

3. Prepare the equity section of the balance sheet from the data given for each case below.

Owner's name	G. Benvie	S. Robb	J. Bedford
Fiscal period	Year ended December 31, 20–	Three months ended March 31, 20–	Month ended May 31, 20–
Opening capital	\$27 042.62	\$19 641.25	\$20 196.74
Net income (loss)	39 171.04	22 462.67	(3 750.20)
Drawings	35 000.00	25 575.00	10 047.17

5.4 A Spreadsheet for the Expanded Ledger

In this section, you will use the spreadsheet model you worked with in Chapters 3 and 4. Your skill with spreadsheets will increase as you learn an important aspect of copying cell contents. Also, adapting the spreadsheet model for Antonelli's Accounting Services will give you a solid summary of the essential accounting practices you have learned so far.

In Chapter 3, you used an equation analysis sheet to record 12 transactions for Antonelli's Accounting Services. You had no knowledge of debits and credits at that time. Instead, you used addition and subtraction to keep the fundamental accounting equation in balance, as shown in Figure 5.10.

ANTONELLI'S ACCOUNTING SERVICES	ASSETS					Total Assets	LIABILITIES			Total Liabilities	OWNER'S EQUITY		Zero Proof
	Cash	A/R Jones Travel	A/R F. Leonel	Supplies	Equipment		A/P Best Offices	A/P Eastside News	Bank Loan		A. Antonelli, Capital	Total Equity	
Beginning	275	300	350	700	900	2 525	175		500	2 675	1 850	1 850	0
Transaction 1	2 000					4 525			2 000	2 675		1 850	0
Transaction 2	-1 300				1 300	4 525				2 675		1 850	0
Transaction 3	200	-200				4 525				2 675	-750	1 100	0
Transaction 4	150				-900	3 775				2 675	500	1 600	0
Transaction 5			900			4 275				2 900		1 600	0
Transaction 6				225		4 500	225			2 850		1 600	0
Transaction 7					-50	4 450		-50		2 850	-600	1 000	0
Transaction 8	-600					3 850				2 625		1 000	0
Transaction 9	-225					3 625			-225	2 625	700	1 700	0
Transaction 10	200	500				4 325				2 473		1 700	0
Transaction 11	-152					4 173		-152		2 833	-360	1 340	0
Transaction 12						4 173			360	2 833		1 340	0
Ending	548	600	850	875	1 300	4 173	199	360	2 275	2 833	1 340	1 340	0
Fundamental Accounting Equation Verification													
	Assets		=	Liabilities		+	Equity						
	\$4 173		=	\$2 833		+	\$1 340						
	\$4 173		=	\$4 173									

Figure 5.10

Accounting practices used in Chapter 3—the equation analysis sheet

Then you adapted the model for debit and credit theory. The same 12 transactions were done again using the capital account for all equity entries, as shown in Figure 5.11.

Antonelli's Accounting Services		October 31, 20—			
ASSETS					
Bank		A/R—Jones Travel		A/R—F. Leonel	
Dr	Cr	Dr	Cr	Dr	Cr
275	1 300	300	200	350	
2 000	600	500		500	
200	225				
150	152				
200					
548		600		850	
Supplies		Equipment			
Dr	Cr	Dr	Cr		
700	50	900	900		
225		1 300			
875		1 300			
LIABILITIES and EQUITY					
A/P—Best Offices		A/P—Eastside News		Bank Loan	
Dr	Cr	Dr	Cr	Dr	Cr
50	175		360	225	500
152	225				2 000
	198		360		2 275
				A. Antonelli, Capital	
				Dr	Cr
				750	1 850
				600	500
				360	700
					1 340

Figure 5.11

Accounting practices used in Chapter 4, with just one equity account (A. Antonelli, Capital) shown in the lower-right corner

Now, you will work with the October transactions for Antonelli's Accounting Services using an expanded ledger.

Adjusting the Ledger

Load the spreadsheet file called *ch5anna.xls*. The equity portion of the model should look like Figure 5.12 shown on the next page.

EQUITY											
A. Antonelli, Capital				A. Antonelli, Drawings				Fees Earned			
Dr		Cr		Dr		Cr		Dr		Cr	
	750		1 850								
	600		500								
	360		700								
		1 340		0						0	
Advertising Expense				Cell Phone Expense				Internet Charges			
Dr		Cr		Dr		Cr		Dr		Cr	
0				0				0			
Loss on Sale of Equipment				Utilities Expense				Wages Expense			
Dr		Cr		Dr		Cr		Dr		Cr	
0				0				0			

Figure 5.12

The equity portion of the spreadsheet model for the expanded ledger of Antonelli's Accounting Services

The A. Antonelli, Capital account in Figure 5.12 contains all the equity data for October, which would be fine if you were studying Chapter 4. However, both your accounting knowledge and the ledger have expanded. You must now bring the ledger shown in Figure 5.12 into compliance with Chapter 5 theory. Your first step is to transfer the transaction entries recorded in the A. Antonelli, Capital account to appropriate accounts in the expanded ledger. Start with the two transaction credits in the capital account (numbers 5 and 10) and move them to Fees Earned. You could use the cut-and-paste method, but that procedure could damage the formats of the ledger accounts. Instead, type the 500 and 700 amounts in Fees Earned, enter the transaction numbers, and delete the duplicate entries from A. Antonelli, Capital.

For the debit entries in the capital account, Transaction 4 for \$750 is a loss from selling an old computer; Transaction 8 represents \$600 withdrawn by the owner for personal use; and Transaction 12 is for advertising of \$360. Move the data for these transactions to the proper expense accounts now. Then, scroll down to Cell Q65 to verify that your ledger still balances.

Entering Transactions

Anna Antonelli found some source documents (shown on the next page) dated October 31 revealing transactions that had not yet been entered in the ledger. Use the entire expanded ledger of your spreadsheet (Assets, Liabilities, and Equity) to enter the following five additional transactions for October. Make sure you have equal debit and credit amounts for each transaction. When you are finished, scroll to the Equality Check section near cell Q65 to ensure your debit account balances equal your credit account balances.

Trans. No.	Transactions
13	Wages of \$700 were paid in cash to part-time clerical staff.
14	Cash received for accounting services performed during October amounted to \$3250.
15	Rent paid for the business's office, which was located in Anna's home, totalled \$875 cash.
16	The internet charges for October were \$65. Anna used online banking to pay this amount.
17	Anna's cellphone bill for business purposes was \$125, which she also paid online.

Preparing the Income Statement

Now that you have entered transactions into the expanded ledger, you can use it to prepare more informative financial statements. First, you are given a bonus of sorts in the *ch5anna.xls* file. The Trial Balance sheet has a trial balance prepared in advance for you, complete with cell references that connect to your expanded ledger accounts. Click the Trial Balance tab. Your screen will look like Figure 5.13.

Antonelli's Accounting Services Trial Balance October 31, 20—		
	Debits	Credits
Bank	2 033	
A/R—Jones Travel	600	
A/R—F. Leonel	850	
Supplies	875	
Equipment	1300	
A/P—Best Offices		198
A/P—Eastside News		360
Bank Loan		2275
A. Antonelli, Capital		1 850
A. Antonelli, Drawings	600	
Fees Earned		4 450
Advertising Expense	360	
Cell Phone Expense	125	
Internet Charges	65	
Loss on Sale of Equipment	750	
Rent Expense	875	
Wages Expense	700	
	9 133	9 133

Figure 5.13

The trial balance prepared by cell references, which were entered for you in advance

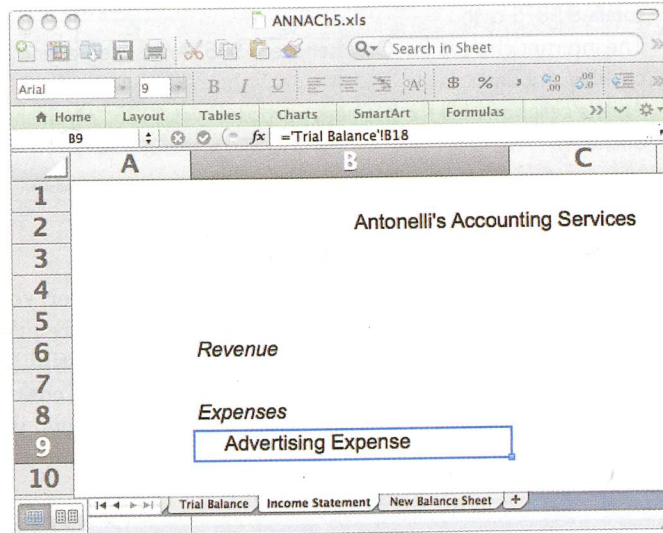
The cell references have picked up the account balances from your expanded ledger. If your trial balance does not balance, go back to the Expanded Ledger Sheet to discover and correct your error(s).

Next, click the Income Statement tab. Only some data has been prepared in advance. Now is a good time to deepen your understanding of copying the contents of spreadsheet cells.

In the Income Statement sheet, click cell B9 to make it active. At this location, you will use a cell reference to duplicate an account title from the Trial Balance sheet. To do this, press the = sign, click the Trial Balance tab, click the cell that contains the Advertising Expense title (cell B18), and press the Enter key. When you move the cell pointer back to cell B9, your screen will look like Figure 5.14.

Figure 5.14

The contents of cell B9 are a cell reference that repeats the contents of cell B18 from the Trial Balance sheet.



Copying Relative Cell References

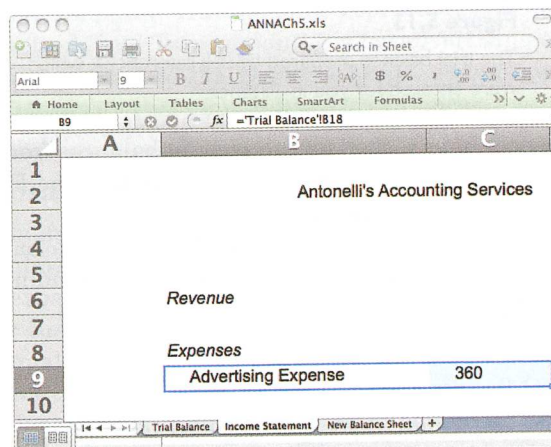
The contents of cell B9 contain a relative cell reference. Cell B18 in the Trial Balance sheet is this cell reference. By default, it is “relative.” The functional definition of a **relative cell reference** is one that will change when it is copied to a new location.

To further explore the nature of relative cell references, consider what will happen when you copy the contents of cell B9 to C9, which you are about to do. When you copy B9 over to C9 (“one cell to the right”), the cell reference that B9 contains will change. The reference in B9 is B18 from the Trial Balance sheet. When B9 is copied to C9, we can predict the cell reference to B18 will change to C18 because C18 is also “one cell to the right” of B18.

The best way to understand the above explanation is to copy B9 to C9 and watch what happens. Click B9 to make the cell active. At the bottom right of B9, use your mouse to grab the small square (called a handle). Drag the handle one spot to the right. Your screen will look like Figure 5.15.

Figure 5.15

The amount of Advertising Expense (\$360) appears at C9 because the contents of B9 were copied.



The amount of \$360 appears as if by magic. However, if you check the cell contents of C9, you will find a reference to cell C18 in the Trial Balance sheet, just as predicted. (Cell C18 in the Trial Balance sheet shows 360, which is why this number now appears here.)

Next, with both B9 and C9 highlighted, grab the small square handle at the bottom right of the selection and drag straight down to C14. Your screen will look like Figure 5.16.

Antonelli's Accounting Services	
<i>Revenue</i>	
<i>Expenses</i>	
Advertising Expense	360
Cell Phone Expense	125
Internet Charges	65
Loss on Sale of Equipment	750
Rent Expense	875
Wages Expense	700
Total Expenses	
<i>Net Income</i>	

Figure 5.16

The remaining expense titles and amounts are filled in by the copying abilities of Excel.

The remaining expense labels and amounts appear instantly! Even though it is not magic, copying with relative cell references is very efficient. Not only do you save inputting time, the cell contents of this sheet are dynamically linked to another sheet—the Trial Balance. If something changes on the Trial Balance sheet, there will be instant updates here.

You are not far from completing this income statement. Simply type the heading, enter cell references to show the Fees Earned, use the SUM function to total the expenses, enter a formula to calculate net income, and apply some formatting. (See Figure 5.4 on page 136 for an example of an income statement format.) Complete the income statement before doing the Section Exercises.

Exercises

Section 5.4

1. Click the **New Balance Sheet** tab in the *ch5anna.xls* file. Using labels, cell references, functions, and formulas only (in other words, anything but straight values) prepare a balance sheet in good form. Use the report form of a classified balance sheet and pay special attention to the equity section. Use the balance sheet for Eve Boa, LLLB (Figure 5.8 on page 155), as your guide.
2. Anna needs a profit of at least \$2000 per month to be satisfied with the results of her business. In an area below the balance sheet, type a few sentences to Anna explaining how her business performed in the month of October.