

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

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

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

- Determine the amount of revenue Davos would report on the 2016 income statement.
- Determine the amount of cash flow from operating activities Davos would report on the 2016 statement of cash flows.
- Open a T-account for Retained Earnings, and close the 2016 Service Revenue account to the Retained Earnings account.
- Record the 2017 cash collection in the appropriate T-accounts.
- Record the 2017 transaction in a horizontal statements model like the one shown in Requirement b.
- 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

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

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

- Explain why the amounts of net income and net cash flow from operating activities differ.
- 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

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

Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
--------	---	-------	---	--------	------	---	------	---	----------	-----------