2
Debits and Credits: Analyzing and Recording Business Transactions

ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

1. A ledger is a group of accounts that records in monetary value data from business transactions.
2. Because that is always the debit side. It is an arbitrary rule.
3. False. Accounts with one entry will not need footings.
4. The end product of the accounting process is preparing financial statements.
5. The transaction analysis chart is a teaching device that is not used in the regular accounting process.
6. Accounts affected, category, ↑↓ rules, update of T accounts.
7. The analysis of transactions results in the total of debits being equaled to the total of credits. A double-entry system provides a system of checks and balances.
8. False. Informal report; does not have the same status as financial statements.
9. The financial statements are prepared from the ending balances of the accounts (debit or credit) in the ledger. These ending balances are then used on financial statements. The inside columns on financial statements are for subtotaling.
10. It is easier to prepare the reports from the trial balance, because a list of all accounts and their balances is provided. The columns for revenue, expenses, etc., on the expanded accounting equation do not list specific titles and their balances.
11. The question in this case is whether Audrey should be allowed to put fictitious figures into the trial balance. Although Audrey has good intentions in this case, I would not support this type of behavior. Her behavior is extremely unprofessional and goes against all accounting standards. Instead of putting in fictitious figures, Audrey should stay late and correct the trial balance (or maybe have an assistant help her so she could catch the plane).

CHAPTER 2 SOLUTIONS TO CLASSROOM DEMONSTRATION EXERCISES

SET A

1. Cash	$13,900	Debit Balance
Ken Dalton, Capital	$24,000	Credit Balance

2.	A.	Liability	Cr.	Dr.	Cr.
	B.	Revenue	Cr.	Dr.	Cr.
	C.	Asset	Dr.	Cr.	Dr.
	D.	Capital	Cr.	Dr.	Cr.
	E.	Withdrawal	Dr.	Cr.	Dr.
	F.	Asset	Dr.	Cr.	Dr.
	G.	Expense	Dr.	Cr.	Dr.

3.

Cash	Asset	↑	Dr.	Cash 500
Accounts Receivable	Asset	↑	Dr.	Acc. Rec. 4,500
Legal Fees Earned	Revenue	↑	Cr.	Legal Fees Earned 5,000

4. Cash
Accounts Receivable
Office Equipment
Accounts Payable
B. O'Mally, Capital
B. O'Mally, Withdrawals
Hair Salon Fees Earned
Advertising Expense
Salary Expense
Selling Expense

5. A. BS
B. BS
C. BS
D. BS
E. OE
F. OE
G. IS
H. IS
I. IS
J. IS
K. IS

SOLUTIONS TO EXERCISES

Set A

2A-1. Balance Sheet Accounts

Assets
- 111 Cash
- 112 Accounts Receivable
- 121 Panasonic HD Television

Liabilities
- 211 Accounts Payable

Owner's Equity
- 311 L. Janas, Capital
- 312 L. Janas, Withdrawals

Income Statement Accounts

Revenue
- 411 Legal Fees Earned

Expenses
- 511 Salary Expense
- 512 Repair Expense
- 513 Advertising Expense

2A-2.

1. Accounts Affected	2. Category	3. ↑↓	4. Rules	5. T-Account Update
Computer Equipment	Asset	↑	Dr.	Computer Equipment: 26,000 (Dr.)
Cash	Asset	↓	Cr.	Cash: 9,000 (Cr.)
Accounts Payable	Liability	↑	Cr.	Accounts Payable: 17,000 (Cr.)

2A-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Computer Supplies	Asset	Dr.	Cr.	Balance Sheet
Legal Fees Earned	Revenue	Cr.	Dr.	Income Statement
P. Roy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Salaries Expense	Expense	Dr.	Cr.	Income Statement
Auto	Asset	Dr.	Cr.	Balance Sheet

2A-4.

	Dr.	Cr.
A.	8	1
B.	6	1
C.	9	4
D.	1	7
E.	10	1
F.	3	5
G.	2	7
H.	1	2
I.	3	4

2A-5.

(1)

HILL'S CLEANERS
INCOME STATEMENT
FOR MONTH ENDED MAY 31, 201X

Revenue:		
Cleaning Fees		$ 415
Operating Expenses:		
Salaries Expense	$ 100	
Utilities Expense	171	
Total Operating Expenses		271
Net Income		$ 144

(2)

HILL'S CLEANERS
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MAY 31, 201X

J. Hill, Capital, May 1, 201X		$ 1086
Net Income for May	$ 144	
Less: Withdrawals for May	(230)	
Decrease in Capital		(86)
J. Hill, Capital, July 31, 201X		$ 1000

(3)

HILL'S CLEANERS
BALANCE SHEET
MAY 31, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$ 800	Liabilities	
Equipment	700	Accounts Payable	$ 500
		Owner's Equity	
		J. Hill, Capital	1000
		Total Liabilities and	
Total Assets	$1500	Owner's Equity	$1500

SOLUTIONS TO EXERCISES

Set B

2B-1. Balance Sheet Accounts

Assets
- 111 Cash
- 112 Accounts Receivable
- 121 Copy Machine

Liabilities
- 211 Accounts Payable

Owner's Equity
- 311 L. Jones, Capital
- 312 L. Jones, Withdrawals

Income Statement Accounts

Revenue
- 411 Legal Fees Earned

Expenses
- 511 Salary Expense
- 512 Rent Expense
- 513 Advertising Expense

2B-2.

1. Accounts Affected	2. Category	3. ↑↓	4. Rules	5. T-Account Update
Computer Equipment	Asset	↑	Dr.	Computer Equipment: Dr. 11,000
Cash	Asset	↓	Cr.	Cash: Cr. 10,000
Accounts Payable	Liability	↑	Cr.	Accounts Payable: Cr. 1,000

2B-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Office Supplies	Asset	Dr.	Cr.	Balance Sheet
Rental Fees Earned	Revenue	Cr.	Dr.	Income Statement
A. Troy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Wage Expense	Expense	Dr.	Cr.	Income Statement
Computer	Asset	Dr.	Cr.	Balance Sheet

2B-4.

	Dr.	Cr.
A.	8	1
B.	6	1
C.	9	4
D.	1	7
E.	10	1
F.	3	5
G.	2	7
H.	1	2
I.	3	4

2B-5.

(1)

HUCK'S CLEANERS
INCOME STATEMENT
FOR MONTH ENDED MAY 31, 201X

Revenue:		
Cleaning Fees		$ 415
Operating Expenses:		
Salaries Expense	$ 100	
Utilities Expense	171	
Total Operating Expenses		271
Net Income		$ 144

(2)

HUCK'S CLEANERS
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MAY 31, 201X

J. Huck, Capital, May 1, 201X		$ 1086
Net Income for May	$ 144	
Less: Withdrawals for May	(230)	
Decrease in Capital		(86)
J. Huck, Capital, May 31, 201X		$ 1000

(3)

HUCK'S CLEANERS
BALANCE SHEET
MAY 31, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$ 800	Liabilities	
Equipment	700	Accounts Payable	$ 500
		Owner's Equity	
		J. Huck, Capital	1000
		Total Liabilities and	
Total Assets	$1 500	Owner's Equity	$1 500

SOLUTIONS TO GROUP A PROBLEMS

PROBLEM 2A-1

Accounts Affected	Category	Inc. ↑ Dec. ↓	Rules	T-Account update					
A. Cash	Asset	↑	Dr.	Cash	28,000		B. Orwell, Capital		28,000
B. Orwell, Capital	Capital*	↑	Cr.						
B. Delivery Trucks	Asset	↑	Dr.	Delivery Trucks	12,000		Accounts Payable		12,000
Accounts Payable	Liability	↑	Cr.						
C. Rent Expense	Expense	↑	Dr.	Rent Expense	1,200		Accounts Payable		1,200
Accounts Payable	Liability	↑	Cr.						
D. Cash	Asset	↑	Dr.	Cash	2,100		Delivery Fees Earned		2,100
Delivery Fees Earned	Revenue	↑	Cr.						
E. Accounts Receivable	Asset	↑	Dr.	Accounts Receivable	300		Delivery Fees Earned		300
Delivery Fees Earned	Revenue	↑	Cr.						
F. B. Orwell, Withdrawals	Withdrawal*	↑	Dr.	B. Orwell, Withdrawals	800		Cash		800
Cash	Asset	↓	Cr.						

* A subdivision of Owner's Equity

PROBLEM 2A-2

Cash 111

(A) 40,000	150(D)
(C) 2,000	300(E)
	1,100(G)

Office Equipment 121

(B) 7,000	

Accounts Payable 211

(G) 1,100	7,000 (B)
	1,000 (F)

Brian Pud, Capital 311

	40,000 (A)

Brian Pud, Withdrawals 312

(D) 150	

Consulting Fees Earned 411

	2,000(C)

Advertising Expense 511

(E) 300	

Rent Expense 512

(F) 1,000	

PROBLEM 2A-3

Cash 111

(A) 10,000	300 (D)
(C) 4,000	400 (E)
	200 (F)
	300 (H)
	1,000 (I)
14,000	2,200
Bal 11,800	

Accounts Payable 211

(D) 300	2,300 (C)
	2,000 Bal

Cleaning Fees Earned 411

	7,000 (B)

Accounts Receivable 112

(B) 7,000	4,000 (G)
Bal 3,000	

Brad Joy, Capital 311

	10,000 (A)

Rent Expense 511

(F) 200	

Office Equipment 121

(C) 2,300	
(H) 300	
Bal 2,600	

Brad Joy, Withdrawals 312

(I) 1,000	

Utilities Expense 512

(E) 400	

(2)

BRAD'S CLEANING SERVICE
TRIAL BALANCE
OCTOBER 31, 201X

	Dr.					Cr.				
Cash	**11**	**8**	**0**	**0**						
Accounts Receivable	**3**	**0**	**0**	**0**						
Office Equipment	**2**	**6**	**0**	**0**						
Accounts Payable						**2**	**0**	**0**	**0**	
Brad Joy, Capital						**10**	**0**	**0**	**0**	
Brad Joy, Withdrawals	**1**	**0**	**0**	**0**						
Cleaning Fees Earned						**7**	**0**	**0**	**0**	
Rent Expense		**2**	**0**	**0**						
Utilities Expense		**4**	**0**	**0**						
Totals	**19**	**0**	**0**	**0**		**19**	**0**	**0**	**0**	

PROBLEM 2A-4

(A)

GAIL LUCAS, ATTORNEY AT LAW
INCOME STATEMENT
FOR MONTH ENDED MAY 31, 201X

Revenue:		
Revenue from Legal Fees		$1650
Operating Expenses:		
Utilities Expense	$350	
Rent Expense	650	
Salaries Expense	150	
Total Operating Expenses		1150
Net Income		$500

(B)

GAIL LUCAS, ATTORNEY AT LAW
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MAY 31, 201X

Gail Lucas, Capital, May 1, 201X		$3690
Net Income for May	$500	
Less: Withdrawals for May	(600)	
Decrease in Capital		(100)
Gail Lucas, Capital, May 31, 201X		$3590

GAIL LUCAS, ATTORNEY AT LAW
BALANCE SHEET
MAY 31, 201X

(C)

ASSETS						LIABILITIES AND OWNER'S EQUITY											
Cash	$5	0	0	0		Liabilities											
Accounts Receivable	1	1	0	0		Accounts Payable	$3	0	0	0							
Office Equipment	1	2	5	0		Salaries Payable		7	6	0							
						Total Liabilities							$3	7	6	0	
						Owner's Equity											
						Gail Lucas, Capital							3	5	9	0	
						Total Liabilities and											
Total Assets	$7	3	5	0		Owner's Equity							$7	3	5	0	

PROBLEM 2A-5

(1, 2, 3)

Cash	111
(A) 29,000	600 (C)
(E) 2,300	650 (D)
(J) 250	600 (F)
	1,600 (G)
	300 (K)
31,550	3,750
27,800	

Accounts Payable	211
	12,000 (B)
	200 (I)
	12,200

Advertising Expense	511
(D) 650	

Accounts Receivable	112
(H) 1,700	250 (J)
1,450	

A. Annis, Capital	311
	29,000 (A)

Gas Expense	512
(G) 1,600	

Office Equipment	121
(C) 600	

A. Annis, Withdrawals	312
(K) 300	

Salaries Expense	513
(F) 600	

Delivery Trucks	122
(B) 12,000	

Delivery Fees Earned	411
	2,300 (E)
	1,700 (H)
	4,000

Telephone Expense	514
(I) 200	

PROBLEM 2A-5 (CONTINUED)

(4)

ANNIS'S DELIVERY SERVICE
TRIAL BALANCE
AUGUST 31, 201X

	Dr.				Cr.			
Cash	27	8	0	0				
Accounts Receivable	1	4	5	0				
Office Equipment		6	0	0				
Delivery Trucks	12	0	0	0				
Accounts Payable					12	2	0	0
A. Annis, Capital					29	0	0	0
A. Annis, Withdrawals		3	0	0				
Delivery Fees Earned					4	0	0	0
Advertising Expense		6	5	0				
Gas Expense	1	6	0	0				
Salaries Expense		6	0	0				
Telephone Expense		2	0	0				
Totals	45	2	0	0	45	2	0	0

(5A)

ANNIS'S DELIVERY SERVICE
INCOME STATEMENT
FOR MONTH ENDED AUGUST 31, 201X

Revenue:								
Delivery Fees Earned					$4	0	0	0
Operating Expenses:								
Advertising Expense	$	6	5	0				
Gas Expense	1	6	0	0				
Salaries Expense		6	0	0				
Telephone Expense		2	0	0				
Total Operating Expenses					3	0	5	0
Net Income					$	9	5	0

PROBLEM 2A-5 (CONCLUDED)

(5B)

ANNIS'S DELIVERY SERVICE
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED AUGUST 31, 201X

A. Annis, Capital, August 1, 201X						$29	0	0	0	
Net Income for August	$	9	5	0						
Less: Withdrawals for August		(3	0	0)						
Increase in Capital							6	5	0	
A. Annis, Capital, August 31, 201X						$29	6	5	0	

(5C)

ANNIS'S DELIVERY SERVICE
BALANCE SHEET
AUGUST 31, 201X

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	$27	8	0	0		Liabilities					
Accounts Receivable	1	4	5	0		Accounts Payable	$12	2	0	0	
Office Equipment		6	0	0							
Delivery Trucks	12	0	0	0		Owner's Equity					
						A. Annis, Capital	29	6	5	0	
						Total Liabilities and					
Total Assets	$41	8	5	0		Owner's Equity	$41	8	5	0	

SOLUTIONS TO GROUP B PROBLEMS

PROBLEM 2B-1

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update					
					Account	Dr.	Cr.	Account	Dr.	Cr.
A. Cash	Asset	↑		Dr.	Cash	50,000		B. Om, Capital		50,000
B. Om, Capital	Capital	↑		Cr.						
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks	7,000		Accounts Payable		7,000
Accounts Payable	Liability	↑		Cr.						
C. Rent Expense	Expense	↑		Dr.	Rent Expense	1,200		Accounts Payable		1,200
Accounts Payable	Liability	↑		Cr.						
D. Cash	Asset	↑		Dr.	Cash	1,700		Delivery Fees Earned		1,7 00
Delivery Fees Earned	Revenue	↑		Cr.						
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable	150		Delivery Fees Earned		150
Delivery Fees Earned	Revenue	↑		Cr.						
F. B. Om, Withdrawals	Withdrawal	↑		Dr.	B. Om, Withdrawals	100		Cash		100
Cash	Asset		↓	Cr.						

PROBLEM 2B-2

Cash	111
(A) 18,000	50 (D)
(C) 2,400	200 (E)
	900 (G)

Brian Pud, Withdrawals	312
(D) 50	

Office Equipment	121
(B) 4,000	

Consulting Fees Earned	411
	2,400 (C)

Accounts Payable	211
(G) 900	4,000 (B)
	1,200 (F)

Advertising Expense	511
(E) 200	

Brian Pud, Capital	311
	18,000 (A)

Rent Expense	512
(F) 1,200	

PROBLEM 2B-3

Cash 111	
12,000 (A)	1,000 (D)
3,500 (G)	150 (E)
	100 (F)
	250 (H)
	600 (I)
15,500	2,100
Bal. 13,400	

Accounts Payable 211	
1,000 (D)	1,400 (C)
	Bal. 400

Cleaning Fees Earned 411	
	14,000 (B)

Accounts Receivable 112	
14,000 (B)	3,500 (G)
Bal. 10,500	

Brad Joy, Capital 311	
	12,000 (A)

Rent Expense 511	
100 (F)	

Office Equipment 121	
1,400 (C)	
250 (H)	
Bal. 1,650	

Brad Joy, Withdrawals 312	
600 (I)	

Utility Expense 512	
150 (E)	

(B)

BRAD'S CLEANING SERVICE
TRIAL BALANCE
OCTOBER 31, 201X

	Dr.	Cr.
Cash	13,400	
Accounts Receivable	10,500	
Office Equipment	1,650	
Accounts Payable		400
Brad Joy, Capital		12,000
Brad Joy, Withdrawals	600	
Cleaning Fees Earned		14,000
Rent Expense	100	
Utilities Expense	150	
Totals	26,400	26,400

PROBLEM 2B-4

(A)

GAIL LUCAS, ATTORNEY AT LAW
INCOME STATEMENT
FOR MONTH ENDED MAY 31, 201X

Revenue:		
Revenue from Legal Fees		$1 8 0 0
Operating Expenses:		
Utilities Expense	$ 1 5 0	
Rent Expense	5 0 0	
Salaries Expense	5 0 0	
Total Operating Expenses		1 1 5 0
Net Income		$ 6 5 0

(B)

GAIL LUCAS, ATTORNEY AT LAW
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MAY 31, 201X

Gail Lucas, Capital, May 1, 201X		$1 1 8 0
Net Income for May	$ 6 5 0	
Less: Withdrawals for May	(8 0 0)	
Decrease in Capital		(1 5 0)
Gail Lucas, Capital, May 31, 201X		$1 0 3 0

PROBLEM 2B-4 (CONTINUED)

(C)

GAIL LUCAS, ATTORNEY AT LAW
BALANCE SHEET
MAY 31, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY		
Cash	$6 0 0 0	Liabilities		
Accounts Receivable	7 5 0	Accounts Payable	$6 2 0 0	
Office Equipment	1 2 5 0	Salaries Payable	7 7 0	
		Total Liabilities		$6 9 7 0
		Owner's Equity		
		Gail Lucas, Capital		1 0 3 0
		Total Liabilities and		
Total Assets	$8 0 0 0	Owner's Equity		$8 0 0 0

PROBLEM 2B-5

(1, 2, 3)

Cash	111
(A) 17,000	600 (C)
(E) 3,500	350 (D)
(J) 400	900 (F)
	1,700 (G)
	250 (K)
20,900	3,800
Bal. 17,100	

Accounts Payable	211
	11,000 (B)
	600 (I)
	Bal. 11,600

Advertising Expense	511
(D) 350	

Accounts Receivable	112
(H) 1,600	400 (J)
Bal. 1,200	

A. Annis, Capital	311
	17,000 (A)

Gas Expense	512
(G) 1,700	

Office Equipment	121
(C) 600	

A. Annis, Withdrawals	312
(K) 250	

Salaries Expense	513
(F) 900	

Delivery Trucks	122
(B) 11,000	

Delivery Fees Earned	411
	3,500 (E)
	1,600 (H)
	Bal. 5,100

Telephone Expense	514
(I) 600	

PROBLEM 2B-5 (CONTINUED)
(4)

ANNIS'S DELIVERY SERVICE
TRIAL BALANCE
AUGUST 31, 201X

	Dr.	Cr.
Cash	17,100	
Accounts Receivable	1,200	
Office Equipment	600	
Delivery Trucks	11,000	
Accounts Payable		11,600
A. Annis, Capital		17,000
A. Annis, Withdrawals	250	
Delivery Fees Earned		5,100
Advertising Expense	350	
Gas Expense	1,700	
Salaries Expense	900	
Telephone Expense	600	
Totals	33,700	33,700

(5A)

ANNIS'S DELIVERY SERVICE
INCOME STATEMENT
FOR MONTH ENDED AUGUST 31, 201X

Revenue:		
Delivery Fees Earned		$5,100
Operating Expenses:		
Advertising Expense	$ 350	
Gas Expense	1,700	
Salaries Expense	900	
Telephone Expense	600	
Total Operating Expenses		3,550
Net Income		$1,550

PROBLEM 2B-5 (CONCLUDED)

(5B)

ANNIS'S DELIVERY SERVICE
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED AUGUST 31, 201X

A. Annis, Capital, May 1, 201X		$17 000
Net Income for May	$1 550	
Less: Withdrawals for May	(2 50)	
Increase in Capital		1 300
A. Annis, Capital, May 31, 201X		$18 300

(5C)

ANNIS'S DELIVERY SERVICE
BALANCE SHEET
AUGUST 31, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$17 100	Liabilities	
Accounts Receivable	1 200	Accounts Payable	$11 600
Office Equipment	600		
Delivery Trucks	11 000	Owner's Equity	
		A. Annis, Capital	18 300
		Total Liabilities and	
Total Assets	$29 900	Owner's Equity	$29 900

FINANCIAL REPORT PROBLEM SOLUTION—2010 Kellogg's Annual Report

$$\begin{array}{r} \$1149 \\ \underline{-\ 1077} \\ \$\quad 77 \end{array}$$

Accounts payable increased by $77 million in 2010.

ON THE JOB--Sanchez Computer Center Solution

Cash 1000

3,850 (bal)	150 (L)
900 (P)	200 (M)
	1,400 (N)
	85 (Q)
	50 (R)
4,750	1,885
2,865	

Accounts Receivable

850 (O)	

Supplies 1030

250 (bal)	
200 (S)	
450	

Computer Shop equipment 1080

1,200 (bal)	

Office Equipment 1090

600 (bal)	

Accounts Payable 2000

200(M)	335 (bal)
85 (Q)	155(K)
	200(S)
285	690
	405

Freedman, Capital 3000

	4,500 (bal)

Freedman, Withdrawals 3010

100 bal	

Service Revenue 4000

	1,650 (bal)
	850 (O)
	900 (P)
	3,400

Advertising Expense 5010

1,400 (N)	

Rent Expense 5020

400 (bal)	

Utilities Expense 5030

85 bal	

Phone Expense 5040

155 (K)	

Supplies Expense 5050

0	

Insurance Expense 5060

150 (L)	

Postage Expense 5070

50 (R)	

TRIAL BALANCE
AUGUST 31, 201X

	Dr.	Cr.
Cash	2865 00	
Accounts Receivable	850 00	
Supplies	450 00	
Computer Shop Equipment	1200 00	
Office Equipment	600 00	
Accounts Payable		405 00
Freedman, Capital		4500 00
Freedman, Withdrawals	100 00	
Service Revenue		3400 00
Advertising Expense	1400 00	
Rent Expense	400 00	
Utilities Expense	85 00	
Phone Expense	155 00	
Insurance Expense	150 00	
Postage Expense	50 00	
Totals	8305 00	8305 00

SANCHEZ COMPUTER CENTER
INCOME STATEMENT
FOR THE TWO MONTHS ENDED AUGUST 31, 201X

Revenue:		
Service Revenue		$3400 00
Operating Expenses:		
Advertising Expense	$1400 00	
Rent Expense	400 00	
Utilities Expense	85 00	
Phone Expense	155 00	
Insurance Expense	150 00	
Postage Expense	50 00	
		2240 00
Net Income		1160 00

SANCHEZ COMPUTER CENTER
STATEMENT OF OWNER'S EQUITY
FOR THE TWO MONTHS ENDED AUGUST 31, 201X

Freedman, Capital, July 1, 201X		$4 5 0 0 00
Net Income	$1 1 6 0 00	
Less: Freedman Withdrawals	(1 0 0 00)	
Net Increase Capital		1 0 6 0 00
Freedman, Capital, August 31, 201X		$5 5 6 0 00

SANCHEZ COMPUTER CENTER
BALANCE SHEET
AUGUST 31, 201X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$2 8 6 5 00	Liabilities:	
Accounts Receivable	8 5 0 00	Accounts Payable	$ 4 0 5 00
Supplies	4 5 0 00		
Computer Shop Equipment	1 2 0 0 00	Owner's Equity:	
Office Equipment	6 0 0 00	Freedman, Capital	5 5 6 0 00
		Total Liabilities and	
Total Assets	$5 9 6 5 00	Owner's Equity	$5 9 6 5 00