

PROBLEMS

Prob. 4–1A

1.

PRISON WATCH COMPANY Income Statement For the Year Ended June 30, 2010

| | | |
|--------------------------------------|--------------|------------------|
| Revenues: | | |
| Fees revenue | \$290,700 | |
| Rent revenue | <u>2,000</u> | |
| Total revenues | | \$292,700 |
| Expenses: | | |
| Salaries and wages expense | \$147,000 | |
| Advertising expense | 94,800 | |
| Utilities expense | 27,000 | |
| Travel expense | 18,750 | |
| Depreciation expense—equipment | 5,200 | |
| Depreciation expense—building | 2,000 | |
| Supplies expense | 1,525 | |
| Insurance expense | 1,450 | |
| Miscellaneous expense | <u>5,875</u> | |
| Total expenses | | <u>303,600</u> |
| Net loss | | <u>\$ 10,900</u> |

2.

PRISON WATCH COMPANY Statement of Owner's Equity For the Year Ended June 30, 2010

| | | |
|--|---------------|------------------|
| Cassandra Jaffee, capital, July 1, 2009 | | \$318,800 |
| Net loss for the year | \$10,900 | |
| Add withdrawals | <u>15,000</u> | |
| Decrease in owner's equity | | <u>25,900</u> |
| Cassandra Jaffee, capital, June 30, 2010 | | <u>\$292,900</u> |

Prob. 4–1A Continued
3.
PRISON WATCH COMPANY
Balance Sheet
June 30, 2010

| <u>Assets</u> | | <u>Liabilities</u> | |
|--|-----------------------|------------------------------|------------------|
| Current assets: | | Current liabilities: | |
| Cash | \$ 4,800 | Accounts payable..... | \$9,750 |
| Accounts receivable | 19,950 | Salaries and wages | |
| Prepaid insurance | 1,250 | payable | 2,700 |
| Supplies | <u>500</u> | Unearned rent..... | <u>2,500</u> |
| Total current assets | \$ 26,500 | Total liabilities..... | \$ 14,950 |
| Property, plant, and equipment: | | <u>Owner's Equity</u> | |
| Land..... | \$ 75,000 | Cassandra Jaffee, capital... | <u>292,900</u> |
| Building..... | \$205,000 | | |
| Less accum. depreciation | <u>78,000</u> 127,000 | | |
| Equipment..... | \$139,000 | | |
| Less accum. depreciation | <u>59,650</u> 79,350 | | |
| Total property, plant, and | | | |
| equipment..... | <u>281,350</u> | Total liabilities and | |
| Total assets | <u>\$307,850</u> | owner's equity..... | <u>\$307,850</u> |

Prob. 4–1A Continued
4.
2010

| | | | |
|----------------|--|----------------|----------------|
| June 30 | Fees Revenue..... | 290,700 | |
| | Rent Revenue..... | 2,000 | |
| | Income Summary..... | | 292,700 |
| 30 | Income Summary..... | 303,600 | |
| | Salaries & Wages Expense..... | | 147,000 |
| | Advertising Expense..... | | 94,800 |
| | Utilities Expense..... | | 27,000 |
| | Travel Expense..... | | 18,750 |
| | Depreciation Expense—Equipment..... | | 5,200 |
| | Depreciation Expense—Building..... | | 2,000 |
| | Supplies Expense..... | | 1,525 |
| | Insurance Expense..... | | 1,450 |
| | Miscellaneous Expense..... | | 5,875 |
| 30 | Cassandra Jaffee, Capital..... | 10,900 | |
| | Income Summary..... | | 10,900 |
| 30 | Cassandra Jaffee, Capital..... | 15,000 | |
| | Cassandra Jaffee, Drawing..... | | 15,000 |

Prob. 4–1A Concluded

5.

PRISON WATCH COMPANY
Post-Closing Trial Balance
June 30, 2010

| | Debit Balances | Credit Balances |
|--|---------------------------|----------------------------|
| Cash | 4,800 | |
| Accounts Receivable | 19,950 | |
| Prepaid Insurance | 1,250 | |
| Supplies | 500 | |
| Land..... | 75,000 | |
| Building..... | 205,000 | |
| Accumulated Depreciation—Building | | 78,000 |
| Equipment..... | 139,000 | |
| Accumulated Depreciation—Equipment | | 59,650 |
| Accounts Payable | | 9,750 |
| Salaries & Wages Payable..... | | 2,700 |
| Unearned Rent..... | | 2,500 |
| Cassandra Jaffee, Capital | | <u>292,900</u> |
| | <u>445,500</u> | <u>445,500</u> |