

Accounting 701
Fall, 2009

Dancin Music

Preparation of Financial Statements

Kris Payne enjoys listening to all types of music and owns countless CDs and tapes. Over the years, Kris has gained a local reputation for knowledge of music from classical to rap and the ability to put together sets of recordings that appeal to all ages.

During the last several months, Kris served as a guest disc jockey on a local radio station. In addition, Kris has entertained at several friends' parties as the host deejay.

On April 1, 2008, Kris has established a proprietorship known as Dancin Music. Using an extensive collection of CDs and tapes, Kris will serve as a disc jockey on a fee basis for weddings, college parties, and other events.

REQUIRED:

PREPARE AN INCOME STATEMENT FOR THE TWO MONTHS ENDED MAY 31, 2008, A STATEMENT OF CHANGES IN OWNERS EQUITY FOR THE TWO MONTH PERIOD ENDED MAY 31, 2008, AND A BALANCE SHEET AS AT MAY 31, 2008.

(IT IS RECOMMENDED THAT YOU USE T-ACCOUNTS TO RECORD ALL TRANSACTIONS AND ADJUSTMENTS.)

During April, Kris entered into the following transactions:

- April 1. Deposited \$10,000 in a checking account in the name of Dancin Music.
 2. Received \$2,500 from a local radio station for serving as the guest disc jockey for April.
 2. Agreed to share office space with a local real estate agency, Cash Realty. Dancin Music will pay one-fourth of the rent. In addition, Dancin Music agreed to pay a portion of the salary of the receptionist and to pay one-fourth of the utilities. Paid \$1,000 for the rent of the office.
 4. Purchased supplies (blank CDs, poster board, extension cords, etc.) from Richt Office Supply Co. for \$350. Agreed to pay \$100 within 10 days and the remainder by May 3, 2008.
 6. Paid \$750 to a local radio station to advertise the services of Dancin Music twice daily for two weeks.
 8. Paid \$800 to a local electronics store for renting digital recording equipment.
 12. Paid \$300 (music expense) to Rocket Music for the use of its current music demos to make various music sets.
 13. Paid Richt Office Supply Co. \$100 on account.
 16. Received \$350 from a dentist for providing two music sets for the dentist to play for her patients.
 22. Served as disc jockey for a wedding party. The father of the bride agreed to pay \$1,350 the 1st of May.
 25. Received \$500 from a friend for serving as the disc jockey for a cancer charity ball hosted by the local hospital.
 29. Paid \$240 (music expense) to Score Music for the use of its library of music demos.
 30. Received \$1,000 for serving as disc jockey for a local club's monthly dance.
 30. Paid Cash Realty \$400 for Dancin Music's share of the receptionist's salary for April.
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30. Paid Cash Realty \$350 for Dancin Music's share of the utilities for April.
 30. Determined that the cost of supplies on hand is \$170. Therefore, the cost of supplies used during the month was \$180.
 30. Paid for miscellaneous expenses, \$150.
 30. Paid \$800 royalties (music expense) to Federated Clearing for use of various artists' music during the month.
 30. Withdrew \$300 of cash from Dancin Music for personal use.

The following transactions were completed during May, the second month of business's operations:

- May
1. Kris Payne made an additional investment in Dancin Music by depositing \$2,500 in Dancin Music's checking account.
 1. Instead of continuing to share office space with a local real estate agency, Kris decided to rent office space near a local music store. Paid rent for May, \$1,600.
 1. Paid a premium of \$3,360 for a comprehensive insurance policy covering liability, theft, and fire. The policy covers a one-year period.
 2. Received \$1,350 on account.
 3. On behalf of Dancin Music, Kris signed a contract with a local radio station, KPRG, to provide guest spots for the next three months. The contract requires Dancin Music to provide a guest disc jockey for 80 hours per month for a monthly fee of \$2,400. Any additional hours beyond 80 will be billed to KPRG at \$40 per hour. In accordance with the contract, Kris received \$4,800 from KPRG as an advance payment for the first two months.
 3. Paid \$250 on account.
 4. Paid an attorney \$300 for reviewing the May 3rd contract with KPRG. (Record as Miscellaneous Expense.)
 5. Purchased office equipment on account from One-Stop Office Mart, \$5,000.
 8. Paid for a newspaper advertisement, \$180.
 11. Received \$750 for serving as a disc jockey for a college fraternity party.
 13. Paid \$500 to a local audio electronics store for rental of digital recording equipment.
 14. Paid wages of \$1,000 to receptionist and part-time assistant.
 16. Received \$1,500 for serving as a disc jockey for a wedding reception.
 18. Purchased supplies on account, \$750.
 21. Paid \$325 to Rocket Music for use of its current music demos in making various music sets.
 22. Paid \$800 to a local radio station to advertise the services of Dancin Music twice daily for the remainder of May.
 23. Served as disc jockey for a party for \$2,500. Received \$750, with the remainder due June 4, 2008.
 27. Paid electric bill, \$560.
 28. Paid wages of \$1,000 to receptionist and part-time assistant.
 29. Paid miscellaneous expenses, \$150.
 30. Served as a disc jockey for a charity ball for \$1,500. Received \$400, with the remainder due on June 9, 2008.
 31. Received \$2,800 for serving as a disc jockey for a party.
 31. Paid \$900 royalties (music expense) to Federated Clearing for use of various artists' music during May.
 31. Withdrew \$1,000 cash from Dancin Music for personal use.

The following additional information has been obtained in order to determine adjustments for the two-month period ending May 31, 2008:

- a) During May, Dancin Music provided guest disc jockeys for KPRG for a total of 115 hours. (see the contract described in the May 3, 2008, transaction.)**
- b) Supplies on hand at May 31, \$160.**
- c) The balance of the prepaid insurance account relates to the May 1, 2008, transaction.**
- d) The office equipment is has an estimated useful life of 4 years and a salvage value of \$200.**
- e) The balance of the unearned revenue account relates to the contract between Dancin Music and KPRG. (see the contract described in the may 3, 2008, transaction.)**
- f) Accrued wages as of May 31, 2008, were \$200.**