

Chapter 1 - Guide Questions (p.17)

1. Accounting affects our lives because, we make transactions every single day. It helps us determine
2. To maximize the value of money, to provide goods and services to people, to provide employment
3. It is important to the community because it circulates the money and provides not only, goods and
4. Machines
 - Labor Skills
 - Fixed Capital
 - Working Capital
 - Raw Materials
5. The main sources of capital are the owner and/or Investors.
6. It is risky because we are not always certain that the operation of the business will turn out well.
7. The success of a business can be measured by a good management.
8. Profit is the amount of money you earned less the cost of goods or services.
9. Sole- proprietorship: business organized by one person. (A): Owner gets all the profits. (D): Difficult to raise capital.
Partnership: Business owned by two or more individuals. (A): Partners can easily fill up positions.
Corporation: Organized as a separate legal entity by the owners. (A): Has an Indefinite Life. (D): More expensive to start.
10. Merchandising business only sells goods, but manufacturing business not only sells goods, but also produces them.
11. ShoeMart, Ayala Malls, Trinoma, and the like.
12. Return on investment is the return less the original investment. Return of investment is simply the return.
13. Planning: Line up of activities to be undertaken and accomplish the goals set up.
Organizing: the management will now work out its plans.
Directing and Controlling: management will see the day to day operation of carrying out the plans.
Making a decision: the management will decide whether to stop or continue the operations, but only if it is profitable.
14. Efficiency requires the company's inputs be used at the least time, effort and cost to produce output.
15. Planning: Line up of activities to be undertaken and accomplish the goals set up.
Organizing: the management will now work out its plans.
Directing and Controlling: management will see the day to day operation of carrying out the plans.
Making a decision: the management will decide whether to stop or continue the operations, but only if it is profitable.
16. Service business obtains profit through the provision of services to the consumer.
Merchandising Business obtains profit by buying and selling products or goods to consumers.
Manufacturing business obtains profit by buying raw materials and then forming them to a product.
17. Revenue is recognized by service type of businesses when services is rendered, Merchandising when goods are sold, and Manufacturing when goods are sold.
18. Unlimited Liability means that in the event of insolvency, the partners'/owner('s') personal assets are used to pay the business debts.
19. Accounting is the process of identifying, measuring and communicating economic information to interested parties.
Accounting as a service activity which function is to provide quantitative information, primarily in monetary terms, that is useful in making economic decisions.
21. Accounting Information System involves an orderly way of accumulating and reporting business transactions.
22. (1)Data Gathering, (2)Analyzing, Measuring, Recording, (3)Classifying, Storing, (4)Summarizing, and (5)Reporting.

Chapter 1 - Exercises

Exercise 1 - p. 18

1. Sole-proprietorship
2. Manufacturing
3. To expand the business

Exercise 2 - p. 18

1. Partnership
2. Service form
3. Banks, Loaning Co., etc.

Exercise 3 - p. 18

	Sole-proprietorship	Partnership
Must register with Securities & Exchange Commission		X
Owner(s) is(are) generally reliable to creditors	X	X
Profit may be easily withdrawn	X	X
Must register with Bureau of Internal Revenue	X	X
Managed by Board of Directors		
Death of owner/investor may lead to business Closure	X	X

ie how much we earn, how much we spends and how much we saves.
nt, and to contribute to the government through tax.
nd services to the community but also employment. It also helps the government thru tax.

. We can reduce the risk by careful planning and control of a good manager.

ult to expand due to lack of resources.

. (D): Death, insolvency, withdrawal can easily dissolve or terminate the partnership.

More legal and tax requirements to be complied with.

also makes goods from raw materials.

the return of the original investment itself.

anned activities.

ry or sell the products, and so on.

utputs. Effectiveness, refers to the company's attainment of its goals in terms of being able to produce or sell

anned activities.

ry or sell the products, and so on.

duct, and then by selling them to the merchandising type of businesses.

by selling of goods, and Manufacturing by selling their outputs to others.

it may be subject to attachment by the business creditors.

to permit judgement and decisions by users of the information.

financial in nature, about economic entities, that is intended to be useful in making economic decisions.

; transactions through a process of analyzing, measuring, recording, classifying and summarizing, and from w

Reporting, Interpreting

Corporation
X
X
X
X

l products or services as stated in the plan.

hich reports are generated for proper communication to decision makers.

CHAPTER 3 - Guide Questions (p.57)

Chapter 3 - Exercises

Exercise 1 - p.56

Exercise 2 - p.56

Exercise 3 - p.57

COMPANY	ASSETS	LIABILITIES	OWNER'S EQ.
A	300,000.00	50,000.00	250,000.00
B	800,000.00	450,000.00	350,000.00
C	900,000.00	150,000.00	750,000.00
D	500,000.00	300,000.00	0.40
E	4,000,000.00	(20%)800,000.00	3,200,000.00

Exercise 4 - p.57

A. Company D

B.	Profit /Equity*100
A	0.80
B	0.57
C	0.27
D	1.00
E	0.06

Exercise 5 - p.57

	Asset	Liabilities	Equity
a	1,400,000.00	560,000.00	(60%)840,000.00
b	2,550,000.00	1,275,000.00	1,275,000.00
c	1,000,000.00	(40%)400,000.00	600,000.00
d	2,000,000.00	500,000.00	1,500,000.00

Exercise 6 - p.57

	Assets
Cash	7,000.00
Accounts Receivable	40,000.00
Car	100,000.00
Total Assets	<u>147,000.00</u>

Liabilities & Owner's Equity

Accounts Payable	14,000.00	
Notes Payable	150,000.00	
Red, Capital	50,000.00	
	<u>214,000.00</u>	*Profit of P67,000.00

Exercise 7 - p.57

ASSETS

Cash	120,000.00	
Supplies	10,000.00	
Equipment	500,000.00	
Accounts Receivable	280,000.00	
Car	892,000.00	
Office Furniture	156,000.00	
	<u>1,958,000.00</u>	

LIABILITIES

Bank Loan	440,000.00	
Accounts Payable	360,000.00	
	<u>800,000.00</u>	

Assets - Liabilities = Owner's Equity

P1,958,000.00 - P800,000.00 = **P1,158,000.00**

Exercise 8 - p.57

Asset: Increase and Decrease

Liabilities: No Change

Equity: No Change

Exercise 9 - p.57

Asset: Increase

Liabilities: Increase

Equity: No Change

Exercise 10 - p.57

Asset: Decrease

Liabilities: No Change

Equity: Decrease

Exercise 11 - p.58

ASSETS	LIABILITIES	EQU
N/A	N/A	N _i
+	N/A	.
N/A	N/A	N _i
+, -	N/A	N _i
+	+	N _i
-	-	N _i
-	N/A	.

Exercise 12 - p.58

- Yes, because business is separate from the owner. Business Entity Concept.
- Transactions E & F. Accrual Concept.
- Objectivity Concept

Exercise 13 - p.58

- Invested 50,000 cash
- Bought office supplies worth 5,000 in cash
- Acquired office furniture worth 18,000 on account
- Paid 8,000 cash the outstanding balance on account
- Vega withdrew 2,000 cash for personal use
- Paid the remaining balang of the acquired furniture on account from the note he applied to

Exercise 14 - p.58

Cash	35,000.00	
Office Supplies	5,000.00	
Office Furniture	18,000.00	58,000.00
Notes Payable	10,000.00	10,000.00
Vega, Capital	48,000.00	48,000.00
		58,000.00

Exercise 15 - p.58

- Invested 500,000 cash and medical equipment costing 1,500,000
- Bought 15,000 worth of office supplies on account
- Acquired 25,000 of furniture, paid 5,000 cash and applied a note for the remaining balance
- Invested an additional office equipment costing 80,000
- Paid 5,000 cash for the office supplies balance on account and 10,000 for the note balance
- withdrawn 1,000 worth of office supplies for personal use.

Exercise 16 - p.58

	Cash	Supplies	Prepaid Rent
1	350,000.00		
10	(10,000.00)		10,000.00
Bal	340,000.00		10,000.00
15	(68,000.00)		
Bal	272,000.00		10,000.00
20	(1,500.00)	1,500.00	
Bal	270,500.00	1,500.00	10,000.00
25	(125,000.00)		
	145,500.00	1,500.00	10,000.00
			475,000.00

Exercise 17 - p.58

	Cash	Art Supplies	Office Supplies
5	150,000.00		
9	(15,000.00)	15,000.00	
	135,000.00	15,000.00	
16	(35,000.00)		
	100,000.00	15,000.00	
20			
	100,000.00	15,000.00	
22	(1,500.00)		1,500.00
	98,500.00	15,000.00	1,500.00
25			
	98,500.00	15,000.00	1,500.00
28	(35,000.00)		
	63,500.00	15,000.00	1,500.00
			199,000.00

- a. P150,000.00, Accrual Concept
- b. P6,000.00, Cost Concept
- c. FINANCIAL POSITION

ASSET

Cash	63,500.00
Art Supplies	15,000.00
Office Supplies	1,500.00
Equipment	111,000.00
Furniture & Fixtures	8,000.00
Total Assets	199,000.00

LIABILITIES AND OWNER'S EQUITY

Accounts Payable	14,000.00
------------------	-----------

Notes Payable	35,000.00
Kalaw, Capital	<u>150,000.00</u>
Total Liabs. And O's Equity	<u>199,000.00</u>

Exercise 18 - p.58

	Cash	Supplies	Land
4	1,500,000.00		300,000.00
8	(915,000.00)	15,000.00	
	585,000.00	15,000.00	300,000.00
10	585,000.00	15,000.00	300,000.00
14		(1,000.00)	
	585,000.00	14,000.00	300,000.00
15	2,500,000.00		
	3,085,000.00	14,000.00	300,000.00
17	(40,000.00)		
	3,045,000.00	14,000.00	300,000.00
30	(1,500,000.00)		
	1,545,000.00	14,000.00	300,000.00
			4,339,000.00

June 10 : Business Entity Concept.

June 14 : Business Entity Concept

June 30 : Going Concern Concept

ASSETS

Cash	1,545,000.00
Supplies	14,000.00
Land	300,000.00
Building	1,500,000.00
Equipment	900,000.00
Furniture & Fixtures	80,000.00
Total Assets	<u>4,339,000.00</u>

LIABILITIES AND OWNER'S EQUITY

Accounts Payable	40,000.00
Loan Payable	2,500,000.00
Valdez, Capital	<u>1,799,000.00</u>
Total Liabs. & O's Equity	<u>4,339,000.00</u>

Exercise 19 - p.59

	Cash	F&Fs	Supplies

	1	250,000.00		
	2	(10,000.00)	60,000.00	
		240,000.00	60,000.00	
	10			
		240,000.00	60,000.00	
	15	(100,000.00)	100,000.00	
		140,000.00	160,000.00	
	20	(15,000.00)		15,000.00
		125,000.00	160,000.00	15,000.00
	23	(75,000.00)		
		50,000.00	160,000.00	15,000.00
	25			500.00
		50,000.00	160,000.00	14,500.00
	30	(10,000.00)		
		40,000.00	160,000.00	14,500.00
				664,500.00

ASSETS

Cash	40,000.00
Furniture and Fixtures	160,000.00
Supplies	14,500.00
Equipment	300,000.00
Car	150,000.00
	<u>664,500.00</u>

LIABILITIES AND OWNER'S EQUITY

Accounts Payable	75,000.00
Notes Payable	40,000.00
Narvaez, Capital	550,000.00
Narvaez, Drawing	(500.00)
	<u>664,500.00</u>

Chapter 3 - PROBLEMS

Problem 1 - p.61

Problem 2 - p.61

1.) Assets (P6,150,000 + 750,000)	6,900,000.00	
Liabilities (P2,650,000 - 750,000)	<u>1,900,000.00</u>	
Owner's Equity	<u>5,000,000.00</u>	
2.) Assets (P2,200,000 + 700,000)	2,900,000.00	
Liabilities (P1,050,000 + 300,000)	<u>1,350,000.00</u>	
Owner's Equity (P1,150,000)	<u>1,550,000.00</u>	
	1st Year	2nd Year
3.) Assets	1,380,000.00	2,180,000.00
Liabilities	<u>660,000.00</u>	560,000.00
Owner's Equity	<u>720,000.00</u>	<u>1,620,000.00</u>

Problem 3 - p.62

	Cash	Prepaid Rent	Equipment
1	500,000.00		
2	(150,000.00)	150,000.00	
Bal	350,000.00	150,000.00	
3			68,500.00
Bal	350,000.00	150,000.00	68,500.00
4	(45,000.00)		245,000.00
Bal	305,000.00	150,000.00	313,500.00
8	(15,000.00)		
Bal	290,000.00	150,000.00	313,500.00
10	(25,000.00)		
Bal	265,000.00	150,000.00	313,500.00
19			
Bal	265,000.00	150,000.00	313,500.00
25	(25,000.00)		
Bal	240,000.00	150,000.00	313,500.00
30	(100,000.00)		
	140,000.00	150,000.00	313,500.00
	668,000.00		

ASSETS

Cash	140,000.00
Prepaid Rent	150,000.00
Equipment	313,500.00
Office Supplies	14,500.00
Furniture and Fixtures	<u>50,000.00</u>
Total Assets	<u>668,000.00</u>

LIABILITIES AND OWNER'S EQUITY

Accounts Payable	100,000.00
Notes Payable	-
Eow, Capital	568,000.00
Total Liabs. & Owner's Equity	668,000.00

Problem 4 - p.62

	Cash	Lease Right	Equipment
1		500,000.00	
3	250,000.00		
Bal	250,000.00	500,000.00	
5			200,000.00
Bal	250,000.00	500,000.00	200,000.00
9	(60,000.00)		
Bal	190,000.00	500,000.00	200,000.00
10			
Bal	190,000.00	500,000.00	200,000.00
15	250,000.00		
Bal	440,000.00	500,000.00	200,000.00
20	(200,000.00)		
Bal	240,000.00	500,000.00	200,000.00
25	(130,000.00)		
	110,000.00	500,000.00	200,000.00
	1,000,000.00		

ASSETS

Cash	110,000.00
Lease Right	500,000.00
Equipment	200,000.00
Furniture and Fixtures	190,000.00
Total Assets	1,000,000.00

LIABILITIES AND OWNER'S EQUITY

Loan Payable	250,000.00
Ocampo, Capital	750,000.00
Total Liabs. & Owner's Equity	1,000,000.00

Problem 5 - p.62

ASSETS

Cash	16,900.00
------	-----------

Accounts Receivable	7,200.00
Props and Costumes	50,000.00
	<u>74,100.00</u>

LIABILITIES AND OWNER'S EQUITY

Accounts Payable	19,000.00
Salaries Payable	29,200.00
Notes Payable	20,000.00
Bersoza, Capital	5,900.00
	<u>74,100.00</u>

CASE STUDIES p. 64

CASE STUDY 1 - p. 64

Assets:

Cash	5,000.00
Car	500,000.00
Furniture and Fixture	30,000.00
Equipment	60,000.00
Supplies	5,000.00
	<u>600,000.00</u>

CASE STUDY 2 - p. 64

ASSETS

Cash	10,000.00
Car	500,000.00
Furniture and Fixture	30,000.00
Equipment	60,000.00
Supplies	5,000.00
	<u>605,000.00</u>

LIABILITIES AND OWNER'S EQUITY

Accounts Payable	55,000.00
Vasquez, Capital	550,000.00
	<u>605,000.00</u>

JITY	
/A	A
.	B
/A	C
/A	D
/A	E
/A	F
.	G

F&Fs	Equipment	Leasehold Imp.	Note Payable	Djesus, Capital
				350,000.00
8,000.00	45,000.00	15,000.00		350,000.00
8,000.00	45,000.00	15,000.00		350,000.00
8,000.00	45,000.00	15,000.00		350,000.00
	250,000.00		125,000.00	
8,000.00	295,000.00	15,000.00	125,000.00	350,000.00
00.00			475,000.00	

Equipment	F&Fs	Accts. Payable	Notes Payable	Kalaw, Capital
				150,000.00
105,000.00		70,000.00		150,000.00
105,000.00		70,000.00		150,000.00
6,000.00		6,000.00		
111,000.00		76,000.00		150,000.00
111,000.00		76,000.00		150,000.00
	8,000.00	8,000.00		
111,000.00	8,000.00	84,000.00		150,000.00
		(70,000.00)	35,000.00	
111,000.00	8,000.00	14,000.00	35,000.00	150,000.00
			199,000.00	

Building	Equipment	F&Fs	Accts. Payable	Loan Payable	Valdez, Capital
	900,000.00				1,800,000.00
	900,000.00	80,000.00	80,000.00		1,800,000.00
	900,000.00	80,000.00	80,000.00		1,800,000.00 (1,000.00)
	900,000.00	80,000.00	80,000.00	2,500,000.00	1,799,000.00
	900,000.00	80,000.00	80,000.00 (40,000.00)	2,500,000.00	1,799,000.00
1,500,000.00	900,000.00	80,000.00	40,000.00	2,500,000.00	1,799,000.00
1,500,000.00	900,000.00	80,000.00	40,000.00	2,500,000.00	1,799,000.00
00.00				4,339,000.00	

Equipment	Car	Accounts Payable	Notes Payable	Narvaez, Capital	Narvaez, Drawing
-----------	-----	------------------	---------------	------------------	------------------

			50,000.00	250,000.00	
300,000.00			50,000.00	250,000.00	
300,000.00			50,000.00	300,000.00	
300,000.00			50,000.00	550,000.00	
300,000.00			50,000.00	550,000.00	
300,000.00	150,000.00	75,000.00	50,000.00	550,000.00	
300,000.00	150,000.00	75,000.00	50,000.00	550,000.00	500.00
300,000.00	150,000.00	75,000.00	50,000.00	550,000.00	500.00
300,000.00	150,000.00	75,000.00	(10,000.00)	550,000.00	500.00
300,000.00	150,000.00	75,000.00	40,000.00	550,000.00	500.00
			664,500.00		

Office Supplies	F & Fs	Accts. Payable	Note Payable	Eow, Capital
				500,000.00
				500,000.00
				68,500.00
				568,500.00
		200,000.00		
		200,000.00		568,500.00
15,000.00				
15,000.00		200,000.00		568,500.00
	50,000.00		25,000.00	
15,000.00	50,000.00	200,000.00	25,000.00	568,500.00
(500.00)				(500.00)
14,500.00	50,000.00	200,000.00	25,000.00	568,000.00
			(25,000.00)	
14,500.00	50,000.00	200,000.00		568,000.00
		(100,000.00)		
14,500.00	50,000.00	100,000.00		568,000.00
		668,000.00		

F&Fs	Accts. Payable	Loan Payable	Notes Payable	Ocampo, Capital
				500,000.00
				250,000.00
				750,000.00
	200,000.00			
	200,000.00			750,000.00
200,000.00			140,000.00	
200,000.00	200,000.00		140,000.00	750,000.00
(10,000.00)			(10,000.00)	
190,000.00	200,000.00		130,000.00	750,000.00
		250,000.00		
190,000.00	200,000.00	250,000.00	130,000.00	750,000.00
	(200,000.00)			
190,000.00		250,000.00	130,000.00	750,000.00
			(130,000.00)	
190,000.00		250,000.00		750,000.00
				1,000,000.00

GUIDE QUESTIONS - p. 80

EXERCISES - p.80

Exercise 1 - p. 80

10 Ads, (P500,000/10)	50,000.00
x May, 2 Advertisements	<u>2</u>
May, Revenue	<u><u>100,000.00</u></u>

Exercise 2 - p. 80

A.

Cash Received on Oct. For Nov. Flights	5,000,000.00
Cash Received on Nov. For Nov. Flights	<u>3,000,000.00</u>
Nov., Revenue (Realization Principle)	<u><u>8,000,000.00</u></u>

B.

Cash Received on Oct. For Nov. Flights	5,000,000.00
--	--------------

Cash Received on Nov. For Nov. Flights	3,000,000.00
Cash Received on Nov. for Dec. Flights	<u>4,000,000.00</u>
Nov., Revenue, (Cost Concept)	<u><u>12,000,000.00</u></u>

Exercise 3 - p. 81

A. Matching Principle

Salaries Expense, May	25,000.00
Salaries Payable, May	<u>19,000.00</u>
	<u><u>44,000.00</u></u>

B. Cost Concept

Salaries Expense, April	18,000.00
Salaries Expense, May	<u>25,000.00</u>
	<u><u>43,000.00</u></u>

Exercise 4 - p. 81

Income Statement

Revenue	80,000.00
Less: Operating Expenses	<u>(72,000.00)</u>
Net Income	<u><u>8,000.00</u></u>

Statement of Owner's Equity

Cash	87,500.00	?
Accounts Receivables	20,000.00	?
Equipment	<u>25,000.00</u>	?
	<u><u>132,500.00</u></u>	?
		?
Accounts Payable	24,500.00	?
Owner's Capital	118,000.00	?
Drawing	<u>(10,000.00)</u>	?
	<u><u>132,500.00</u></u>	?