Accounting
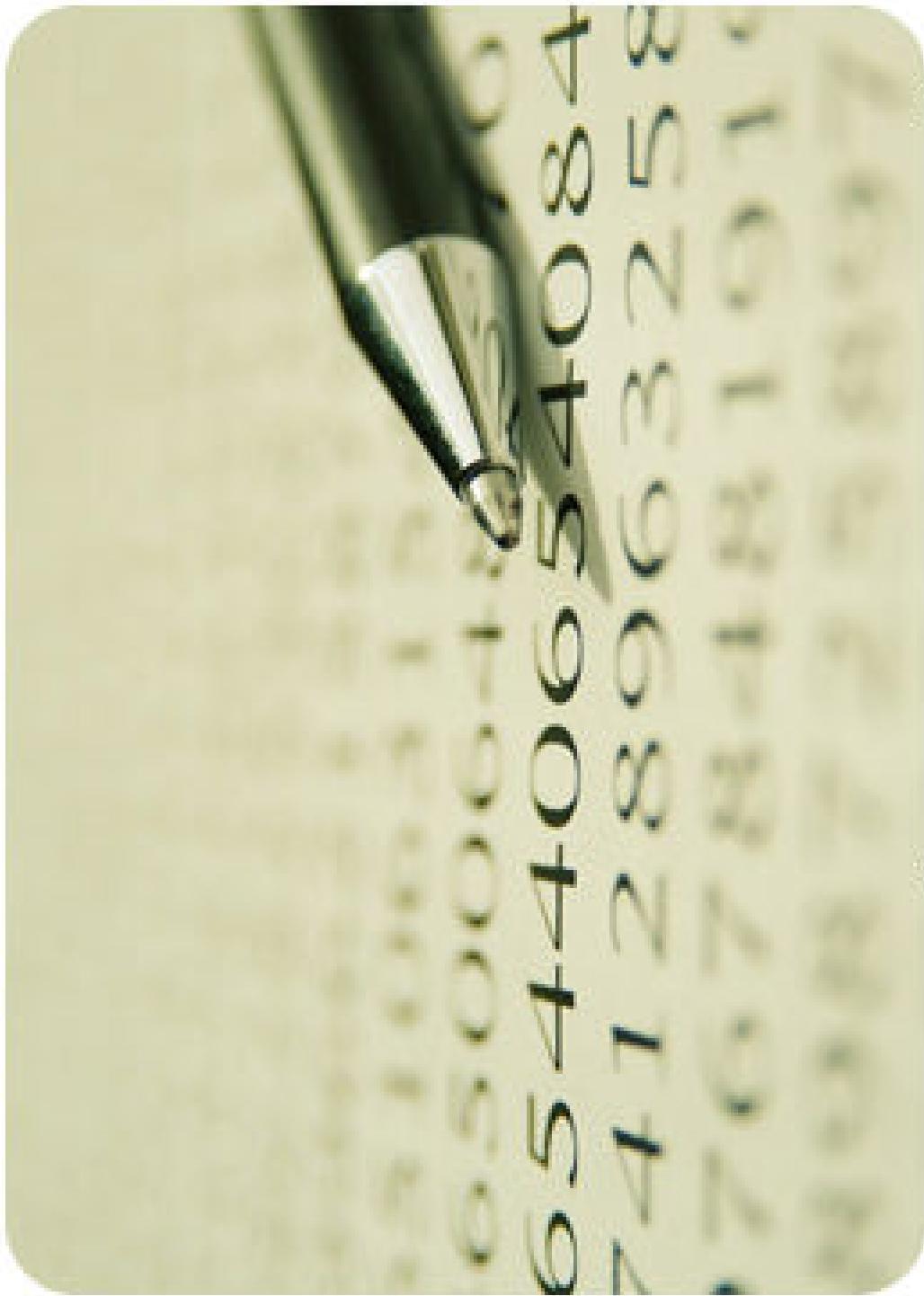
Your homework was…

- Page 140, #3
- Page 146, 'Review Exercise' 1
- Page 148, 'Review Exercise' 5
- Create four transactions for a Mobile Application Development business, so that each of the following accounts are affected at least once:
  – Fees Earned, Computer Repair Expense, Capital, Accounts Payable or Receivable.

    (see the required format on the last page…)

Pg. 140

3. Prepare the equity section of the balance sheet from the data given for each case below.

Owner's name	G. Benvie	S. Robb	J. Bedford
Fiscal period	Year ended December 31, 20—	Three months ended March 31, 20—	Month ended May 31, 20—
Opening capital	$27 042.62	$19 641.25	$20 196.74
Net income (loss)	39 171.04	22 462.67	(3 750.20)
Drawings	35 000.00	25 575.00	10 047.17

Exercise 3, p. 140

G. Bennie, Capital

Balance January 1							$27	0 4 2	62		
Net Income	$39	1 7 1	04								
Drawings	35	0 0 0	—								
Increase in Capital							4	1 7 1	04		
Balance December 31								$31 2 1 3	66		

Exercise 3 (cont.)

S. Robb, Capital

Balance January 1							$19	6 4 1	25		
Net Income	$22	4 6 2	67								
Drawings	25	5 7 5	—								
Decrease in Capital							3	1 1 2	33		
Balance March 31								$16 5 2 8	92		

J. Bedford, Capital

Balance May 1							$20	1 9 6	74		
Net Loss	($ 3	7 5 0	20)								
Drawings	10	0 4 7	17								
Decrease in Capital							13	7 9 7	37		
Balance May 31								$6 3 9 9	37		

Review Exercises

Using Your Knowledge

1. Mrs. L. Bopara owns and operates a small florist shop in Gander, Newfoundland. She deposits all cash received in the bank and makes all payments by cheque. At the end of the last fiscal period, the Bank account showed a credit balance of $1 350 after all balances were found to be correct.

   A. Assuming no errors, how is it possible for Bank, an asset account, to have a credit balance?

   B. If, during the fiscal period, the revenue exceeded the expenses by $2 000 and the drawings amounted to $2 600, what is the net income figure for the period?

A. 'Overdraft' (taking more out of your account than you actually have.)

B. Revenue – Expenses. = $2,000   (Drawings comes out after.)

5 With the expanded ledger, the accounting equation now appears as shown below. In your Workbook, complete the schedule by filling in the rectangles with the correct figures for Penny Company over a four-year period. (*Hint: Ending capital from one year becomes the beginning capital for the next year.*)

	Assets	=	Liabilities	+	Beginning Capital	+	Revenues	–	Expenses	–	Drawings
End of Year 1	100	=	20	+	70	+	60	–	45	–	5
End of Year 2	120	=	30	+	☐	+	90	–	60	–	☐
End of Year 3	130	=	☐	+	☐	+	105	–	80	–	20
End of Year 4	☐	=	30	+	☐	+	110	–	95	–	10

Exercise 5, p. 148

End of	Assets	=	Liabilities	+	Beginning Capital	+	Revenue	−	Expenses	−	Drawings
Year 1	100	=	20	+	70	+	60	−	45	−	5
Year 2	120	=	30	+	*80*	+	90	−	60	−	*20*
Year 3	130	=	*35*	+	*90*	+	105	−	80	−	20
Year 4	*180*	=	90	+	*95*	+	110	−	95	−	10