



# Accounting

# Learning Goals for Today

- assess the effects that transactions have on the accounts and financial statements of a service business<sup>\*</sup>;

<sup>\*</sup>The Ontario Curriculum: Business Studies, Grade 11 & 12

# Today.....

- i) Answer the questions about the given **source document**.
  - Call it ‘SourceDocument1’ and share it.
- ii) Complete Challenge Exercise 7: Page 72
  - Name your excel file for Exercise 7 ‘MerrymenSheet’
- You may even check your answers!  
(Make sure you’ve tried the exercise before you check the answers!)
- Share your work with [MrAlexanderCHSS@hotmail.com](mailto:MrAlexanderCHSS@hotmail.com)
- These will be counted as homework.

**SMOKEY VALLEY SKI CLUB**

R.R. #1, Horseshoe Valley, Ont. L3V 3B0

176

Nov. 12 20\_\_

PAY TO THE

ORDER OF Mid-West Ski Lifts and Equipment

\$ 10 000.00

Ten Thousand

----- XX DOLLARS

THE COMMERCIAL BANK

Smokey Valley Ski Club

per A. Hart

R. Schwartz

⑆015⑆ ⑆1962⑆509⑆ 7427⑆0⑆

- A. What kind of source document is this?
- B. Who issued the source document?
- C. Who received the source document?
- D. What do you think this source document is paying for?
- E. As a result of this source document, two of the following are possible for the Smokey Valley Ski Club. Indicate which two are possible, and indicate which one of the two is more likely.
  - a. An asset and a liability will both increase.
  - b. An asset and a liability will both decrease.
  - c. An asset will increase and another asset will decrease.
  - d. An asset and equity will both decrease.

## Challenge Exercise

- 7** Merryman Window Washing is a business owned and operated by Carl Savich in Timmins, Ontario. On November 30, 20—, at the end of the day, the financial position of the business is as shown on the balance sheet below.

**MERRYMAN WINDOW WASHING  
BALANCE SHEET  
NOVEMBER 30, 20—**

<b>Assets</b>		<b>Liabilities</b>	
Cash	\$ 2 750	A/P – Cleanall Co.	\$ 124
A/R – Kwan	420	A/P – Hipp Co.	475
A/R – D. Pederson	75	Loan Payable	
Supplies	880	Simplex Finance	8 560
Truck	15 050	<b>Total Liabilities</b>	<b>\$ 9 159</b>
Equipment	12 947	<b>Owner's Equity</b>	
		C. Savich, Capital	22 963
<b>Total Assets</b>	<b>\$32 122</b>	<b>Total Liabilities and Equity</b>	<b>\$32 122</b>

- Set up the balance sheet items on an equation analysis sheet. Leave a blank column for a new account payable.
- Analyze the transactions of December 1, listed on page 73, and record the necessary changes on the equation analysis sheet.
- After completing the transactions, calculate the new totals, ensure that the equation is still in balance, and prepare a new balance sheet.

## **TRANSACTIONS**

### *December 1*

1. The regular monthly instalment payment of \$800 is paid to Simplex Finance.
2. The company purchases but does not pay for \$400 of supplies from Hipp Co.
3. The company receives \$200 cash from T. Kwan in partial payment of his debt.
4. A new hoist is purchased from NRC Co. for \$2 125. A cash down payment of \$300 is made. The balance of the purchase price is to be paid at a later date.
5. The old hoist, included in the Equipment figure at \$550, is sold for \$100 cash.
6. A \$500 window-washing service is performed for D. Pederson. Pederson pays \$575, both for this service and to pay off the amount owed.
7. The truck was in a serious collision and is a write-off. The insurance company pays Merrymen Window Washing \$14 500 cash.
8. The loan payable to Simplex Finance is paid off.
9. A new truck costing \$23 000 is purchased. An \$8 000 down payment is made. The balance is financed through Simplex Finance.
10. The amount owed to Hipp Co. is paid in full.
11. Supplies valued at \$50 are taken out on a job and used up.

# Answers

## Exercise 6, p. 71

*This is a cheque.*

**A.**

*Smokey Valley Ski Club issued this cheque.*

**B.**

*Mid-West Ski Lifts and Equipment received this cheque.*

**C.**

*This source document is paying for the ski equipment or the chair lifts bought from Mid-West*

**D.**

*Ski Lifts and Equipment.*

*Both B and C are possible. Since most businesses purchase assets like this on credit and pay for*

**E.**

*then later, B is more likely. (Note: If students maintain the cheque was for repair and maintenance, then D is also possible.)*

Exercise 7, p. 72 Challenge Exercise

A., B.

	Assets						Liabilities				Owner's Equity
	Cash	Accounts Receivable		Supplies	Truck	Equipment	Accounts Payable			Loan Payable	C. Stock, Capital
		Kwan	Pederson				Clareall	Hipp	NBC		
Opening bal.	2 750	420	75	880	15 050	12 947	124	475		8 560	22 968
Transaction 1	-800									-500	
Transaction 2				+400				+400			
Transaction 3	+200	-200									
Transaction 4	-800					+2 125			+1 825		
Transaction 5	+100					-550					-450
Transaction 6	+575			-75							+500
Transaction 7	+14 500				-15 050						-550
Transaction 8	-7 760									-7 760	
Transaction 9	-8 000				+23 000					+15 000	
Transaction 10	-875							-875			
Transaction 11				-50							-50
	890	220		1 280	33 000	14 522	124		1 825	16 000	22 413

} 39 362 = } 16 949 + 22 413



C. Merrymen Window Washing  
Balance Sheet  
December 1, 20—

Assets						Liabilities				
Cash	\$	3	9	0	-	A/P—Cleanall Co.	\$	1	2	4
A/R—T. Kwan		2	2	0	-	A/P—NRC Co.		1	8	2
Supplies		1	2	3	0	Loan Payable—Simplex Finance		15	0	0
Truck		23	0	0	0	Total Liabilities	\$	16	9	4
Equipment		14	5	2	2	Owner's Equity				
						C. Savich, Capital		22	4	1
						Total Liabilities and Equity	\$	39	3	6
Total Assets	\$	39	3	6	2			39	3	6