MSc in Financial Management

Course: Introduction to Accounting – Solution to Review Exercise 2

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Journal entries

Accounts	Debit	Credit
Office Space	40,000	
Cash	60,000	
Share Capital		100,000
No effect		
Pre-paid Rent	6,000	
Cash		6,000
Office Supplies	4,000	
Furniture	10,000	
Cash		14,000
Computer Equipment	6,000	
Cash		6,000
Cash	4,000	
Unearned Revenue		4,000
Pre-paid Insurance	600	
Cash		600
Cash	20,000	
Loans Payable		20,000
Cash	4,000	
Unearned Revenues	4,000	
Revenues		8,000

Cash		5,000	
	Unearned Revenue		5,000
Cost of Sales		8,000	
	Accounts Payable		8,000
Accounts Receivable		10,000	
	Revenues		10,000
Utility Expense		500	
	Utility Payable		500
Depreciation Expense		500	
	Accumulated Depreciation-Office		100
	Accumulated Depreciation-Furniture		200
	Accumulated Depreciation-Computer Equipment		200
Salary Expense		4,800	
	Salary Payable		4,800
Rental Expense		2,000	
	Pre-paid Rent		2,000
Supplies Expense		1,000	
	Office Supplies		1,000
Insurance Expense		100	
	Pre-paid Insurance		100
Interest Expense		100	
	Interest Payable		100

Closing Entry

Revenues		18,000	
	Retained Earnings		18,000
Retained Earnings		17,250	
	Cost of sales		8,000
	Utility expense		500
	Depreciation expense		500
	Rental expense		2,000
	Salary expense		4,800
	Supplies expense		1,000
	Insurance expense		100
	Interest expense		100
	Tax expense		250

Financial Statements

Marc Prairie Services Inc.
Income Statement (March 1st - 31st, 2019)

Revenues		18,000
-Cost of sales	-	8,000
-Utility expense	-	500
-Depreciation expense	-	500
-Rental expense	-	2,000
-Salary expense	-	4,800
-Supplies expense	-	1,000
-Insurance expense	-	100
-Interest expense	-	100
Profit before tax		**1,000**
Tax Expense	**-**	**250**
Net Income		**750**

Marc Prairie Services Inc. Statement of Changes in Equity (as of March 31st, 2019)

Share Capital 1/3/2019	100,000	
Retained Earnings 1/3/2019		0
Total Equity 1/3/2019	**100,000**	
Net Income	750	
-Dividends		0
Share Capital 31/12/2019	100,000	
Retained Earnings 31/12/2019	750	
Total Equity 31/12/2019	**100,750**	

Marc Prairie Services Inc. Balance Sheet (as of March 31st, 2019)

Current Assets			***Current Liabilities***	
Cash		66,400	Accounts payable	8,000
Accounts receivable		10,000	Unearned revenue	5,000
Pre-paid rent		4,000	Interest payable	100
Pre-paid insurance		500	Utility payable	500
Office supplies		3,000	Taxes payable	250
			Salary payable	4,800
			Non Current Liabilities	
Non Current Assets			Loans payable	20,000
Furniture		10,000	**TOTAL LIABILITIES**	38,650
-(Accumulated depreciation - Furniture)	-	200		
Computer Equipment		6,000	Share capital	100,000
'-(Accumulated depreciation - Computer Equipment)	-	200	Retained earnings	750
Office		40,000	**TOTAL EQUITY**	100,750
-(Accumulated depreciation - Office)	-	100		
TOTAL ASSETS		**139,400**	**TOTAL LIABILITIES + EQUITY**	**139,400**