



BE3-2 Below are transactions for Bronco Corporation during the month of June. Calculate the amount of expense to recognize in June. If the transaction does not require an expense to be recognized, indicate how the transaction would be reported.

- Pay \$600 cash to employees for work performed during June.
- Receive a \$200 telephone bill for the month of June, but Bronco does not plan to pay the bill until early next month.
- Pay \$500 on account for supplies purchased last month. All supplies were used last month.

BE3-3 Hoya Corporation reports the following amounts: Assets = \$18,000; Liabilities = \$3,000; Stockholders' equity = \$15,000; Dividends = \$3,000; Revenues = \$17,000; and Expenses = \$12,000. What amount is reported for net income?

BE3-4 Consider the following set of transactions occurring during the month of May for Bison Consulting Company. For each transaction, indicate the impact on (1) the balance of cash, (2) cash-basis net income, and (3) accrual-basis net income for May. The first answer is provided as an example.

Impact on:	Cash Balance	Cash-Basis Net Income	Accrual-Basis Net Income
(a) Receive \$1,500 from customers who were billed for services in April.	+\$1,500	+\$1,500	\$0
(b) Provide \$3,200 of consulting services to a local business. Payment is not expected until June.	_____	_____	_____
(c) Purchase office supplies for \$400 on account. All supplies are used by the end of May.	_____	_____	_____
(d) Pay \$600 to workers. \$400 is for work in May and \$200 is for work in April.	_____	_____	_____
(e) Pay \$200 to advertise in a local newspaper in May.	_____	_____	_____
Totals	=====	=====	=====

BE3-5 Rebel Technology maintains its records using cash-basis accounting. During the year, the company received cash from customers, \$50,000, and paid cash for salaries, \$21,900. At the beginning of the year, customers owe Rebel \$1,100. By the end of the year, customers owe \$8,000. At the beginning of the year, Rebel owes salaries of \$7,000. At the end of the year, Rebel owes salaries of \$4,000. Determine cash-basis net income and accrual-basis net income for the year.

BE3-6 At the beginning of May, Golden Gopher Company reports a balance in Supplies of \$500. On May 15, Golden Gopher purchases an additional \$3,300 of supplies for cash. By the end of May, only \$300 of supplies remains. (1) Record the purchase of supplies on May 15. (2) Record the adjusting entry on May 31. (3) Calculate the balances after adjustment on May 31 of Supplies and Supplies Expense.

BE3-7 Suppose Hoosiers, a specialty clothing store, rents space at a local mall for one year, paying \$25,200 (\$2,100/month) in advance on October 1. (1) Record the payment of rent in advance on October 1. (2) Record the adjusting entry on December 31. (3) Calculate the year-end adjusted balances of prepaid rent and rent expense (assuming the balance of Prepaid Rent at the beginning of the year is \$0).

BE3-8 Mountaineer Excavation operates in a low-lying area that is subject to heavy rains and flooding. Because of this, Mountaineer purchases one year of flood insurance in advance on March 1, paying \$36,000 (\$3,000/month). (1) Record the purchase of insurance in advance on March 1. (2) Record the adjusting entry on December 31. (3) Calculate the year-end adjusted balances of Prepaid Insurance and Insurance Expense (assuming the balance of Prepaid

Insurance at the beginning of the year is \$0).



BE3-9 Beaver Construction purchases new equipment for \$50,400 cash on April 1, 2021. At the time of purchase, the equipment is expected to be used in operations for seven years (84 months) and have no resale or scrap value at the end. Beaver depreciates equipment evenly over the 84 months (\$600/month). (1) Record the purchase of equipment on April 1. (2) Record the adjusting entry for depreciation on December 31, 2021. (3) Calculate the year-end adjusted balances of Accumulated Depreciation and Depreciation Expense (assuming the balance of Accumulated Depreciation at the beginning of 2021 is \$0).

BE3-10 Suppose a customer rents a vehicle for three months from Commodores Rental on November 1, paying \$6,000 (\$2,000/month). (1) Record the rental for Commodores on November 1. (2) Record the adjusting entry on December 31. (3) Calculate the year-end adjusted balances of the Deferred Revenue and Service Revenue accounts (assuming the balance of Deferred Revenue at the beginning of the year is \$0).

BE3-11 Fighting Irish Incorporated pays its employees \$5,600 every two weeks (\$400/day). The current two-week pay period ends on December 28, 2021, and employees are paid \$5,600. The next two-week pay period ends on January 11, 2022, and employees are paid \$5,600. (1) Record the adjusting entry on December 31, 2021. (2) Calculate the 2021 year-end adjusted balance of Salaries Payable (assuming the balance of Salaries Payable before adjustment in 2021 is \$0).

BE3-12 Midshipmen Company borrows \$15,000 from Falcon Company on July 1, 2021. Midshipmen repays the amount borrowed and pays interest of 12% (1%/month) on June 30, 2022. (1) Record the borrowing for Midshipmen on July 1, 2021. (2) Record the adjusting entry for Midshipmen on December 31, 2021. (3) Calculate the 2021 year-end adjusted balances of Interest Payable and Interest Expense (assuming the balance of Interest Payable at the beginning of the year is \$0).

BE3-13 Refer to the information in BE3-12. (1) Record the lending for Falcon on July 1, 2021. (2) Record the adjusting entry for Falcon on December 31, 2021. (3) Calculate the 2021 year-end adjusted balances of Interest Receivable and Interest Revenue (assuming the balance of Interest Receivable at the beginning of the year is \$0).

BE3-14 For each of the following accounts, indicate whether the account is shown in the income statement or the balance sheet:

<u>Accounts</u>	<u>Financial Statement</u>
1. Accounts Receivable	_____
2. Deferred Revenue	_____
3. Supplies Expense	_____
4. Salaries Payable	_____
5. Depreciation Expense	_____
6. Service Revenue	_____

BE3-15 Below are the four primary financial statements. Match each financial statement with its primary purpose to investors.

<u>Financial Statements</u>	<u>Purposes</u>
1. _____ Income statement	a. Provides measures of resources and claims to those resources at the end of the year.
2. _____ Statement of stockholders' equity	b. Provides an indication of the company's ability to make a profit during the current year.
3. _____ Balance sheet	c. Provides a measure of net increases and decreases in cash for the current year.
4. _____ Statement of cash flows	d. Shows changes in owners' claims to resources for the current year.



BE3-16 The following account balances appear in the 2021 adjusted trial balance of Beavers Corporation: Service Revenue, \$275,000; Salaries Expense, \$110,000; Supplies Expense, \$20,000; Rent Expense, \$26,000; Depreciation Expense, \$44,000; and Delivery Expense, \$18,000. Prepare an income statement for the year ended December 31, 2021.

BE3-17 The following account balances appear in the 2021 adjusted trial balance of Spiders Corporation: Common Stock, \$30,000; Retained Earnings, \$8,000; Dividends, \$1,000; Service Revenue, \$28,000; Salaries Expense, \$16,000; and Rent Expense, \$9,000. No common stock was issued during the year. Prepare the statement of stockholders' equity for the year ended December 31, 2021.

BE3-18 The following account balances appear in the 2021 adjusted trial balance of Blue Devils Corporation: Cash, \$5,000; Accounts Receivable, \$9,000; Supplies, \$19,000; Equipment, \$120,000; Accumulated Depreciation, \$45,000; Accounts Payable, \$26,000; Salaries Payable, \$16,000; Common Stock, \$60,000; and Retained Earnings, _____. Prepare the December 31, 2021, classified balance sheet including the correct balance for retained earnings.

BE3-19 The year-end adjusted trial balance of Aggies Corporation included the following account balances: Retained Earnings, \$230,000; Service Revenue, \$900,000; Salaries Expense, \$390,000; Rent Expense, \$150,000; Interest Expense, \$85,000; and Dividends, \$60,000. Record the necessary closing entries.

BE3-20 The year-end adjusted trial balance of Hilltoppers Corporation included the following account balances: Cash, \$5,000; Equipment, \$17,000; Accounts Payable, \$3,000; Common Stock, \$11,000; Retained Earnings, \$8,100; Dividends, \$1,100; Service Revenue, \$16,000; Salaries Expense, \$11,000; and Utilities Expense, \$4,000. Prepare the post-closing trial balance.