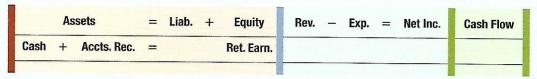
## LO 3-1

# **Exercise 3-9A** Recording receivables and identifying their effect on financial statements

Davos Company performed services on account for \$160,000 in 2016. Davos collected \$120,000 cash from accounts receivable during 2016, and the remaining \$40,000 was collected in cash during 2017.

### Required

- a. Record the 2016 transactions in T-accounts.
- **b.** Record the 2016 transactions in a horizontal statements model like the following one:



- c. Determine the amount of revenue Davos would report on the 2016 income statement.
- **d.** Determine the amount of cash flow from operating activities Davos would report on the 2016 statement of cash flows.
- e. Open a T-account for Retained Earnings, and close the 2016 Service Revenue account to the Retained Earnings account.
- f. Record the 2017 cash collection in the appropriate T-accounts.
- **g.** Record the 2017 transaction in a horizontal statements model like the one shown in Requirement *b*.
- **h.** Assuming no other transactions occur in 2017, determine the amount of net income and the net cash flow from operating activities for 2017.

## LO 3-1, 3-3, 3-4

## Exercise 3-10A Recording supplies and identifying their effect on financial statements

Sye Chase started and operated a small family architectural firm in 2016. The firm was affected by two events: (1) Chase provided \$25,000 of services on account, and (2) he purchased \$2,800 of supplies on account. There were \$250 of supplies on hand as of December 31, 2016.

#### Required

- a. Open T-accounts and record the two transactions in the accounts.
- b. Record the required year-end adjusting entry to reflect the use of supplies.
- c. Record the preceding transactions in a horizontal statements model like the following one:

Assets		=	Liab.	+	Equity	Rev.	-	Ехр.	=	Net Inc.	Cash Flow	
Accts. Rec.	+	Supplies	=	Accts. Pay.	+	Ret. Earn.						

- d. Explain why the amounts of net income and net cash flow from operating activities differ.
- e. Record and post the required closing entries, and prepare a post-closing trial balance.

## LO 3-1

# Exercise 3-11A Recording unearned revenue and identifying its effect on financial statements

Raylan received a \$60,000 cash advance payment on June 1, 2016, for consulting services to be performed in the future. Services were to be provided for a one-year term beginning June 1, 2016.

## Required

- a. Record the June 1 cash receipt in T-accounts.
- b. Record in T-accounts the adjustment required as of December 31, 2016.
- **c.** Record the preceding transaction and related adjustment in a horizontal statements model like the following one:

Assets	=	Liab.	+	Equity	Rev.	_	Ехр.	=	Net Inc.	Cash Flow
							1961			