ARGOSY UNIVERSITY Classroom

Unit 2: Module 2 - M2 Assignment 3

DROPBOX DELIVERY REQUIRED

Please use the appropriate basket in the Dropbox area to deliver materials required for this assignment.

Assignment 3: Excel Problems

At the end of each module, you will apply the module's concepts by completing comprehensive assignments from the textbook.

Complete problems P3-43 (p. 185) and P4-38 (p. 252) in your text book.

Present your analysis of the assigned problems in Excel format. Enter non-numerical responses in the same worksheet using textboxes.

By **Wednesday, March 4, 2015** deliver your assignment to the **M2: Assignment 3 Dropbox.**

Create the file with the following name: **LastnameFirstInitial_M2A3.Excel.xls.**

Assignment 3 Grading Criteria	Maximum Points
P3-43:	
Open addition T accounts	3
Journalize transactions December 21-30	4
Post to T-accounts	2
Prepare trial balance	5
Adjusting entries made in adjustments column	3
Journalize and post adjusting entries and denoted adjusting amounts	4
Prepare income statement and retained earnings	5
P4-38:	
Complete accounting worksheet at 12/31	6
Journalize and post closing entries at 12/31	6
Prepare classified balance sheet	7
Accuracy and timeliness	5

Continuing Problem

P4-38 This problem continues the Haupt Consulting situation from Problem 3-43 of Chapter 3. Start from the posted T-accounts and the *adjusted* trial balance that Haupt Consulting prepared for the company at December 31:

HAUPT CONSULTING
Adjusted Trial Balance
December 31, 2010

	Balance	
Account Title	Debit	Credit
Cash	$ 7,700	
Accounts receivable	1,500	
Supplies	100	
Equipment	2,000	
Accumulated depreciation—equipment		$ 33
Furniture	3,600	
Accumulated depreciation—furniture		60
Accounts payable		3,600
Salary payable		700
Unearned service revenue		600
Carl Haupt, Capital		10,000
Carl Haupt, Withdrawals	1,600	
Service revenue		3,200
Rent expense	500	
Utilities expense	200	
Salary expense	700	
Depreciation expense—equipment	33	
Depreciation expense—furniture	60	
Supplies expense	200	
Total	$18,193	$18,193

Requirements

1. Complete the accounting work sheet at December 31.
2. Journalize and post the closing entries at December 31. Denote each closing amount as *Clo* and an account balance as *Bal.*
3. Prepare a classified balance sheet at December 31.

Practice Set

Refer to the Practice Set data provided in Chapters 1, 2, and 3.

Requirements

1. Prepare an accounting work sheet.
2. Prepare an income statement, statement of owner's equity, and balance sheet using the report format.
3. Prepare closing entries for the month.
4. Prepare a postclosing trial balance.

Apply Your Knowledge

Decision Case

Decision Case 1 One year ago, Ralph Collins founded Collins Consignment Sales Company, and the business has prospered. Collins comes to you for advice. He wishes to know how much net income the business earned during the past year. The accounting records consist of the T-accounts in the ledger, which were prepared by an accountant who has moved. The accounts at December 31 follow:

Account	Debit	Credit
Cash	Dec 31 5,800	
Accounts receivable	Dec 31 12,300	
Prepaid rent	Jan 2 2,800	
Supplies	Jan 2 2,600	
Equipment	Jan 2 52,000	
Accumulated depreciation		
Accounts payable		Dec 31 18,500
Salary payable		
Unearned service revenue		Dec 31 4,100
Ralph Collins, Capital		Jan 2 40,000
Ralph Collins, Withdrawals	Dec 31 50,000	
Service revenue		Dec 31 80,700
Salary expense	Dec 31 17,000	
Depreciation expense		
Advertising expense		
Utilities expense	Dec 31 800	
Supplies expense		

Collins indicates that, at year-end, customers owe him $1,000 accrued service revenue, which he expects to collect early next year. These revenues have not been recorded. During the year, he collected $4,100 service revenue in advance from customers, but the business has earned only $800 of that amount. Advertising expense for the year was $2,400, and he used up $2,100 of the supplies. Collins estimates that depreciation on equipment was $7,000 for the year. At December 31, he owes his employee $1,200 accrued salary. The owner made no investments during the year.

Collins expresses concern that withdrawals during the year might have exceeded the business's net income. To get a loan to expand the business, Collins must show the bank that the business's owner's equity has grown from its original $40,000 balance. Has it? You and Collins agree that you will meet again in one week.

Requirement

1. Prepare the financial statement that helps answer Collins's question. Can he expect to get the loan? Give your reason(s).

Ethical Issue

Link Back to Chapter 3 (Revenue Principle). Grant Film Productions wishes to expand and has borrowed $100,000. As a condition for making this loan, the bank requires that the store maintain a current ratio of at least 1.50.

Business has been good but not great. Expansion costs have brought the current ratio down to 1.40 at December 15. Rita Grant, owner of the business, is considering what might happen if she reports a current ratio of 1.40 to the bank. One course of action for Grant is to record in

December $10,000 of revenue that the business will earn in January of next year. The contract for this job has been signed.

Requirements

1. Journalize the revenue transaction, and indicate how recording this revenue in December would affect the current ratio.
2. Discuss whether it is ethical to record the revenue transaction in December. Identify the accounting principle relevant to this situation, and give the reasons underlying your conclusion.

Financial Statement Case

This case, based on the balance sheet of **Amazon.com** in Appendix A at the end of the book, will familiarize you with some of the assets and liabilities of that company. Use the **Amazon.com** balance sheet to answer the following questions.

Requirements

1. Which balance sheet format does **Amazon.com** use?
2. Name the company's largest current asset and largest current liability at December 31, 2007.
3. Compute **Amazon's** current ratios at December 31, 2007 and 2006. Did the current ratio improve, worsen, or hold steady during 2007?
4. Under what category does **Amazon** report furniture, fixtures, and equipment?
5. What was the cost of the company's fixed assets at December 31, 2007? What was the amount of accumulated depreciation? What was the book value of the fixed assets? See Note 3 for the data.

Team Project

Kathy Wintz formed a lawn service business as a summer job. To start the business on May 1, she deposited $1,000 in a new bank account in the name of the business. The $1,000 consisted of a $600 loan from Bank One and $400 of her own money. Wintz invested $400 of capital in the business. Wintz rented lawn equipment, purchased supplies, and hired other students to mow and trim customers' lawns.

At the end of each month, Wintz mailed bills to the customers. On August 31, she was ready to dissolve the business and return to college. Because she was so busy, she kept few records other than the checkbook and a list of receivables from customers.

At August 31, the business's checkbook shows a balance of $2,000, and customers still owe $750. During the summer, the business collected $5,500 from customers. The business checkbook lists payments for supplies totaling $400, and it still has gasoline, weed eater cord, and other supplies that cost a total of $50. The business paid employees $1,800 and still owes them $300 for the final week of the summer.

Wintz rented some equipment from Ludwig's Machine Shop. On May 1, the business signed a six-month lease on mowers and paid $600 for the full lease period. Ludwig's will refund the unused portion of the prepayment if the equipment is in good shape. In order to get the refund, Wintz has kept the mowers in excellent condition. In fact, the business had to pay $300 to repair a mower.

To transport employees and equipment to jobs, Wintz used a trailer that the business bought for $300. The business estimates that the summer's work used up one-third of the trailer's service potential. The business checkbook lists a payment of $500 for cash withdrawals during the summer. The business paid the loan back during August.

Requirements

1. Prepare the income statement and the statement of owner's equity of Wintz Lawn Service for the four months May through August.
2. Prepare the classified balance sheet of Wintz Lawn Service at August 31.
3. Was Wintz's summer work successful? Give the reason for your answer.

Quick Check Answers

1.*b* 2.*a* 3.b 4.*c* 5.*b* 6.*b* 7.*d* 8.*d* 9.*a* 10.*b*

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