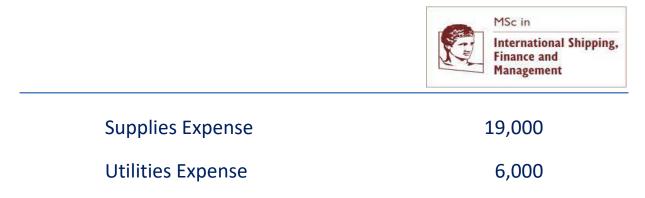


CASE STUDY: MONTY INC.

Monty decided to begin a consulting service called Monty, Inc. He started the business by issuing \$100,000 in capital stock on 1/1/2022. Presented below are the accounts and the respective balances, in alphabetical order, for Monty Inc., as of 31/12/2022.

Accounts Payable	12,000
Accounts Receivable	190,975
Advertising Expense	75,000
Capital Stock	100,000
Cash	105,525
Consulting Fees	1,759,500
Dividends	75,000
Entertainment Expense	361,500
Insurance Expense	36,000
Notes Payable	20,000
Rent Expense (Furniture & Equipment)	48,000
Rent Expense (Office)	84,000
Salary Expense	880,500
Supplies	10,000



You have been asked to prepare the Income Statement, Statement of Changes in Equity, and the Balance Sheet, in proper format.



Monty, Inc.

Income Statement

For the Year Ended December 31, 2022

Revenue

Consulting Fees		\$1,759,500
Expenses		
Advertising Expense	\$75,000	
Entertainment Expense	361,500	
Insurance Expense	36,000	
Rent Expense (Furniture	&	
Equipment)	48,000	
Rent Expense (Office)	84,000	
Salary Expense	880,500	
Supplies Expense	19,000	
Utilities Expense	6,000	
Total Expenses		1,510,000
Net Income	_	\$249,500



Monty, Inc.

Statement of Changes in Equity

For the Year Ended December 31, 2022

Capital stock 1/1/2022	\$ 100,000
Retained Earnings 1/1/2022	0-
Net Income	249,500
Dividends	(75,000)
Capital stock 31/12/2022	\$100,000
Retained Earnings 31/12/2022	174,500



Monty, Inc. **Balance Sheet** December 31, 2022 Assets \$105,525 Cash 190,975 **Accounts Receivable** 10,000 **Supplies** \$306,500 **Total Assets** Liabilities \$12,000 **Accounts Payable Notes Payable** 20,000 **Total Liabilities** \$32,000 **Stockholders Equity** \$100,000 **Capital Stock Retained Earnings** 174,500 **Total Stockholders Equity** 274,500 **Total Liabilities Plus** \$306,500 **Stockholders Equity**



CASE STUDY: WILLIAM INC.

You are given the following simplified balance sheet (in Euros) of *Company William Inc.* as of 31st of August 2018.

Balance Sheet			
Non- Current assets			
Fixed assets	400,000		
Current assets			
Inventories	100,000		
Accounts receivable	90,000		
Cash	35,000		
	225,000		
Total Assets		625,000	
Equity			
Share Capital 380	,000		
Retained earnings	125,000		
	505,000		
Current liabilities			
Trade payables	120,000		
Total Liabilities and Equity		625,000	



The following transactions took place during November 2018.

- a. New equipment was purchased on account for 8,000.
- b. The company paid 20,000 to its trade payables.
- c. Inventories that cost 45,000 were sold for 55,000 in cash.
- d. The company received 30,000 from accounts receivable.
- 1. Show how each of these transactions would affect the balance sheet.
- 2. Prepare a balance sheet after recording these transactions.

Solution:

1.

a. Increase in Equipment by 8,000; increase in Other Payables by 8,000.

b. Decrease in Cash by 20,000; decrease in Trade payables by 20,000.

c. Decrease in Inventories by 45,000; increase in Cash by 55,000; increase in Revenue by 55,000; increase in Cost of Goods Sold by 45,000.

d. Increase in Cash by 30,000; decrease in Accounts receivable by 30,000.



Balance Sheet			
Non- Current assets			
Fixed assets	408,000		
Current assets			
Inventories	55,000		
Accounts receivable	60,000		
Cash	100,000		
	215,000		
Total Assets		623,000	
Equity			
Common Stock	380,000		
Retained earnings	125,000		
Net Income	10,000		
	515,000		
Current liabilities			
Trade payables	100,000		
Other payables	8,000		
	108,000		
Total Liabilities and Equity		623,000	