

## Example Exercise 1-4, 1-5 & 1-6

The assets and liabilities of Chickadee Travel Service at April 30, 2010, the end of the current year, and its revenue and expenses for the year are listed below. The capital of the owner, Adam Cellini, was \$80,000 at May 1, 2009, the beginning of the current year.

Accounts payable	\$ 12,200	Miscellaneous expense	\$ 12,950
Accounts receivable	31,350	Office expense	63,000
Cash	53,050	Supplies	3,350
Fees earned	263,200	Wages expense	131,700
Land	80,000		

Adam Cellini invested an additional \$50,000 in the business during the year and withdrew cash of \$30,000 for personal use.

For the current year ended April 30, 2010.

- Prepare an income statement
- Prepare a statement of owner's equity
- Prepare a balance sheet

## Example Exercise 1-4, 1-5 & 1-6

### CHICKADEE TRAVEL SERVICE INCOME STATEMENT

For the Year Ended April 30, 2010

Fees earned		\$263,200
Expenses:		
Wages expense	\$131,700	
Office expense	63,000	
Miscellaneous expense	<u>12,950</u>	
Total expenses		<u>207,650</u>
Net income		<u><u>\$ 55,550</u></u>

## Example Exercise 1-4, 1-5 & 1-6

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**CHICKADEE TRAVEL SERVICE**  
**STATEMENT OF OWNER'S EQUITY**  
For the Year Ended April 30, 2010

Adam Cellini, capital, May 1, 2009		\$ 80,000
Additional investment by owner during year	\$ 50,000	
Net income for the year	<u>55,550</u>	
	\$105,550	
Less withdrawals	<u>30,000</u>	
Increase in owner's equity		<u>75,550</u>
Adam Cellini, capital, April 30, 2010		<u><u>\$155,550</u></u>

The *account form* of balance sheet lists the assets on the left and the liabilities and owner's equity on the right—similar to design of an account.

The *report form* of balance sheet presents the liabilities and owner's equity sections below the assets section.

# Example Exercise 1-4, 1-5 & 1-6

## CHICKADEE TRAVEL SERVICE BALANCE SHEET April 30, 2010

Assets		Liabilities	
Cash	\$ 53,050	Accounts payable	\$12,200
Accounts receivable	31,350		
Supplies	3,350	Owner's Equity	
Land	<u>80,000</u>	Adam Cellini, capital	<u>155,550</u>
Total assets	<u>\$167,750</u>	Total liab. & owner's eq.	<u>\$167,750</u>

The statement of cash flows consists of three sections:

- (1) Operating activities
- (2) Investing activities
- (3) Financing activities



The *cash flows from operating activities*

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section reports a summary of cash receipts and cash payments from operations.

The *cash flows from investing activities* section reports the cash transactions for the acquisition and sale of relatively permanent assets.

The *cash flows from financing activities* section reports the cash transactions related to cash investments by the owner, borrowings, and cash withdrawals by the owner.

## Example Exercise 1-7

A summary of cash flows for Chickadee Travel Service for the year ended April 30, 2010, is shown below.

Cash receipts:

Cash received from customers	\$251,000
Cash received from additional investment of owner	50,000

Cash payments:

Cash paid for expenses	210,000
Cash paid for land	80,000
Cash paid to owner for personal use	30,000

The cash balance as of May 1, 2009, was \$72,050.

Prepare a statement of cash flows for Chickadee Travel Service for the year ended April 30, 2010.



## Follow My Example 1-7

### CHICKADEE TRAVEL SERVICE STATEMENT OF CASH FLOWS For the Year Ended April 30, 2010

Cash flows from operating activities:		
Cash received from customers	\$251,000	
Deduct cash payments for expenses	<u>210,000</u>	
Net cash flows from operating activities		\$ 41,000
Cash flows from investing activities:		
Cash payments for purchase of land		(80,000)
Cash flows from financing activities:		
Cash received from owner as investment	\$ 50,000	
Deduct cash withdrawals by owner	<u>30,000</u>	
Net cash flows from financing activities		<u>20,000</u>
Net decrease in cash during year		\$(19,000)
Cash as of May 1, 2009		<u>72,050</u>
Cash as of April 30, 2010		<u><u>\$ 53,050</u></u>