DEMONSTRATION PROBLEM

After several months of planning, Jasmine Worthy started a haircutting business called Expressions. The following events occurred during its first month.

1. On August 1, Worthy invested $3,000 cash and $15,000 of equipment in Expressions in exchange for common stock.
2. On August 2, Expressions paid $600 cash for furniture for the shop.
3. On August 3, Expressions paid $500 cash to rent space in a strip mall for August.
4. On August 4, it purchased $1,200 of equipment on credit for the shop (using a long-term note payable).
5. On August 5, Expressions opened for business. Cash received from haircutting services in the first week and a half of business (ended August 15) was $825.
6. On August 15, it provided $100 of haircutting services on account.
7. On August 17, it received a $100 check for services previously rendered on account.
8. On August 17, it paid $125 to an assistant for hours worked during the grand opening.
9. Cash received from services provided during the second half of August was $930.
10. On August 31, it paid a $400 installment toward principal on the note payable entered into on August 4.
11. On August 31, it paid $900 cash for dividends.

**Required**

1. Open the following ledger accounts in balance column format (account numbers are in parentheses): Cash (101); Accounts Receivable (102); Furniture (161); Store Equipment (165); Note Payable (240); Common Stock (307); Dividends (319); Haircutting Services Revenue (403); Wages Expense (623); and Rent Expense (640). Prepare general journal entries for the transactions.
2. Post the journal entries from (1) to the ledger accounts.
3. Prepare a trial balance as of August 31.
4. Prepare an income statement for August.
5. Prepare a statement of retained earnings for August.
6. Prepare a balance sheet as of August 31.





**Exercise 2-5**

Analyzing account entries and balances A1

Use the information in each of the following separate cases to calculate the unknown amount.

1. Corentine Co. had $152,000 of accounts payable on September 30 and $132,500 on October 31. Total purchases on account during October were $281,000. Determine how much cash was paid on accounts payable during October.
2. On September 30, Valerian Co. had a $102,500 balance in Accounts Receivable. During October, the company collected $102,890 from its credit customers. The October 31 balance in Accounts Receivable was $89,000. Determine the amount of sales on account that occurred in October.
3. During October, Alameda Company had $102,500 of cash receipts and $103,150 of cash disbursements. The October 31 Cash balance was $18,600. Determine how much cash the company had at the close of business on September 30.