

**Accounting 2303  
Fall 2011**

Date	Ch	Topic	Before Class*	Written Homework Assignment** (due the following class period)	On-line Assignments (due the following class day by 8:00 AM)
M	Aug. 22	Orientation and Gray's Anatomy Case (from syllabus on Blackboard) <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Understand the requirements for class or know where to look for them</li> <li>Have a basic understanding of the goals for the course</li> </ul>	Read Gray's Anatomy		
W	24	1 Intro to accounting, accounting principles <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Apply accounting principles and concepts.</li> <li>Understand the accounting equation, its components (assets, liabilities, and stockholders equity), and be able to use the accounting equation to compute the unknown components.</li> </ul>	CP1,CP2, CP3, CP4		S1-8, E1-18A
F	26	Transactions and the accounting equation <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Know how transactions affect the accounting equation and the individual components.</li> </ul>	CP5	E2-15A (p 102 in text); Handout 1-1 &1-3	E2-16A
M	29	The accounting equation, financial statements <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Be able to explain how stockholders' equity changed during the year</li> <li>Prepare the four basic financial statements and know how the financial statements relate to each other.</li> </ul>	CP6	P1-59A; Handout 1-2(pg. 1-13 in outline)	
W	31	2 The account, transactions; Rules of debit and credit, journal entries <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Understand and apply the rules of debit and credit to transactions</li> <li>Understand the account and how transactions affect various accounts and the accounting equation.</li> <li>Prepare journal entries.</li> </ul>	CP1, CP2	Handout 2-1; E2-18A	
F	Sept 2	Posting to the ledger, trial balance <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Post transactions to T-accounts.</li> <li>Prepare a trial balance and understand how transactions affect the trial balance.</li> </ul>	CP3,CP4	Handout 2-2	P2-65A
M	5	<b>Labor Day Holiday</b>			
W	7	Errors on trial balance; Preparing financial statements <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Determine effect of errors on the trial balance</li> <li>Prepare financial statements from T-accounts or from a trial balance</li> </ul>	CP5,CP6, CP7	Handout-2-3	P2-66A
F	9	<b>Test 1 (Chs. 1, 2)</b>			

Date	Ch	Topic	Before Class*	Written Homework Assignment** (due the following class period)	On-line Assignments (due the following class day by 8:00 AM)
M	Sept.12	3 Accrual vs. cash basis, more accounting principles <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Apply time-period concept, the revenue principle, and the matching principle</li> <li>Explain how transactions are treated in cash-basis and accrual-basis accounting.</li> </ul>	CP1,CP2	Handout 3-1	P3-70A
W	14	Prepaid expenses, unearned revenues <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Know what a deferral-type adjusting entry is.</li> <li>Prepare adjusting entries for prepaid expenses, depreciation, and unearned revenue and know how these adjusting entries affect the accounts and financial statements.</li> </ul>	CP3, CP4, CP5	Handout 3-2	
F	16	Accrued revenues, accrued expenses, depreciation and adjusted trial balance <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare adjusting entries for accrued expense, accrued revenue and unearned revenue and know how these adjusting entries affect the accounts and financial statements.</li> <li>Know what amounts would appear on an adjusted trial balance</li> <li>Know how to prepare adjusting entries from a trial balance and adjusted trial balance</li> </ul>	CP6, CP7, CP8	Handout 3-3	P3-71A
M	19	Closing entries, financial statements; ratios <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare adjusting entries for accrued expense, accrued revenue and unearned revenue and know how these adjusting entries affect the accounts and financial statements.</li> <li>Prepare a classified balance sheet.</li> <li>Prepare closing entries and explain the effect of preparing closing entries.</li> <li>Distinguish current assets and current liabilities</li> <li>Compute the current ratio and debt ratio and to explain how the ratios are used.</li> </ul>	CP9, CP10	E3-49 (long)	E3-31A; E3-32A
W	21	4 Internal Control <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Identify the characteristics of a good system of internal control and internal control weaknesses.</li> </ul>	CP1	Handout 3-4	E4-17A (1 attempt only)
F	23	Bank reconciliation, <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare a bank reconciliation.</li> <li>Know the difference between trading, available-for-sale, and held-to-maturity securities.</li> <li>Prepare the journal entries for trading investments and be able to explain how various investments are reported on the financial statements.</li> </ul>	CP2	P4-55A (part 1 only)	E4-21A

Date	Ch	Topic	Before Class*	Written Homework Assignment** (due the following class period)	On-line Assignments (due the following class day by 8:00 AM)
M	Sept.26	5 Short-term investments;Bad debts; <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Know the difference between trading, available-for-sale, and held-to-maturity securities. Be able to prepare entries for trading investments</li> <li>Prepare the journal entries for accounts receivable and bad debt expense using the percentage of sales method and the direct write-off method. Know the effect of the entries.</li> </ul>	CP1, CP2		E5-18A
W	28	Bad debts; % of sales method <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare the journal entries for accounts receivable and bad debt expense using a combination of the percentage of sales method</li> <li>Be able to compute and show the net accounts receivable on the balance sheet.</li> </ul>	CP3,CP4	Handout 5-1	E5-22A
F	30	Notes receivable, ratios <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Journalize notes receivable transactions including interest calculations.</li> <li>Know all note receivable related terms.</li> <li>Compute the days' sales s ratio and quick ratio and to explain how the ratios are used.</li> </ul>	CP5,CP6	P5-65A	E5-40B
M	Oct.3	<b>Test 2 (Chs 3, 4, 5)</b>			
W	5	6 Intro. to inventory, preparing a multi-step income statement <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare an income statement for a merchandising concern using gross margin, operating income, and income before taxes.</li> <li>Know the difference between a single-step and multi-step income statement</li> <li>Know the difference(s) between and income statement for a merchandising concern and one for a service concern</li> </ul>	CP1,CP2,	Handout 6-1	
F	7	Calculating COGS; Inventory methods; <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare the journal entries for inventory transaction in a perpetual system.</li> <li>Compute cost of goods sold with and without detail.</li> <li>Know the theory behind the different inventory methods</li> </ul>	CP3, CP4, CP5, CP6	Handout 6-2	E6-16A
M	10	Inventory methods, cont.; <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Compute ending inventory using the various inventory methods and know the characteristics of each method.</li> <li>Be able to compare the various methods and know advantages/disadvantages</li> </ul>	CP7, CP8	E6-17A	P6-64A
W	12	LCM, estimating inventory, ratios; <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Estimate inventory using the gross-profit method.</li> <li>Compute the gross profit% and inventory turnover and know how to use them.</li> </ul>		Handout 6-3	P6-67A
F	14	<b>Fall Break</b>			

Date	Ch	Topic	Before Class*	Written Homework Assignment** (due the following class period)	On-line Assignments (due the following class day by 8:00 AM)
M	Oct17	7 Determining the cost of a plant asset, capital expenditures <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Know the general rule about capitalizing costs and how to apply the rule</li> </ul>	CP1,CP2, CP3		P7-29B
W	19	Depreciation methods; Disposal of asset <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Calculate depreciation under the various methods</li> <li>Know the similarities and differences among the methods</li> <li>Calculate partial year depreciation under the straight-line method</li> </ul>	CP4,CP5	P7-66A (omit part 3); Handout 7-1	E7-19A; S7-10
F	21	Natural resources and intangibles <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare the journal entries for depletion, amortization, and impairment of an asset.</li> </ul>	CP6		E7-25A, E7-27A, S7-13
M	24	8 Current liabilities <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Calculate amounts for various current liabilities such as notes payable and warranties and be able to show how these liabilities would be reported on the balance sheet.</li> <li>Prepare journal entries for current liabilities and know the effects of the transactions.</li> </ul>	CP1,CP2, CP3, CP4	Handout 8-1	P8-70A
W	26	Intro to bonds <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Know basic bond terms.</li> <li>Prepare journal entries for bond transactions for bonds issued at par.</li> <li>Know how interest rates affect bond prices and interest expense.</li> </ul>	CP5, CP6, CP7	Handout 8-2	E8-24A
F	28	Bonds <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare journal entries for bond transactions for bonds issued at a discount.</li> <li>Be able to accrue interest on bonds</li> </ul>		Handout 8-3	
M	31	Bonds, cont.; ratios, other liabilities <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Calculate the times-interest-earned ratio and to explain how it is used.</li> <li>State the advantages/disadvantages of issuing debt vs. stock</li> </ul>		P8-74A	
W	Nov 2	<b>Test 3 (Chs. 6,7,8)</b>			P8-73A
F	4	9 Characteristics of corporations, issuing stock <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Know the characteristics of a corporation.</li> <li>Prepare the journal entries for issuing stock,</li> </ul>	CP1,CP2,C P3 CP4,	E9-20A	

Date	Ch	Topic	Before Class*	Written Homework Assignment** (due the following class period)	On-line Assignments (due the following class day by 8:00 AM)
M	Nov 7	Treasury stock <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare the journal entries for treasury stock, and know how these transactions affect stockholders' equity.</li> <li>Compute preferred stock dividends and common stock dividends</li> </ul>	CP5		E9-24A
W	9	Dividends and splits; ratios <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Prepare the journal entries for stock dividends and splits and know how these transactions affect stockholders' equity.</li> <li>Demonstrate how stockholders' equity would appear on the balance sheet.</li> </ul>	CP6, CP7	E9-25A	P9-30A
F	11	Comprehensive problem <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Compute various stockholders' equity related amounts including number of shares issued and outstanding, par value of shares, and total stockholders' equity.</li> <li>Prepare all stockholders' equity related journal entries and prepare a stockholders' equity section reflecting the effects of the entries.</li> <li>Compute the return on assets ratio and return on stockholders' equity ratio and to explain how the ratios are used.</li> </ul>	CP8, CP9	Handout 9-2	P9-80A
M	14	12 Intro to Cash Flow <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Classify transactions as operating, investing, or financing.</li> <li>Know which accounts on the balance sheet are used to calculate operating, investing and financing cash flows</li> </ul>	CP1,CP2, CP3,CP4	Handout 9-1	E12-23A
W	16	Operating Activities: Direct Method <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Convert Sales and COGS from the accrual to cash basis</li> <li>Know the difference between the direct and indirect method</li> </ul>	CP5, CP6		E12-26A
F	18	Operating Activities: Indirect Method <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Know how changes in current assets and liabilities affect cash flow.</li> <li>Compute cash flow from operations.</li> </ul>		Handout 12-1; P12-64A (op.activities only)	
M	21	Investing and financing activities <b>After class, you should be able to:</b> <ul style="list-style-type: none"> <li>Know how to compute the amounts for operating, investing, and financing</li> <li></li> </ul>	CP7		E12-20A

Date		Ch	Topic	Before Class*	Written Homework Assignment** <i>(due the following class period)</i>	On-line Assignments <i>(due the following class day by 8:00 AM)</i>
			<b>Thanksgiving Holiday (Nov 23-27)</b>			
M	Nov28		Preparing the cash flow statement <b>After class, you should be able to:</b> • <i>Prepare a statement of cash flows.</i>		Handout 12-2	P12-64A
W	30		<b>Test 4 (Chs 9, 12)</b>			
F	Dec 2		<b>Review</b>			
W	7		Make-up exams and practice final review (time and place TBA)			
M	12		<b>Final Exam (11:30-1:30)</b>			
Tu	13		<b>Office hours 10:00-12:00</b>			

## 2303 CLASS POLICIES

### COURSE OBJECTIVES

The objective of Financial Accounting is to introduce the student to the use of accounting and the preparation of financial statements. The emphasis is on information that most business professionals use in making decisions and not on information that is useful to only accountants. After taking this course students should be able to:

- Identify the financial statement components—assets, liabilities, stockholders’ equity, revenue, and expense.
- Apply the concept of revenue recognition. This objective requires an understanding of accounts receivable, unearned revenue, and adjusting entries.
- Apply the concept of expense recognition. This objective requires an understanding of prepaid expenses, accrued liabilities, and adjusting entries.
- Measure at a basic level a variety of revenues and expenses, such as Bad Debt Expense and Depreciation Expense.
- Compute a variety of key financial statement components, such as Net Sales, Cost of Goods Sold, Net Income, and Current Assets.
- Identify the financial statement effects of specific transactions and other events on assets, liabilities and equity.
- Measure at a basic level the costing of merchandise inventories and plant assets.
- Calculate a variety of financial ratios and percentages and identify what each purports to measure. Identify some common transactions that can cause each ratio to change.
- Prepare financial statements and be able to understand and use them to make decisions.

### COURSE REQUIREMENTS

#### REQUIRED MATERIALS

- *Financial Accounting* 8<sup>th</sup> Edition, Harrison and Horngren
- *MyAccountingLab*—online homework software that accompanies text
- Turning Pt NXT clicker (the same as used in Dr. McCormick’s class)
- Course Packet (Includes outlines, class prep, handout problems, etc.) Available on Blackboard.
- Calculator—A 4-function calculator. A programmable (graphing) calculator **will not** be allowed on tests. Inexpensive calculators can be purchased at local stores. Purchase this at the time you purchase your books so that you will have it for tests.

#### GRADING

		<b>Grade Worksheet</b>			
Exam I	18%	x Exam 1 grade =	_____	A	90 and above
Exam II	19	x Exam 2 grade =	_____	B+	88-89
Exam III	19	x Exam 3 grade =	_____	B	80-87
Exam IV	19	x Exam 4 grade =	_____	C+	78-79
Final Exam	18	x Final Exam grade =	_____	C	70-77
Homework	<u>7</u>	x (HW grade as a %, i.e. 9 out of 10 = 90%)	_____	D	60-69
	<u>100%</u>	Subtotal	_____	F	below 60
Class Participation (extra credit)3 pts		+ Extra Credit	_____		
		= Final Grade	_____		

*The Business School requires that you **earn** a **C** or better in any business class that is a pre-requisite for another business class. Students with borderline grades (i.e. 89, 79, 69) **may** receive a higher grade **if** the student has excellent attendance (2 or fewer absences) **and** homework grades (90 or above). Students desiring to be an accounting major must have a C+ average in Financial and Managerial Accounting.*

#### CLASS PREP(Extra Credit)

Class Prep assignments are the student’s opportunity to earn extra credit points throughout the semester rather than at the end of the semester. Class Prep assignments are found in the outlines and are generally material that will be covered the next class period. Students will be asked to answer the Class Prep questions and will be assigned a grade for the answer. If a student is absent when their turn comes, then a zero will be recorded for that day. One grade will be dropped at the end of the semester. You may choose to “opt out” of the Class Prep assignments if you do not intend to do them and do not

want to be called on in class. You may “opt out” by informing me in writing that you do not intend to participate in the extra credit opportunity.

## **EXAMS**

Exams are to be taken on the dates scheduled. In the event an exam is missed, a makeup exam, if allowed, will be given only at the end of the term. To qualify for a makeup exam there must be special circumstances that are genuinely beyond your control, such as serious illness or accident, death in the family, or required participation in a university-sponsored activity. In addition, you need to notify the instructor *before* the exam is missed and you need to provide adequate written support.

The following are unacceptable reasons for missing tests: inadequate preparation, oversleeping, job interviews, fear of doing poorly, and more than one test on the same day. No more than one exam may be made up under any circumstance.

Any violation of the honor code may result in an “F” in the course and the incident will be reported to the Honor Council. It is an honor code violation to disclose any information whatsoever about an exam you have taken that will benefit anyone who has yet to take the exam. Similarly, it is an honor code violation to take an exam for which you have any unauthorized prior knowledge.

On exam day, please adhere to the following control policies:

- Bring only a 4-function calculator to the test. Cell phones PDA’s, and programmable calculators will not be allowed at the test.
- Clear your table of everything except your calculator, pencils, and test material distributed by the instructor.
- Tests are to be prepared in pencil. A 2-point deduction will be made for tests that are prepared in ink.
- If wearing a ball cap, please either remove it or wear it backward. Please do not sit in such a manner that your eyes are shielded from the instructor.
- Sit facing forward and do not allow your eyes to wander to your neighbor’s paper.
- Try to keep you test booklet and Scantron sheet in front of you at all times.
- Be sure to fill in your answers on the Scantron sheet **before** time is called. No additional time will be granted to fill in answers without a significant point deduction.
- Any remarks about grading on a test must be submitted **in writing** before being considered by the instructor for review.

## **OFFICE OF ACCESS AND LEARNING ACCOMODATION**

Students who are registered with OALA **must** give me a document from OALA stating the accommodations that are to be made. Before each test, the student **must** present me with the test form at least 3 days *before* the test. (Example: Hand in the form on Tuesday for a Friday exam.) This is an OALA requirement. That generally means that the form must be turned in two class periods before the test unless the student makes a special trip to my office in order for me to fill out the form. No accommodations will be made without this form.

## **WRITTEN ASSIGNMENTS AND ONLINE ASSIGNMENTS**

All items listed in the syllabus under “Written Assignments” and “Online Assignments” should be regarded as containing vital material that will appear on the exams. In the opinion of the instructor, the best way to prepare for class and, and therefore for the homework assignments, is to prepare the “Class Prep” assignments first, and then, to try to work the “Examples” from the outlines. If you have any questions, these questions will be answered in class before you attempt the homework assignment. Also, working problems by yourself seems to yield better test results than does working them jointly with a classmate; however, it is *extremely helpful* to discuss your solutions with other students *after* you have worked them.

Some of the assignments from the textbook are to be prepared and submitted online. This will require the purchase of a program called “MyAccountingLab” (MAL). Each student must purchase their own program to obtain an individual access code. This program cannot be purchased used. Please follow the instructions available on Blackboard to help you when you register for MAL. All online assignments are due by 9:00 AM on the due date. **No exceptions**, so start early. Occasionally, you might have difficulty submitting your homework online or you may be computer problems. Computer

problems are not an adequate reason for failure to submit the assignment by the due date. The computer lab in the business school has all of the software needed for you to access MAL. You are allowed to rework the quantitative assignments as many times as you would like until it is due. The non-quantitative problems may only be worked once.

When turning in assignments, please fold your work lengthwise and submit them on either standard size notebook paper (not torn from a spiral) or appropriate accounting paper. Each assignment should be prepared individually in *pencil*. The following information should appear on the outside of each assignment:

Your name  
Class time (for example 1:25 MWF)  
Assignment # (Handout 2-1)

- Homework problems handed in during class are *due at the beginning of class* on the due date.
- Students who arrive after the beginning of class should turn in their homework on the desk as they arrive. This homework will be marked down based on the discretion of the instructor. Homework *turned in at or towards the end of class will not be accepted for credit*.
- Generally homework problems that are not turned in on the due date are not accepted unless prior, special arrangements have been made with the instructor due to extenuating circumstances (death in family, **illness lasting 2 or more class periods**). Students must provide documentation for these extenuating circumstances. Extenuating circumstances do not include parking difficulties, oversleeping or incorrect time on watch, doing the wrong assignment, car problems, computer problems, and leaving homework in car; room; roommate's car, etc.
- Since there will be times when students can't come to class or the car won't start, etc., students will be allowed to **drop the five** lowest homework grades. Remember, that this policy *helps* the student. The policy of dropping the five lowest homework problems is there *instead* of evaluating the merits of the individual excuses for late homework. (For example, it is more beneficial for the student if the student drops the *five* lowest homework problems than if the instructor accepted *one or two* homework problems when a student was sick.)
- Also, each student should save the 5 opportunities to drop assignments for when the need is really great. (Some students have used their five dropped assignments early in the semester, then fallen ill later in the semester and wanted to be able to drop additional assignments. It doesn't work that way! Plan ahead!)

Students are welcome to check work during office hours provided that a reasonable effort to solve the work has been made. Copying answers from the solutions manual or borrowing it overnight is not permitted. Any work turned in which is the result of copying someone else's work is cheating. This would include copying someone else's work from a previous semester.

### **ATTENDANCE AND PUNCTUALITY**

Students are expected to attend class and to arrive in time to turn in homework and be seated at the beginning of class ready to begin that day's class meeting. If a student is unable to attend class, it is the student's responsibility to get the class notes from a fellow classmate *before the next class period*. As a general rule, students should not enter or leave class early or late for any reason, including using the restroom, getting a drink or water, answering the phone, etc. **Entering and/or leaving** the room during class is distracting to others in the class and should be avoided at all times unless there is an emergency. Leaving or entering the class during the class time will be considered a tardy and will be counted as ½ of an absence. **Each tardy after two tardies will be treated as an absence.** If you are tardy, you must check with me after class to make sure that your tardy is not counted as an absence.

## ANCILLARY HELP

Students have access to several resources for help outside of the classroom. I will be offering **Supplemental Instruction (SI)** this semester. SI sessions offer students the opportunity to review material discussed in class as well as opportunities to practice the problems. **Office hours** may be used to check homework or ask other questions. **Check figures** for handout problems are on the handout and for problems from the book are in the syllabus. **Practice problems** and **multiple choice questions** are also available on Blackboard for practice before tests. These problems should be viewed as diagnostic rather than as educational. Or, in other words, students should not study these problems, but instead, should study beforehand and solve the problems (without referring to the answers) so that the student will know which areas of the unit require additional study. Studying the problems only ensures that a student knows the answer to that question, which is not likely to be on the unit test, while lessening the chance that the student will answer a similar question over the same material correctly. **MyAccountingLab** also has videos to review key concepts, interactive demonstrations (called DemoDocs), as well as allowing students to practice working any of the chapter assignments.

## COMMUNICATION

Important information will sometimes be communicated via email; therefore, it is important for students to periodically check their **Baylor email** account and to make sure that emails from me are not sent to your junk mail. If a student chooses not to check their email or junk mail, he/she is still held accountable for any information communicated. One simple way of dealing with a second email account is simply forwarding the second email account to the Baylor email.

**OFFICE HOURS** If you are facing Kayser Auditorium, the Accounting Department is on the bottom floor of the wing to your left. My office number is 124. Please feel free to come and check homework or seek help. An appointment is not necessary. My office extension is 4956. My email is [Becky.Jones@baylor.edu](mailto:Becky.Jones@baylor.edu).

<u>Office</u>	<u>Class</u>
MWF 9:15-10:10	10:10 MWF (2303)
MWF 11:00-12:15	12:20 MWF (2303)
MW 2:15-3:00	1:25 MWF (2303)
Tu 9:15-11:15	8:00 -9:15(5601)
Th 9:15-11:15 (until 10/13)	

## Dr. Meredith Grey, MD

After completing her residency at Seattle Grace Hospital, Dr. Meredith Grey decided to open her own medical practice in Seattle. She feels confident that her practice will flourish quickly.

She opened her office on December 1, which gave her a month to get the office set up before the beginning of the new year and the usual winter flu season that she expected would start around the middle of January.

Meredith had recently inherited \$50,000<sup>1</sup> from her Aunt Izzie, which she invested in the new practice. Her friend, Preston Burke, arranged a loan<sup>2</sup> for an additional \$45,000 to purchase equipment and furniture for the office and to meet expenses until medical fees began coming in. The loan called for monthly interest payments at 8% of the unpaid balance<sup>3</sup> and annual principal payments of \$5,000. The first interest payment was due January 1.

Meredith also made the following expenditures:

1. She signed a one-year lease for medical office space beginning December 1. Rent was \$1,750 per month, due on the first of each month. She paid December's rent upon signing the lease agreement.<sup>4</sup>
2. She purchased with cash, \$19,500 of office furniture and medical equipment; the furniture and equipment should last for 5 years.<sup>5</sup>
3. She also purchased a \$3,600<sup>6</sup> computer and printer from a computer store in Seattle. Meredith estimates that she will be able to use the computer for 3 years before she will have to purchase another one. She opened up a charge account at the computer store to purchase the computer and printer. She will not have to pay for any of it until February.
4. Meredith's friend, Miranda, was hired as office receptionist/administrator/bookkeeper on Monday, December 16. Her wages will be \$500 per week, paid every Friday. Her first three paychecks were received on December 20, December 27, and January 3.<sup>7</sup>
5. She hired a local advertising agency to compose an ad announcing the opening of her new practice. Meredith paid the \$700 cost of the ad on December 20. The ad will run during the last two weeks of December.<sup>8</sup>
6. On December 1, she paid \$24,000 cash for 6 months of liability insurance coverage.<sup>9</sup>

During December, Meredith billed patients \$8,900 for medical services and collected \$7,750 of this amount.<sup>10</sup>

**Required:** Answer the following questions:

1. How much cash does Meredith have on December 31?
2. What does Meredith owe?
3. Was Meredith better off at the end of the month than she was at the beginning?
4. How much income did Meredith earn?

## Check Figures

P1-59A Net income, \$87,900  
Handouts 1-1, 1,2, and 1-3 no check figure  
E2-15A no check figure  
E2-18A no check figure  
Handout 2-1 no check figure  
Handout 2-2 Cash balance, \$1,250  
Handout 2-3  
Handouts 3-1, no check figure  
Handout 3-2 part 3, unearned revenue balance sheet \$10,000  
Handout 3-3 part 2 Interest Rev. (income statement), \$6,550; Int. Receivable (balance sheet), \$1,650  
Handout 3-4 net income \$6,800; total assets, \$98,300  
E3-49 Cash balance \$6,900, Ending retained Earnings \$2,035, Trial balance total, \$19,600; adjusted trial balance total \$21, 965. net income \$3,435, total assets, \$18,335  
Handout 5-1 part 4, net realizable value (net accounts receivable) \$256,600  
P5-65A Dec 31, credit to interest revenue, \$200  
E6-17A b) average cost ending inventory, \$1,404; c) FIFO COGS, \$1,830  
Handout 6-1 *Net Income \$78,000*  
Handout 6-2 *Case 1: Cost of goods available for sale, \$120,000; Case 2: Cost of goods available for sale, \$170,000*  
Handout 6-3 Net income \$14,000; total assets, \$291,000  
P7-66A UOP depreciation 2012, \$50,000; DDB depreciation 2012, \$38,160  
Handout 7-1 gain \$2400  
P8-74A req. 2 Carrying amount, \$6,748,000  
Handout 8-1 part 1a salary payable \$164,065  
Handout 8-2 c \$15,00  
E9-20A Total stockholders' equity, \$108,500  
E9-25A No check figure  
Handout 9-1 net income \$16,910; total assets, \$101,310; total liabilities \$20,835  
Handout 9-2 ROA—17.9%  
Handout 12-1 part 1 \$43,600  
Handout 12-2 cash flow from operations \$(6,000)  
P12-64A cash flow from operating activities,\$84,700