



FINANCIAL ACCOUNTING EVENT

PARTICIPANT INSTRUCTIONS

- You will have 15 minutes to prepare your presentation.
- Present for 5 minutes

GENERAL PERFORMANCE INDICATORS

- Communications skills—the ability to exchange information and ideas with others through writing, speaking, reading or listening
- Analytical skills—the ability to derive facts from data, findings from facts, conclusions from findings and recommendations from conclusions
- Production skills—the ability to take a concept from an idea and make it real
- Priorities/time management—the ability to determine priorities and manage time commitments
- Economic competencies

SPECIFIC PERFORMANCE INDICATORS

1. Interpret financial statements.
2. Describe the nature of income statements.
3. Explain the nature of balance sheets.
4. Discuss the role of ethics in accounting.
5. Explain the nature of accounting standards.

CASE STUDY SITUATION

You are a recently hired controller at SWAN LAWN CARE, a lawn care business founded by the firm's sole proprietor. The proprietor has hired you to formalize the company's financial reporting as it begins discussions with possible lenders and prospective investors and partners. You have been asked to finalize the balance sheet and explain financial statements for the month ending on July 31, 2018.

You have received the following adjusted trial balance in order to finalize the balance sheet.

SWAN LAWN CARE
ADJUSTED TRIAL BALANCE
JULY 31, 2018

Account Name	Debits	Credits
Cash	2,470	
Accounts Receivable	1,700	
Interest Receivable	25	
Note Receivable	1,250	
Prepaid Insurance	250	
Equipment	4,600	
Accumulated Depreciation		25
Land	3,750	
Accounts Payable		620
Unearned Revenue		1,200
Wages Payable		400
Interest Payable		20
Notes Payable		4,000
S. Davidson, Capital		9,000
S. Davidson, Drawing	2,000	
Mowing Revenue		5,600
Interest Revenue		25
Wages Expense	4,300	
Fuel Expense	410	
Interest Expense	60	
Insurance Expense	50	
Depreciation Expense	25	
TOTALS	<u>20,890</u>	<u>20,890</u>

YOUR CHALLENGE

Using the income statement and statement of owner's equity provided below, you need to finalize the balance sheet to present to the proprietor at a meeting. The proprietor knows a lot about lawn care, but very little about accounting and the interrelationship between the different financial statements. You need to explain, in layman's terms, the purpose of the different statements and

what each represents. You also need to discuss what the statements say about the general financial health of the SWAN LAWN CARE.

SWAN LAWN CARE	
Income Statement	
For the Month Ending July 31, 2018	
Revenues	
Mowing Revenue	\$5,600
Total Revenues	5,600
Expenses	
Wages expense	4,300
Fuel expense	410
Insurance expense	50
Depreciation expense	25
Total Expenses	4,785
Operating Income	815
Other Revenues/Gains and Expenses/Losses	
Interest revenue	25
Interest expense	(60)
Net Income	<u>\$780</u>

SWAN LAWN CARE	
Statement of Owner's Equity	
For the Month Ending July 31, 2018	
S. Davidson, Capital, May 1, 2018	\$9,000
Add: Additional investments	0
Net Income	780
Less: S. Davidson, Drawing	(2,000)
S. Davidson, Capital, May 31, 2018	<u>\$7,780</u>

SWAN LAWN CARE			
Balance Sheet			
July 31, 2018			
Assets		Liabilities	
<i>Current Assets</i>		<i>Current Liabilities</i>	
Cash		Accounts Payable	\$620
Accounts Receivable		Unearned Revenue	1,200
Interest Receivable		Wages Payable	400
Note Receivable		Interest Payable	20
Prepaid Insurance		Notes Payable	4,000
Total Current Assets		Total Current Liabilities	6,240
Equipment	4,600	Owner's Equity	
Less: Accumulated Depreciation	(25)	S. Davidson, Capital	7,780
Land	3,750		
Total Assets		Total Liabilities & Owner's Equity	<u>\$14,020</u>