

# Case Problem 1

In Case Problem 1, you complete two months of transactions for your business: February and March 20YY. You *must* complete Chapters 1 - 5, pages 1 - 136, before starting Case Problem 1. The exercises at the end of each Chapter must be completed, too. In Case Problem 1, you will record transactions for the months of February and March; complete bank reconciliation for each month; and print financial statements. In Case Problem 2, you will complete the adjusting entries for the first quarter and print end-of-quarter reports. Case Problem 2 culminates the recordkeeping activities for your business. Case Problem 3 is a student-designed project. You are instructed to write transactions for the next month (April 20YY) and complete the accounting cycle showing a net loss for your business.

Before entering February transactions, let's look at the January 31, 20YY balance sheet. Display your balance sheet for January 31, 20YY, and compare it with the one shown here (also page 135).

Your First and Last Name Service Corporation	
BALANCE SHEET	
As of January 31, 2015	
	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Your Name Service Corporation Cash	7,630.00
Total Bank Accounts	\$7,630.00
Accounts Receivable	
Accounts Receivable	0.00
Total Accounts Receivable	\$0.00
Other current assets	
Prepaid Insurance	270.00
Total Other current assets	\$270.00
Total Current Assets	\$7,900.00
Fixed Assets	
Computer Equipment	
Accumulated Depreciation	-2,400.00
Original Cost	6,000.00
Total Computer Equipment	3,600.00
Total Fixed Assets	\$3,600.00
<b>TOTAL ASSETS</b>	<b>\$11,500.00</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	0.00
Total Accounts Payable	\$0.00
Total Current Liabilities	\$0.00
Long-Term Liabilities	
Your Name Notes Payable	1,800.00
Total Long-Term Liabilities	\$1,800.00
Total Liabilities	\$1,800.00
Equity	
Common Stock	1,000.00
Dividends	-2,000.00
Income Summary	0.00
Paid in Capital	7,000.00
Retained Earnings	2,507.00
Net Income	1,193.00
Total Equity	\$9,700.00
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$11,500.00</b>

**FEBRUARY TRANSACTIONS**

<i>Date</i>	<i>Transactions</i>
2/02/20YY	Issued hand-written Check No. 32 to Santa Fe Rentals for equipment rental, \$200.
2/02/20YY	Received Invoice 145JE and a shipment of computer supplies from Big Bytes Supplies, Net 30, \$1,725.
2/03/20YY	Received Invoice EX133 and shipment from Sales Products Supply for the purchase of office expenses, Net 30, \$245.
2/08/20YY	Sold 50 hours of maintenance services on account to Two Sisters B & B, Invoice Net 30, \$1,500.
2/08/20YY	Sold 52 hours of maintenance services on account to Cyberconnect Cafe, Invoice Net 30, \$1,560.
2/11/20YY	Paid Big Bytes Supplies, Invoice 145JE, for the February 2 purchase, hand-written Check No. 33.
2/11/20YY	Paid Sales Products Supply, Invoice EX133, for the February 3 purchase, hand-written Check No. 34.
2/17/20YY	Received a check from Cyberconnect Cafe in payment of Invoice dated 2/08/20XX; Check No. 6201, \$1,560.
2/17/20YY	Received a check from Two Sisters B&B in payment of Invoice dated 2/08/20XX; Check No. 450, \$1,500.
2/24/20YY	Entered sales receipt for cash sales \$2,420, received check No. 805 for 46 hours of repair services and 4 hours of maintenance services.
2/28/20YY	Write Check No. 35 to Comtel for office expenses for the monthly telephone and Internet service, \$236.
2/28/20YY	Write Check No. 36 to Jonathan Brent for repairs, \$220.

2/28/20YY Write Check No. 37 to Regional Utilities for monthly utilities bill, \$235.

2/28/20YY Write Check No. 38 from checking account to pay dividends to you, the sole stockholder, \$1,500.

### RECONCILE THE BANK STATEMENT: FEBRUARY

Your business receives a bank statement every month for your regular checking account. The bank statement shows that checks and deposits have cleared the bank. Use the bank statement below to complete account reconciliation for February.

REGULAR CHECKING ACCOUNT			
February 1 - 28, 20YY			
Previous Balance		\$10,110.00	
3 Deposits (+)		5,480.00	
6 Checks (-)		4,650.00	
Service Charges (-)	2/28/YY	25.00	
<b>Ending Balance</b>	2/28/YY	<b>\$10,915.00</b>	
DEPOSITS			
	2/20	1,560.00	
	2/20	1,500.00	
	2/27	2,420.00	
CHECKS (Asterisk * indicates break in check number sequence)			
2/1	29	279.00	
2/1	30	201.00	
2/5	31	2,000.00	
2/5	32	200.00	
2/15	33	1,725.00	
2/15	34	245.00	

Complete the steps for reconciling your February bank statement.

### PRINT FEBRUARY REPORTS

Print the following reports for February 20YY.

1. Print February's reconciliation summary.
2. Print February's transaction list by date report.
3. Print February's trial balance.
4. Print February's balance sheet.
5. Print February's income statement.
6. Print January 1, 20YY-February 28, 20YY income statement.

### MARCH TRANSACTIONS

<i>Date</i>	<i>Transactions</i>
3/02/20YY	Write Check No. 39 to the Pro Insurance in payment of next quarter's insurance premiums, \$210.
3/02/20YY	Received Invoice 190JE and shipment from Big Bytes Supplies for the purchase of computer supplies, Net 30, \$1350.
3/03/20YY	Received Invoice EX203 and shipment from Sales Products Supply for the purchase of office supplies, Net 30, \$195.
3/11/20YY	Paid Big Bytes Supplies, Invoice 190JE, for the March 2 purchase, Check No. 40.
3/11/20YY	Paid Sales Products Supply, Invoice EX203, for the March 3 purchase, Check No. 41.
3/24/20YY	Cash sales \$3,280, received check No. 806 for 62 hours of repair services and 6 hours of maintenance services.

- 3/30/20YY Write Check No. 42 to Comtel for monthly telephone and Internet service, \$280.
- 3/30/20YY Write Check No. 43 to Sun News for advertising, \$80.
- 3/30/20YY Write Check No. 44 to Regional Utilities for monthly utilities bill, \$287.
- 3/30/20YY Write Check No. 45 from checking account to pay dividends, \$1,500.
- 3/30/20YY Write check No. 46 to Jonathan Brent for repairs, \$105.
- 3/30/20YY Write Check No. 47 for \$ 222.50 to Your Name in payment of Your Name Notes Payable \$200 Essentials \$22.50 interest expense.

### RECONCILE THE BANK STATEMENT: MARCH

Your business receives a bank statement every month for your regular checking account. The bank statement shows that checks and deposits have cleared the bank. Use the bank statement below to complete account reconciliation for March.

REGULAR CHECKING ACCOUNT			
March 1 - 31, 20YY			
Previous Balance		\$10,915.00	
1 Deposits (+)		3,280.00	
7 Checks (-)		3,946.00	
Service Charges (-)	3/31/YY	25.00	
<b>Ending Balance</b>	3/31/YY	<b>\$10,224.00</b>	
DEPOSITS			
	3/25	3,280.00	
CHECKS (Asterisk * indicates break in check number sequence)			
3/5	35	236.00	
3/5	36	220.00	
3/5	37	235.00	
3/9	38	1,500.00	
3/9	39	210.00	
3/21	40	1,350.00	
3/29	41	195.00	

Complete the steps for reconciling your March bank statement.

**PRINT MARCH REPORTS**

Print the following reports for March 20YY.

1. Print March's reconciliation summary.
2. Print March's transaction list by date report.
3. Print the March 31, 20YY unadjusted trial balance.
4. Print the March balance sheet.
5. Print the March income statement.
6. Print January 1, 20YY to March 31, 20YY income statement.
7. Print Audit Log.

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**CHECK YOUR PROGRESS, CASE PROBLEM 1**

1. On January 31, 20YY, what are your total assets? \_\_\_\_\_
2. How much is owed to vendors on February 28? \_\_\_\_\_
3. How much do customers owe on February 28? \_\_\_\_\_
4. What is the balance in your checking account on February 28 after doing the bank reconciliation? \_\_\_\_\_
5. Does the February 28 income statement show a net income or a net loss? \_\_\_\_\_
6. Does the March 31 income statement show a net income or a net loss? \_\_\_\_\_
7. How much is owed to the Pro Insurance on March 31? \_\_\_\_\_
8. What is the balance in the dividends account on March 31? \_\_\_\_\_
9. What is the balance in your checking account on March 31? \_\_\_\_\_
10. What are the cost of computer supplies on March 31? \_\_\_\_\_
11. What is the amount of bank service charges for the first quarter of the year? \_\_\_\_\_
12. Was any accounts payable incurred during the month of March? (Circle your answer.) YES NO

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### Case Problem 1 Exercise

<b>Checklist of Printouts Required for Case Problem 1</b>	
	February reconciliation summary
	February transaction list
	February trial balance
	February balance sheet
	February income statement
	January-February income statement
	March reconciliation summary
	March transaction list
	March unadjusted trial balance
	March balance sheet
	March income statement
	January-March income statement
	Audit log