Maxwell Partners Medical Diagnostic Services report the following information for 2011, their first year of operations:

1. Billings to clients for services provided: $350,000
2. Client dues collected: $260,000
3. Equipment purchased for cash on Jan. 1, 2011 (assume a useful life of 5 years and zero salvage value): $50,000
4. Owners cash investment in the business: $600,000
5. Laboratory supplies (assume as inventory) purchased for cash: $150,000
6. Cost of laboratory supplies used: $80,000
7. Salaries and other expenses paid in cash: $150,000
8. Salaries for December 2011 to be paid in January 2012: $10,000
9. Paid cash dividends $20,000
10. Prepaid a 2 year insurance premium on January 1, 2011 in the amount of $50,000
11. Laboratory supplies (assume as inventory) purchased on account: $65,000
12. Paid supplier for laboratory supplies: $50,000
13. Charged depreciation on the equipment on a straight line basis.

Record each of the 14 transactions in the table provided, and prepare:

a. the income statement for 2011
b. the statement of owners’ equity for 2011
c. the balance sheet as of 12-31-11
d. the statement of cash flows for 2011
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MAXWELL PARTNERS MEDICAL DIAGNOSTIC SERVICES

INCOME STATEMENT FOR 2011

(Amounts $)

REVENUES 350,000

EXPENSES

  Cost of supplies used 80,000
  Salaries and other expenses 150,000
  Accrued expenses 10,000
  Depreciation expenses 10,000
  Insurance expense 25,000

  Total expenses 275,000

NET INCOME 75,000
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MAXWELL PARTNERS MEDICAL DIAGNOSTIC SERVICES

BALANCE SHEET AS OF 12/31/2011

(Amounts in $)

Assets

Cash 390,000
Accounts receivable 90,000
Inventory 135,000
Prepaid insurance 25,000
Total current assets 640,000
Equipment 50,000
Less Accumulated depreciation (10,000)
Total Assets 680,000

LIABILITIES AND OWNERS’ EQUITY

Current Liabilities

Accounts Payable 15,000
Other liabilities 10,000
Total liabilities 25,000

Stockholders’ Equity

Capital stock 600,000
Retained earnings 55,000
Total Liabilities and Stockholders’ equity 680,000
MAXWELL PARTNERS MEDICAL DIAGNOSTIC SERVICES

STATEMENT OF CASH FLOWS FOR 2011

(Amounts in $)

Cash flow from operating activities

Collected client dues 260,000
Expenses paid in cash (150,000)
Purchased inventory for cash (150,000)
Paid supplier (50,000)
Prepaid 2-year insurance premium (50,000)
Net cash flow from operating activities (140,000)

Cash flow from investing activities

Purchase equipment (50,000)
Net cash flow from investing activities (50,000)

Cash flow from financing activities

Investment by shareholders 600,000
Paid dividends (20,000)
Net cash flow from financing activities 580,000

Net cash flow 390,000
Beginning cash 0
Ending cash 390,000
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(Amounts in $)

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