

1

Accounting Concepts and Procedures

ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

1. The functions of accounting are to analyze, record, classify, summarize, report, interpret, and communicate financial information.
2. Sole proprietorship—1 owner; unlimited liability; easy to form; limited life
Partnership—2 or more owners; unlimited liability; easy to form; limited life
Corporation—Stockholders; limited liability; difficult to form; unlimited life
3. Businesses are classified as service, merchandise, or manufacturing.
4. Computer technology has greatly reduced the time required for performing the bookkeeping function.
5. The three elements of the basic accounting equation are assets, liabilities, and owner's equity.
6. Capital is the owner's current investment or equity in the assets of a business. It is one subdivision of owner's equity.
7. True. The sum of the left side of the equation (assets) must equal the sum of the right side of the equation (liabilities and owner's equity).
8. False. That is the income statement.
9. False. Revenue is a subdivision of owner's equity.
10. Owner's equity is subdivided into Capital, Withdrawals, Revenue, and Expenses.
11. False. It is a subdivision of owner's equity and records payments of the owner's personal (non-business) expenses or distributions direct to the owner. It is not a business expense.
12. Reject. As expenses increase, owner's equity decreases.
13. Revenue less Expenses; an income statement shows performance over time.
14. False. It calculates ending capital.
15. The question in this case is whether Paul should be allowed to "pad" his expense account with an additional \$100 of expenses. This would be unethical. Paul should only expense those items that are business related. Paul's argument that he is entitled to an additional \$100 is not a valid assumption. However, he should be reimbursed for any business expenses during the weekend.

SOLUTIONS TO CONCEPT CHECKS

1.
 - a. A
 - b. A
 - c. L
 - d. A
 - e. OE
 - f. A

2.
 - a. Liabilities
 - b. Total Assets
 - c. Accounts Payable

3.
 - a. I
 - b. S

4. Total assets = Cash \$26,000 + Computer equipment \$20,000 = \$46,000

5.
 - b. J. Penny, Capital
 - d. J. Penny, Withdrawals
 - f. Advertising Expense
 - g. Taxi Fees Earned

6.
 - c. Accounts Payable
 - d. Grooming Fees Earned

7. a, b, d

8.
 - a. IS
 - b. BS
 - c. BS
 - d. BS
 - e. IS
 - f. IS
 - g. OE
 - h. BS

9.
 - a. OE
 - b. BS
 - c. BS
 - d. IS

SOLUTIONS TO SET A EXERCISES

- 1A-1.** a. \$17,500 = \$6,000 + \$11,500
 b. \$65,000 = \$5,000 + \$60,000
 c. \$15,000 = \$12,000 + \$3,000

1A-2.

	Assets		=	Liabilities + Owner's Equity			
	Cash	+	Equipment	=	Accounts Payable	+	Morgan, Capital
a.	+124,000						+124,000
b.	(1,300)		+1,300				
c.			+900		+900		

1A-3.

RABBIT COMPANY CLEANERS BALANCE SHEET SEPTEMBER 30, 201X

Assets					Liabilities and Owner's Equity				
Cash	\$67	0	0	0	Liabilities				
Equipment	7	0	0	0	Accounts Payable	\$13	0	0	0
					Total Liabilities	13	0	0	0
					Owner's Equity				
					B. Rabbit, Capital	61	0	0	0
Total Assets	\$74	0	0	0	Total Liabilities and Owner's Equity	\$74	0	0	0

EXERCISES (CONTINUED)

1A-4.

ASSETS			=	LIABILITIES		+	OWNER'S EQUITY							
Cash	+	Accounts Rec.	+	Computer Equip.	=	Accounts Payable	+	B. Baker, Capital	-	B. Baker, Withd.	+	Revenues	-	Expenses
a.		+80,000						+80,000						
b.				+4,000		+4,000								
c.		(125)								+125				
d.		+13,600										+13,600		
e.				+30,000								+30,000		
f.		(4,100)												+4,100
g.		(1,490)												+1,490

Remember, as withdrawals or expenses increase, the end result is to reduce owner's equity.

1A-5.

(a)

FREEMAN REALTY INCOME STATEMENT MONTH ENDED JUNE 30, 201X

Revenue:														
Professional Fees						\$3	1	0	0					
Operating Expenses:														
Salaries Expense				\$	4	5	0							
Utilities Expense					1	5	0							
Rent Expense					4	5	0							
Total Operating Expenses									1	1	0	5	0	
Net Income									\$2	0	5	0		

(b)

FREEMAN REALTY STATEMENT OF OWNER'S EQUITY MONTH ENDED JUNE 30, 201X

S. Freeman, Capital, June 1, 201X						\$10	2	4	5					
Net Income for June				\$2	0	5	0							
Less: Withdrawals for June					(2	2	5)							
Increase in Capital									1	8	2	5		
S. Freeman, Capital, June 30, 201X									\$12	0	7	0		

EXERCISES (CONTINUED)

(c)

**FREEMAN REALTY
BALANCE SHEET
JUNE 30, 201X**

Assets					Liabilities and Owner's Equity				
Cash	\$5	2	0	0	Liabilities				
Accounts Receivable	1	3	7	0	Accounts Payable	\$6	0	0	0
Office Equipment	11	5	0	0	Owner's Equity				
					S. Freeman, Capital	12	0	7	0
					Total Liabilities and				
Total Assets	\$18	0	7	0	Owner's Equity	\$18	0	7	0

SOLUTIONS TO SET B EXERCISES

- 1B-1.** a. \$19,000 = \$6,000 + \$13,000
 b. \$100,000 = \$4,000 + \$96,000
 c. \$45,000 = \$10,000 + \$35,000

1B-2.

	Assets		=	Liabilities + Owner's Equity	
	Cash	+ Equipment	=	Accounts Payable	+ Melody, Capital
a.	+128,000				+128,000
b.	(1,650)	+1,650			
c.		+1,200		+1,200	

1B-3.

**RAUSCHER COMPANY CLEANERS
BALANCE SHEET
NOVEMBER 30, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$65	0	0	0	Liabilities				
Equipment	10	0	0	0	Accounts Payable	\$29	0	0	0
					Total Liabilities	\$29	0	0	0
					Owner's Equity				
					B. Rauscher, Capital	\$46	0	0	0
Total Assets	\$75	0	0	0	Total Liabilities and				
					Owner's Equity	\$75	0	0	0

EXERCISES (CONTINUED)

1B-4.

ASSETS				=	LIABILITIES		+	OWNER'S EQUITY						
Cash	+	Accounts Rec.	+	Computer Equip.	=	Accounts Payable	+	B. Beadell, Capital	-	B. Beadell, Withdr.	+	Revenues	-	Expenses
a.		+65,000						+65,000						
b.				+7,500		+7,500								
c.		(225)								+225				
d.		+13,500										+13,500		
e.				+29,600								+29,600		
f.		(3,800)												+3,800
g.		(1,530)												+1,530

Remember, as withdrawals or expenses increase, the end result is to reduce owner's equity.

1B-5.

(a)

FAIRMONT REALTY INCOME STATEMENT MONTH ENDED NOVEMBER 30, 201X

Revenue:														
Professional Fees								\$4	0	0	0			
Operating Expenses:														
Salaries Expense	\$	3	0	0										
Utilities Expense		2	5	0										
Rent Expense		3	0	0										
Total Operating Expenses									8	5	0			
Net Income								\$3	1	5	0			

(b)

FAIRMONT REALTY STATEMENT OF OWNER'S EQUITY MONTH ENDED NOVEMBER 30, 201X

S. Fairmont, Capital, November 1, 201X								\$10	0	1	5			
Net Income for November	\$3	1	5	0										
Less: Withdrawals for November		(1	7	5)										
Increase in Capital								2	9	7	5			
S. Fairmont, Capital, November 30, 201X								\$12	9	9	0			

(c)

FAIRMONT REALTY
BALANCE SHEET
NOVEMBER 30, 201X

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$4	5	0	0	Liabilities				
Accounts Receivable	1	4	9	0	Accounts Payable	\$6	0	0	0
Office Equipment	13	0	0	0	Owner's Equity				
					S. Fairmont, Capital	12	9	9	0
					Total Liabilities and				
Total Assets	\$18	9	9	0	Owner's Equity	\$18	9	9	0

SOLUTIONS TO SET A PROBLEMS

PROBLEM 1A-1

MELODY'S NAIL SPA

Transaction	Assets		=	Liabilities +	Owner's Equity
	Cash	Store Equipment		Accounts Payable	M. Abington, Capital
a.	+19,000				+19,000
b.	(3,400)	+3,400			
c.		+6,100		+6,100	
d.	(1,200)			(1,200)	
Total	<u>14,400</u>	<u>9,500</u>		<u>4,900</u>	<u>19,000</u>

PROBLEM 1A-2

SIMON'S INTERNET SERVICE BALANCE SHEET NOVEMBER 30, 201X

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$45	0	0	0	Liabilities				
Equipment	24	0	0	0	Accounts Payable	\$16	5	0	0
Building	30	0	0	0	Owner's Equity				
					B. Simon, Capital	82	5	0	0
					Total Liabilities and				
Total Assets	\$99	0	0	0	Owner's Equity	\$99	0	0	0

PROBLEM 1A-3

FALCO COMPUTER SERVICE

	ASSETS				= LIABILITIES +				OWNER'S EQUITY	
	Cash +	Accounts Receivable +	Computer Equipment +	Accounts Payable +	R. Falco, Capital +	R. Falco, Withd. -	Computer Service Revenue +	Expenses -		
a.	+40,000 +				+ 40,000 -					
BALANCE	40,000 +	0 +	0 =	0 +	40,000 -	0 +	0 -	0 -	0	0
b.			+6,500 =	+6,500 +						
BALANCE	40,000 +	0 +	6,500 =	6,500 +	40,000 -	0 +	0 -	0 -	0	0
c.	+1,300 +		=				+1,300 -			
BALANCE	41,300 +	0 +	6,500 =	6,500 +	40,000 -	0 +	1,300 -		0	0
d.		+2,200 +	=				+2,200 -			
BALANCE	41,300 +	2,200 +	6,500 =	6,500 +	40,000 -	0 +	3,500 -		0	0
e.	(325) +		=						+325	
BALANCE	40,975 +	2,200 +	6,500 =	6,500 +	40,000 -	0 +	3,500 -		325	325
f.	(220) +		=						+220	
BALANCE	40,755 +	2,200 +	6,500 =	6,500 +	40,000 -	0 +	3,500 -		545	545
g.			=	+800 +					+800	
BALANCE	40,755 +	2,200 +	6,500 =	7,300 +	40,000 -	0 +	3,500 -		1,345	1,345
h.	(300) +		=			+300 +				
ENDING BALANCE	40,455 +	2,200 +	6,500 =	7,300 +	40,000 -	300 +	3,500 -		1,345	1,345
			49,155 =	49,155						

PROBLEM 1A-4

(a)

**WENGLER HOME DECORATING SERVICE
INCOME STATEMENT
MONTH ENDED JUNE 30, 201X**

Revenue:									
Home Decorating Fees						\$2	4	0	0
Operating Expenses:									
Advertising Expense	\$	1	4	5					
Repair Expense			5	5					
Travel Expense		2	5	0					
Supplies Expense			5	5					
Rent Expense		3	7	5					
Total Operating Expenses							8	8	0
Net Income						\$1	5	2	0

(b)

**WENGLER HOME DECORATING SERVICE
STATEMENT OF OWNER'S EQUITY
MONTH ENDED JUNE 30, 201X**

J. Wengler Capital, June 1, 201X						\$3	8	8	5
Net Income for June	\$1	5	2	0					
Less: Withdrawals for June	(1	0	0	0)					
Increase in Capital							5	2	0
J. Wengler, Capital, June 30, 201X						\$4	4	0	5

(c)

**WENGLER HOME DECORATING SERVICE
BALANCE SHEET
JUNE 30, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$2	3	0	0	Liabilities				
Accounts Receivable	1	2	0	0	Accounts Payable	\$	2	5	0
Decorating Equipment	1	1	5	5					
					Owner's Equity				
					J. Wengler, Capital	4	4	0	5
					Total Liabilities and				
Total Assets	\$4	6	5	5	Owner's Equity	\$4	6	5	5

PROBLEM 1A-5

		ASSETS			= LIABILITIES +			OWNER'S EQUITY		
		TRUMAN'S CATERING SERVICE								
		Cash	Accounts Receivable	Equipment	Accounts Payable	J. Truman, Capital	J. Truman, + Revenue	Expenses		
5/25		+33,000	+		+	+33,000	-	-		
BALANCE		33,000	+		=	33,000	-	0	+	0
5/27		(1,600)	+	+1,600	+		-	-		
BALANCE		31,400	+	1,600	=	33,000	-	0	+	0
5/28			+	+2,100	+	+2,100	-	-		
BALANCE		31,400	+	3,700	=	33,000	-	0	+	0
5/29		(200)	+		+	(200)	-	-		
BALANCE		31,200	+	3,700	=	33,000	-	0	+	0
6/1		+2,400	+		+		-	+2,400	-	
BALANCE		33,600	+	3,700	=	33,000	-	0	+	2,400
6/5		(690)	+		+		-	-		+690
BALANCE		32,910	+	3,700	=	33,000	-	0	+	2,400
6/8			+		+		-	+175	-	
BALANCE		32,910	+	3,700	=	33,000	-	175	+	2,575
6/10		+120	+		+		-	(120)	-	
BALANCE		33,030	+	3,700	=	33,000	-	55	+	2,575
6/15		(60)	+		+		-		-	+60
BALANCE		32,970	+	3,700	=	33,000	-	55	+	2,575
6/17		(90)	+		+		-		-	+90
BALANCE		32,880	+	3,700	=	33,000	-	55	+	2,575
6/20		+1,900	+		+		-		-	+1,900
BALANCE		34,780	+	3,700	=	33,000	-	55	+	4,475
6/25			+	+800	+	+800	-	-	-	
BALANCE		34,780	+	4,500	=	33,000	-	55	+	4,475
6/28			+		+		-	+500	-	+500
BALANCE		34,780	+	4,500	=	33,000	-	55	+	4,475
6/30		(550)	+		+		-		-	+550
END. BAL.		34,230	+	4,500	=	33,000	-	55	+	4,475
				\$38,785	=	\$38,785				1,800

PROBLEM 1A-5 (CONTINUED)

(b)

**TRUMAN'S CATERING SERVICE
BALANCE SHEET
MAY 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$31	2	0	0	Liabilities				
Equipment	3	7	0	0	Accounts Payable	\$1	9	0	0
					Owner's Equity				
					J. Truman, Capital	33	0	0	0
Total Assets	\$34	9	0	0	Total Liabilities and Owner's Equity	\$34	9	0	0

(c)

**TRUMAN'S CATERING SERVICE
INCOME STATEMENT
MONTH ENDED JUNE 30, 201X**

Revenue:									
Catering Revenue						\$4	4	7	5
Operating Expenses:									
Salaries Expense	\$	6	9	0					
Telephone Expense			6	0					
Rent Expense		5	0	0					
Supplies Expense		5	5	0					
Total Operating Expenses						1	8	0	0
Net Income						\$2	6	7	5

PROBLEM 1-5A(CONCLUDED)

(d)

**TRUMAN'S CATERING SERVICE
STATEMENT OF OWNER'S EQUITY
MONTH ENDED JUNE 30, 201X**

J. Truman, Capital June 1, 201X						\$33	0	0	0
Net Income for June	\$2	6	7	5					
Less: Withdrawals for June			(9	0)					
Increase in Capital						2	5	8	5
J. Truman, Capital, June 30, 201X						\$35	5	8	5

(e)

**TRUMAN'S CATERING SERVICE
BALANCE SHEET
JUNE 30, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$34	2	3	0	Liabilities				
Accounts Receivable			5	5	Accounts Payable	\$3	2	0	0
Equipment	4	5	0	0	Owner's Equity				
					J. Truman, Capital	35	5	8	5
					Total Liabilities and				
Total Assets	\$38	7	8	5	Owner's Equity	\$38	7	8	5

SOLUTIONS TO SET B PROBLEMS

PROBLEM 1B-1

MADLINE'S NAIL SPA

Transaction	Assets		=	Liabilities	+ Owner's Equity
	Cash	Store Equipment		Accounts Payable	M. Abdul, Capital
a.	+17,000				+17,000
b.	(3,900)	+3,900			
c.		+6,200		+6,200	
d.	(800)			(800)	
Total	<u>12,300</u>	<u>10,100</u>		<u>5,400</u>	<u>17,000</u>

PROBLEM 1B-2

**SAM'S INTERNET SERVICE
BALANCE SHEET
SEPTEMBER 30, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY					
Cash	\$	5	0	0	0	Liabilities				
Equipment		34	0	0	0	Accounts Payable	\$15	5	0	0
Building		45	0	0	0					
						Owner's Equity				
						B. Sam, Capital	68	5	0	0
						Total Liabilities and				
Total Assets	\$	84	0	0	0	Owner's Equity	\$84	0	0	0

PROBLEM 1B-3

FANNIER COMPUTER SERVICE

		ASSETS				=	LIABILITIES +			OWNER'S EQUITY		
		Cash	+ Receivable	+ Computer Equipment	=	Accounts Payable	+ R. Fannier, Capital	- R. Fannier Withd.	+ Computer Service Revenue	- Expenses		
a.		+17,000	+		=		+ 17,000	-	+	-		
	BALANCE	17,000	+	0	=	0	+ 17,000	-	0	+	0	0
b.			+	+5,000	=	+5,000	+	-	+	-		
	BALANCE	17,000	+	5,000	=	5,000	+ 17,000	-	0	+	0	0
c.		+700	+		=		+	-	+	+700	-	
	BALANCE	17,700	+	5,000	=	5,000	+ 17,000	-	0	+	700	0
d.			+	+1,200	=		+	-	+	+1,200	-	
	BALANCE	17,700	+	5,000	=	5,000	+ 17,000	-	0	+	1,900	0
e.		(300)	+		=		+	-	+	-	+300	
	BALANCE	17,400	+	5,000	=	5,000	+ 17,000	-	0	+	1,900	300
f.		(180)	+		=		+	-	+	-	+180	
	BALANCE	17,220	+	5,000	=	5,000	+ 17,000	-	0	+	1,900	480
g.			+		=	+1,000	+	-	+	-	+1,000	
	BALANCE	17,220	+	5,000	=	6,000	+ 17,000	-	0	+	1,900	1,480
h.		(800)	+		=		+	-	+800	+	-	
	ENDING BALANCE	16,420	+	5,000	=	6,000	+ 17,000	-	800	+	1,900	1,480
				\$22,620	=	\$22,620						

PROBLEM 1B-4

(a)

**WADDEN HOME DECORATING SERVICE
INCOME STATEMENT
MONTH ENDED SEPTEMBER 30, 201X**

Revenue:									
Home Decorating Fees						\$2	4	0	0
Operating Expenses:									
Advertising Expense	\$	2	5	0					
Repair Expense			4	0					
Travel Expense		7	5	0					
Supplies Expense			9	5					
Rent Expense		3	0	0					
Total Operating Expenses						1	4	3	5
Net Income						\$	9	6	5

(b)

**WADDEN HOME DECORATING SERVICE
STATEMENT OF OWNER'S EQUITY
MONTH ENDED SEPTEMBER 30, 201X**

J. Wadden, Capital, September 1, 201X						\$2	6	7	5
Net income for September	\$	9	6	5					
Less: Withdrawals for September		(8	0	0)					
Increase in Capital							1	6	5
J. Wadden, Capital, September 30, 201X						\$2	8	4	0

(c)

**WADDEN HOME DECORATING SERVICE
BALANCE SHEET
SEPTEMBER 30, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$2	5	0	0	Liabilities				
Accounts Receivable		5	5	0	Accounts Payable	\$	9	3	5
Decorating Equipment		7	2	5	Owner's Equity				
					J. Wadden, Capital	2	8	4	0
					Total Liabilities and				
Total Assets	\$3	7	7	5	Owner's Equity	\$3	7	7	5

PROBLEM 1B-5

TRICKETT'S CATERING SERVICE

	ASSETS				=	LIABILITIES		+	OWNER'S EQUITY		
	Cash	Accounts Receivable	Equipment	Accounts Payable	J. Trickett, Capital	J. Trickett, Withd.	Catering Revenue	Expenses			
10/25	+22,000	+	+	+	+22,000	-	+	-			
BALANCE	22,000	+	0	0	22,000	-	0	0			0
10/27	(700)	+	+700								
BALANCE	21,300	+	700	0	22,000	-	0	0			0
10/28		+	+2,100	+2,100							
BALANCE	21,300	+	2,800	2,100	22,000	-	0	0			0
10/29	(800)	+		(800)							
BALANCE	20,500	+	2,800	1,300	22,000	-	0	0			0
11/1	+2,000	+						+2,000			
BALANCE	22,500	+	2,800	1,300	22,000	-	0	2,000			0
11/5	(1,500)	+									+1,500
BALANCE	21,000	+	2,800	1,300	22,000	-	0	2,000			1,500
11/8		+									
BALANCE	21,000	+	2,800	1,300	22,000	-	0	2,150			1,500
11/10	+100	+	(100)								
BALANCE	21,100	+	2,800	1,300	22,000	-	0	2,150			1,500
11/15	(50)	+									+50
BALANCE	21,050	+	2,800	1,300	22,000	-	0	2,150			1,550
11/17	(400)	+									
BALANCE	20,650	+	2,800	1,300	22,000	-	400	2,150			1,550
11/20	+1,000	+									
BALANCE	21,650	+	2,800	1,300	22,000	-	400	3,150			1,550
11/25		+	+400	+400							
BALANCE	21,650	+	3,200	1,700	22,000	-	400	3,150			1,550
11/28		+		+550							+550
BALANCE	21,650	+	3,200	2,250	22,000	-	400	3,150			2,100
11/30	(250)	+									
END BAL.	21,400	+	3,200	2,250	22,000	-	400	3,150			2,350
			\$24,650	\$24,650							

PROBLEM 1B-5 (CONTINUED)

(b)

**TRICKETT'S CATERING SERVICE
BALANCE SHEET
OCTOBER 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$20	5	0	0	Liabilities				
Equipment	2	8	0	0	Accounts Payable	\$1	3	0	0
					Owner's Equity				
					J. Trickett, Capital	22	0	0	0
					Total Liabilities and				
Total Assets	\$23	3	0	0	Owner's Equity	\$23	3	0	0

(c)

**TRICKETT'S CATERING SERVICE
INCOME STATEMENT
MONTH ENDED NOVEMBER 30, 201X**

Revenue:									
Catering Revenue					\$3	1	5	0	
Operating Expenses:									
Salaries Expense	\$1	5	0	0					
Telephone Expense			5	0					
Rent Expense		5	5	0					
Supplies Expense		2	5	0					
Total Operating Expenses					2	3	5	0	
Net Income					\$	8	0	0	

PROBLEM 1B-5(CONCLUDED)

(d)

**TRICKETT'S CATERING SERVICE
STATEMENT OF OWNER'S EQUITY
MONTH ENDED NOVEMBER 30, 201X**

J. Trickett, Capital, November 1, 201X						\$22	0	0	0
Net Income for November	\$	8	0	0					
Less: Withdrawals for November		(4)	0	0					
Increase in Capital							4	0	0
J. Trickett, Capital, November 30, 201X						\$22	4	0	0

(e)

**TRICKETT'S CATERING SERVICE
BALANCE SHEET
NOVEMBER 30, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$21	4	0	0	Liabilities				
Accounts Receivable			5	0	Accounts Payable	\$2	2	5	0
Equipment	3	2	0	0	Owner's Equity				
					J. Trickett, Capital	22	4	0	0
					Total Liabilities and				
Total Assets	\$24	6	5	0	Owner's Equity	\$24	6	5	0

FINANCIAL REPORT PROBLEM SOLUTION—2016 Amazon's Annual Report

YEAR	Cash and Cash Equivalents
2016	\$19,334 million
2015	<u>\$15,890 million</u>
Increase	<u>\$ 3,444 million</u>

Cash and cash equivalents increased \$3.4 billion from 2015 to 2016.

KEEPING IT REAL--Suarez Computer Center Solution

SUAREZ COMPUTER CENTER

	ASSETS				=LIABILITIES+			OWNER'S EQUITY		
	Cash	+ Supplies	+ Shop Equipment	+ Computer Equipment	Office Equipment	Accounts Payable	Falco, +Capital	Falco, - Withdrawals	Service Revenue	Expenses
a.	+\$12,500						+\$12,500			
BALANCE	12,500				=		12,500			
b.	-1,260		+\$1,260							
BALANCE	11,240		1,260		=	+	12,500			
c.	-1,500				+\$1,500					
BALANCE	9,740		1,260		1,500	+	12,500			
d.		+\$500				+\$500				
BALANCE	9,740	500	1,260		1,500	+	12,500			
e.	-800									+\$800 (Rent)
BALANCE	8,940	500	1,260		1,500	=	12,500		-	800
f.	+1,000								+\$1,000	
BALANCE	9,940	500	1,260		1,500	=	12,500	+	1,000	-
g.	+700								+700	
BALANCE	10,640	500	1,260		1,500	=	12,500	+	1,700	-
h.						+100				+100 (Util.)
BALANCE	10,640	500	1,260		1,500	=	12,500	+	1,700	-
i.	+1,400								+1,400	
BALANCE	12,040	500	1,260		1,500	=	12,500	+	3,100	-
j.	-1,500								+1,500	
ENDING BALANCE	\$10,540	\$500	\$1,260		\$1,500	=	\$600	+	\$1,500	+
NCE							\$12,500	-	\$3,100	-
										\$900

**SUAREZ COMPUTER CENTER
INCOME STATEMENT
FOR THE MONTH ENDED JULY 31, 201X**

Revenue:										
Service Revenue						\$3	1	0	0	00
Operating Expenses:										
Rent Expense	\$	8	0	0	00					
Utilities Expense		1	0	0	00					
Total Operating Expenses							9	0	0	00
Net Income						\$2	2	0	0	00

**SUAREZ COMPUTER CENTER
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED JULY 31, 201X**

T. Falco, Capital, July 1, 201X						\$			0	00
Investment for July						12	5	0	0	00
Total investment for July						12	5	0	0	00
Net Income for July	\$2	2	0	0	00					
Less: Withdrawals for July	(1	5	0	0	00)					
Increase in Capital							7	0	0	00
T. Falco, Capital, July 31, 201X						\$13	2	0	0	00

**SUAREZ COMPUTER CENTER
BALANCE SHEET
JULY 31, 201X**

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	\$10	5	4	0	00	Liabilities:					
Supplies		5	0	0	00	Accounts Payable	\$	6	0	0	00
Computer Shop Equipment	1	2	6	0	00						
Office Equipment	1	5	0	0	00	Owner's Equity					
						T. Falco, Capital	13	2	0	0	00
						Total Liabilities and					
Total Assets	\$13	8	0	0	00	Owner's Equity	\$13	8	0	0	00