

Exercise E3-4

A tabular analysis of the transactions made during August 2010 by Witten Company during its first month of operations is shown below. Each increase and decrease in stockholders' equity is explained.

	Assets				= Liabilities +	Stockholders' Equity			
	Cash	Accounts Receivable	Supplies	Office Equipment		Accounts Payable	Common Stock	Retained Earnings	
							Rev.	Exp.	Div.
1.	\$20,000					\$20,000			Com. Stock
2.	-1,000			\$5,000	\$4,000				
3.	-750		\$750						
4.	4,400	\$5,400					\$9,800		Serv. Rev
5.	-1,500				-1,500				
6.	-2,000								2,000 Div.
7.	-800						-800		Rent Exp.
8.	450	-450							
9.	-3,000							3,000	Sal. Exp.
10.					500			-500	Util. Exp.

Determine how much stockholders' equity increased for the month.

Solution

(b) Issued common stock	\$20,000
Service revenue	9,800
Dividends	(2,000)
Rent expense	(800)
Salaries expense	(3,000)
Utilities expense	(500)
Increase in stockholders' equity	<u>\$23,500</u>
(c) Service revenue	\$9,800
Rent expense	(800)
Salaries expense	(3,000)
Utilities expense	(500)
Net income	<u>\$5,500</u>

Final Answer – See below

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Determine how much stockholders' equity increased for the month.

\$

Compute the net income for the month.

\$

\* Exercise E3-9

This information relates to Pickert Real Estate Agency.

- Oct. 1 Stockholders invested \$30,000 in exchange for common stock of the corporation.
- Oct. 2 Hires an administrative assistant at an annual salary of \$42,000.
- Oct. 3 Buys office furniture for \$4,600, on account.
- Oct. 6 Sells a house and lot for M.E. Petty; commissions due from Petty, \$10,800 (not paid by Petty at this time).
- Oct. 10 Receives cash of \$140 as commission for acting as rental agent renting an apartment.
- Oct. 27 Pays \$700 on account for the office furniture purchased on October 3.
- Oct. 30 Pays the administrative assistant \$3,500 in salary for October.

Post the transactions to T-accounts and complete the following trial balance. *(If answer is zero, please enter 0, do not leave any fields blank.)*

Solution

<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Cash</th> </tr> <tr> <td style="width: 50%;">Oct. 1      30,000</td> <td style="width: 50%;">Oct. 27      700</td> </tr> <tr> <td>Oct. 10      140</td> <td>Oct. 30      3,500</td> </tr> <tr> <td style="border-top: 1px solid black;">Bal.            25,940</td> <td></td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Accounts Receivable</th> </tr> <tr> <td>Oct. 6      10,800</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Bal.            10,800</td> <td></td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Office Furniture</th> </tr> <tr> <td>Oct. 3      4,600</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Bal.            4,600</td> <td></td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Salaries Expense</th> </tr> <tr> <td>Oct. 30      3,500</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Bal.            3,500</td> <td></td> </tr> </table>	Cash		Oct. 1      30,000	Oct. 27      700	Oct. 10      140	Oct. 30      3,500	Bal.            25,940		Accounts Receivable		Oct. 6      10,800		Bal.            10,800		Office Furniture		Oct. 3      4,600		Bal.            4,600		Salaries Expense		Oct. 30      3,500		Bal.            3,500		<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Accounts Payable</th> </tr> <tr> <td style="width: 50%;">Oct. 27      700</td> <td style="width: 50%;">Oct. 3      4,600</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">Bal.            3,900</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Common Stock</th> </tr> <tr> <td></td> <td>Oct. 1      30,000</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">Bal.            30,000</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Service Revenue</th> </tr> <tr> <td></td> <td>Oct. 6      10,800</td> </tr> <tr> <td></td> <td>Oct. 10      140</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">Bal.            10,940</td> </tr> </table>	Accounts Payable		Oct. 27      700	Oct. 3      4,600		Bal.            3,900	Common Stock			Oct. 1      30,000		Bal.            30,000	Service Revenue			Oct. 6      10,800		Oct. 10      140		Bal.            10,940
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PICKERT REAL ESTATE AGENCY		
Trial Balance		
October 31, 2010		
	Debit	Credit
Cash	\$25,940	0
Accounts receivable	10,800	0
Office furniture	4,600	0
Accounts payable	0	\$3,900
Common stock	0	30,000
Service revenue	0	10,940
Salaries expense	3,500	0
	\$44,840	\$44,840