

**S3-6 Critical Thinking: Analyzing Changes in Accounts and Preparing an Unadjusted Trial Balance****LO 3-1, 3-2, 3-4**

Hordichuk Painting Service Company was organized on January 20, 2013, by three individuals, each receiving 5,000 shares of stock from the new company. The following is a schedule of the cumulative account balances immediately after each of the first 9 transactions ending on January 31, 2013.

Accounts	Cumulative Balances								
	a	b	c	d	e	f	g	h	i
Cash	\$75,000	\$70,000	\$85,000	\$71,000	\$61,000	\$61,000	\$46,000	\$44,000	\$60,000
Accounts Receivable			12,000	12,000	12,000	26,000	26,000	26,000	10,000
Supplies					5,000	5,000	4,000	4,000	4,000
Equipment		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Land				18,000	18,000	18,000	18,000	18,000	18,000
Accounts Payable					3,000	3,000	3,000	1,000	1,000
Notes Payable		15,000	15,000	19,000	19,000	19,000	19,000	19,000	19,000
Contributed Capital	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Service Revenue			27,000	27,000	27,000	41,000	41,000	41,000	41,000
Supplies Expense							1,000	1,000	1,000
Wages Expense					8,000	8,000	23,000	23,000	23,000

**Required:**

- Analyze the changes in this schedule for each transaction; then explain the transaction. Transactions (a) and (b) are examples:
  - Cash increased \$75,000, and Contributed Capital (stockholders' equity) increased \$75,000. Therefore, transaction (a) was an issuance of the capital stock of the corporation for \$75,000 cash.
  - Cash decreased \$5,000, Equipment (an asset) increased \$20,000, and Notes Payable (a liability) increased \$15,000. Therefore, transaction (b) was a purchase of equipment for \$20,000. Payment was made as follows: cash, \$5,000; notes payable, \$15,000.
- Based only on the preceding schedule, prepare an unadjusted trial balance.

**S3-7 Analyzing Transactions and Preparing an Unadjusted Trial Balance****LO 3-2, 3-3, 3-4**

Assume you recently started up a new company that rents machines for making frozen drinks like smoothies, frozen juices, tea slush, and iced cappuccinos. For \$100, your business will deliver a machine, provide supplies (straws, paper cups), set up the machine, and pick up the machine the next morning. Drink mix and other supplies are sold by other businesses in your city. Being a one-person operation, you are responsible for everything from purchasing to marketing to operations to accounting.

You've decided that you'll just write notes about what happens during the month and then do the accounting at the end of the month. You figure this will be more efficient. Plus, by waiting until the end of the month to do the accounting, you'll be less likely to make a mistake because by that time you'll better understand the accounting cycle. Your notes said the following about your first month of operations:

- Oct. 2      Incorporated Slusher Gusher Inc. and contributed \$10,000 for stock in the company.
- Oct. 12     Paid cash to buy three frozen drink machines on eBay at a total cost of \$1,500. What a deal!
- Oct. 13     Paid cash to buy \$70 of supplies. Wal-Mart was packed.
- Oct. 16     Received \$500 cash for this past week's rentals. I'm rich!
- Oct. 17     Determined that \$45 of supplies had been used up. Hmm, looks like I'll need some more.



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|---------|---|
| Oct. 20 | Bought \$100 of supplies on account. I can't believe the party store gave me credit like that.  |
| Oct. 23 | Feeling tired after a busy week (6 rentals this time). Received \$400 cash and expect to receive \$200 more sometime this week.   |
| Oct. 25 | Received \$100 cash from one of the customers who hadn't paid up yet. Called the other customer to remind him I'm waiting.  |
| Oct. 26 | Ran an ad in the local paper today. Paid \$25 cash.   |
| Oct. 27 | Received \$150 cash for a two-machine All Saints Day party to be held on November 1. It's a good thing I got this money because no other bookings are in sight for the rest of the month. |

**Required:**

Create a spreadsheet in which to record the effects of the October transactions and calculate end-of-month totals. Using the spreadsheet, prepare a trial balance that checks whether debits = credits. Because you're dealing with your own business this time, you want to be sure that you do this just right, so you e-mail your friend Owen for advice. Here's his reply:

**From:** Owentheaccountant@yahoo.com  
**To:** Helpme@hotmail.com  
**Cc:**  
**Subject:** Excel Help

Wow, you're a CEO already? I always thought you were a mover and a shaker! So you want my advice on how to set up your spreadsheet? My advice is *read the last email I sent*. The main thing that's new here is you'll need to include some columns for revenue and expenses under the stockholders' equity heading. Here's a screenshot of how your worksheet might look just before you enter the October transactions. Notice that because stockholders' equity is decreased by expenses, the debit side is used to record expenses.

The screenshot shows a Microsoft Excel spreadsheet titled "S3-7 - Microsoft Excel". The spreadsheet is a journal entry table for October transactions. The columns are organized into three main sections: Assets, Liabilities, and Stockholders' Equity. Each section has specific sub-columns for different accounts. The rows represent individual transactions, with dates listed in the first column. The final row shows the October 31 Balances for each account.

	Assets					Liabilities			Stockholders' Equity			
	Cash	Accounts Receivable	Supplies	Equipment		Accounts Payable	Unearned Revenue		Contributed Capital	Rental Revenue	Supplies Expense	Advertising Expense
	Debit(-)	Credit(+)	Debit(-)	Credit(+)	Debit(-)	Credit(+)	Debit(-)	Credit(+)	Debit(-)	Credit(+)	Debit(-)	Credit(+)
October Transactions:												
Oct. 2												
Oct. 12												
Oct. 13												
Oct. 16												
Oct. 17												
Oct. 20												
Oct. 23												
Oct. 25												
Oct. 26												
Oct. 27												
October 31 Balances	0	0	0	0		0	0		0	0	0	0

The spreadsheet is titled "October Transactions" in the active cell. The status bar at the bottom shows "Ready" and a zoom level of 85%.

To prepare the trial balance, create three columns. In the first, enter the account names (one per row). In the second column, link in each debit balance by entering =in a cell and then clicking on the debit total from the T-account. Repeat this with all the accounts. Then do the same with the credit balances. At the bottom of the trial balance, use the SUM function to compute total debits and credits.

Don't forget to save the file using a name that uniquely identifies you (as my true hero).