

SOLUTIONS

Learning Goal 9, continued

LG 9-1.

a.

Johnson's Cleaning Service, Inc.										
Worksheet										
For the Month Ended December 31, 2017										
Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	17,800				17,800				17,800	
Short-Term Investments	10,200				10,200				10,200	
Accounts Receivable	9,620				9,620				9,620	
Cleaning Supplies	5,700			(b) 3,850	1,850				1,850	
Prepaid Insurance	4,600			(a) 575	4,025				4,025	
Office Equipment	18,400				18,400				18,400	
Accum. Dep'n—Off.		9,150		(c) 150		9,300				9,300
Cleaning Equipment	58,000				58,000				58,000	
Accum. Dep'n—Clean.		5,000		(c) 500		5,500				5,500
Vans	123,500				123,500				123,500	
Accum. Dep'n—Vans		28,980		(c) 2,500		31,480				31,480
Accounts Payable		25,850		(f) 310		26,160				26,160
Unearned Revenue		7,500	(d) 5,500			2,000				2,000
Note Payable		40,100				40,100				40,100
Common Stock		25,000				25,000				25,000
Retained Earnings		93,940				93,940				93,940
Dividends	5,000				5,000				5,000	
Cleaning Service Revenue		68,100		(d) 5,500		73,600		73,600		
Wages Expense	41,300				41,300		41,300			
Rent Expense	4,500				4,500		4,500			
Auto & Gas Expense	550		(f) 310		860		860			
Advertising Expense	2,900				2,900		2,900			
Utilities Expense	450				450		450			
Repairs Expense	1,100				1,100		1,100			
Insurance Expense			(a) 575		575		575			
Supplies Expense			(b) 3,850		3,850		3,850			
Depreciation Expense			(c) 3,150		3,150		3,150			
Interest Expense			(e) 270		270		270			
Interest Payable				(e) 270		270				270
Totals	<u>303,620</u>	<u>303,620</u>	<u>13,655</u>	<u>13,655</u>	<u>307,350</u>	<u>307,350</u>	58,955	73,600	248,395	233,750
							14,645			14,645
							<u>73,600</u>	<u>73,600</u>	<u>248,395</u>	<u>248,395</u>

SOLUTIONS**Learning Goal 9, continued****LG 9-1.** *continued*

b.

Johnson's Cleaning Service, Inc.		
Income Statement		
For the Month Ended December 31, 2017		
Revenues:		
Cleaning service revenue		\$73,600
Expenses		
Wages expense	\$41,300	
Rent expense	4,500	
Supplies expense	3,850	
Depreciation expense	3,150	
Advertising expense	2,900	
Repairs expense	1,100	
Auto and gas expense	860	
Insurance expense	575	
Utilities expense	450	
Interest expense	<u>270</u>	
Total expenses		<u>58,955</u>
Net income		<u><u>\$14,645</u></u>

Johnson's Cleaning Service, Inc.	
Statement of Retained Earnings	
For the Month Ended December 31, 2017	
Retained Earnings, December 1	\$93,940
Add: Net income	<u>14,645</u>
	108,585
Less: Dividends	<u>5,000</u>
Retained Earnings, December 31	<u><u>\$103,585</u></u>

SOLUTIONS**Learning Goal 9, continued****LG 9-1.** *continued*

b.

Johnson's Cleaning Service, Inc.			
Balance Sheet			
December 31, 2017			
Assets			
Current assets			
Cash		\$17,800	
Short-term investments		10,200	
Accounts receivable		9,620	
Cleaning supplies		1,850	
Prepaid insurance		<u>4,025</u>	
Total current assets			\$43,495
Property, plant, and equipment			
Office equipment	\$18,400		
Less: Accumulated depreciation	<u>9,300</u>	9,100	
Cleaning equipment	58,000		
Less: Accumulated depreciation	<u>5,500</u>	52,500	
Vans	123,500		
Less: Accumulated depreciation	<u>31,480</u>	<u>92,020</u>	
Total property, plant, and equipment			<u>153,620</u>
Total assets			<u><u>\$197,115</u></u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable		\$26,160	
Unearned revenue		2,000	
Interest payable		<u>270</u>	
Total current liabilities			\$28,430
Long-term liabilities			
Note payable			<u>40,100</u>
Total liabilities			68,530
Stockholders equity			
Paid-in capital			
Common stock	25,000		
Retained earnings	103,585		
Total stockholders' equity			<u>128,585</u>
Total liabilities and stockholders' equity			<u><u>\$197,115</u></u>

SOLUTIONS

Learning Goal 9, continued

LG 9-1. *continued*

c and d.

GENERAL JOURNAL

Date	Account	Post. Ref.	Dr.	Cr.
2017	<i>Adjusting Entries</i>			
Dec.	(a)			
31	Insurance Expense		575	
	Prepaid Insurance			575
	(b)			
31	Supplies Expense		3,850	
	Cleaning Supplies			3,850
	(c)			
31	Depreciation Expense		3,150	
	Accumulated Depreciation—Office Equip.			150
	Accumulated Depreciation—Cleaning Equip.			500
	Accumulated Depreciation—Office Equip.			2,500
	(d)			
31	Unearned Revenue		5,500	
	Cleaning Service Revenue			5,500
	(e)			
31	Interest Expense		270	
	Interest Payable			270
	(f)			
31	Auto and Gas Expense		310	
	Accounts Payable			310

SOLUTIONS**Learning Goal 9, continued****LG 9-1** c and d, *continued*

Date	Account	Post. Ref.	Dr.	Cr.
2017	<i>Closing Entries</i>			
31	Cleaning Service Revenue		73,600	
	Income Summary			73,600
31	Income Summary		58,955	
	Wages Expense			41,300
	Rent Expense			4,500
	Auto & Gas Expense			860
	Advertising Expense			2,900
	Utilities Expense			450
	Repairs Expense			1,100
	Insurance Expense			575
	Supplies Expense			3,850
	Depreciation Expense			3,150
	Interest Expense			270
31	Income Summary		14,645	
	Retained Earnings			14,645
31	Retained Earnings		5,000	
	Dividends			5,000

- e. Although total current assets exceed current liabilities, accounts payable and interest payable totaling \$26,430 will come due in January, requiring cash to pay these liabilities. The sources of cash available to the business are the cash account, short-term investments, and accounts receivable. It is likely that the cash and short-term investment accounts will be significantly reduced in January. (Estimating the “liquidity” situation is always important.)