

Problem 1-7A

Analyzing transactions
and preparing financial
statements

C4 P1 P2

Gabi Gram started The Gram Co., a new business that began operations on May 1. The Gram Co. completed the following transactions during its first month of operations.

- May 1 G. Gram invested \$40,000 cash in the company.
- 1 The company rented a furnished office and paid \$2,200 cash for May's rent.
- 3 The company purchased \$1,890 of office equipment on credit.
- 5 The company paid \$750 cash for this month's cleaning services.
- 8 The company provided consulting services for a client and immediately collected \$5,400 cash.
- 12 The company provided \$2,500 of consulting services for a client on credit.
- 15 The company paid \$750 cash for an assistant's salary for the first half of this month.
- 20 The company received \$2,500 cash payment for the services provided on May 12.
- 22 The company provided \$3,200 of consulting services on credit.
- 25 The company received \$3,200 cash payment for the services provided on May 22.

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- 26 The company paid \$1,890 cash for the office equipment purchased on May 3.
- 27 The company purchased \$80 of advertising in this month's (May) local paper on credit; cash payment is due June 1.
- 28 The company paid \$750 cash for an assistant's salary for the second half of this month.
- 30 The company paid \$300 cash for this month's telephone bill.
- 30 The company paid \$280 cash for this month's utilities.
- 31 G. Gram withdrew \$1,400 cash from the company for personal use.

Required

1. Arrange the following asset, liability, and equity titles in a table like Exhibit 1.9: Cash; Accounts Receivable; Office Equipment; Accounts Payable; G. Gram, Capital; G. Gram, Withdrawals; Revenues; and Expenses.
2. Show effects of the transactions on the accounts of the accounting equation by recording increases and decreases in the appropriate columns. Do not determine new account balances after each transaction. Determine the final total for each account and verify that the equation is in balance.
3. Prepare an income statement for May, a statement of owner's equity for May, a May 31 balance sheet, and a statement of cash flows for May.

Check (2) Ending balances: Cash, \$42,7
Expenses, \$5,110

(3) Net income, \$5,990; Total assets,