Accounting Worksheet C. Kohn, Waterford WI

Partner Names: Hour Date:

Date Assignment is due: Why late? Score: + ✓ -
 Day of Week Date If your project was late, describe why

**Directions**: Work alone or in pairs to complete this sheet. Use your notes as a guide. These assignments are graded on a +/✓/- scale. If you work in pairs, divide the work evenly; when one person is writing, the other person should help create the answer that is written. Switch roles for each question.

**Background**: to help cover the cost of college, you have started a business where you build lofts for college students’ beds so that they can use the space underneath for other purposes. You started your business at the start of the second semester of your freshman year (January). It is now December in your sophomore year and you need to determine how successful your business has been. Your roommate, an accounting major, suggests that you prepare a balance sheet and a profit loss statement.

1. What is the difference between a balance sheet and a profit/loss statement?
2. Your roommate suggests you start with the balance sheet. The first thing you will need to do is determine your assets and liabilities. What is the difference between an asset and a liability?
3. You do an inventory and determine that you currently have the following assets:
*After each of the items below, write if it is a current or a fixed asset.*

$100 of lumber Misc. hardware
 Small things such as brackets, trusses, hinges, etc.
A laptop A truck

A circular saw A cordless drill

Misc. screws & nails A printer

A toolbox Paint
*Includes tools such as drill bits, squares, screwdrivers, hammer, etc.*
4. Which of the items on the previous page would count as inventory? List them below:
5. Because of two orders that were just finished, you are still expecting $100 from these two students.

Is this an asset? What do we call it?
6. The laptop you use was purchased on a payment plan from the university. You have only one payment left and it is due Dec 31st. Your truck was bought using money borrowed from your parents. You are slowly paying them pack over time. For each item, state what kind of liability it is.

Laptop: Truck:
7. On the next page, create a balance sheet. Use the following information:
	1. Cash on hand: $200
	2. Accounts Receivable: $100
	3. Lumber: $100
	4. Laptop: $500
	5. Circular Saw: $200
	6. Misc. screws & nails: $50
	7. Toolbox w/ tools: $150
	8. Hardware: $50
	9. Truck: $5000
	10. Cordless Drill: $150
	11. Printer: $50
	12. Paint: $25
	13. Car loan: $3000
	14. Laptop loan: $100
	15. Owner’s Equity
	(Equity = Assets – Debts)

1. Are your books balanced? How do you know?
2. Next you’ll need to create a Profit & Loss Statement for your business. Your business had the following income and expenses:
	1. Income: 20 orders, each at $50 apiece, for a total of $1000.
	2. Expenses: 20 orders w/ $20 each in expenses (lumber, materials), for a total of $400; $50 paper and ink for flyers; $200 in internet fees and web services; $50 in total mileage for all 20 jobs

Create the profit loss statement below. Use your notes as a guide.

1. How did your business perform financially? Was this a worthwhile venture? Explain:

1. Assume you had two people doing this over a period of 5 weeks (scattered throughout the calendar year). How much did each person make per week of working, on average? Show your work below.
2. Is your income sales or service income? How do you calculate this kind of income?

1. Which would be better for your business, the cash or the accrual method of accounting?

Why?
2. Which would be better for your business, a calendar year or a fiscal year for accounting?

Why?
3. What was the value of the Cost of Goods Sold for your business?

Show your work here:
4. Why do you need to know the value of the Cost of Goods Sold?

What would happen if you just said it was $0?