



# CHAPTER 18

Figure 18.4

## Posting from the General Journal to the General Ledger

GENERAL JOURNAL						PAGE <u>4</u>
DATE	DESCRIPTION		DEBIT	CREDIT		
1 May 5	Office Equipment		9 00 00			1
2	Cash in Bank				9 00 00	2
3	Check 104					3

GENERAL LEDGER					
ACCOUNT <u>Office Equipment</u>			ACCOUNT NO. _____		
DATE	DESCRIPTION	DEBIT	CREDIT	BALANCE	
				DEBIT	CREDIT
May 1	Balance			1 600 00	
5		9 00 00		2 500 00	

GENERAL LEDGER					
ACCOUNT <u>Cash in Bank</u>			ACCOUNT NO. _____		
DATE	DESCRIPTION	DEBIT	CREDIT	BALANCE	
				DEBIT	CREDIT
May 1	Balance			7 318 40	
5			9 00 00	6 418 40	

Figure 18.5

## Journal Entries Posted to a General Ledger Account

GENERAL LEDGER					
ACCOUNT <u>Office Equipment</u>			ACCOUNT NO. _____		
DATE	DESCRIPTION	DEBIT	CREDIT	BALANCE	
				DEBIT	CREDIT
May 1	Balance			1 600 00	
5		9 00 00		2 500 00	
12		2 350 00		4 850 00	
18			400 00	4 450 00	
27		3 680 00		8 130 00	

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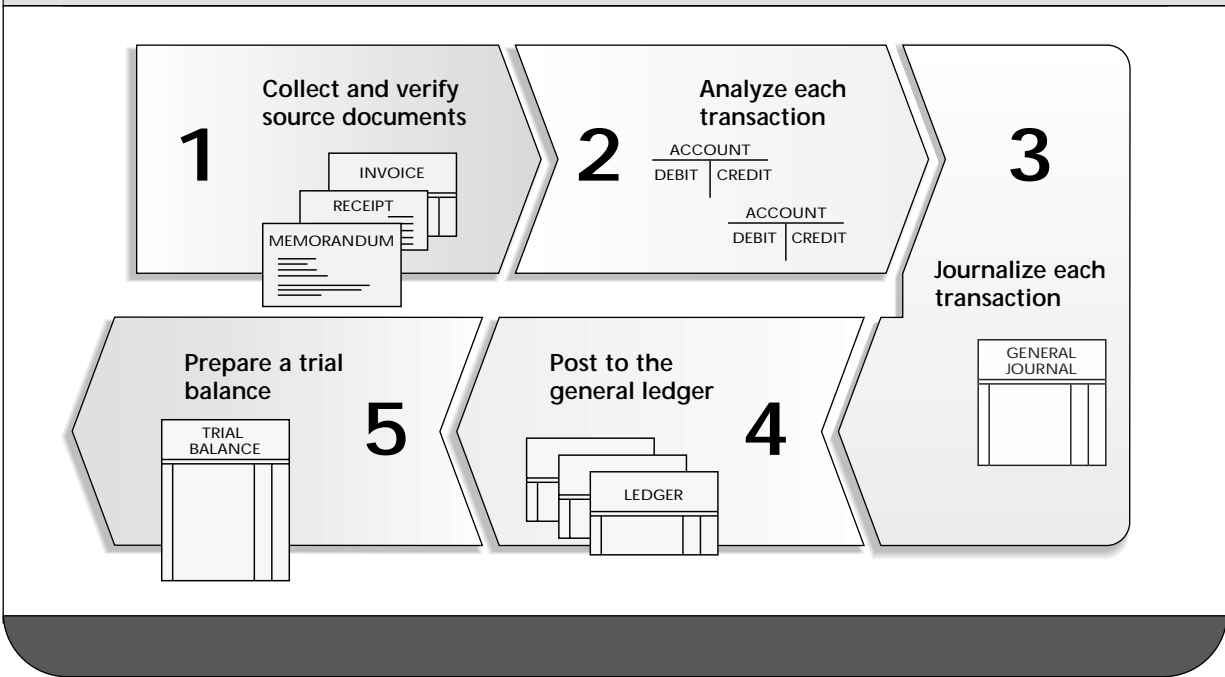
Figure 18.6

## A Completed Trial Balance

<b>Archer Delivery Service</b>	
Trial Balance	
For the Month Ended May 31, 20--	
Cash in Bank	2 8 9 1 00
Accounts Receivable	1 3 7 0 00
Office Equipment	8 1 3 0 00
Delivery Equipment	4 2 6 0 00
Accounts Payable	5 8 2 2 00
Chris Archer, Capital	10 8 2 9 00
<b>Totals</b>	<b>16 6 5 1 00      16 6 5 1 00</b>

Figure 18.7

## The First Five Steps of the Accounting Cycle



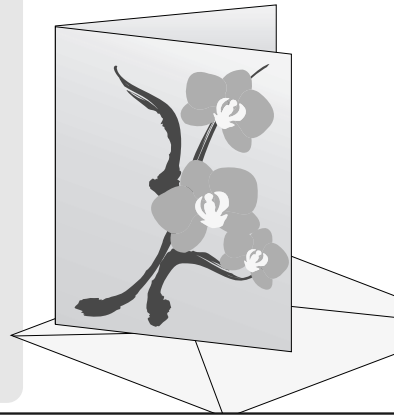
# CHAPTER 18

Figure 18.8

## ***Income Statement***

**HAPPY HOUSE CARD SHOP**  
**Income Statement**  
**For the Year Ended December 31, 20--**

<b>Revenue:</b>	
Sales	292,619 (A)
<b>Cost of Merchandise Sold:</b>	
Merchandise on Hand Jan. 1	83,744
Plus Merchandise Purchased	<u>205,813</u>
Merchandise Available for Sale	289,557
Minus Merchandise Still on Hand	<u>93,281</u>
Cost of Merchandise Sold:	<u>196,276 (B)</u>
<b>Gross Profit on Sales</b>	<b>96,343 (C)</b>
<b>Operating Expenses:</b>	
Advertising Expense	2,734
Insurance Expense	487
Maintenance Expense	3,551
Miscellaneous Expense	762
Rent Expense	18,500
Salaries Expense	26,931
Supplies Expense	1,024
Utilities Expense	<u>4,107</u>
<b>Total Operating Expenses</b>	<b><u>58,096 (D)</u></b>
<b>Net Income</b>	<b><u>38,247 (E)</u></b>



# CHAPTER 18

Figure 18.9

## ***Comparison of Income Statements***

HAPPY HOUSE CARD SHOP Comparative Income Statement For the Year Ended December 31, 20--					
	Previous Year	Current Year	Dollar Change	Percent Change	
Sales	283,834	292,619	+8,785	+3.10%	
Cost of Merchandise Sold	186,283	196,276	+9,993	+5.36%	
Gross Profit on Sales	97,551	96,343	-1,208	-1.24%	
Total Operating Expenses	61,277	58,096	-3,181	-5.19%	
Net Income	36,274	38,247	+1,973	+5.44%	

Figure 18.10

## ***Comparison of Income Statements as a Percentage of Sales***

	Previous Year		Current Year	
	Amount in Dollars	Percent	Amount in Dollars	Percent
Sales	283,834	100.00%	292,619	100.00%
Cost of Merchandise Sold	186,283	65.63%	196,276	67.08%
Gross Profit on Sales	97,551	34.37%	96,343	32.92%

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Figure 18.11

## Balance Sheet

HAPPY HOUSE CARD SHOP		Balance Sheet	
For the Year Ended December 31, 20--			
<b>ASSETS</b>			
Cash in Bank	25,372		
Accounts Receivable	9,201		
Merchandise Inventory	93,281		
Supplies	5,285		
Office Equipment	12,187		
Display Equipment	47,883		
<b>TOTAL ASSETS</b>		<b>193,209</b>	
<b>LIABILITIES</b>			
Accounts Payable	56,846		
Sales Tax Payable	3,621		
Payroll Taxes Payable	2,749		
<b>TOTAL LIABILITIES</b>		<b>63,216</b>	
<b>OWNER'S EQUITY</b>			
Sheila Henry, Capital		129,993	
<b>TOTAL LIABILITIES + OWNER'S EQUITY</b>		<b>193,209</b>	

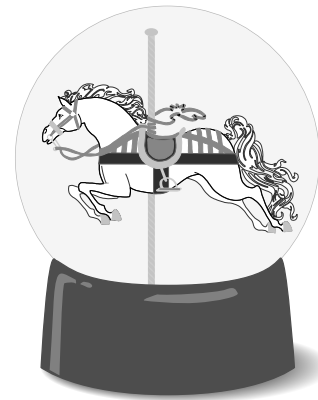


Figure 18.12

## Comparison of Balance Sheets

HAPPY HOUSE CARD SHOP		Comparative Balance Sheet		
For the Year Ended December 31, 20--				
	Previous Year	Current Year	Dollar Change	Percent Change
<b>ASSETS</b>				
Cash in Bank	22,743	25,372	+2,629	+11.56%
Accounts Receivable	8,338	9,201	+863	+10.35%
Merchandise Inventory	95,026	93,281	-1,745	-1.84%
Supplies	4,631	5,285	+654	+14.12%
Office Equipment	8,958	12,187	+3,229	+36.05%
Display Equipment	41,720	47,883	+6,163	+14.77%
<b>TOTAL ASSETS</b>	<b>181,416</b>	<b>193,209</b>	<b>+11,793</b>	<b>+6.50%</b>
<b>LIABILITIES</b>				
Accounts Payable	51,119	56,846	+5,727	+11.20%
Sales Tax Payable	3,506	3,621	+115	+3.28%
Payroll Taxes Payable	2,921	2,749	-172	-5.88%
<b>TOTAL LIABILITIES</b>	<b>57,546</b>	<b>63,216</b>	<b>+5,670</b>	<b>+9.85%</b>
<b>OWNER'S EQUITY</b>				
Sheila Henry, Capital	123,870	129,993	+6,123	+4.94%

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Figure 18.13

### ***Statement of Cash Flows***

HAPPY HOUSE CARD SHOP		
Statement of Cash Flows		
For the Year Ended December 31, 20--		
<b>Cash Flows from Operating Activities</b>		
<b>Cash Receipts from:</b>		
Sales to Customers	292,619	
Interest from Savings	<u>1,923</u>	
<b>Total Cash Receipts from Operations</b>		<b>294,542</b>
<b>Cash Payments for:</b>		
Purchase of Merchandise	205,813	
Operating Expenses	58,096	
Interest Expense	9,821	
Taxes	<u>18,183</u>	
<b>Total Cash Payments for Operations</b>		<b><u>291,913</u></b>
<b>Net Cash Flows from Operating Activities</b>		<b><u>2,629</u></b>

# Your Financial Portfolio

## Income Statements

Dakota's gardening business now includes gardening for 22 homes and gardening and planting for three commercial properties. She's considering hiring Rashelle for an hourly fee to work with her so she can expand the business. To see if she can afford to hire Rashelle, she's prepared an income statement.

Revenue	
Regular gardening fees	\$3,460
Charge for plantings	180
Charge for trimming trees	300
<b>Total revenue</b>	<b>\$3,940</b>
Operating Expenses	
Buying plantings	90
Truck loan	150
Equipment: new tree pruner	75
Gas expense	25
Insurance expense	35
<b>Total expenses</b>	<b>375</b>
<b>Net income</b>	<b><u>\$3,565</u></b>

In reviewing six months of income statements, Dakota felt she could afford paying Rashelle, especially if she picked up some new accounts.

**Apply** In your workbook or on a separate sheet of paper, choose a service business that you might like to operate. Determine what you would charge for your service. Based on your fee and services, determine what your monthly revenue and expenses would be. Using the same guidelines as shown above, prepare an income statement. Would you want to hire and supervise help or would you prefer to work alone?