
Exercise 1-15 page 38

On October 1, Ebony Ernst organized Ernst Consulting; on October 3, the owner contributed \$84,000 cash. On October 31, the company's records show the following items and amounts. Use this information to prepare an October income statement for the business.

Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		

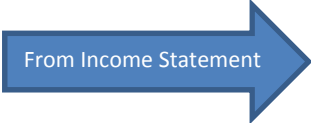
Ernst Consulting		
Income Statement		
For Month Ended October 31		
Revenues:		
Consulting fees earned		\$ 14,000
Expenses:		
Rent expense	\$ 3,550	
Salaries expense	7,000	
Telephone expense	760	
Miscellaneous expenses	580	
Total expenses		11,890
Net income (loss)		<u>\$ 2,110</u>



Exercise 1-16 page 38

On October 1, Ebony Ernst organized Ernst Consulting; on October 3, the owner contributed \$84,000 cash. On October 31, the company's records show the following items and amounts. Use this information to prepare an October statement of owner's equity for Ernst Consulting.

Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		



Ernst Consulting		
Statement of Owner's Equity		
For Month Ended October 31		
E. Ernst, Capital, October 1		\$ -
Add:		
Investment by owner		84,000
Net income		
Less:		
Withdrawals by owner		
Net loss		
E. Ernst, Capital, October 31		

On October 1, Ebony Ernst organized Ernst Consulting, a new consulting firm; on October 3, the owner contributed \$84,000 cash. On October 31, the company's records show the following items and amounts. Use this information to prepare an October statement of owner's equity for Ernst Consulting.

Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		

Ernst Consulting		
Income Statement		
For Month Ended October 31		
Revenues:		
Consulting fees earned		\$ 14,000
Expenses:		
Rent expense	\$ 3,550	
Salaries expense	7,000	
Telephone expense	760	
Miscellaneous expenses	580	
Total expenses		11,890
Net income (loss)		<u>\$ 2,110</u>

On October 1, Ebony Ernst organized Ernst Consulting, a new consulting firm; on October 3, the owner contributed \$84,000 cash. On October 31, the company's records show the following items and amounts. Use this information to prepare an October statement of owner's equity for Ernst Consulting.

Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		

Ernst Consulting		
Statement of Owner's Equity		
For Month Ended October 31		
E. Ernst, Capital, October 1		\$ -
Add:		
Investment by owner		84,000
Net income		2,110
		86,110
Less:		
Withdrawals by owner		2,000
Net loss		
E. Ernst, Capital, October 31		<u>\$ 84,110</u>



Exercise 1-17 page 38


On October 1, Ebony Ernst organized Ernst Consulting; on October 3, the owner contributed \$84,000 cash. On October 31, the company's records show the following items and amounts. Use this information to prepare an October balance sheet for Ernst Consulting.

Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		

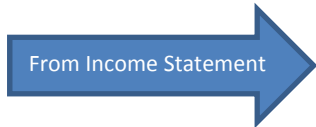
Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		

Ernst Consulting Balance Sheet October 31			
Assets		Liabilities	
Cash	\$11,360	Accounts payable	\$8,500
Accounts receivable	14,000		
Office supplies	3,250		
Land	46,000	Owner's Equity	
Office equipment	18,000	E. Ernst, Capital	84,110
Total Assets	<u>\$92,610</u>	Total Liabilities and Equity	<u>\$92,610</u>

From Statement of
Equity



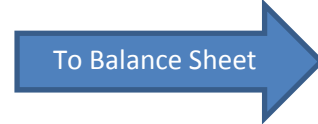
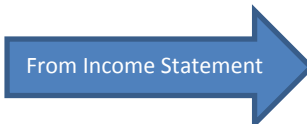
Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		



Ernst Consulting		
Statement of Owner's Equity		
For Month Ended October 31		
E. Ernst, Capital, October 1		\$ -
Add:		
Investment by owner		84,000
Net income		

Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		

Ernst Consulting		
Statement of Owner's Equity		
For Month Ended October 31		
E. Ernst, Capital, October 1		\$ -
Add:		
Investment by owner		84,000
Net income		2,110
		86,110
Less:		
Withdrawals by owner		2,000
E. Ernst, Capital, October 31		<u>\$ 84,110</u>



Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		

Ernst Consulting Balance Sheet October 31			
Assets		Liabilities	
Cash	\$11,360	Accounts payable	\$8,500
Accounts receivable	14,000		
Office supplies	3,250		
Land	46,000	Owner's Equity	
Office equipment	18,000	E. Ernst, Capital	84,110
Total Assets	<u>\$92,610</u>	Total Liabilities and Equity	<u>\$92,610</u>

Exercise 1-18 page 38

On October 1, Ebony Ernst organized Ernst Consulting, a new consulting firm; on October 3, the owner contributed assets of \$84,000. On October 31, the company's records show the following items and amounts. Use this information to prepare the October statement of cash flows for the business.

Cash	\$11,360	Owner withdrawals	\$2,000
Accounts receivable	14,000	Consulting fees earned	14,000
Office supplies	3,250	Rent expense	3,550
Land	46,000	Salaries expense	7,000
Office equipment	18,000	Telephone expense	760
Accounts payable	8,500	Miscellaneous expenses	580
Owner investments	84,000		

Also assume the following:

- The owner's initial investment consists of \$38,000 cash and \$46,000 in land.
- The company's \$18,000 equipment purchase is paid in cash.
- The accounts payable balance of \$8,500 consists of the \$3,250 office supplies purchase and \$5,250 in employee salaries yet to be paid.
- The company's rent, telephone and miscellaneous expenses are paid in cash.
- No cash has been collected on the \$14,000 consulting fees earned.

Cash	\$11,360
Accounts receivable	14,000
Office supplies	3,250
Land	46,000
Office equipment	18,000
Accounts payable	8,500
Owner investments	84,000
Owner withdrawals	\$2,000
Consulting fees earned	14,000
Rent expense	3,550
Salaries expense	7,000
Telephone expense	760
Miscellaneous expenses	580

Ernst Consulting		
Statement of Cash Flows		
For Month Ended October 31		
Cash flows from operating activities		
Cash received from customers	\$0	
Cash paid to employees	(1,750)	
Cash paid for rent	(3,550)	
Cash paid for telephone expenses	(760)	
Cash paid for miscellaneous expenses	<u>(580)</u>	
Net cash used by operating activities		(\$6,640)
Cash flows from investing activities		
Cash paid for office equipment	<u>(18,000)</u>	
Net cash used by investing activities		(18,000)
Cash flows from financing activities		
Investments by owner	38,000	
Withdrawals by owner	<u>(2,000)</u>	
Net cash provided by financing activities		<u>36,000</u>
Net increase in cash		\$11,360
Cash balance, October 1		0
Cash balance, October 31		<u>\$11,360</u>

- The owner's initial investment consists of \$38,000 cash and \$46,000 in land.
- The company's \$18,000 equipment purchase is paid in cash.
- The accounts payable balance of \$8,500 consists of the \$3,250 office supplies purchase and \$5,250 in employee salaries yet to be paid.
- The company's rent, telephone and miscellaneous expenses are paid in cash.
- No cash has been collected on the \$14,000 consulting fees earned.