

BE1-2 Match each of the following types of evaluation with one of the listed users of accounting information.

1. Trying to determine whether the company complied with tax laws.
 2. Trying to determine whether the company can pay its obligations.
 3. Trying to determine whether an advertising proposal will be cost-effective.
 4. Trying to determine whether the company's net income will result in a stock price increase.
 5. Trying to determine whether the company should employ debt or equity financing.
- (a) _____ Investors in common stock. (d) _____ Chief Financial Officer.
(b) _____ Marketing managers. (e) _____ Internal Revenue Service.
(c) _____ Creditors.

BE1-5 In alphabetical order below are balance sheet items for Karol Company at December 31, 2017. Prepare a balance sheet following the format of Illustration 1-7 (page 13).

Accounts payable	\$65,000
Accounts receivable	71,000
Cash	22,000
Common stock	18,000
Retained earnings	10,000

BE1-8 Use the basic accounting equation to answer these questions.

- (a) The liabilities of Lantz Company are \$90,000 and the stockholders' equity is \$230,000. What is the amount of Lantz Company's total assets?
- (b) The total assets of Salley Company are \$170,000 and its stockholders' equity is \$80,000. What is the amount of its total liabilities?
- (c) The total assets of Brandon Co. are \$800,000 and its liabilities are equal to one-fourth of its total assets. What is the amount of Brandon Co.'s stockholders' equity?

E1-3 The Bonita Vista Golf & Country Club details the following accounts in its financial statements.

Accounts payable	_____
Accounts receivable	_____
Equipment	_____
Sales revenue	_____
Service revenue	_____
Inventory	_____
Mortgage payable	_____
Supplies expense	_____
Rent expense	_____
Salaries and wages expense	_____

Instructions

Classify each of the above accounts as an asset (A), liability (L), stockholders' equity (SE), revenue (R), or expense (E) item.

E1-4 This information relates to Benser Co. for the year 2017.

Retained earnings, January 1, 2017	\$67,000
Advertising expense	1,800
Dividends	6,000
Rent expense	10,400
Service revenue	58,000
Utilities expense	2,400
Salaries and wages expense	30,000

Instructions

After analyzing the data, prepare an income statement and a retained earnings statement for the year ending December 31, 2017.

P1-1A Presented below are five independent situations.

- Three physics professors at MIT have formed a business to improve the speed of information transfer over the Internet for stock exchange transactions. Each has contributed an equal amount of cash and knowledge to the venture. Although their approach looks promising, they are concerned about the legal liabilities that their business might confront.
- Bob Colt, a college student looking for summer employment, opened a bait shop in a small shed at a local marina.
- Alma Ortiz and Jaime Falco each owned separate shoe manufacturing businesses. They have decided to combine their businesses. They expect that within the coming year they will need significant funds to expand their operations.
- Alice, Donna, and Sam recently graduated with marketing degrees. They have been friends since childhood. They have decided to start a consulting business focused on marketing sporting goods over the Internet.
- Don Rolls has developed a low-cost GPS device that can be implanted into pets so that they can be easily located when lost. He would like to build a small manufacturing facility to make the devices and then sell them to veterinarians across the country. Don has no savings or personal assets. He wants to maintain control over the business.

Instructions 

In each case, explain what form of organization the business is likely to take—sole proprietorship, partnership, or corporation. Give reasons for your choice.