2

T Accounts, Debits and Credits, Trial Balance, and Financial Statements

DEMONSTRATION PROBLEM

Dr. Christy Russo maintains an office for the practice of veterinary medicine. The account balances as of September 1 are given below. All are normal balances.

Assets		Revenue	
Cash	\$ 2,459	Professional Fees	\$72,118
Accounts Receivable	18,120		
Prepaid Insurance	980	Expenses	
Automobile	20,650	Salary Expense	14,380
Furniture and Equipment	5,963	Rent Expense	10,320
Liabilities		Automobile Expense	859
Accounts Payable	1,590	Utilities Expense	1,213
Owner's Equity		Supplies Expense	840
C. Russo, Capital	42,076		
C. Russo, Drawing	40,000		

The following transactions occurred during September of this year.

- a. Paid rent for the month, \$1,290.
- b. Paid \$1,800 for one year's coverage of liability insurance.
- c. Bought medical equipment on account from Bennett Surgical Supply, \$849, paying \$200 down with the balance due in thirty days.
- d. Billed patients for services performed, \$9,015.
- e. Paid employee salaries, \$1,797.
- f. Received and paid gas and electric bill, \$112.
- g. Received cash from patients previously billed, \$11,060.
- h. Received bill for gasoline for car, used only in the professional practice, from Garza Fuel Company, \$116.
- i. Paid creditors on account, \$1,590.
- j. Dr. Russo withdrew cash for personal use, \$5,000.

Instructions

- 1. Correctly place plus and minus signs under each T account and label the sides of the T accounts as either debit or credit in the fundamental accounting equation. Record the account balances as of September 1.
- 2. Record the September transactions in the T accounts. Key each transaction to the letter that identifies the transaction.
- 3. Foot the columns.
- 4. Prepare a trial balance dated September 30.
- 5. Prepare an income statement for month ending September 30, 20–.
- 6. Prepare a statement of owner's equity for month ending September 30, 20-.

7. Prepare a balance sheet as of September 30, 20–.

	Ass	ets		=	Lia	bilities		+	Owner	r's Equi	ity +	Re	Revenue - - + Debit Credit			Expenses	
I	+ Debit		– Credit		– Debit	Cre	+ edit		– Debit		+ Credit	– Debit			1	+ Debit	- Credit
	Ca	sh			Accoun	ts Payal	ole	C. Rı		. Russo, Capital		Professional Fees		onal Fees		Salary Expens	
	+		_		_		<u> </u>		_		+	_		+		+	Ī –
Bal.	2,459	(a)	1,290			Bal.	1,590			Bal.	42,076		Bal.	72,118	Bal.	14,380	
(g)	11,060	(b)	1,800	(i)	1,590	(c)	649			ı			(d)	9,015	(e)	1,797	
	13,519	(c)	200			(h)	116		C. Russ	o, Drav	wing		Bal.	81,133	Bal.	16,177	
		(e)	1,797				2,355		+	ĺ	_		•				ı
		(f)	112			Bal.	765	Bal.	40,000							Rent Ex	pense
		(i)	1,590			!		(j)	5,000							+	_
		(j)	5,000					Bal.	45,000						Bal.	10,320	
			11,789												(a)	1,290	
Bal.	1,730														Bal.	11,610	
	ccounts I) o o o i	voblo					D.,	. Christy	Dusso					A	tomobilo	Expense
A	+	Lecei	vable _						rial Bala				_		Au	+	
Bal.	18,120	(g)	11,060	_					otember 3						Bal.	859	
(d)	9,015	(8)	11,000	_	1	۸٥	COUNT NA		oremoer 3	1	DEBIT	CREDIT	_		(h)	116	
(u)	$\frac{27,015}{27,135}$			_	Cash		COOINTIN	TIVIL			1,730.00	CILLDII	_		Bal.	975	
Bal.	16,075			_	Accou	nts Rece	ivable				6,075.00						ı
	ŕ			_	Prepai	d Insura	nce			_	2,780.00				τ	Jtilities E	xpense
	Prepaid I	nsura	nce	_	Auton						20,650.00					+	<u> </u>
	+		_	_	Furnitu	ire and E	Equipmer	nt			6,812.00				Bal.	1,213	
Bal.	980			_	Accou	nts Paya	ble					765.00			(f)	112	
(b)	1,800			_	C. Rus	sso, Cap	ital					42,076.00			Bal.	1,325	
Bal.	2,780			_	C. Rus	sso, Drav	wing			4	15,000.00						1
		•			Profes	sional Fe	ees					81,133.00			S	upplies E	xpense
	Furnitu	ire an	ıd		Salary	Expense	;			1	6,177.00		_			+	_
	Equip	ment		_		Expense					1,610.00		_		Bal.	840	
	+		_		Auton	obile Ex	pense				975.00						i.
Bal.	5,963			_	Utilitie	s Expens	se				1,325.00						
(c)	849			_		es Exper					840.00						
Bal.	6,812			_						12	23,974.00	123,974.00					
		'		_						1							
	Auton	nobile	<u> </u>	_													
	+		_														

Bal. 20,650

Dr. Christy Russo

Income Statement

For the Month Ending September 30, 20—

Revenue:		
Professional Fees		\$81,133.00
Expenses:		
Salary Expense	\$16,177.00	
Rent Expense	11,610.00	
Automobile Expense	975.00	
Utilities Expense	1,325.00	
Supplies Expense	840.00	
Total Expenses		30,927.00
Net Income		\$50,206.00

Dr. Christy Russo

Statement of Owner's Equity

For the Month Ending September 30, 20—

C. Russo, Capital, September 1, 20—		\$42,076.00
Net Income for September	\$50,206.00	
Less Withdrawals for September	45,000.00	
Increase in Capital		5,206.00
C. Russo, Capital, September 30, 20—		\$47,282.00

Dr. Christy Russo

Balance Sheet

September 30, 20—

Assets		
Cash	\$ 1,730.00	
Accounts Receivable	16,075.00	
Prepaid Insurance	2,780.00	
Automobile	20,650.00	
Furniture and Equipment	6,812.00	
		\$48,047.00
Liabilities		
Accounts Payable		\$ 765.00
Owner's Equity		
C. Russo, Capital		47,282.00
		\$48,047.00