

## Exercises

### E3-1 Transactions using accrual accounting

Obj | 2

Chris Vining organized The Herbal Shoppe at the beginning of February 20Y4. During February, The Herbal Shoppe entered into the following transactions:

- Chris Vining invested \$25,000 in The Herbal Shoppe in exchange for capital stock.
- Paid \$4,200 on February 1 for an insurance premium on a 1-year policy.
- Purchased supplies on account, \$1,200.
- Received fees of \$36,500 during February.
- Paid expenses as follows: wages, \$12,000; rent, \$2,000; utilities, \$1,000; and miscellaneous, \$1,100.
- Paid dividends of \$7,500.

Record the preceding transactions using the integrated financial statement framework. After each transaction, you should enter a balance for each item.

### E3-2 Adjustment process

Obj | 3

Using the data from Exercise 3-1, record the adjusting entries at the end of February to record the insurance expense and supplies expense. There was \$900 of supplies on hand as of February 28. Identify the adjusting entry for insurance as (a1) and supplies as (a2).



### E3-3 Financial statements

Obj | 4

Using the data from Exercises 3-1 and 3-2, prepare financial statements for February, including income statement, retained earnings statement, balance sheet, and statement of cash flows.

✓ Net income,  
\$19,750

