

Chapter 3 - Team Project

Jack Roberts formed a lawn service business as a summer job. To start the business on May 1, he deposited \$1,000 in a new bank account in the name of the proprietorship. The \$1,000 consisted of a \$600 loan from his father and \$400 of his own money, Jack rented lawn equipment, purchased supplies, and hired high school students to mow and trim his customer's lawns.

At the end of each month, Jack mailed bills to his customers. On August 31, he was ready to dissolve the business and return to Baylor University for the fall semester. Because he had been so busy, he had kept few records other than his checkbook and a list of amounts owed to him by customers.

At August 31, Jack's checkbook shows a balance of \$1,640, and his customers still owe him \$500. During the summer, he collected \$5,200 from customers. His checkbook lists payments for supplies totaling \$400, and he still has gasoline, weed eater cord, and other supplies that cost a total of \$50. He paid his employees \$1,900, and he still owes them \$200 for the final week of the summer.

Jack rented some equipment from Ludwig Tool Company. On May 1, he signed a six-month lease on mowers and paid \$600 for the full lease period. Ludwig will refund unused portion of the prepayment if the equipment is in good shape. In order to get the refund, Jack has kept the mowers in excellent condition. In fact, he had to pay \$300 to repair a mower that ran over a hidden tree stump.

To transport employees and equipment to job, Jack used a trailer that he bought for \$300. He figures that the summer's work used up one-third of the trailer's service potential. The business checkbook lists and expenditure of \$460 for cash withdrawals by Jack during the summer. Jack paid his father back during August.

1. What is the net income for the four months from May through August. Prepare the income statement of Roberts Lawn Service for the four months May through August.
2. Prepare the classified balance sheet of Roberts Lawn Service at August 31.