

**Solution Manual for College Accounting A Practical Approach 13th Edition
by Jeffrey Slater ISBN 0133791009 9780133791006**

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1

Accounting Concepts and Procedures

ANSWERSTODISCUSSIONQUESTIONS ANDCRITICALTHINKING/ETH ICALCASE

1. The functions of accounting are to analyze, record, classify, summarize, report, and interpret financial information.
2. Sole proprietorship—1 owner; unlimited liability; easy to form; limited life Partnership—2 or more owners; unlimited liability; easy to form; limited life Corporation—Stockholders; limited liability; difficult to form; unlimited life
3. Businesses are classified as service, merchandise, or manufacturing.
4. Computer technology has greatly reduced the time required for performing the bookkeeping function.
5. The three elements of the basic accounting equation are assets, liabilities, and owner's equity.
6. Capital is the owner's current investment or equity in the assets of a business. It is one subdivision of owner's equity.
7. True. The sum of the left side of the equation (assets) must equal the sum of the right side of the equation (liabilities and owner's equity).
8. False. That is the income statement.

9. False. Revenue is a subdivision of owner's equity.
10. Owner's equity is subdivided into Capital, Withdrawals, Revenue, and Expenses.
11. False. It is non-business expense of the owner; a subdivision of owner's equity. It is not a business expense.
12. False. As expenses increase, owner's equity decreases.
13. Revenue less Expenses; an income statement shows performance over time.
14. False. It calculates ending capital.
15. The question in this case is whether Paul should be allowed to "pad" his expense account with an additional \$100 of expenses. I feel that Paul should only be allowed to expense those items that are business related. Paul's argument that he is entitled to an additional \$100 is not a valid assumption. However, he should be reimbursed for any business expenses during the weekend.

SOLUTIONS TO CONCEPT CHECKS

1. a. A
b. A
c. L
d. A
e. OE
f. A

2. a. Liabilities Total
b. Assets Accounts
c. Payable

3. a. I
b. S

4.

Total assets = Cash \$31,000 + Warehouse equipment \$3,000 = \$34,000

5. b. J. Penny, Capital
d. J. Penny, Withdrawal
f. Advertising Expense
g. Taxes Earned

6. c. Accounts Payable
d. Grooming Fees Earned

7. a, b, d

8. a. IS
b. BS
c. BS
d. BS
e. IS
f. IS
g. OE
h. BS

9. a. OE
b. BS
c. BS
d. IS

EXERCISES (CONTINUED)

1A-4.

ASSETS=LIABILITIES+OWNER'S EQUITY

B. B. Accounts

Computer Accounts Black, Black,
Cash + Rec. + Equip. = Payable + Capital - Withd. + Revenues - Expenses

a. + 60,000 + 60,000 b. + 7,000 + 7,000
c. (100) + 100

d. +14,300 + 14,300 e. + 30,600 + 30,600
f. (3,600) + 3,600 g. (1,470) + 1,470

Remember, as withdrawals or expenses increase, the end result is to reduce owner's equity.

EXERCISES (CONTINUED)

1B-4.

ASSETS=LIABILITIES+OWNER'S EQUITY

	Computer Accounts Bell, Bell, Cash + Rec. + Equip. = Payable + Capital - Withdr. + Revenues - Expenses		B. B. Accounts	
a.	+45,00			
b.	0		+45,00	
.		+ 9,500	0	
c.	(75			+ 75
d.	+14,1			+14,1
e.		+ 29,600		+ 29,600
f.	(3,4			+3,4
g.	(1,500)			+1,500

Remember, as withdrawals or expenses increase, the end result is to reduce owner's equity.

EXERCISES (CONTINUED)
1B-5
(a)

**FRENCH REALTY
INCOME STATEMENT
MONTH ENDED SEPTEMBER 30,
201X**

Revenue:									
Professional Fees						\$ 3	4	0	0
Operating Expenses:									
Salaries Expense	\$	4	2	5					
Utilities Expense		3	0	0					
Rent Expense		4	7	5					
Total Operating Expenses						1	2	0	0
Net Income						\$ 2	2	0	0

(b)

**FRENCH REALTY STATEMENT
OF OWNER'S EQUITY MONTH
ENDED SEPTEMBER 30, 201X**

S. French, Capital, September 1, 201X								0	5	0
Net Income for September	\$ 2	2	0	0						
Less: Withdrawals for September		(2)	0	0						
Increase in Capital								0	0	0
S. French, Capital, September 30, 201X								0	5	0

(c)

**FRENCH REALTY
BALANCE SHEET
SEPTEMBER 30, 201X**

ASSETS LIABILITIES AND OWNER'S EQUITY

Cash	\$ 2	9	0	0	Liabilities				
Accounts Receivable	1	7	5	0	Accounts Payable	\$ 7	0	0	0
Office Equipment	10	4	0	0	Owner's Equity				
					S. French, Capital	8	0	5	0
					Total Liabilities and				

Total Assets	U	\$	1	0	5	0	Owner's Equity	\$	1	5	0	5	0	
EXERCISES (CONTINUED)														

|

SOLUTIONS TO SET A PROBLEMS

PROBLEM 1A

- 1

**MORGAN'S NAILS
P A**

Transaction	Assets =		Liabilities + Owner's Equity	
	Cash	Store Equipment	Accounts Payable	M. Amberson, Capital
a.	+16,000			+16,000
b.	(3,700)	+3,700		
c.		+6,050	+6,050	
d.	(600)		(600)	
Total	<u>11,700</u>	9,750	5,450	16,000

PROBLEM 1A-2

**SHEA'S INTERNET SERVICE
BALANCE SHEET
JUNE 30, 201X**

ASSETS LIABILITIES AND OWNER'S EQUITY

Cash	\$ 38	0	0	0	Liabilities				
Equipment	39	0	0	0	Accounts Payable	\$ 14	0	0	0
Building	55	0	0	0					
					Owner's Equity				
					Shea, Capital	118	0	0	0
					Total Liabilities and				
Total Assets	\$ 132	0	0	0	Owner's Equity	\$ 132	0	0	0

FONTAN COMPUTERS SERVICE

		ASSETS		= LIABILITIES		OWNER'S EQUITY				
		Cash	+ Receivable	+ Equipment	= Payable	+ Capital	+ Withdrawals	- Revenue	- Expenses	
a.	+25,00	0	+	0	=	0	+	25,000	- 0	0
BALANCE	25,00	+	+	+2,500	=	+2,500	+	-	+	-
b.		0	+	2,500	=	2,500	+	25,000	- 0	0
BALANCE	25,000	0	+	2,500	=	2,500	+	25,000	- 0	0
c.	+800	0	+	2,500	=	2,500	+	25,000	- 0	0
BALANCE	25,800	+2,100	+	=	=	+	-	+	2,100	-
d.		2,100	+	2,500	=	2,500	+	25,000	- 0	0
BALANCE	25,800	+	+	=	=	+	-	+	2,100	-
e.	(275)	2,100	+	2,500	=	2,500	+	25,000	- 0	275
BALANCE	25,525	+	+	=	=	+	-	+	2,100	-
f.	(170)	2,100	+	2,500	=	2,500	+	25,000	- 0	170
BALANCE	25,355	+	+	=	=	+	-	+	2,100	-
g.		+	+	=	=	+1,000	+	-	-	+1,000
BALANCE	25,355	+	2,100	+	2,500	=	3,000	+	25,000	- 0
h.	(700)	+	+	=	=	+	-	+	-	1,000
ENDING BALANCE	24,655	+	2,100	+	=	3,000	+	25,000	- 700	1,645

29,255

29,255

PROBLEM1A

- 4 (a)

**WILLIAMSHOMEDECORATING
SERVICEINCOMESTATEMENT
MONTHENDEDESEPTEMBER30,
201X**

Revenue:									
HomeDecoratingFees						\$ 2	7	0	0
OperatingExpenses:									
AdvertisingExpense	\$	2	5	5					
RepairExpense			4	5					
TravelExpense		6	5	0					
SuppliesExpense		1	1	5					
RentExpense		1	5	0					
TotalOperatingExpenses						1	2	1	5
NetIncome						\$ 1	4	8	5

(b)

**WILLIAMSHOMEDECORATING
SERVICESTATEMENTOFOWNER'
SEQUITYMONTHENDEDESEPTEMBER 30, 201X**

J. Williams, Capital, September 1, 201X						\$ 2	5	0	0
NetIncomeforSeptember	\$ 1	4	8	5					
Less: WithdrawalsforSeptember		(3	0	0)					
IncreaseinCapital						1	1	8	5
J. Williams, Capital, September 30, 201X						\$ 3	6	8	5

(c)

**WILLIAMSHOMEDECORATING
SERVICEBALANCESHEET SEPT
EMBER 30, 201X**

ASSETSLIABILITIESANDOWNER'SEQUITY

Cash	\$ 2	1	0	0	Liabilities				
AccountsReceivable	1	0	5	0	AccountsPayable	\$	4	5	0
DecoratingEquipment		9	8	5	Owner'sEquity				
					J. Williams, Capital	3	6	8	5
					TotalLiabilitiesand				
TotalAssets	\$ 4	1	3	5	Owner'sEquity	\$ 4	1	3	5

TANSON'S CATERING SERVICE

	ASSETS	= LIABILITIES			OWNER'S EQUITY		
	Cash + Receivables	Equipment	Payable	Capital	Withdrawals	Revenue	Expenses
	0	0	0	20,000	0	0	0
10/25	+20,000						
BALANCE	20,000	+2,000					
10/27	(2,300)	+2,300					
BALANCE	17,700	+2,000	+2,000				
10/28		+4,300					
BALANCE	17,700		2,000	+20,000		0	0
10/29	(900)	+4,000					
BALANCE	16,800				(900)		
11/1	+1,300	+4,000					
BALANCE	18,100		1,000	+20,000		0	1,300
11/5	(800)	+4,000					
BALANCE	17,300	+500	1,000	+20,000		0	1,300
11/8		+500					
BALANCE	17,300	(250)	1,000	+20,000		0	1,300
11/10	+250	+250					
BALANCE	17,550		1,000	+20,000		0	1,300
11/15	(400)	+250					
BALANCE	17,150		1,000	+20,000		0	1,300
11/17	(160)	+250					
BALANCE	16,990		1,100	+20,000		+160	
11/20	+1,800	+250					
BALANCE	18,790		1,200	+20,000		160	3,000
11/25		+250					
BALANCE	18,790		2,000	+20,000		160	3,000
11/28		+250					
BALANCE	18,790		2,000	+20,000		160	3,000
11/30	(300)	+250					
ENDBAL.	18,490		\$24,000	\$24,000			

PROBLEM 1A-5 (CONTINUED)

(b)

**TANSON'S CATERING SERVICE
BALANCE SHEET
TO BE R 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY						
Cash	\$	16	8	0	0	Liabilities					
Equipment		4	3	0	0	Accounts Payable	\$	1	1	0	0
						Owner's Equity					
						J. Tanson, Capital	20	0	0	0	
						Total Liabilities and					
Total Assets	\$	21	1	0	0	Owner's Equity	\$21	1	0	0	

(c)

**TANSON'S CATERING SERVICE
INCOME STATEMENT
FOR THE MONTH ENDED NOVEMBER 30,
201X**

Revenue:										
Catering Revenue						\$	3	6	0	0
Operating Expenses:										
Salaries Expense	\$	8	0	0						
Telephone Expense		4	0	0						
Rent Expense		6	5	0						
Supplies Expense		3	0	0						
Total Operating Expenses							2	1	5	0
Net Income							\$1	4	5	0

PROBLEM1-5A(CONCLUDED) (d)

**TANSON'SCATERINGSERVICE
STATEMENTOFOWNER'SEQU
ITYMONTHENDEDNOVEMBE
R 30, 201X**

J. Tanson, Capital November 1, 201X						\$ 20	0	0	0
Net Income for November	\$ 1	4	5	0					
Less: Withdrawals for November		(1	6	0)					
Increase in Capital						1	2	9	0
J. Tanson, Capital, November 30, 201X						\$ 21	2	9	0

(e)

**TANSON'SCATERINGSERVICE BALANCE SHEET No
vember 30, 201X**

ASSETS LIABILITIES AND OWNER'S EQUITY

Cash	\$ 18	4	9	0	Liabilities				
Accounts Receivable		2	5	0	Accounts Payable	\$ 2	9	5	0
Equipment	5	5	0	0	Owner's Equity				
					J. Tanson, Capital	21	2	9	0
					Total Liabilities and				
Total Assets	\$ 24	2	4	0	Owner's Equity	\$ 24	2	4	0

SOLUTIONS TO SET B PROBLEMS

PROBLEM 1 B-1

**MANDY'S SNAILS
P A**

Transaction	Assets =		Liabilities + Owner's Equity	
	Cash	Store Equipment	Accounts Payable	M. Anabelle, Capital
a.	+21,000			+21,000
b.	(3,500)	+3,500		
c.		+5,750	+5,750	
d.	(1,000)		(1,000)	
Total	16,500	9,250	4,750	21,000

PROBLEM 1 B-2

**SEALY'S INTERNET SERVICE
BALANCE SHEET
NOVEMBER 30, 201X**

ASSETS LIABILITIES AND OWNER'S EQUITY

Cash	\$ 55	0	0	0	Liabilities				
Equipment	14	0	0	0	Accounts Payable	\$ 15	5	0	0
Building	50	0	0	0					
					Owner's Equity				
					Sealy, Capital	103	5	0	0
					Total Liabilities and				
Total Assets	\$ 119	0	0	0	Owner's Equity	\$ 119	0	0	0

REDFUMANCOMPUTERSER
VICE

ASSETS

=LIABILITIE
S +

OWNER'S
EQUITY
PROB LEM1

PROBLEM 1 B-
4 (a)

**WUHOMEDECORATINGSER
VICEINCOMESTATEMENT
MONTHENDEDJUNE30,
201X**

Revenue:									
Home Decorating Fees						\$ 2	4	0	0
Operating Expenses:									
Advertising Expense	\$	1	8	5					
Repair Expense			4	0					
Travel Expense		1	1	0					
Supplies Expense		1	3	5					
Rent Expense		3	0	0					
Total Operating Expenses							7	7	0
Net Income						\$ 1	6	3	0

(b)

**WUHOMEDECORATINGSER
VICESTATEMENTOFOWN
ER'SEQUITYMONTHENDE D
JUNE 30, 201X**

J. Wu, Capital, June 1, 201X						\$ 1	2	1	5
Net income for June	\$	1	6	3	0				
Less: Withdrawals for June		(4	0	0)					
Increase in Capital						1	2	3	0
J. Wu, Capital, June 30, 201X						\$ 2	4	4	5

(c)

**WUHOMEDECORATINGSER
VICEBALANCESHEET
JUNE 30, 201X**

ASSETS LIABILITIES AND OWNER'S EQUITY

Cash	\$ 1	7	0	0	Liabilities				
Accounts Receivable		6	0	0	Accounts Payable	\$ 1	1	4	0
Decorating Equipment	1	2	8	5	Owner's Equity				
					J. Wu, Capital	2	4	4	5
					Total Liabilities and				
Total Assets	\$ 3	5	8	5	Owner's Equity	\$ 3	5	8	5

**THILDORÉ'S CATERINGS
SERVICE
= LIABILITIES
S +**

OWNER'S EQUITY

		ASSETS				LIABILITIES				OWNER'S EQUITY					
		+ Cash + Receivables + Equipment = Payables				+ Accounts Payable + Accounts Thildore, Thildore, Catering +				+ Capital - Withdrawals + Revenue - Expenses					
10/25	+25,0	+	+	+1,	=	+	-	+	-	+	-	-	-		
BALANCE	25,00	+	0	+	1,	=	0	+	25,	-	0	+	0	-	0
10/27	(1, 200	+	+	+	=	+	+	+	+	-	+	-	-	-	
BALANCE	23, 800	+	0	+	2,	=	800	+	25, 0	-	0	+	0	-	0
10/28		+	+	+	=	+	(400	+	+	-	+	-	-	-	
BALANCE	23, 800	+	0	+	2,	=	400	+	25, 0	-	0	+	0	-	0
10/29	(400	+	+	+	=	+	+	+	+	-	+	+	+2, 2	-	-
BALANCE	23, 400	+	0	+	2,	=	400	+	25, 0	-	0	+	2, 2	-	0
11/1	+2,2	+	+	+	=	+	+	+	+	-	+	+	-	+	+550
BALANCE	25, 600	+	0	+	2,	=	400	+	25, 0	-	0	+	2, 20	-	550
11/5	(550	+	+	+	=	+	+	+	+	-	+	+	+250	-	-
BALANCE	25, 050	+	250	+	2,	=	400	+	25, 0	-	0	+	2,	-	550
11/8		+	(80	+	=	+	+	+	+	-	+	+	-	-	-
BALANCE	25, 050	+	170	+	2,	=	400	+	25, 0	-	0	+	2,	-	550
11/10	+ 80	+	+	+	=	+	+	+	+	-	+	+	-	+	+50
BALANCE	25, 130	+	170	+	2,	=	400	+	25, 0	-	0	+	2,	-	600
11/15	(50)	+	+	+	=	+	+	+	+	-	+120	+	-	-	-
BALANCE	25, 080	+	170	+	2,	=	400	+	25, 0	-	120	+	2,	-	600
11/17	(120	+	+	+	=	+	+	+	+	-	+	+	+2,	-	-
BALANCE	24, 960	+	170	+	2,	=	400	+	25, 0	-	120	+	4,	-	600
11/20	+ 2, 500	+	+	+1,	=	+	+1,	+	+	-	+	+	-	-	-
BALANCE	27, 460	+	170	+	3,	=	1,	+	25, 0	-	120	+	4,	-	600
11/25		+	+	+	=	+	+650	+	+	-	+	+	-	-	+650
BALANCE	27, 460	+	170	+	3,	=	2,	+	25, 0	-	120	+	4,	-	1,
11/28		+	+	+	=	+	+	+	+	-	+	+	-	-	+55
BALANCE	27, 460	+	170	+	3,	=	2,	+	25, 0	-	120	+	4,	-	1,
11/30	(550	+	+	+	=	+	+	+	+	-	+	+	-	-	-
BALANCE	26, 910	+	170	+	3,	=	2,	+	25, 0	-	120	+	4,	-	1,
ENDBAL.	26, 910	+	170	+	3,	=	2,	+	25, 0	-	120	+	4,	-	1,

PROBLEM 1B-5 (CONTINUED)

(b)

**THILDORÉ'S CATERING SERVICE
BALANCE SHEET
OCTOBER 31, 201X**

ASSETS LIABILITIES AND OWNER'S EQUITY

Cash	\$ 23	4	0	0		Liabilities				
Equipment	2	0	0	0		Accounts Payable	\$ 4	0	0	0
						Owner's Equity				
						J. Thildoré, Capital	25	0	0	0
						Total Liabilities and				
Total Assets	\$ 25	4	0	0		Owner's Equity	\$ 25	4	0	0

(c)

**THILDORÉ'S CATERING SERVICE
INCOME STATEMENT
FOR THE MONTH ENDED
NOVEMBER 30, 201X**

Revenue:									
Catering Revenue						\$ 4	9	5	0
Operating Expenses:									
Salaries Expense	\$ 5	5	0						
Telephone Expense		5	0						
Rent Expense		6	5	0					
Supplies Expense		5	5	0					
Total Operating Expenses						1	8	0	0
Net Income						\$ 3	1	5	0

PROBLEM1B-5(CONCLUDED)

(d)

**THILDORE'S CATERING SERVICE
STATEMENT OF OWNER'S
EQUITY MONTH ENDED NOVEMBER
30, 201X**

J. Thildore, Capital, November 1, 201X						\$ 25	0	0	0
Net Income for November	\$ 3	1	5	0					
Less: Withdrawals for November		(1	2	0)					
Increase in Capital						3	0	3	0
J. Thildore, Capital, November 30, 201X						\$ 28	0	3	0

(e)

**THILDORE'S CATERING SERVICE
BALANCE SHEET NOVEMBER
30, 201X**

ASSETS LIABILITIES AND OWNER'S EQUITY

Cash	\$ 26	9	1	0	Liabilities				
Accounts Receivable		1	7	0	Accounts Payable	\$ 2	3	5	0
Equipment	3	3	0	0	Owner's Equity				
					J. Thildore, Capital	28	0	3	0
					Total Liabilities and				
Total Assets	\$ 30	3	8	0	Owner's Equity	\$ 30	3	8	0

FINANCIAL REPORT PROBLEM SOLUTION —2013 Kellogg's Annual Report

YEAR	Cash and Cash Equivalents
2013	\$273 million
2012	<u>\$281 million</u>
Decrease	<u><u>(\$ 8 million)</u></u>

Cash and cash equivalents decreased \$8 million from 2012 to 2013.

ONT HE JOB --Sm ihC ompute rC ente r

\$8,725

\$8,725=

**SMITHCOMPUTERCE
 NTERINCOMESTATE
 MENT
 FORTHEMONTHENDEDJULY31,
 201X**

Revenue:									
Service Revenue						\$ 3	2	0	0 00
Operating Expenses:									
Rent Expense	\$	5	0	0	00				
Utilities Expense			7	5	00				
Total Operating Expenses							5	7	5 00
Net Income						\$ 2	6	2	5 00

**SMITHCOMPUTERCENTE
 RSTATEMENTOFOWNER'S
 EQUITYFORMONTHENDED
 JULY31,201X**

T. Feldman, Capital, July 1, 201X						\$			0 00
Investment for July						6	0	0	0 00
Total investment for July						6	0	0	0 00
Net Income for July	\$ 2	6	2	5	00				
Less: Withdrawals for July		(1	7	5	00)				
Increase in Capital						\$ 2	4	5	0 00
T. Feldman, Capital, July 31, 201X						\$ 8	4	5	0 00

**SMITHCOMPUTERCE
 NTERBALANCESHEET
 JULY31,201X**

ASSETSLIABILITIESANDOWNER'SEQUITY

Cash	\$3	4	2	5	00	Liabilities:				
Supplies		2	0	0	00	Accounts Payable	\$	2	7	5 00
Computer Shop Equipme	1	8	0	0	00					
Office Equipment	3	3	0	0	00	Owner's Equity				
						T. Feldman, Capital	8	4	5	0 00
						Total Liabilities and				
Total Assets	\$8	7	2	5	00	Owner's Equity	\$8	7	2	5 00

