

**2.96/2.961/6.930/10.806/13.52/16.653/22.002 Management in Engineering  
Fall 2012  
Problem Set 1**

1. Prepare the journal entry for each transaction.

- Lohan’s Active Pest Deterrents (“LAPD”) was founded on January 1, 2007. The company’s founder, Lindsey, provides two services: Pest Removal and Pest Prevention.
- The pest removal service eradicates ants, termites, rats, and other vermin (paparazzi) that might infest your house or business.
- Pest prevention service is a service that she provides quarterly to customers, where she treats the house with her patented Pest Prevention Elixirs that discourage ants and termites from entering the customer’s residence (or business).
- During the first fiscal year of operations, Lindsey engaged in the transactions listed as below

[Example] On January 1<sup>st</sup> (2007), LAPD used cash to purchase equipment costing \$200,000.

Transaction	Accounts	Debit	Credit
01-01-2007	Equipment (A)	200,000	
	Cash (A)		200,000

a. On February 1<sup>st</sup>, purchased poison supplies for \$20,000 on credit


b. On April 10, performed pest prevention services and received \$50,000 payment by cash from DINA’s Delightful Deli.


- c. On April 21<sup>st</sup>, billed clients for Pest Removal Services performed during the month of April totaling \$75,000.


- d. On July 1<sup>st</sup>, performed pest prevention services worth of \$100,000 and received \$50,000 immediately with the remainder on credit.


2. Complete the missing values from (a) to (i) in the chart below. Show your calculations. Note that the first year of operations is 2001.

	2003	2002	2001
<b>Assets</b>			
Cash	600	500	100
Accounts Receivable	500	400	400
Inventory	400	350	(a)
Land	300	250	250
Property, plant, and equipment	900	(d)	600
<b>Liabilities and Stockholder's Equity</b>			
Accounts Payable	(g)	500	200
Bonds Payable	600	400	600
Contributed Capital	900	500	500
Retained Earnings	900	(e)	100
<b>Sales</b>	2000	(f)	1000
<b>Expenses</b>	(h)	(800)	(500)
<b>Net Income</b>	(i)	800	(b)
<b>Dividends</b>	500	0	(c)

(a)

(b)

(c)

(d)

(e)

(f)

(g)

(h)

(i)

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