

<b>Holmes-Watson Co.</b>				
	<b>Ref #</b>	<b>Date</b>	<b>Entry</b>	<b>Amount</b>
	(1) [1]	1-Jan-10	Dr. Cash (+A)	\$100,000
			Cr. Contributed Capital (+SE)	\$10,000
			Cr. Mortgage Payable (+L)	\$90,000
	(2) [2]	1-Jan-10	Dr. Land (+A)	\$10,000
			Dr. Building (+A)	\$90,000
			Cr. Cash (-A)	\$100,000
	(3) [3]	1-Jan-10	Dr. Prepaid Marketing Fees (+A)	\$600
			Cr. Marketing Fees Payable (+L)	\$600
	(4) [4]	1-Jan-10	Dr. Cash (+A)	\$9,000
			Cr. Security Deposit (+L)	\$9,000
	(5) [5]	5-Jan-10	Dr. Cash (+A)	\$1,000
			Dr. Accounts Receivable (+A)	\$500
			Cr. Deferred Rent (+L)	\$1,500
	(6) [6]	5-Jan-10	Dr. Property Management (+E, -SE)	\$100
			Cr. Cash (-A)	\$100
	(7) [7]	10-Jan-10	Dr. Repair Expense (+E, -SE)	\$50
			Cr. Repair Expense Payable (+L)	\$50
	(8) [8]	20-Jan-10	Dr. Repair Expense Payable (-L)	\$50
			Cr. Cash (-A)	\$50

	(9) [9]	22-Jan-10	Dr. Marketing Fees Payable (-L)	\$600
			Cr. Cash (-A)	\$600
	(10) [10]	31-Jan-10	Dr. Interest Expense (+E, -SE)	\$400
			Cr. Cash (-A)	\$400
			<b>Adjusting Entries</b>	
	(11) [11]	31-Jan-10	Dr. Depreciation Expense (+E, -SE)	\$250
			Cr. Accumulated Depreciation (+XA, -A)	\$250
	(12) [12]	31-Jan-10	Dr. Deferred Rent (-L)	\$1500
			Cr. Rental Income (+R, +SE)	\$1500
	(13) [13]	31-Jan-10	Dr. Home Insurance Expense (+E, -SE)	\$100
			Cr. Home Insurance Payable (+L)	\$100
	(14) [14]	31-Jan-10	Dr. Income Tax Expense (+E, -SE)	\$325
			Cr. Income Tax Payable (+L)	\$325
	(15) [15]	31-Jan-10	Dr. Marketing Fees Expense (+E, -SE)	\$50
			Cr. Prepaid Marketing Fees (-A)	\$50
			<b>Closing Entries</b>	
	C1 [16]		Dr. Rental Income (-R, -SE)	\$1500
			Cr. Retained Earnings (+SE)	\$1500
	C2 [17]		Dr. Retained Earnings (-SE)	\$1,275
			Cr. Property Management (-E, +SE)	\$100
			Cr. Repair Expense (-E, +SE)	\$50
			Cr. Interest Expense (-E, +SE)	\$400

			Cr. Depreciation Expense (-E, +SE)	\$250
			Cr. Home Insurance Expense (-E, +SE)	\$100
			Cr. Income Tax Expense (-E, +SE)	\$325
			Cr. Marketing Fees Expense (-E, +SE)	\$50

	<b>Ref #</b>	<b>Cash (A)</b>		<b>Ref #</b>		<b>Ref #</b>	<b>Contributed Capital (SE)</b>		<b>Ref #</b>
	(1)	\$100,000						\$10,000	(1)
			\$100,000	(2)					
	(4)	\$9,000							
	(5)	\$1,000						\$10,000	
			\$100	(6)					
			\$50	(8)					
			\$600	(9)					
			\$400	(10)					
							<b>Retained Earnings (SE)</b>		
								\$1,500	C1
		\$8,850				C2	\$1,275		
								\$225	
		<b>Land (A)</b>							
	(2)	\$10,000							
		\$10,000							
							<b>Mortgage Payable (L)</b>		
								\$90,000	(1)
								\$90,000	
	(2)	\$90,000							
							<b>Marketing Fees Payable (L)</b>		
								\$600	(3)
		\$90,000				(9)	\$600		
		<b>Prepaid Marketing Fees (A)</b>							
	(3)	\$600						\$0	
			\$50	(15)					



									\$325	(14)
									\$325	
									<b>Income (R, +SE)</b>	
									\$1,500	(12)
						C1	\$1,500			
									\$0	
									<b>Property Management (E, -SE)</b>	
						(6)	\$100		\$100	C2
									\$0	
									<b>Repair Expense (E, -SE)</b>	
						(7)	\$50		\$50	C2
									\$0	
									<b>Interest Expense (E, -SE)</b>	
						(10)	\$400		\$400	C2



	Unadjusted Balances		Adjustments		Adjusted Balances		Closing Entries		Post Closing Balance	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	\$8,850				\$8,850				\$8,850	
Accounts Receivable	\$500				\$500				\$500	
Prepaid Marketing Fees	\$600			\$50	\$550				\$550	
Building	\$90,000				\$90,000				\$90,000	
Accumulated Depreciation				\$250		\$250				\$250
Land	\$10,000				\$10,000				\$10,000	
Deferred Rent		\$1,500	\$1,500			\$0				\$0
Marketing Fees Payable		\$0				\$0				\$0
Repair Expense Payable		\$0				\$0				\$0
Home Insurance Payable				\$100		\$100				\$100
Income Tax Payable				\$325		\$325				\$325
Security Deposit		\$9,000				\$9,000				\$9,000
Mortgage Payable		\$90,000				\$90,000				\$90,000
Contributed Capital		\$10,000				\$10,000				\$10,000
Retained Earnings								\$225		\$225
Rental Income				\$1,500		\$1,500	\$1,500			
Property Management	\$100				\$100			\$100		
Repair Expense	\$50				\$50			\$50		
Interest Expense	\$400				\$400			\$400		
Depreciation Expense			\$250		\$250			\$250		
Home Insurance Expense			\$100		\$100			\$100		
Income Tax Expense			\$325		\$325			\$325		
Marketing Fees Expense			\$50		\$50			\$50		
	\$110,500	\$110,500	\$2,225.00	\$2,225.00	\$111,175.00	\$111,175.00	\$1,500.00	\$1,500.00	\$109,900.00	\$109,900.00



	<b>Holmes-Watson Co.</b>	
	<b>Income Statement For Period Ending 31-Jan-2010</b>	
	Rental Income	\$1,500
	Expenses	\$1,275
	Property Management	\$100
	Repair Expense	\$50
	Interest Expense	\$400
	Depreciation Expense	\$250
	Home Insurance Expense	\$100
	Income Tax Expense	\$325
	Marketing Fees Expense	\$50
	<b>Net Income</b>	<b>\$225</b>

	<b>Holmes-Watson Co.</b>	
	<b>Retained Earnings For Period Ending 31-Jan-2010</b>	
	Beginning balance, 01-Jan-2010	\$0
	Net Income (+)	\$225
	Dividends (-)	\$0
	Ending balance, 31-Jan-2010	\$225

	<b>Holmes-Watson Co.</b>	
	<b>Balance Sheet As On 31-Jan-2010</b>	
	<b>Assets</b>	\$109,650
	Cash	\$8,850
	Accounts Receivable	\$500
	Prepaid Marketing Fees	\$550
	Net Building	\$89,750
	Building	\$90,000
	Accumulated Depreciation	\$250
	Land	\$10,000
	<b>Liabilities</b>	\$99,425
	Home Insurance Payable	\$100
	Income Tax Payable	\$325
	Security Deposit	\$9,000
	Mortgage Payable	\$90,000
	<b>Shareholders Equity</b>	\$10,225
	Contributed Capital	\$10,000
	Retained Earnings	\$225
	<b>Liabilities + Shareholders Equity</b>	\$109,650

	<b>Holmes-Watson Co.</b>	
	<b>Cash Flow Statement For Period Ending 31-Jan-201</b>	
	Net Income	\$225
	Depreciation Expense (+)	\$250
	Income Tax Expense (+)	\$325
	Home Insurance Expense (+)	\$100
	Marketing Fees Expense (-)	\$550
	Accounts Receivable (-)	\$500
	Security Deposit (+)	\$9,000
	<b>Cash Flow From Operations</b>	<b>\$8,850</b>
	Land	\$10,000
	Building	\$90,000
	<b>Cash Flow From Investing</b>	<b>\$100,000</b>
	Contributed Capital	\$10,000
	Mortgage Payable	\$90,000
	<b>Cash Flow From Financing</b>	<b>\$100,000</b>
	Starting Cash	\$0
	Ending Cash	\$8,850
	Change in Cash	\$8,850

- [1] Holmes-Watson Co. decided to buy a rental property for \$100,000. It makes a downpayment of \$10,000. It takes a loan for the remaining \$90,000 from a bank.
- [2] Cash of \$100,000 is used to purchase the rental property.
- [3] Holmes-Watson Co. incurred \$600 for an entire year to market the rental property. Not sure if the rule allows such a weird transaction to be created. For example this is ok.
- [4] Holmes-Watson Co. found a tenant who will pay \$9000 (six months rent) as security deposit. This will be paid back to the tenant when he vacates the house.
- [5] The tenant pays the monthly rent of \$1500. But the property manager only paid \$1000 to Holmes-Watson Co. The broker promised that the remaining \$500 will be paid next month.
- [6] Holmes-Watson Co. pays a property management expense to its property manager. The charge is 6.66% of monthly rent which comes to \$100.
- [7] The air conditioner didn't work properly and fixing it costed \$50.
- [8] Holmes-Watson Co. pays cash to the person who fixed the air conditioner.
- [9] Holmes-Watson Co. pays cash towards marketing fees.
- [10] Holmes-Watson Co. took a 30 year loan at 3.41% per annum. The interest expense on the loan came to \$400.
- [11] Holmes-Watson Co. estimated the useful life of the building to be 30 years. So the depreciation expense per month comes to \$250.
- [12] The tenant stayed for an entire month and hence the service got provided to him. And the company can recognize the revenue.
- [13] The insurance premium for the property is \$1200 per annum. This translates to a monthly payment of \$100.
- [14] The property tax rate is 3.9% on the total purchase price of \$100,000. This comes to \$3900 per annum. This translates to an insurance expense of \$325 per month.
- [15] Marketing Fees of \$600 was paid for an entire year. This translates to \$50 per month.
- [16] Zero out income accounts by transferring it to retained earnings.
- [17] Zero out expense account.