

Transaction analysis.

Bill Fence is the owner of Microhard Software Company which opened on January 1, 2011. During January, the following transactions occurred.

1. Bill Fence invests \$10,000 into the business.
2. Received \$2,000 cash from customers for software programming services it provided.
3. Incurred \$300 of advertising costs in the Global News on account.
4. Provided customers with programming services on account, \$3,500.
5. Paid the following expenses for January: salaries to employees \$2,500, utilities \$400.
6. Bill Fence withdrew \$1,500 cash for personal use.
7. Collected \$1,000 cash for services billed in transaction #4.
8. Borrowed \$5,000 from National Bank on a note payable.
9. Paid the amount owed to Global News for advertising in transaction #3.

a) Prepare a tabular analysis of the transactions in the table below.

	ASSETS =		LIABILITIES +		OWNER'S EQUITY			
	Cash	Accounts Receivable	Notes Payable	Accounts Payable	B. Fence, Capital	B. Fence, Drawings	Revenues -	Expenses
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
Total								

b) Assets = Liabilities + Owner's Equity
 _____ = _____ + _____

- c) Prepare an income statement and an owner's equity statement for the month of January.

Microhard Software Co. Income Statement For the Month Ended January 31, 2011		
Revenues		
Expenses		
Net income		

Microhard Software Co. Owner's Equity Statement For the Month Ended January 31, 2011		

- d) Prepare a balance sheet as of January 31.

Microhard Software Co. Balance Sheet January 31, 2011		
Assets		
Liabilities and Owner's Equity		

1-4 Transaction analysis.

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a) Prepare a tabular analysis of the transactions in the table below.

	ASSETS =		LIABILITIES +		OWNER'S EQUITY			
	Cash	Accounts Receivable	Notes Payable	Accounts Payable	B. Fence, Capital	B. Fence, Drawings	Revenues	Expenses
1.	+10,000				+10,000			
2.	+2,000						+2,000	
3.				+300				-300
4.		+3,500					+3,500	
5.	-2,500							-2,500
	-400							-400
6.	-1,500					-1,500		
7.	+1,000	-1,000						
8.	+5,000		+5,000					
9.	-300			-300				
Total	13,300	+2,500	+5,000		10,000	-1,500	5,300	-3,200

b) Assets = Liabilities + Owner's Equity

$$\underline{15,800} = \underline{5,000} + \underline{10,800}$$

- c) Prepare an income statement and an owner's equity statement for the month of January.

Microhard Software Co. Income Statement For the Month Ended January 31, 2011		
Revenues		
Service Revenue		5500
Expenses		
Advertising Expense	300	
Salaries Expense	2500	
Utilities Expense	400	
Total Expenses		<u>3200</u>
Net income		<u>2300</u>

Microhard Software Co. Owner's Equity Statement For the Month Ended January 31, 2011		
Balance, Capital, Jan 1, 2011		0
Add: Investments		10,000
Net Income		2300
		<u>12,300</u>
Less: Drawings		1500
Balance, Capital, Jan 31, 2011		<u>10,800</u>

- d) Prepare a balance sheet as of January 31.

Microhard Software Co. Balance Sheet January 31, 2011		
Assets		
Cash		13300
A/R		2500
Total Assets		<u>15800</u>
Liabilities and Owner's Equity		
Liabilities		
N/P		5000
Owners' Equity		
Fence Capital		<u>10,800</u>
Total Liabilities & Owner's Equity		<u>15800</u>