

SOLUTIONS

Learning Goal 15

LG 15-1.

David Running-Elk, M.D.			
Balance Sheet			
July 31, 2008			
Assets		Liabilities	
Cash	\$ 8,500	Accounts payable	\$ 1,100
Accounts receivable	3,100	Unearned fees revenue	500
Supplies	700	Note payable	<u>9,000</u>
Prepaid insurance	750	Total liabilities	10,600
Equipment	<u>35,000</u>		
		Owner's Equity	
		David Running-Elk, Capital	<u>37,450</u>
Total assets	<u>\$48,050</u>	Total liabilities and owner's equity	<u>\$48,050</u>

Notes

- Owner's equity is verified as \$48,050 total assets – \$10,600 total liabilities = \$37,450.
- \$ signs are generally used at the top of a column and at the total of the column.
- Always double check to be sure that the title is correctly written and especially that the date is correct.

LG 15-2. To prepare this balance sheet, you have to calculate the following:

Supplies: This is \$1,000 (March 31 balance) + \$7,000 purchased – \$4,000 used = \$4,000 (April 30 balance).

Accounts Receivable: To calculate this, we need to know the total assets. Because the balance sheet is based on the accounting equation $A = L + OE$, we know that total assets equal the total liabilities and owner's equity of \$41,000. If total assets are \$41,000, we can subtract \$25,000 for cash, \$4,000 for supplies, and \$10,000 for equipment. What is left must be accounts receivable of \$2,000.

Don Chen, Capital: If total liabilities and owner's equity equal \$41,000 and we know the only liability is accounts payable of \$12,000, then Don Chen, Capital must be \$41,000 – \$12,000 = \$29,000.

Fulton Avenue Company			
Balance Sheet			
April 30, 2008			
Assets		Liabilities	
Cash	\$25,000	Accounts payable	\$12,000
Accounts receivable	2,000		
Supplies	4,000	Owner's Equity	
Equipment	10,000	Don Chen, Capital	29,000
Total assets	<u>\$41,000</u>	Total liabilities and owner's equity	<u>\$41,000</u>

Format note: Because there is only one liability, we do not have to write "total liabilities" and repeat the number.