Based on the lemonade stand simulation in session 1, please list two (2) advantages and two (2) disadvantages of investing in either Hans' or Franz' business.

	Hans:	Franz:
Advantage		
Advantage		
Disadvantage		
Disadvantage		

Problem 4: Business Transactions *(50 points)*

1.1 Enter the following transactions into the accounting spreadsheet. The abbreviations are on the bottom of the sheet.

1.	On January 1, Billabong issues 10,000 shares for $100,000 cash.
2.	On January 1, Billabong pre-pays $24,000 in cash to rent a house at Pipeline in Hawaii for two years.
3.	On January 7, Billabong purchases merchandise inventory costing $15,000 from a supplier agreeing to pay later.
4.	On January 10, Billabong sells half of the inventory acquired in transaction 3) for $20,000 to a customer who will pay in two weeks.
5.	On January 11, Billabong receives $10,000 from a customer in advance for merchandise to be delivered at the end of January.
6.	Pay $1,000 on the account payable
7.	Pay dividends of $50

1.2 Prepare accounting adjustments, and balance the books *at the end of January.*

8.	On January 31, Billabong delivers the merchandise promised in 5). Use the remaining inventory.
9.	Adjust the prepaid rent account **on January 31** for use of the rental during January.
10.	$ 4,000 in salaries have been earned by employees, but not yet been paid as of January 31.
11.	The customers pay $20,000 in cash from the sale in transaction 4)

Tom and Company reports the following income statement for the year ended December 31, 2012:

Sales	$2,100,000
Cost of goods sold	831,600
Gross profit	1,268,400
Depreciation expense	88,000
Selling and administrative expense	758,000
Income before tax	422,400
Income tax expense	168,960
Net income	$ 253,440

The company also reports the following information from the balance sheet:

	December 31, 2012	December 31, 2011
Cash	$ 90,000	$ 24,000
Accounts receivable	80,000	60,000
Inventory	14,000	16,000
Accounts payable	150,000	170,000
Accrued selling and admin expenses	12,000	8,000
Taxes payable	204,000	82,000
Dividends payable	20,000	44,000

Required:

a. Prepare, in good form, the operating section of the statement of cash flow, using the *direct* method for Tom and Company for December 31, 2012.

b. Prepare, in good form, the operating section of the statement of cash flow, using the *indirect* method for Tom and Company for December 31, 2012.

	BALANCE SHEET												INCOME STATEMENT		
	ASSETS							LIABILITIES			EQUITY				
	INVESTING							FINANCING					OPERATING		
Transaction	Cash	Short Term Inv.	A/R	Prepayments	Inventory	PPE	Intangible Assets	A/P	Unearned Revenue	Accrued Debt	C.C.	E.C.	Revenue	Expense	Net Income
1.															
2.															
3.															
4.															
5.															
6.															
7.	(50)											(50)			
8.															
9.															
10.															
11.															
BALANCE															

Short. Inv. = Short-term investments, A/R = Accounts Receivable, PPE = Property, Plant, & Equipment, I.A. = Intangible Asset, A/P = Accounts Payable, Unearned R = Unearned Revenue, Accrued D= Accrued Debt, C.C. = Contributed Capital, E.C. = Earned C