

SOLUTIONS

Learning Goal 11

LG 11-1.

Assets =								
	Cash		Accounts Receivable		Supplies		Equipment	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
(1)	15,000							
(2)		1,200					1,200	
(3)		210			210			
(4)	3,300							
(5)		1,100						
(6)	800							
(7)								
(8)					250			
(9)						120		
(10)			1,500					
(11)		900						
(12)		750						
(13)								
(14)	1,000		650					
(15)	1,500			1,500				
(16)								
(17)	250			250				
(18)		550						
(Bal.)	17,140		400		340		1,200	

SOLUTIONS

Learning Goal 11, continued

Liabilities + Owner's Equity

Accounts Payable		Unearned Revenue		Edgar Mendoza, Capital		
Decrease	Increase	Decrease	Increase	Decrease	Increase	
					15,000	
			3,300			
				1,100		Rent expense
					800	Revenue
	750			750		Legal expense
	250					
				120		Supplies expense
					1,500	Revenue
				900		Withdrawal
750						
	550			550		Advertising expense
					1,650	Revenue
		2,000			2,000	Revenue
550						
	250		1,300		17,530	

Net Income: 3,430

SOLUTIONS

Learning Goal 11, continued

LG 11-2. Sugar Eclair’s Gym September transactions.

a. *Example:* Supplies of \$100 are purchased for cash.

Assets =										
<u>\$40,020</u>										
	Cash		Accounts Receivable				Gym Supplies		Gym Equipment	
	Increase	Decrease	Increase	Decrease			Increase	Decrease	Increase	Decrease
(Bal)	10,300		4,100				620		25,000	
A		100					100			
(New Bal.)	10,200		4,100				720		25,000	

b. The club collects \$2,000 cash from the accounts receivable.

Assets =										
<u>\$40,020</u>										
	Cash		Accounts Receivable				Gym Supplies		Gym Equipment	
	Increase	Decrease	Increase	Decrease			Increase	Decrease	Increase	Decrease
(Bal)	10,200		4,100				720		25,000	
B	2,000			2,000						
(New Bal.)	12,200		2,100				720		25,000	

c. The club pays a nine-month fire insurance policy for \$1,500.

Assets =										
<u>\$40,020</u>										
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
(Bal)	12,200		2,100				720		25,000	
C		1,500			1,500					
(New Bal.)	10,700		2,100		1,500		720		25,000	

SOLUTIONS

Learning Goal 11, continued

Liabilities + Owner's Equity

\$40,020

Accounts Payable

Sugar Eclair, Capital

Decrease	Increase					Decrease	Increase
	200						39,820
	200						39,820

Exp.	Rev.

Liabilities + Owner's Equity

\$40,020

Accounts Payable

Sugar Eclair, Capital

Decrease	Increase					Decrease	Increase
	200						39,820
	200						39,820

Exp.	Rev.

Liabilities + Owner's Equity

\$40,020

Accounts Payable

Sugar Eclair, Capital

Decrease	Increase					Decrease	Increase
	200						39,820
	200						39,820

Exp.	Rev.

SOLUTIONS

Learning Goal 11, continued

LG 11-2, continued

d. The club receives member dues of \$5,300.

Assets											=
<u>\$45,320</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	10,700		2,100		1,500		720		25,000		
D	5,300										
(New Bal.)	16,000		2,100		1,500		720		25,000		

e. The club sends out bills to members for dues for \$2,900.

Assets											=
<u>\$48,220</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	16,000		2,100		1,500		720		25,000		
E			2,900								
(New Bal.)	16,000		5,000		1,500		720		25,000		

f. The club receives and pays the utilities bill of \$550.

Assets											=
<u>\$47,670</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	16,000		5,000		1,500		720		25,000		
F		550									
(New Bal.)	15,450		5,000		1,500		720		25,000		

SOLUTIONS

Learning Goal 11, continued

Liabilities + Owner's Equity

\$45,320

Accounts Payable						Sugar Eclair, Capital			
Decrease	Increase					Decrease	Increase	Exp.	Rev.
	200						39,820		
							5,300		5,300
	200						45,120		5,300

Liabilities + Owner's Equity

\$48,220

Accounts Payable						Sugar Eclair, Capital			
Decrease	Increase					Decrease	Increase	Exp.	Rev.
	200						45,120		5,300
							2,900		2,900
	200						48,020		8,200

Liabilities + Owner's Equity

\$47,670

Accounts Payable						Sugar Eclair, Capital			
Decrease	Increase					Decrease	Increase	Exp.	Rev.
	200						48,020		8,200
						550		550	
	200						47,470	550	8,200

SOLUTIONS

Learning Goal 11, continued

LG 11-2, continued

g. The club receives but does not pay the telephone bill of \$185.

Assets											=
<u>\$47,670</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	15,450		5,000		1,500		720		25,000		
G											
(New Bal.)	15,450		5,000		1,500		720		25,000		

h. The club pays \$200 of the accounts payable.

Assets											=
<u>\$47,470</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	15,450		5,000		1,500		720		25,000		
H		200									
(New Bal.)	15,250		5,000		1,500		720		25,000		

i. The club borrows \$50,000 from the 5th National Bank and signs a 15-year note.

Assets											=
<u>\$97,470</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	15,250		5,000		1,500		720		25,000		
I	50,000										
(New Bal.)	65,250		5,000		1,500		720		25,000		

SOLUTIONS

Learning Goal 11, continued

Liabilities + Owner's Equity**\$47,670**

Accounts Payable						Sugar Eclair, Capital			
Decrease	Increase					Decrease	Increase	Exp.	Rev.
	200						47,470	550	8,200
	185					185		185	
	385						47,285	735	8,200

Liabilities + Owner's Equity**\$47,470**

Accounts Payable						Sugar Eclair, Capital			
Decrease	Increase					Decrease	Increase	Exp.	Rev.
	385						47,285	735	8,200
200									
	185						47,285	735	8,200

Liabilities + Owner's Equity**\$97,470**

Accounts Payable		Notes Payable						Sugar Eclair, Capital			
Decrease	Increase	Decrease	Increase					Decrease	Increase	Exp.	Rev.
	185								47,285	735	8,200
			50,000								
	185		50,000						47,285	735	8,200

SOLUTIONS

Learning Goal 11, continued

LG 11-2, continued

j. Cash of \$590 is received from members who prepay next month's dues.

Assets											=
<u>\$98,060</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	65,250		5,000		1,500		720		25,000		
J	590										
(New Bal.)	65,840		5,000		1,500		720		25,000		

k. Sugar withdraws \$2,000 from the business for personal living expense.

Assets											=
<u>\$96,060</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	65,840		5,000		1,500		720		25,000		
K		2,000									
(New Bal.)	63,840		5,000		1,500		720		25,000		

l. The business purchases \$500 of supplies and \$1,000 of equipment on credit.

Assets											=
<u>\$97,560</u>											
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment		
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	
(Bal)	63,840		5,000		1,500		720		25,000		
L							500		1,000		
(New Bal.)	63,840		5,000		1,500		1,220		26,000		

Note: Neither the supplies nor the equipment have been used yet, so there is no expense. The assets have been purchased, but not used up.

SOLUTIONS

Learning Goal 11, continued

Liabilities + Owner's Equity

\$98,060

Accounts Payable		Notes Payable		Unearned Revenue		Sugar Eclair, Capital	
Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase
	185		50,000				47,285
					590		
	185		50,000		590		47,285

Exp.	Rev.
735	8,200
735	8,200

Liabilities + Owner's Equity

\$96,060

Accounts Payable		Notes Payable		Unearned Revenue		Sugar Eclair, Capital	
Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase
	185		50,000		590		47,285
						2,000	
	185		50,000		590		45,285

Exp.	Rev.
735	8,200
735	8,200

Liabilities + Owner's Equity

\$97,560

Accounts Payable		Notes Payable		Unearned Revenue		Sugar Eclair, Capital	
Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase
	185		50,000		590		45,285
	1,500						
	1,685		50,000		590		45,285

Exp.	Rev.
735	8,200
735	8,200

SOLUTIONS

Learning Goal 11, continued

LG 11-2, *continued*

m. Air conditioning repairs are required for \$900. The bill will be paid later.

Assets =										
<u>\$97,560</u>										
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
(Bal)	63,840		5,000		1,500		1,220		26,000	
M										
(New Bal.)	63,840		5,000		1,500		1,220		26,000	

(Notice that repair services are a resource consumed, so this is an expense. The decrease in cash will occur later when the bill is paid.)

n. Sugar spends the \$2,000 she withdrew for new furniture for her home.

Assets =										
<u>\$97,560</u>										
	Cash		Accounts Receivable		Prepaid Insurance		Gym Supplies		Gym Equipment	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
(Bal)	63,840		5,000		1,500		1,220		26,000	
N										
(New Bal.)	63,840		5,000		1,500		1,220		26,000	

This is a personal transaction of the owner. It is not recorded by the business!

SOLUTIONS

Learning Goal 11, continued

Liabilities + Owner's Equity

\$97,560

Accounts Payable		Notes Payable		Unearned Revenue		Sugar Eclair, Capital	
Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase
	1,685		50,000		590		45,285
	900					900	
	2,585		50,000		590		44,385

Exp.	Rev.
735	8,200
900	
1,635	8,200

Liabilities + Owner's Equity

\$97,560

Accounts Payable		Notes Payable		Unearned Revenue		Sugar Eclair, Capital	
Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase
	2,585		50,000		590		44,385
	2,585		50,000		590		44,385

Exp.	Rev.
1,635	8,200
1,635	8,200

- What are the total revenues that the club received during September? \$8,200
- What are the total expenses of the club during September? \$1,635
- Calculate the club's net income or loss during September. $\$8,200 - 1,635 = \underline{\$6,565 \text{ net income}}$

SOLUTIONS

Learning Goal 11, continued

LG 11-3.

	Assets		=	Liabilities		+	Owner's Equity	
	Increase	Decrease		Decrease	Increase		Decrease	Increase
a. A business collects \$1,000 of accounts receivable from a customer.	Cash	Accounts Receivable						
b. A business pays a bill to a vendor.		Cash		Accounts Payable				
c. A business purchases supplies on account.	Supplies				Accounts Payable			
d. A business makes a sale on account.	Accounts Receivable							Revenue
e. A business uses up some supplies.		Supplies					Supplies Expense	
f. A business buys a \$5,000 computer, pays \$1,000 cash, and signs a note.	Office Equipment \$5,000	Cash \$1,000			Notes Payable \$4,000			
g. A business receives an advance payment from a customer.	Cash				Unearned Revenue			
h. The owner removes some cash and supplies from her business.		Cash Supplies					Withdrawals (or drawing)	
i. A business prepays rent for 3 months in the amount of \$1,500.	Prepaid Rent \$1,500	Cash \$1,500						
j. The owner buys a new car for herself.	Not a business transaction.							
k. A business pays the wages to its employees.		Cash					Wages Expense	
l. One month has passed since the rent was prepaid in item i, above.		Prepaid Rent \$500					Rent Expense \$500	
m. A business receives a bill from the telephone company.					Accounts Payable		Telephone Expense	
n. The business performs services for the customer who prepaid in item G, above.				Unearned Revenue				Fees Revenue
o. A business that incurred a liability pays the liability.		Cash		Accounts Payable				
p. A customer pays a business for an amount owed.	Cash	Accounts Receivable						