The chapter featured a merchandising company. Therefore, the two examples that follow feature a service and a manufacturing company, respectively.

1. A pet grooming service experienced the following events during its first month of operations. Analyze these events, prepare the journal entries, and prepare the resulting financial statements. Then prepare the closing entries.

a. The owner, LaRee, deposited $20,000 into the bank and set up an accounting for the company.

b. A one-year, 12%, bank loan for $5,000 was obtained.

c. Equipment costing $12,000 with an estimated useful life of 10 years was purchased for cash.

d. Supplies costing $3,000 were purchased on account.

e. Services were provided to customers for $1,500 on account.

f. Services were provided to customers for $2,000 cash,

g. Customers (see “e”) paid $500 on their accounts.

h. A bill for $160 of utilities was received. The bill is due by the 30th of next month.

i. The only employee was paid $700.

j. Paid $800 on account (see “d”).

k. LaRee withdrew $500 from the business for personal expenses.

l. At the end of the period a count of supplies revealed $2,400 of supplies on hand.