SOUTH-WESTERN
CENGAGE Learning

PROBLEMS

Prob. 4–1A

1.

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

Revenues:		
Fees revenue	$290,700	
Rent revenue	2,000	
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	5,875	
Total expenses		303,600
Net loss		$ 10,900

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	15,000	
Decrease in owner's equity		25,900
Cassandra Jaffee, capital, June 30, 2010		$292,900

Prob. 4–1A Continued

3.

PRISON WATCH COMPANY
Balance Sheet
June 30, 2010

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

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		292,900
	445,500	445,500