Financial Statement Problem

Your construction company production in August consisted of starting and completing the Argus project. Your August transactions were the following:

1. Materials:
   a. Purchased $20,000 on credit.
   b. Purchased $14,000 for cash.
   c. Fabricated and/or installed $30,000
   d. Returned $2,000 for credit

2. Labor:
   a. Incurred $26,000
   b. Paid $3,000 for labor incurred in July.
   c. Paid $24,000 for labor incurred in August.

3. Subcontracts:
   a. Incurred $74,000 in subcontract costs on Argus
   b. Paid $56,000 on past subcontract bills
   c. Paid $13,000 on Argus subcontracts.

4. Revenue/billing:
   a. Billed $156,000 for total contract amount on Argus.
   b. Received $127,000 on work completed earlier.

5. General and administrative:
   a. Incurred $10,000 office worker payroll.
   b. Paid $11,000 on August and past office worker payroll.
   c. Purchased and paid for $7,200 copy machine (equipment) on (August 15) with 3 year life.
   d. Purchased $6,000 office supplies on credit. (Office supplies are considered expenses when purchased.)
   e. Purchased $4,000 office supplies for cash.
   f. Paid $8,000 for office supplies purchased in August and earlier.
   g. Loaned new superintendent $3,000 for personal expenses in moving to Ann Arbor.
   h. August equipment depreciation expense = $2,000
   i. Leased crane (on August 1) from dealer for 2 year for $24,000.
   j. Paid $4,000 on crane lease. (Remaining $20,000 is to be paid later.)
   k. You (as owner) withdrew $7,000 from the company to pay personal expenses.

Show all transactions in the form shown in Fig. F-1 of RIC1. Label each transaction by its alphanumeric designation and sum the balance in each account. Prepare an Income Statement for August and a Balance Sheet as of August 31.

Balance Sheet
July 31, 199x

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities &amp; Owner's Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$43,000</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$140,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>$12,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>$49,000</td>
</tr>
<tr>
<td>Prepaid Expense</td>
<td>$6,000</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$250,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$73,000</td>
</tr>
<tr>
<td>Prepaid Services</td>
<td>$7,000</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$80,000</td>
</tr>
<tr>
<td>Owner's Equity</td>
<td>$170,000</td>
</tr>
<tr>
<td>Total Liab. &amp; O.E.</td>
<td>$250,000</td>
</tr>
</tbody>
</table>

You may use the MS Excel spreadsheet CEE53101_Template.xls for results, which is on Grader in the CEE 531 directory in 1340 GGB and at http://mywebpages.comcast.net/rcarr152741MI/ (as is this homework problem statement) or I will send it by email if you request by email. RICarr@umich.edu