

Introduction to Accounting Solution Set



CERTIFIED
GENERAL
ACCOUNTANTS

We see more than numbers.

T-Account (General Ledger)

ASSETS	
Cash	
60,000	6,000
5,800	2,400
	3,600
	2,400
	1800
65,800	16,200
49,600	
20,000	1,150
4,200	5,000
6,500	2,200
3,500	150
300	1,650
3,600	
87,700	10,150
77,500	
Accounts Receivable	
600	300
2,400	
2,700	

Computer Equipment	
2,400	
Accum. Amort, Comp	
	200
Furniture & Fixture	
4,500	
Accum. Amort, F&F	
	210
Fitness Equipment	
8,600	
Accum. Amort, Fitness	
300	
Prepaid Insurance	
2,400	400
2,000	
Prepaid Rent	
4,500	3,000
1,500	

LIABILITIES	
Accounts Payable	
	4m500
	5,000
	1,150
1,150	10,650
5,000	1,650
1,650	
	4,500
Salary Payable	
	3,100
Unearned Revenue	
1,200	4,800
900	3,500
	6,200
Interest Payable	
	150
Income Tax Payable	
	918
Dividends Payable	
	1,200
L-T Notes Payable	
	20,000

EQUITY	
Share Capital	
	60,000
Retained Earnings	
Dividends	
1,200	



We see more than numbers.

Revenues

Revenue – Hair Service

	2,600
	2,700
	27400
	7,700

Revenue – Body Care

	3,200
	3,800
	3,600
	900
	11,500

Revenue – Fitness

	1,200
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Expenses

Advertising Expense

750	
1,100	
1,850	

Interest Expense

150	
150	
300	

Insurance Expense

400	
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Rent Expense

1,500	
3,000	
4,500	

Salary Expense

1,800	
2,200	
3,100	
7,100	

Utilities Expense

400	
550	
950	

Amort Exp, Computer

200	
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Amort Exp, F & F

210	
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Amort Exp, Fitness

300	
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Income Tax Expense

918	
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Trial Balance

Account Title	Unadjusted Trial Balance		Adjusted Trial Balance		Post-Closing Trial Balance	
	Dr	Cr	Dr	Cr	Dr	Cr
Cash	49,600		77,550		77,550	
Accounts Receivable			2,700		2,700	
Prepaid Insurance	2,400		2,000		2,000	
Prepaid Rent	4,500		1,500		1,500	
Computer Equipment	2,400		2,400		2,400	
Accum. Amort, Computer Equip				200		200
Furniture and Fixtures	4,500		4,500		4,500	
Accum. Amort, Furniture and Fixtures				210		210
Fitness Equipment	8,600		8,600		8,600	
Accum. Amort, Fitness Equip				300		300
Accounts Payable		10,650		4,500		4,500
Salary Payable				3,100		3,100
Unearned Revenue				6,200		6,200
Interest Payable				150		150
Income Tax Payable				918		918
Dividends Payable				1,200		1,200
Long-term Note Payable				20,000		20,000

Trial Balance

Share Capital		60,000		60,000		60,000
Retained Earnings						2,472
Dividends			1,200			
Revenue – Hair Service		2,600		7,700		
Revenue – Body Care		3,200		11,500		
Revenue – Fitness				1,200		
Advertising Expense	750		1,850			
Interest Expense			300			
Insurance Expense			400			
Rent Expense	1,500		4,500			
Salary Expense	1,800		7,100			
Utilities Expense	400		950			
Amort Expense, Computer Equip			200			
Amort Expense, Fitness Equip			210			
Amort Expense, Furniture and Fixtures			300			
Income Tax Expense			918			
Totals	4,450	65,800	17,928	80,400	-	62,472

Lakeview Spa, Ltd.		
Income Statement		
For month ended Oct 31, 2009		
Revenues:		
Revenue – Hair Service	\$ 2,600	
Revenue – Body Care	3,200	
Revenue – Fitness	<u>-</u>	
Total Revenues		\$ 5,800
Operating Expenses:		
Advertising Expense	750	
Insurance Expense		
Rent Expense	1,500	
Salary Expense	1,800	
Utilities Expense	400	
Amort Expense, Computer Equip	-	
Amort Expense, Fitness Equip	-	
Amort Expense, Furniture and Fixtures	<u>-</u>	\$ 4,450
Operating Income:		\$ 1,350
Interest Expense		\$ -
Income Before Income Taxes		\$ 1,350
Income Tax Expense		\$ 270
Net Income		\$ 1,080
EPS (6,000 shares)		\$ 0.18

Lakeview Spa, Ltd.		
Income Statement		
For 3 months ended Dec 31, 2009		
Revenues:		
Revenue – Hair Service	\$ 7,700	
Revenue – Body Care	11,500	
Revenue – Fitness	<u>1,200</u>	
Total Revenues		\$20,400
Operating Expenses:		
Advertising Expense	\$ 1,850	
Insurance Expense	400	
Rent Expense	4,500	
Salary Expense	7,100	
Utilities Expense	950	
Amort Expense, Computer Equip	200	
Amort Expense, Fitness Equip	210	
Amort Expense, Furniture and Fixtures	<u>300</u>	\$15,510
Operating Income:		\$ 4,890
Interest Expense		\$ 300
Income Before Income Taxes		<u>\$ 4,590</u>
Income Tax Expense		\$ 918
Net Income		<u>\$ 3,672</u>
EPS (6,000 shares)		\$0.6120

Lakeview Spa, Ltd.

Statement of Retained Earnings

For 3 months ended Dec 31, 2009

Retained Earnings, Oct 1, 2009	\$ -	
Add: Net Income	3,672	
Subtotal		\$ 3,672
Less: Dividends		<u>\$ 1,200</u>
Retained Earnings, Dec 31, 2009		\$ 2,472

Lakeview Spa, Ltd.

Balance Sheet

As of Dec 31, 2009

Assets:		
Current Assets:		
Cash	\$ 77,550	
Accounts Receivable	2,700	
Prepaid Insurance	2,000	
Prepaid Rent	<u>1,500</u>	
Total Current Assets:		\$ 83,750
Non-Current Assets:		
Computer Equipment	\$ 2,400	
Accum. Amort, Computer Equip	<u>(200)</u>	
Computer Equipment (Net)	\$ 2,200	
Furniture and Fixtures	4,500	
Accum. Amort, Furniture and Fixtures	<u>(210)</u>	
Furniture and Fixtures (Net)	\$ 4,290	
Fitness Equipment	8,600	
Accum. Amort, Fitness Equip	<u>(300)</u>	
Fitness Equipment (Net)	\$ 8,300	
Total Non-Current Assets:		<u>\$ 14,790</u>
Total Assets:		<u>\$ 98,540</u>

Lakeview Spa, Ltd.		
Balance Sheet		
As of Dec 31, 2009		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 4,500	
Salary Payable	3,100	
Unearned Revenue	6,200	
Interest Payable	150	
Income Tax Payable	918	
Dividends Payable	<u>1,200</u>	
Total Current Liabilities:		\$ 16,068
Long-term Liabilities:		
Long-term Note Payable		<u>\$ 20,000</u>
Total Liabilities:		\$ 36,068
Shareholders' Equity:		
Share Capital	\$ 60,000	
Retained Earnings	<u>2,472</u>	
Total Shareholders' Equity		\$ 62,472
Total Liabilities & Shareholders' Equity		<u>\$ 98,540</u>

General Journal			
Date	Account Title	Debit	Credit
31/12/2009	Revenue – Hair Service	7,700	
	Revenue – Body Care	11,500	
	Revenue – Fitness	1,200	
	Retained Earnings		20,400
31/12/2009	Retained Earnings	16,728	
	Advertising Expense		1,850
	Interest Expense		300
	Insurance Expense		400
	Rent Expense		4,500
	Salary Expense		7,100
	Utilities Expense		950
	Amort Expense, Computer Equip		200
	Amort Expense, Fitness Equip		210
	Amort Expense, Furniture and Fixtures		300
	Income Tax Expense		918
31/12/2009	Retained Earnings	1200	
	Dividends		1200