**E1-8** The following items and amounts were taken from Lonyear Inc.'s 2017 income statement and balance sheet.

|  |  |  |  |
| --- | --- | --- | --- |
| \_\_\_\_\_\_\_\_ Cash | $ 84,700 | \_\_\_\_\_\_\_\_ Accounts receivable | $ 88,419 |
| \_\_\_\_\_\_\_\_ Retained earnings | 123,192 | \_\_\_\_\_\_\_\_ Sales revenue | 584,951 |
| \_\_\_\_\_\_\_\_ Cost of goods sold | 438,458 | \_\_\_\_\_\_\_\_ Notes payable | 6,499 |
| \_\_\_\_\_\_\_\_ Salaries and wages expense | 115,131 | \_\_\_\_\_\_\_\_ Accounts payable | 49,384 |
| \_\_\_\_\_\_\_\_ Prepaid insurance | 7,818 | \_\_\_\_\_\_\_\_ Service revenue | 4,806 |
| \_\_\_\_\_\_\_\_ Inventory | 64,618 | \_\_\_\_\_\_\_\_ Interest expense | 1,882 |

***Instructions***

(a) In each, case, identify on the blank line whether the item is an asset (A), liability (L), stockholders' equity (SE), revenue (R), or expense (E) item.

(b) Prepare an income statement for Lonyear Inc. for the year ended December 31, 2017.

*Calculate missing amounts*.

**(LO 3), AN**

**(LO 3), AP**

**E1-10** Otay Lakes Park is a private camping ground near the Mount Miguel Recreation Area. It has compiled the following financial information as of December 31, 2017.

|  |  |  |  |
| --- | --- | --- | --- |
| Service revenue (from camping fees) | $132,000 | Dividends | $  9,000 |
| Sales revenue (from general store) | 25,000 | Notes payable | 50,000 |
| Accounts payable | 11,000 | Expenses during 2017 | 126,000 |
| Cash | 8,500 | Supplies | 5,500 |
| Equipment | 114,000 | Common stock | 40,000 |
|  |  | Retained earnings (1/1/2017) | 5,000 |

***Instructions***

(a) Determine Otay Lakes Park's net income for 2017.

(b) Prepare a retained earnings statement and a balance sheet for Otay Lakes Park as of December 31, 2017.

(c) Upon seeing this income statement, Walt Jones, the campground manager, immediately concluded, “The general store is more trouble than it is worth—let's get rid of it.” The marketing director isn't so sure this is a good idea. What do you think?

*Identify financial statement components and prepare an income statement*.

**(LO 3), AP**

**P1-3A** On June 1, 2017, Elite Service Co. was started with an initial investment in the company of $22,100 cash. Here are the assets, liabilities, and common stock of the company at June 30, 2017, and the revenues and expenses for the month of June, its first month of operations:

|  |  |  |  |
| --- | --- | --- | --- |
| Cash | $ 4,600 | Notes payable | $12,000 |
| Accounts receivable | 4,000 | Accounts payable | 500 |
| Service revenue | 7,500 | Supplies expense | 1,000 |
| Supplies | 2,400 | Maintenance and repairs expense | 600 |
| Advertising expense | 400 | Utilities expense | 300 |
| Equipment | 26,000 | Salaries and wages expense | 1,400 |
| Common stock | 22,100 |  |  |

In June, the company issued no additional stock but paid dividends of $1,400.

***Instructions***

(a) Prepare an income statement and a retained earnings statement for the month of June and a balance sheet at June 30, 2017.

***Check figures****provide a key number to let you know you are on the right track*.

|  |  |
| --- | --- |
| (a) Net income | $ 3,800 |
| Ret. earnings | $ 2,400 |
| Tot. assets | $37,000 |

(b) Briefly discuss whether the company's first month of operations was a success.

(c) Discuss the company's decision to distribute a dividend.

*Determine items included in a statement of cash flows, prepare the statement, and comment*.

**(LO 3), AP**