

**Exercise on preparing Trial balance and income statement - Softbyte**

1. Mr. Ray starts a smartphone app development company which he names **Softbyte**. On September 1, 2017, he invests \$15,000 cash in the business.

**cash.....15,000**

**Equity .....15,000**

2. Softbyte purchases computer equipment for \$7,000 on cash.

**computer equipment .....7,000**

**Cash.....7,000**

3. Softbyte purchases for \$1,600 from Mobile Solutions headsets and other computer accessories expected to pay after several months.

**computer accessories .....1,600**

**Account payable.....1,600**

4. Softbyte receives \$1,200 cash from customers for app development services it has performed.

**cash.....1,200**

**Service revenue.....1,200**

5. Softbyte receives a bill for \$250 from the *Daily News* for advertising on its online website but postpones payment until a later date.

**advertising expense.....250**

**Account payable.....250**

6. Softbyte performs \$3,500 of app development services for customers. The company receives cash of \$1,500 from customers, and it bills the balance of \$2,000 on account.

**cash.....1,500**

**Account recei.....2,000**

**Service revenue.....3,500**

7. Softbyte pays the following expenses in cash for September: office rent \$600, salaries and wages of employees \$900, and utilities \$200.  
**rent expense.....600**

**Salary & wages ex.....900**

**Utility expense.....200**

**Cash.....1,700**

8. Softbyte pays its \$250 *Daily News* bill in cash for the transaction already recorded in transaction number 5.

**account payable.....250**

**Cash.....250**

9. Softbyte receives \$600 in cash from customers who had been billed for services [in Transaction (6)].

**Cash.....600**

**Account receivable.....600**

10. Ray Neal withdraws \$1,300 in cash from the business for his personal use.

**Drawing .....1,300**

**Cash.....1,300**

***Required***

***a. Journalize***

***b. Post to T account ledger***

***c. Trial balance***

***d. income statement***

## Solution for softbyte company

### a. Journal entry

1. Cash.....15,000  
    Owner's equity.....15,000
2. Equipment .....7,000  
    Cash.....7,000
3. Computer acc and headsets.1,600  
    Account payable.....1,600
4. Cash.....1,200  
    Service revenue.....1,200
5. Advertising expense.....250  
    Account payable.....250
6. Cash.....1,500  
    Account receivable...2,000  
    Service revenue.....3,500
7. Office rent expense.....600  
    Sal and wage expen.....900  
    Utilities expense.....200  
    Cash.....1,700
8. Account payable.....250  
    Cash.....250
9. Cash.....600  
    Account receivable.....600
10. Drawing.....1,300  
    Cash.....1,300

## Ledger:

<b>Cash</b>		<b>Equipment</b>		<b>Computer ac</b>		<b>Acc. receiv</b>	
15,000	7,000	7,000		1,200		2,000	600
1,200	1,700						
1,500	250						
600	1,300						
<b>8,050</b>		<b>7,000</b>		<b>1,200</b>		<b>1,400</b>	

<b>Account pa</b>		<b>Owners equity</b>		<b>Drawing</b>		<b>Service revenue</b>	
250	1,600		15,000	1,300			1,200
	250						3,500
	<b>1,600</b>		<b>15,000</b>	<b>1,300</b>			<b>4,700</b>

<b>Advertising expense</b>		<b>Office rent expense</b>		<b>Salary and wages expen</b>		<b>Utilities expense</b>	
250		600		900		200	
<b>250</b>		<b>600</b>		<b>900</b>		<b>200</b>	

**Softbyte com**  
**Unadjusted trial balance**  
**For the month ended September 30, 2017**

	Dr.	Cr.
Cash.....	8,050	
Account receivable.....	1,400	
Equipment .....	7,000	
Comp acc and headset.....	1,200	
Account payable.....		1,600
Owner's equity.....		15,000
Drawing.....	1,300	
Service revenue.....		4,700
Advertising expense.....	250	
Office rent expense.....	600	
Salary and wages expense.....	900	
Utilities expense.....	200	
	<b><u>21,300</u></b>	<b><u>21,300</u></b>

**Softbye com**  
**Income statement**  
**For the month ended sep 31, 2017**

<b>Service revenue.....</b>	<b>4,700</b>
<b>Less: Operating expense:</b>	
<b>Advertising expense.....</b>	<b>250</b>
<b>Office rent expense.....</b>	<b>600</b>
<b>Salary and wages expense.....</b>	<b>900</b>
<b>Utilities expense.....</b>	<b>200</b>
<b>Total operating expense.....</b>	<b>(1,950)</b>
<b>Net income .....</b>	<b>2,750</b>