



Student's name: \_\_\_\_\_ SSN's: \_\_\_\_\_  
(Last, First Name) (Last 4#)

## Comprehensive Problem Fall 03



# Ken Harper, Master Chef

A.k.a., Ken Harper Cooking School

## Company Profile and Background:

For the past several months, Ken Harper has operated a cooking school from his home on a part-time basis. As of October 1, Ken decided to move to rented quarters and to devote full time to the business, which is to be known as Ken Harper Cooking School. Ken has asked you to prepare all the accounting records including financial statements for October, the first month of operations. You and Ken have decided that your accounting fee for the month will be \$200.

On October 1, Ken opened a business bank account for \$25,000.



Also on October 1, the following assets were moved from Ken's home to the rented quarters: Restaurant supplies, \$350; office supplies \$100; Equipment, which cost \$6,000 and has been depreciated \$1,450.

As of October 1, there is \$1,500 of Cooking School liabilities.

## Required:

1. Journalize the opening of the cooking school in a two-column journal. (Hint: You will have to determine Ken's opening balance.) Use the accounts listed below as the basis for your chart of accounts. You may need to add more accounts as you progress through the case.

Cash  
Accounts Receivable  
Restaurant Supplies  
Office Supplies  
Prepaid Rent  
Prepaid Insurance  
Equipment  
Accumulated Depreciation  
Accounts Payable  
Salaries Payable  
Accounting Fees Payable  
Unearned fees

Ken Harper, Capital  
Ken Harper, Drawing  
Fees Earned  
Rent Expense  
Salary Expense  
Utilities Expense  
Insurance Expense  
Accounting Fees Expense  
Restaurant Supplies Expense  
Office Supplies Expense  
Miscellaneous Expense

2. See the Check Register, "Customer Billings", copies of Customer Invoices" and "Other Information Needed".
3. You will be using a manual system:
  - a. Journalize entries from the information given, (i.e. Checkbook, customer billing, opening statements, and other information needed.)
  - b. Post the journal to the T accounts.
  - c. Prepare a trial balance as of October 31.
  - d. Adjust your trial balance using the "Other Information Needed" section on the last page of this handout.
  - e. Journalize and post these entries and prepare another trial balance.



4. Prepare an income statement, a statement of owner's equity, and a balance sheet for Ken.
5. Write a brief memo to Ken explaining any assumptions you made. Then write an evaluation of his first month of operation, including his current ratio, return on capital, asset turnover, margin, and ROI.
6. Journalize and post closing entries, and prepare a post closing trial balance. This step is unusual because you typically do it only once, at year-end.
7. Organize your work neatly and staple them together with the cover page of this handout

on top.

### **“Foods for thought:”**

1. Does the check register agree with the trial balance??
2. Did you accrue any expenses and revenues??
3. Did you defer George Kursh revenues??
4. Did you make the entry for depreciating equipment??
5. Did you adjust restaurant supplies, prepaid insurance and rent??
6. What about the payable on the new computer??
7. What about the payments for utilities??
8. Did Ken Harper - salary fool you??
9. Did you remember about your \$200 accounting fee??

Ken Harper, Master Chef  
A.k.a - Ken Harper Cooking School

21250 Stevens Creek Blvd, Suite F41f  
Cupertino, California 95014

### Check Register - Account Number 123-456-789-00KH

#	Date	Description	Payment	Deposit	Balance
	10/1	Opened Account		25,000.00	
101	10/1	American Leasing (4 Mos. Rent)	2,000.00		
102	"	State Farm Insurance (1 yr. Policy)	1,200.00		
	10/4	George Kursh - Advance payment		2,500.00	
	10/6	Martin Yan - On account		800.00	
103	10/9	Mercury News - Advertising	80.00		
104	10/11	American Computer - Payment on account	1,100.00		
105	10/13	Mable Motts - Secretary	600.00		
	10/17	Gram Kerr - On account		1,800.00	
	"	Jeff Smith - On account		700.00	
106	10/17	Ken Harper, reimbursement: Office Max \$290, Safeway \$660	950.00		
	10/24	Jacques Pepin - On account		625.00	
	"	Martha Stewart - Cash sale		350.00	
	10/25	Julia Child - On account		835.00	
	"	Burt Wolf - Cash sale		40.00	
	10/27	Jeff Smith - On account		1,200.00	
107	10/27	Mable Motts - Secretary	600.00		
108	10/30	Pacific Telephone - Office	65.00		
109	"	Pacific Telephone - Home	45.00		
110	"	Pacific Gas & Electric - Office	110.00		
111	"	Pacific Gas & Electric - Home	85.00		
112	"	Ken Harper - Salary	2,000.00		
113	11/1	Bob Motts, Jr. - Part-time Help for October mailing	260.00		











<p><b>Cash</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: center;">Dr</td><td style="width: 50%; text-align: center;">Cr</td></tr> <tr><td style="height: 100px;"> </td><td> </td></tr> </table>	Dr	Cr			<p><b>a/rec</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: center;">Dr</td><td style="width: 50%; text-align: center;">Cr</td></tr> <tr><td style="height: 100px;"> </td><td> </td></tr> </table>	Dr	Cr			<p><b>rest supplies</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: center;">Dr</td><td style="width: 50%; text-align: center;">Cr</td></tr> <tr><td style="height: 100px;"> </td><td> </td></tr> </table>	Dr	Cr			<p><b>off supplies</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: center;">Dr</td><td style="width: 50%; text-align: center;">Cr</td></tr> <tr><td style="height: 100px;"> </td><td> </td></tr> </table>	Dr	Cr			<p><b>prepaid rent</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: center;">Dr</td><td style="width: 50%; text-align: center;">Cr</td></tr> <tr><td style="height: 100px;"> </td><td> </td></tr> </table>	Dr	Cr		
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Memo to Ken Harper

From \_\_\_\_\_, Outstanding Accounting Student

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

I wanted to tell you about some important facts about your cooking school business. These facts are...

Ratios: (Show formula and calculations.)

Current ratio is:

Return on capital is:

Asset turnover is:

Margin is:

ROI (return on investment) is: