**  | **3,900** |  |
|  |  |  **Common Stock**  |  | **3,900** |
|  |  |  |  |  |
|  | **b.** | **Cash**  | **6,000** |  |
|  |  |  **Service Revenue**  |  | **6,000** |
|  |  |  |  |  |
|  | **c.** | **Accounts Payable**  | **4,800** |  |
|  |  |  **Cash**  |  | **4,800** |
|  |  |  |  |  |
|  | **d.** | **Supplies**  | **900** |  |
|  |  |  **Accounts Payable**  |  | **900** |
|  |  |  |  |  |
|  | **e.** | **Cash**  | **1,100** |  |
|  |  |  **Accounts Receivable…**  |  | **1,100** |
|  |  |  |  |  |
|  | **f.** | **Accounts Receivable**  | **4,500** |  |
|  |  |  **Service Revenue**  |  | **4,500** |
|  |  |  |  |  |
|  | **g.** | **Rent Expense**  | **1,700** |  |
|  |  | **Advertising Expense**  | **1,300** |  |
|  |  |  **Cash**  |  | **3,000** |
|  |  |  |  |  |
|  | **h.** | **Dividends**  | **2,300** |  |
|  |  |  **Cash**  |  | **2,300** |

**(continued) P 2-67B**

### *Reqs. 2 and 3*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Cash** |  | **Accounts****Receivable** |  | **Supplies** |  | **Equipment** |
| **2,100** | **4,800** |  | **3,400** |  **1,100** |  | **900** |  |  | **12,400** |  |
| **3,900** | **3,000** |  | **4,500** |  |  |  |  |  |  |  |
| **6,000** | **2,300** |  | **6,800** |  |  | **900** |  |  | **12,400** |  |
| **1,100** |  |  |  |  |  |  |  |  |  |  |
| **3,000** |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Accounts****Payable** |  | **Common Stock** |  | **Retained****Earnings** |  | **Dividends** |
| **4,800** | **7,500** |  |  | **5,600** |  |  | **4,800** |  | **2,300** |  |
|  | **900** |  |  | **3,900** |  |  |  |  |  |  |
|  | **3,600** |  |  | **9,500** |  |  | **4,800** |  | **2,300** |  |
|  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Service****Revenue** |  | **Rent Expense** |  | **Advertising****Expense** |  |  |
|  | **6,000** |  | **1,700** |  |  | **1,300** |  |  |  |  |
|  | **4,500** |  |  |  |  |  |  |  |  |  |
|  | **10,500** |  | **1,700** |  |  | **1,300** |  |  |  |  |

The balances of all the accounts Cash through Common Stock agree with the ending balances obtained in Problem 2-66B.

**(50-60 min.) P 2-68B**

***Req. 1***

|  |
| --- |
| Journal |
| **DATE** | **ACCOUNT TITLES**  | **DEBIT** | **CREDIT** |
|  |  |  |  |  |
| **July** |  **2** | **Cash**  | **62,000** |  |
|  |  |  **Common Stock**  |  | **62,000** |
|  |  |  |  |  |
|  |  **3** | **Supplies**  | **800** |  |
|  |  | **Equipment**  | **12,100** |  |
|  |  |  **Accounts Payable**  |  | **12,900** |
|  |  |  |  |  |
|  |  **4** | **Cash**  | **5,600** |  |
|  |  |  **Service Revenue**  |  | **5,600** |
|  |  |  |  |  |
|  |  **7** | **Land**  | **39,000** |  |
|  |  |  **Cash**  |  | **39,000** |
|  |  |  |  |  |
|  | **11** | **Accounts Receivable**  | **2,900** |  |
|  |  |  **Service Revenue**  |  | **2,900** |
|  |  |  |  |  |
|  | **16** | **Accounts Payable**  | **12,100** |  |
|  |  |  **Cash**  |  | **12,100** |
|  |  |  |  |  |
|  | **17** | **Utilities Expense**  | **590** |  |
|  |  |  **Cash**  |  | **590** |
|  |  |  |  |  |
|  | **18** | **Cash**  | **800** |  |
|  |  |  **Accounts Receivable**  |  | **800** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **22** | **Utilities Expense**  | **420** |  |
|  |  |  **Cash**  |  | **420** |
|  |  |  |  |  |
|  | **29** | **Cash**  | **2,300** |  |
|  |  |  **Service Revenue**  |  | **2,300** |
|  |  |  |  |  |
|  | **30** | **Salary Expense**  | **2,500** |  |
|  |  |  **Cash**  |  | **2,500** |
|  |  |  |  |  |
|  | **30** | **Dividends**  | **2,000** |  |
|  |  |  **Cash**  |  | **2,000** |

**(continued) P 2-68B**

***Req. 2***

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **July 2** |  **62,000**  | **July 7** | **39,000**  |  | **July 11** |  **2,900**  | **July 18** |  **800**  |
| **4** |  **5,600**  | **16** | **12,100**  |  |  **Bal.** |  **2,100**  |  |  |
| **18** |  **800**  | **17** |  **590**  |  |  |  |  |  |
| **29** |  **2,300**  | **22** |  **420**  |  |  |  |  |  |
|  |  | **30** |  **2,500**  |  | **Supplies** |
|  |  | **30** |  **2,000**  |  | **July 3** |  **800**  |  |  |
| **Bal.** |  **14,090**  |  |  |  | **Bal.** |  **800**  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Equipment** |  | **Land** |
| **July 3** |  **12,100**  |  |  |  | **July 7** | **39,000**  |  |  |
| **Bal.**  |  **12,100**  |  |  |  | **Bal.** | **39,000**  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Accounts Payable** |  | **Common Stock** |
| **July 16** | **12,100**  | **July 3** | **12,900**  |  |  |  | **July 2** |  **62,000**  |
|  |  | **Bal.** |  **800**  |  |  |  | **Bal.** |  **62,000**  |
|  |  |  |  |  |  |  |  |  |
| **Dividends** |  | **Service Revenue** |
| **July 30** | **2,000** |  |  |  |  |  | **July 4** |  **5,600**  |
| **Bal.** | **2,000** |  |  |  |  |  | **11** |  **2,900**  |
|  |  |  |  |  |  | **29** |  **2,300**  |
|  |  |  |  |  |  | **Bal.** |  **10,800**  |
|  |  |  |
| **Salary Expense** |  | **Utilities Expense** |
| **July 30** |  **2,500** |  |  |  | **July 17** |  **590**  |  |  |
| **Bal.** |  **2,500**  |  |  | **22** |  **420**  |
|  |  |  |  |  |  **Bal.** |  **1,010**  |  |  |

**(continued) P 2-68B**

### *Req. 3*

|  |
| --- |
| **Gagne Services, Inc.** |
| **Trial Balance** |
| **July 31, 20XX** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$14,090** |  |
| **Accounts receivable**  | **2,100** |  |
| **Supplies**  | **800** |  |
| **Land**  | **39,000** |  |
| **Equipment**  | **12,100** |  |
| **Accounts payable**  |  | **$ 800** |
| **Common stock**  |  | **62,000** |
| **Dividends**  | **2,000** |  |
| **Service revenue**  |  | **10,800** |
| **Salary expense**  | **2,500** |  |
| **Utilities expense**  |  **1,010** |  |
| **Total**  | **$73,600** | **$73,600** |

***Req. 4***

**Total resources (assets) = $68,090 ($14,090 + $2,100 + $800 +**

 **$39,000 + $12,100)**

**Amount owed (total liabilities) = $800**

**Profit (net income) = $7,290 ($10,800 − $2,500 − $1,010)**

**(40-50 min.) P 2-69B**

### *Req. 1*

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **(a)** | **50,000** | **(c)** | **44,000** |  | **(g)** | **13,100** | **(j)** | **1,700** |
| **(b)** | **63,000** | **(e)** | **5,900** |  | **Bal.** | **11,400** |  |  |
| **(f)** | **3,700** | **(h)** | **200** |  |  |  |  |  |
| **(j)** | **1,700** | **(k)** | **1,500** |  | **Supplies** |
| **Bal.** | **66,800** |  |  |  | **(d)** | **210** |  |  |
|  |  |  |  |  | **Bal.**  | **210** |  |  |
| **Music Equipment** |  |  |  |  |  |
| **(c)** | **44,000** |  |  |  | **Building** |
| **Bal.** | **44,000** |  |  |  | **(a)** | **106,000** |  |  |
|  |  |  |  |  | **Bal.**  | **106,000** |  |  |
| **Note Payable** |  |  |  |  |  |
|  |  | **(b)** | **63,000** |  | **Accounts Payable** |
|  |  | **Bal.** | **63,000** |  | **(h)** | **200** | **(d)** | **210** |
|  |  |  |  |  |  |  | **(i)** | **600** |
| **Common Stock** |  |  |  | **Bal.** | **610** |
|  |  | **(a)** | **156,000** |  |  |  |  |  |
|  |  | **Bal.** | **156,000** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Service Revenue** |  | **Salary Expense** |
|  |  | **(f)** | **3,700** |  | **(e)** | **5,900** |  |  |
|  |  | **(g)** | **13,100** |  | **Bal.**  | **5,900** |  |  |
|  |  | **Bal.** | **16,800** |  |  |  |  |  |
|  |  |  |  |  | **Rent Expense** |
| **Advertising Expense** |  | **(k)** | **1,200** |  |  |
| **(k)** | **300** |  |  |  | **Bal.**  | **1,200** |  |  |
| **Bal.** | **300** |  |  |  |  |  |  |  |
|  |  |  |  |  | **Utilities Expense** |
|  |  |  |  |  | **(i)** | **600** |  |  |
|  |  |  |  |  | **Bal.** | **600** |  |  |

**(continued) P 2-69B**

### *Req. 2*

|  |
| --- |
| **Spahr Music Corporation** |
| **Trial Balance** |
| **May 31, 2016** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$ 66,800** |  |
| **Accounts receivable**  | **11,400** |  |
| **Supplies**  | **210** |  |
| **Building**  | **106,000** |  |
| **Music equipment**  | **44,000** |  |
| **Accounts payable**  |  | **$ 610** |
| **Note payable**  |  | **63,000** |
| **Common stock**  |  | **156,000** |
| **Service revenue**  |  | **16,800** |
| **Salary expense**  | **5,900** |  |
| **Rent expense**  | **1,200** |  |
| **Utilities expense**  | **600** |  |
| **Advertising expense**  |  **300** |  |
| **Total**  | **$236,410** | **$236,410** |

**Challenge Exercises and Problem**

**(20-40 min.) E 2-70**

***Req. 1***

**a. Total cash paid during December:**

|  |  |
| --- | --- |
|  **Cash** |  |
| **Nov. 30 Bal.** | **16,500** |  |  |  |
| **Dec. receipts** | **91,000** | **Dec. payments** |  **X** | **= $99,250** |
| **Dec. 31 Bal.** | **8,250** |  |  |  |

|  |  |
| --- | --- |
| **$16,500 + $91,000 − X** | **= $ 8,250** |
| **X** | **= $99,250** |

**b. Cash collections from customers during December:**

|  |  |
| --- | --- |
|  **Accounts Receivable** |  |
| **Nov 30 Bal.** | **23,000** |  |  |  |
| **Dec. sales** |  |  |  |  |
|  **on account** | **42,000** | **Dec. collections** |  **X** | **= $44,000** |
| **Dec. 31 Bal.** | **21,000** |  |  |  |

|  |  |
| --- | --- |
| **$23,000 + $42,000 − X**  | **= $21,000** |
|  |  **X** | **= $44,000** |

**c. Cash paid on notes payable during December:**

|  |  |
| --- | --- |
|  |  **Notes Payable** |
|  |  |  | **Nov. 30 Bal.** | **11,500** |
| **X = $23,000** | **Dec. note payments** | **X** | **Dec. new borrowing** | **31,000** |
|  |  |  | **Dec. 31 Bal.** | **19,500** |

|  |  |
| --- | --- |
| **$11,500 + $31,000 − X** | **= $19,500** |
|  **X** | **= $23,000** |

**(20-30 min.) E 2-71**

***Req. 1***

|  |
| --- |
| **4AC, Inc.** |
| **Trial Balance** |
| **October 31, 2016** |
|  |  |  |
| **Cash…………………………...** | **$ 3,900** |  |
| **Accounts receivable………..** | **7,100** |  |
| **Land…………………………...** | **30,100** |  |
| **Accounts payable…………..** |  | **$ 6,200** |
| **Note payable…………………** |  | **5,900** |
| **Common stock………………** |  | **24,100** |
| **Retained earnings…………..** |  | **1,700** |
| **Service revenue……………..** |  | **9,400** |
| **Salary expense………………** | **2,900** |  |
| **Advertising expense……….** |  **1,400** | **\_\_\_\_\_\_\_** |
| **Totals………………………….** | **$45,400** | **$47,300** |

 **Out of balance by $1,900**

**The correct balance of Accounts Receivable is $9,000\* ($7,100 + $1,900). After this correction, total debits will be $47,300 ($45,400 + $1,900), the same as total credits.**

***Req. 2***

**a. Total assets = $43,000 ($3,900 + $9,000\* + $30,100)**

**b. Total liabilities = $12,100 ($6,200 + $5,900)**

**c. Net income = $ 5,100 ($9,400 − $2,900 − $1,400)**

 **(10-15 min.) E 2-72**

***Req. 1***

|  |  |  |
| --- | --- | --- |
| **Henderson Co.:** |  |  |
|  **Income statement** | **November** | December |
|  **Employee medical exp.**  | **$38,000** |  **$ -0-** |
|  |  |  |
|  **Balance sheet** | **Nov. 30** | Dec. 31 |
|  **Cash**  | **$57,000** | **$30,000\*** |
|  **Accounts payable**  | **38,000** | **11,000\*\*** |
|  |  |  |
| **Goodland Hospital:** |  |  |
|  **Income statement** | **November** | December |
|  **Service revenue**  | **$38,000** |  **$ -0-** |
|  |  |  |
|  **Balance sheet** | Nov. 30 | Dec. 31 |
|  **Cash**  | **$ -0-** | **$27,000** |
|  **Accounts receivable**  | **38,000** | **11,000\*\*** |

***Req. 2***

**Explanation:**

 **Henderson’s $38,000 expense is Goodland’s revenue.**

 **Henderson’s $27,000 cash payment is Goodland’s cash receipt.**

 **Henderson’s $11,000 account payable is Goodland’s account receivable.**

**\_\_\_\_\_\_\_\_\_\_**

 **\*$57,000 − $27,000 = $30,000**

 **\*\*$38,000 − $27,000 = $11,000**

**(20 min.) P 2-73**

***Req. 1***

|  |  |  |  |
| --- | --- | --- | --- |
| **Date**  | **Effect****on Cash** | **Effect on Total Assets** | **Effect on****Net Income** |
| **May 1** | **Understated $100** | **Overstated $100** | **Overstated $100** |
|  **2** | **Understated $18,000** | **Understated $18,000** | **Understated $18,000** |
|  **5** | **Correct** | **Understated $2,800** | **Understated $2,800** |
|  **10** | **Correct** | **Correct** | **Correct** |
|  **16** | **Correct** | **Correct** | **Overstated $5,600** |
|  **25** | **Correct** | **Overstated $5,400** | **Correct** |

***Req. 2***

 **Correct cash balance, $24,500 ($6,400 + $100 + $18,000)**

***Req. 3***

 **Correct total assets, $43,300 ($28,000 + $18,000 - $5,400 + $2,800 - $100)**

***Req. 4***

 **Correct net income, $23,100 ($8,000 - $100 + $2,800 - $5,600 + $18,000)**

**Decision Cases**

**(40-50 min.) Decision Case 1**

***Reqs. 1 and 2***

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable** |
| **(a)** | **7,000** | **(c)** | **1,300** |  | **(g)** | **8,000** | **(i)** | **1,200** |
| **(b)** | **6,000** | **(d)** | **1,800** |  | **Bal.** | **6,800** |  |  |
| **(h)** | **2,500** | **(f)** | **2,000** |  |  |  |  |  |
| **(i)** | **1,200** | **(f)** | **1,200** |  |  |  |  |  |
|  |  | **(j)** | **1,000** |  |  |  |  |  |
| **Bal.** | **9,400** |  |  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Supplies** |  | **Furniture** |
| **(c)** | **1,300** |  |  |  | **(e)** | **5,400** |  |  |

|  |  |  |
| --- | --- | --- |
| **Accounts Payable** |  | **Notes Payable** |
| **(j)** | **1,000** | **(e)** | **5,400** |  |  |  | **(b)** | **6,000** |
|  |  |  **Bal.** | **4,400** |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Common Stock** |  |  |
|  |  | **(a)** | **7,000** |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Service Revenue** |  | **Salary Expense** |
|  |  | **(g)** | **8,000** |  | **(f)** | **2,000** |  |  |
|  |  | **(h)** | **2,500** |  |  |  |  |  |
|  |  | **Bal.** | **10,500** |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Advertising Expense** |  | **Rent Expense** |
| **(d)** | **1,800** |  |  |  | **(f)** | **1,200** |  |  |

**(continued) Decision Case 1**

***Req. 3***

|  |
| --- |
| **Barlow Networks, Inc.** |
| **Trial Balance** |
| **Current Date** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Cash**  | **$ 9,400** |  |
| **Accounts receivable**  | **6,800** |  |
| **Supplies**  | **1,300** |  |
| **Furniture**  | **5,400** |  |
| **Accounts payable**  |  | **$ 4,400** |
| **Notes payable**  |  | **6,000** |
| **Common stock**  |  | **7,000** |
| **Service revenue**  |  | **10,500** |
| **Salary expense**  | **2,000** |  |
| **Advertising expense**  | **1,800** |  |
| **Rent expense**  |  **1,200** |  |
| **Total**  | **$27,900** | **$27,900** |

***Req. 4 (net income or loss for first month of operations)***

|  |  |  |
| --- | --- | --- |
| **Revenues:** |  |  |
|  **Service revenue**  |  | **$10,500** |
| **Expenses:** |  |  |
|  **Salary expense**  | **$2,000** |  |
|  **Advertising expense**  | **1,800** |  |
|  **Rent expense**  |  **1,200** |  |
| **Total expenses**  |  |  **5,000** |
| **Net income for month**  |  | **$5,500** |

***Recommendation:* Barlow’s criteria for remaining in operation was to earn net income of $5,000. His actual result was just over this goal. Yes, I would recommend that he stay in business.**

**(20-30 min.) Decision Case 2**

|  |
| --- |
| **Little Italy, Inc.** |
| **Income Statement** |
| **Month Ended December 31, 2016** |
|  |  |
| **Sales revenue**  | **$42,000** |
| **Expenses:** |  |
| **Cost of sales (expense)**  | **22,000** |
| **Rent expense**  | **6,000** |
| **Advertising expense**  |  **5,000** |
|  **Total expenses**  |  **33,000** |
|  |  |
| **Net income**  | **$ 9,000** |

|  |
| --- |
| **Little Italy, Inc.** |
| **Balance Sheet** |
| **December 31, 2016** |
| **ASSETS** | **LIABILITIES** |
| **Cash**  | **$ 12,000** | **Accounts payable**  | **$ 8,000** |
| **Food inventory**  | **5,000** | **STOCKHOLDERS’ EQUITY** |
| **Furniture**  |  **10,000** | **Common stock**  | **10,000** |
|  |  | **Retained earnings**  |  **9,000\*** |
|  |  |  **Total stockholders’ equity** |  **19,000** |
|  |  | **Total liabilities**  |  |
|  **Total assets**  | **$27,000** |  **and stockholders’ equity**  |  **$27,000** |

**\_\_\_\_\_**

**\*Must solve for this amount. It is also the amount of net income, which is the only change in retained earnings for the month.**

***Recommendation*: Do not expand this month. The business falls short of the goals for both net income and total assets. However, Little Italy, Inc. appears to be profitable, and assets are building toward Gardner’s goals. Maybe next month.**

**Ethical Issue 1**

1. The ethical issue is whether these alternatives of financing the business are proper from an economic, legal, and ethical standpoint.
2. The stakeholders are Scruffy Murphy, the bank, potential new and existing creditors, and the friend who may become a stockholder. Consequences to the creditors are the inability of the company to pay interest and the loan. Consequences to the investors are the inability of the company to pay dividends and the possibility of loss of investment if the company goes bankrupt.

3.

|  |  |  |  |
| --- | --- | --- | --- |
| Option 1: | Cash  | 200,000 |  |
|  |  Common Stock  |  | 200,000 |
|  |  |  |  |
| Option 2: | Land  | 200,000 |  |
|  |  Common Stock  |  | 200,000 |
|  |  |  |  |
|  | Common Stock  | 200,000 |  |
|  |  Land  |  | 200,000 |

**Option 1 is economically sound, perfectly legal, and also ethical because the sale of the stock is a valid transaction between the business and a stockholder. The consequences of this decision are that Murphy obtains additional financing at a cost (he now shares ownership of the business with his friend). The friend gives up cash in exchange for an ownership interest in the business. The bank and future creditors obtain complete and truthful disclosure of the manner in which the business has been financed.**

**Option 2 represents “window dressing” (making the company look like an entity that it is not). Although it might be legal in the strictest sense of the word (and it might not), this option does not faithfully represent economic reality. Thus, it is not in accordance with GAAP, which is a substitute for the legal criterion. This option is also unethical because the receipt of the land by the business is not a real transaction. The transfer of the land back to**

**(continued) Ethical Issue 1**

**Murphy means that the business never actually has the land for its use. It violates the rights of the bank and future creditors to give them information that is inaccurate and that does not faithfully represent economic reality.**

**4. The best option to take is definitely Option 1. The decision maker can walk away from this transaction confident that he or she told the truth. Ethical Issue 2**

**Part a.**

**1. The ethical issue is whether you should question your grade, which is higher than you expected. Your choices are (a) discuss the grade with the professor; and (b) do not discuss the grade with the professor.**

**2, 3. Stakeholders are you, the professor, the other students in the class, and the university. The possible consequences to you of discussing the grade with the professor is that it may lead to the discovery that the professor made a mistake in calculating the grade, which may lead to a downward adjustment. While this could possibly have adverse economic consequences (i.e., perhaps loss of scholarship if the grade is substantially lowered), it is unlikely that a letter-grade drop in one course would have such an impact on grade point average as to cause loss of a scholarship. There is no legal consequence to reporting a grade that is too high. The ethical consequence is generally positive on all concerned, as it leads to clarification of the true grade.**

**4. Student opinions will vary on this part.**

**Part b.**

**1. The ethical issue in this case is whether you should question your grade, which is now lower than you expected. Your choices are (a) discuss the grade with the professor; and (b) do not discuss the grade with the professor.**

**2, 3. Like part a, the stakeholders are you, the professor, the other students in the class, and the university. The possible consequences to you of discussing the grade with the professor is that it may lead to the discovery that the professor made a mistake in calculating the grade, which may lead**

**(continued) Ethical Issue 2**

**to an upward adjustment. This could have positive economic consequences (i.e., perhaps keeping a scholarship). Like part a, the ethical consequence of this action is generally positive on all concerned, as it leads to clarification of the true grade.**

**4. Most students would probably respond “take it to the professor.” But shouldn’t we be just as concerned about knowing the true grade either way? The author recommends discussing the grade with the professor one way or the other.**

**Part c.**

**Both course grades and financial statements report results that people use in order to make decisions that can carry both positive and negative consequences. In both situations, it is important that the user receive relevant information, and that the information faithfully represent facts as they actually occurred.**

**Focus on Financials: Apple Inc.**

**(20-30 min.)**

***Reqs. 1 and 3***

 ***(All amounts in millions)***

|  |  |  |
| --- | --- | --- |
| **Cash** |  | **Accounts Receivable, net**  |
|  | **0** |  |  |  |  | **13,102** | **b.**  | **178,437** |
| **b.**  | **178,437** |  **e.**  | **104,776** |  | **a.**  | **182,795** |  |  |
| **g.** | **980** |  **f.**  | **18,034** |  |  | **17,460** |  |  |
| **i.** | **1,382** | **h.**  | **13,973** |  |  |  |  |  |
|  |  |  **j.**  | **4,027** |  | **Other Assets** |
|  | **39,989** |  |  |  |  | **5,146** |  |  |
|  |  |  |  |  |  |  | **i.** | **1,382** |
| **Inventories** |  |  | **3,764** |  |  |
|  | **1,764** | **d.**  | **112,258** |  |  |  |  |  |
| **c.**  | **112,605** |  |  |  |  |  |  |  |
|  | **2,111** |  |  |  | **Accounts Payable** |
|  |  |  |  |  | **e.**  | **104,776** |  | **22,367** |
| **Property, Plant and Equipment, net** |  |  |  | **c.**  | **112,605** |
|  | **16,597** |  |  |  |  |  |  | **30,196** |
|  **j.**  | **4,027** |  |  |  |  |  |  |  |
|  | **20,624** |  |  |  | **Net Sales** |
|  |  |  |  |  |  |  | **a.**  | **182,795** |
| **Cost of Sales** |  |  |  |  | **182,795** |
| **d.**  | **112,258** |  |  |  |  |  |  |  |
|  | **112,258** |  |  |  | **Operating Expenses** |
|  |  |  |  |  | **f.**  | **18,034** |  |  |
| **Other Income/(Expense), net** |  |  | **18,034** |  |  |
|  |  | **g.** | **980** |  |  |  |  |  |
|  |  |  | **980** |  | **Provision for Income Taxes** |
|  |  |  |  |  | **h.**  | **13,973** |  |  |
|  |  |  | **13,973** |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |   |  |  |  |  |  |

**(continued) Apple Inc.**

***Req. 2***

|  |  |  |
| --- | --- | --- |
|  |  | ***(Millions)*** |
| **a.** | **Accounts Receivable, net**  | **182,795** |  |
|  |  **Net Sales (Revenue)**  |  | **182,795** |
|  |  |  |  |
| **b.** | **Cash**  | **178,437** |  |
|  |  **Accounts Receivable, net**  |  | **178,437** |
|  |  |  |  |
| **c.** | **Inventories**  | **112,605** |  |
|  |  **Accounts Payable**  |  | **112,605** |
|  |  |  |  |
| **d.** | **Cost of Sales**  | **112,258** |  |
|  |  **Inventories**  |  | **112,258** |
|  |  |  |  |
| **e.** | **Accounts Payable**  | **104,776** |  |
|  |  **Cash**  |  | **104,776** |
|  |  |  |  |
| **f.** | **Operating Expenses**  | **18,034** |  |
|  |  **Cash**  |  | **18,034** |
|  |  |  |  |
| **g.** | **Cash**  | **980** |  |
|  |  **Other Income/(Expense), net**  |  | **980** |
| **h.** | **Provision for Income Taxes**  | **13,973** |  |
|  |  **Cash**  |  | **13,973** |
|  |  |  |  |
| **i.** | **Cash**  | **1,382** |  |
|  |  **Other Assets**  |  | **1,382** |
|  |  |  |  |
| **j.** | **Property, Plant, and Equipment, net**  | **4,027** |  |
|  |  **Cash**  |  | **4,027** |

***Req. 4***

All the selected account balances agree with Apple Inc.’s actual figures on the income statement or the balance sheet.

|  |  |
| --- | --- |
|  | **(continued) Apple Inc.** |

***Req. 5***

|  |  |
| --- | --- |
| **Revenue:** | ***(Millions)*** |
|  **Net sales**  | **$182,795** |  |
|  **Other Income/(Expense), net**  |  **980** |  |
| **Total revenue**  |  | **183,775** |
| **Expenses:** **Cost of sales**  | **$112,258** |  |
|  **Operating expenses**  | **18,034** |  |
|  **Provision for income taxes** **Total expenses**  |  **13,973** | **144,265** |
|  **Net Income**  |  | **$ 39,510**  |

**The net income of $39,510 million equals the net income reported on Apple’s income statement.Focus on Analysis: Under Armour, Inc.**

**(20-30 min.)**

***Req. 1***

During fiscal 2014, Under Armour, Inc. had more net revenues than cash collections. This is determined by analyzing net receivables, as follows:

Net receivables:

|  |  |  |
| --- | --- | --- |
|  |  | ***(Thousands)*** |
|  | **Balance at the end of fiscal 2013**  | **$ 209,952** |
| **+** | **Net revenues during fiscal 2014 (from consolidated** **statements of income)**  | 3,084,370 |
| **−** | **Collections from customers during fiscal 2014**  |  **(X)** |
| **=** | **Balance at the end of fiscal 2014**  | **$ 279,835** |

Solving for X, collections were $3,014,487 ($209,952 + $3,084,370 – $279,835). Another way to express this relationship is that when accounts receivable increase during the year, revenues must exceed cash collections. If accounts receivable decrease during the year, cash collections must exceed revenues.

**(continued) Under Armour, Inc.**

***Req. 2***

Net revenues increased 32.26% in 2014, which is better than in 2013 (27.09%) perhaps due to a better strategic alignment. Net income increased more in 2014 (28.16%) than in 2013 (26.05%). Net income grew slower than net revenues during the two year period due to a larger tax bill and additional sources of expenses due to expansion. For example, interest expense increased 81.90% in 2014 and selling, general and administrative expenses increased 32.89% in 2014.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2014** | **2013** | **2012** |
| **Net revenues (thousands)** |  | **$3,084,370**  | **$2,332,051**  | **$1,834,921**  |
| **$ change** |  | **752,319**  | **497,130**  |  |
| **Percentage change** |  | **32.26%** | **27.09%** |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **Net income (thousands)**  |  | **$208,042**  | **$162,330**  | **$128,778**  |
| **$ change** |  | **45,712**  | **33,552**  |  |
| **Percentage change** |  | **28.16%** | **26.05%** |  |

**Group Projects**

**Student responses will vary.**