# **Homework 1- Solution**

## 1. Financial Statement Problecm

	·	Assets										Owners' Equity	
ltem	Transactions	Cash	+Accounts Receivable	+Inventory	+ Notes Receivable	+ Equipment	+Prepaid Expense	=	Accounts Payable	+Notes Payable	+Prepaid Services	+ (	Owners' Equity
Balanco S	heet as of July 31, 20XX	\$ 43,000	\$ 140,000	\$ 12,000	\$ -	\$ 49,000	\$ 6,000		\$ 73,000	\$ -	\$ 7,000		\$ 170,000
	Materials												
	Purchased \$20,000 on credit			+20,02=					+20,000				
Ъ	Purchased \$14,000 for cash	-14,000		+14,000					,				
C.	Fabricated and/or installed			30.000		··· ••• • • •		L			·		-30,00
<u>a</u> .	Returned \$ 2000 Par credit.			-30,000					-2,000				
2	Labor										1		
<u>q</u> .	In curred \$26,000							L	+26,000				- 26,000
	Para \$ 3,000 for labor incircular July	-3,000						L	-3,000				
Ē.	Paid \$ 24,000 foclass locurchindug	-24,000						L	24,000				
3	Subcontracts												
a.	Faid \$ 13,000 50 Argues sub.								474,000				-74,00
_b,	Paid & 56,000 mpast site bills	- 56,000							-56.00-3			Ŀ	•
Č,	Paid & 13,000 En Araus sub.	<u>13,000.</u>							13,000				
4	Revenue/Billing												
_a	Billed \$ 156,000 Partorial anount		41560000					·				Ξ.	+156,00
b	Received \$127,000 pronounce imported	+1271000	-1271000										
	curtier.												
5	Other		-		•								
<u>a</u> ,	Other Incurred 19,000 office worker payof laid & 11,000 on hug on patelline payof Rurchosed & Paid for & 72000 northing on August 15 with 3yr life Purchased \$ 60,00 office apple for cash Parchased \$ 60,000 office apple for cash								10,000				-10,000
_ <u>_</u>	Paid & 11,000 on Aug. cont part off. in parall	-11,000							-11,000				
	Rutchased & Paid-for \$ 7200 cmothing ton	7,200				+7200			L		<u> </u>		
	August 15 milh 345 life					3	~						. • •
d.	River hourd & 6000 off cupies predit	• ·					1-6000.		+6000				
<u> </u>	Purchased & daws office supplie for each	_ 4,000					14000						
l.	Paid & 8, 223 Par of Bigs purch infrees certi	- 8 000						L	- 8,000				
g.	Longolnew cuperokidat \$3, ou for	+3,000								13000			
Ľ	person expenses in making the persons			}									
_ <u>h</u>	August explas dejs expass - + 2000. Lean ad crease from cheater for 2415-Br					-2,000		_					- 2,00.
L <u>É</u>	Leased croise for dealer Pay 2415-for 1	. N. N.											
	for 2 this												
	for 2 this on cran lane	- 4,000					3,000		- 1,000				
<u> </u>	Withdraw \$ 7,000 lopay personal rep. Rest ed out a bactehoe for Angular	-Time											-71000
	Reit ed out a bockhod for Anonthe	43,000						E			+3,000	$\Box$	
	21 Malmonth corre-received las of the lotel	,									2 220		+250
Balance S	Sheet as of August 31, 20XX LEAF Madvance .	24,800	69,000	14,000		54,800	19,000	Γ	91,000	3,000	1250		172, 250
				1		1				,			

#### Income Statement

For the Month	Ending	August 31.	20XX
i vi ulo monul		, agaot o i	

Contract revenue earned	5 156,000 (Tronsaction 4.a) 5 130,000 (Tron 1.c+2.a+3.a)
Cost of revenue earned	\$ 130,000 (Tron 1. c+ 2. q + 3. q)
Gross profit	\$ 26,000
General and administrative expenses	- 5 10,000 (Tr. S.a)
Income from operations	F 16,000
Other income	+ 1 = 750 (Tr. S. E)
Owner withdrew cash	- + 4,000 (Tr.s.k)
Net income	49,750

#### Balance Sheet August 31, 2000

Assets

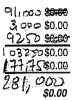
Cash Account Receivable Inventory Equipment Prepaid Expenses

Total Assets

24,800,50.00 169,000 50.00 14,000 50.00 54,200 50.00 281,000 50.00 50.00 Liabilities and Owners Equity

Account Payable Notes Payable Prepaid Service Total Liabilities Owner's Equity

Total Liab. & O.E.



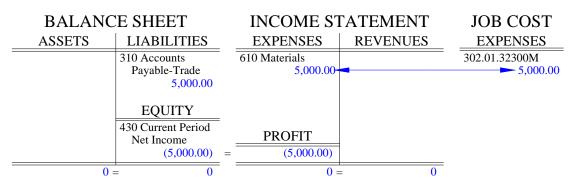
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#### 2. Other Financial Statement Problems

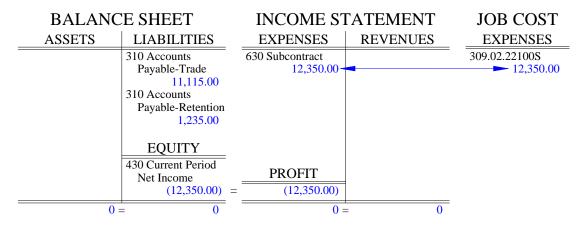
Problems 1, 5 and 7 on pg. 77-79 of your textbook

#### $\rightarrow$ Problem 1: The solutions are as follows:

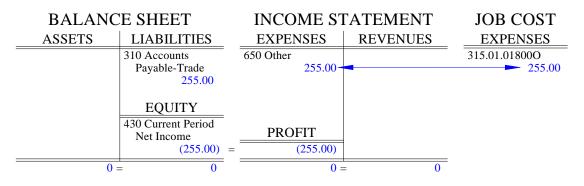
Invoice A:



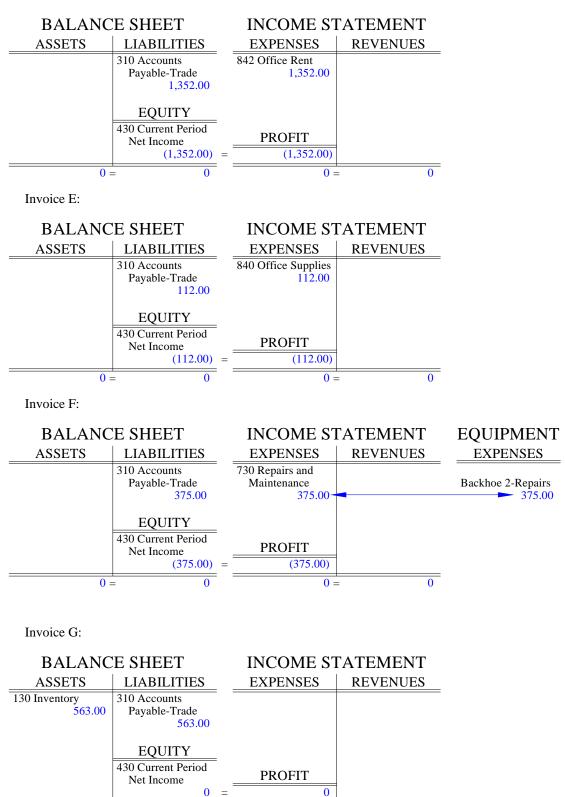
Invoice B:



Invoice C:



Invoice D:

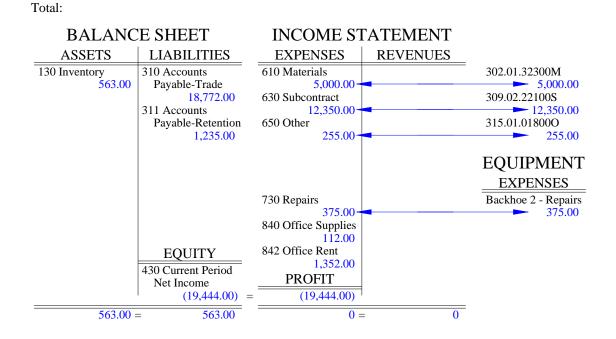


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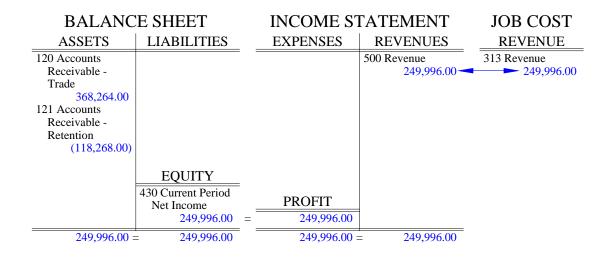
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## $\rightarrow$ *Problem 5: The solutions are as follows:*

The \$118,268 needs to be moved from accounts receivable-retention to accounts receivable-trade and has been previously recognized as income; therefore, it should not be included as income.



#### $\rightarrow$ Problem 7: The solutions are as follows:

The construction equipment account will see an increase of \$115,200 as a result of the purchase of the new loader and a decrease of \$95,000 as a result of the sale of the old loader for a net change of \$20,200. The existing loader had a book value of \$11,770 (\$95,000 – \$83,230); therefore, a gain of \$3,430 (\$15,200 – \$11,770) was realized on the disposal of the loader.

BALANC	E SHEET	INCOME ST	EQUIPMENT	
ASSETS	LIABILITIES	EXPENSES	REVENUES	EXPENSES
220 Construction	380 Long-Term		910 Other Income	
Equipment	Liabilities		3,430.00	
20,200.00	100,000.00			
250 Less Acc.				
Depreciation	EQUITY			
(83,230.00)	430 Current Period			
	Net Income	PROFIT	_	
	3,430.00 =	= 3,430.00		
103,430.00 =	= 103,430.00	3,430.00 =	= 3,430.00	

The Less Acc. Depreciation is a contra account is subtracted from the total of the assets.

## 3. End of Period Closing-Worksheet Problem

			WORK SHE	EET PROBLEI	1								
UNADJUSTED					ADJUST		T (		R	RETAINED			
ACCOUNT TITLE	TRIAL		ADJUSTMENT		TRIAL		INCOME		INCOME		BAL	ANCE	
(in \$1,000)	BALANCE				BALANCE		STATEMENT		STATEMENT		Sł	EET	
	Dr	Cr	Dr	Çr	Dr	Cr	Dr	Çr	Dr	Cr	Dr	Cr	
Cesh	184				184						184		
Accounts Receivable	308				308						308		
Retainage Receivable	46				46						4		
Prepaid Expenses	52			13 a	52	13					39		
Inventory	49			36 d	49	36					1.		
Notes Receivable	103		8 g		111						11		
Unbilled Revenue	73			12 01	73	12					6		Decreased slock on hand considered as contract costs
Equipment	141				141						14		Deteriorated material considered as G&A expenses
Accumulated Depreciation		66	A contract of the second s	11 b		77						77	
Accounts Payable		256				256						255	
Wages Payable				15 c		15						15	Income fax calculation:
Notes Payable		75				75			·			75	Income tax expenses= 0.4( Con. Revenues-con, Costs-G&A+ other income)= 67
Accrued Taxes		27		20		47			:			47	Cell d28=67-period income tax exp=67-47=20
Excess Billings			7 f	Z3 82	7	23						15	Then credit the accrued taxes account by 20
Retained Income (7-31-2002)		335				335				33	5		
Dividends Paid	18				18				18				
Contract Revenues		759			35			724					
Coniract Costs	434		29 d1s.c,d2	71	463		456						
G & A Expenses	102		46 a,b,d1dm		148		148						
Other Income		39		8 g		47		47					
							604	77					
Income Tax Expenses	47	١	20 .		67		67						
			144.8	145	1702	1702							
Net Income						:	100			10			
								$\sim 71$		A REAL PROPERTY AND A REAL	5		
Retained Income (7-31-2003)									417			417	
									435	43	] ##	903	

ASSETS	
Current Assets	
Cash	\$184,000
Accounts Receivable	\$308,000.00
Retainage Receivable	\$46,000.00
Prepaid Expenses	\$39,000.00
Inventory	\$13,000.00
Unbilled Revenue	\$61,000.00
Total current Assels	\$651,000.00
Long term Assets	
Notes Receivable	\$111,000.00
Equipment	\$141,000.00
Less Accumulated Depreciation	\$77,000,00
	\$64,000.00
Total Assets	\$826,000.00

#### BALANCE SHEET as of July 31, 2003

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#### LIABILITIES AND OWNER'S EQUITY Current Liabilities \$256,000.00 Accounts Payable \$15,000.00 Wages Payable \$47,000.00 Accrued Taxes Excess Billings \$16,000.00 \$334,000.00 **Total Current Liablittes** Long Term Liabilities \$75,000.00 Notes payable Owner's Equity \$417,000.00 Retained Income \$826,000.00 Total Liabilities and Owner's Equity

INCOME STATEMENT

Contract Revenues	\$724,000.00
Contract Cost	\$456,000.00
Gross Profit	\$268,000.00
G & A Expenses	\$148,000.00
Income from operations	\$120,000.00
Other Income	\$47,000.00
Income before taxes	\$167,000.00
Provision for Income Taxes	66,800
Net Income	\$100,200.00
Retained Income, beginning of the month	\$335,000.00
	\$435,200.00
Less Dividends	\$18,000.00
Retained income, and of the month	\$417,200.00

for the period ending July 31, 2003