

## PROBLEM SET C

### PROBLEM 4-1C

In the blank space beside each numbered balance sheet item, enter the letter of its balance sheet classification. If the item should not appear on the balance sheet, enter a Z in the blank.

- |                                 |                                 |                  |
|---------------------------------|---------------------------------|------------------|
| <b>A.</b> Current assets        | <b>D.</b> Intangible assets     | <b>G.</b> Equity |
| <b>B.</b> Long-term investments | <b>E.</b> Current liabilities   |                  |
| <b>C.</b> Plant assets          | <b>F.</b> Long-term liabilities |                  |

- |   |   |
|---|---|
| _____ 1. Building (used in operations)    | _____ 11. Rent receivable                     |
| _____ 2. Unearned consulting revenue      | _____ 12. Patent on potential cure for HIV    |
| _____ 3. Consulting revenue               | _____ 13. Mortgage payable                    |
| _____ 4. Long-term investment in stock    | _____ 14. Owner, Withdrawals                  |
| _____ 5. Prepaid Rent                     | _____ 15. Accumulated depreciation - building |
| _____ 6. Owner, capital                   | _____ 16. Entertainment expense               |
| _____ 7. Accounts receivable              | _____ 17. Current portion of mortgage payable |
| _____ 8. Wages payable                    | _____ 18. Rent revenue                        |
| _____ 9. Supplies                         | _____ 19. Accounts payable                    |
| _____ 10. Depreciation expense - building | _____ 20. Cash                                |

### PROBLEM 4-2C

On August 1, 2008, Ken Wade created a new house sitting agency, Wade's Watchdog Service. The following transactions occurred during the company's first month:

- Aug. 1 Wade invested \$15,000 cash and computer equipment worth \$2,500.  
2 Rented furnished office space by paying \$800 cash for the first month's rent.  
3 Purchased \$350 of office supplies for cash.  
3 Paid \$4,800 cash for the premium on a 12-month insurance policy. Coverage begins on August 4.  
14 Paid \$2,200 cash for two weeks' salaries earned by employees.  
24 Collected \$5,000 cash for house sitting services provided to customers.  
28 Paid another \$2,200 cash for two weeks' salaries earned by employees..  
29 Paid this month's \$150 telephone bill in cash.  
31 Paid \$500 cash to repair the company's computer.  
31 Wade withdrew \$750 cash from the business for personal use.

The company's chart of accounts included the following:

- |                                    |  |
|------------------------------------|--|
| 101 Cash                           | 405 Service Fees Earned                    |
| 106 Accounts Receivable            | 612 Depreciation Expense — Computer Equip. |
| 124 Office Supplies                | 622 Salaries Expense                       |
| 128 Prepaid Insurance              | 637 Insurance Expense                      |
| 167 Computer Equipment             | 640 Rent Expense                           |
| 168 Accum. Depr. — Computer Equip. | 650 Office Supplies Expense                |