

Jade Mante

Comprehensive Problem For Chapters 8-10

Requirements

1. Record the transactions in the general journal. Omit explanations.
2. Post to the general ledger.
3. Reconcile the bank account by comparing the following annual summary statement from Long Beach National Bank to the Cash account in the general ledger. Record journal entries as needed and post to the general ledger. Use transaction z as the posting reference.
4. In preparation for preparing the adjusting entries, complete depreciation schedules for the first five years for the depreciable plant assets, assuming the assets were purchased on January 2, 2018:
5. Record adjusting entries for the year ended December 31, 2018:
6. Post adjusting entries and prepare an adjusted trial balance.
7. Prepare a multi-step income statement and statement of owners equity for the year ended December 31, 2018. Prepare a classified balance sheet as of December 31, 2018. Assume Interest Receivable is a current asset and Interest Payable is a current liability.
8. Record closing entries for the year ended December 31, 2018:
9. Post closing entries and prepare a post-closing trial balance.

Solution:

Requirement 1

Date	Accounts and Explanation	Debit	Credit
a.	Cash Baker, Capital	500,000	500,000
b.	Franchise Cash	50,000	50,000
c.	Land Building Cash Notes Payable	100,000 500,000	200,000 400,000
d.	Store Fixtures Cash	75,000	75,000
e.	Office Equipment Cash	45,000	45,000
f.	Office Supplies Cash	600	600
g.	Prepaid Insurance Cash	3,600	3,600
h.	Merchandise Inventory Accounts Payable	425,000	425,000

Date	Accounts and Explanation	Debit	Credit
I	petty cash cash	150	150
J	a. AR - B+B Contractors Sales Revenue	215,000	215,000
	b. COGS merchandise inventory	86,000	86,000
K	a. NR - Davis Contracting Sales Revenue	150,000	150,000
	b. COGS merchandise inventory	65,000	65,000
L	a. cash credit card expense, (80,000 x 2%) Sales Revenue	78,400 16,000	80,000
	b. COGS merchandise inventory	35,000	35,000
M	cash AR - B+B Contractors	215,000	215,000
N	merchandise inventory AP	650,000	650,000
O	AP cash	300,000	300,000
P	a. cash Sales revenue	350,000	350,000
	b. COGS merchandise inventory	175,000	175,000
Q	cash NR - Davis Contracting Interest revenue (150,000 x .08 / 2)	156,000	150,000 6,000
R	a. NR - Leard Contracting Sales revenue	265,000	265,000
	b. COGS merchandise inventory	130,000	130,000
S	AP cash	500,000	500,000
T	a. AR Sales revenue	985,000	985,000
	b. COGS merchandise inventory	395,000	395,000

Requirements 2, 3, and 7

Cash			
a.	\$500,000	\$50,000	b.
L.	78,400	200,000	c.
M.	215,000	75,000	d.
P.	350,000	45,000	e.
Q.	156,000	600	f.
U.	715,000	3,600	g.
Z.	1,565	150	h.
		300,000	i.
		500,000	j.
		192,650	k.
		88	l.
		5,000	m.
2,014,400		102,750	n.
2,015,965		2465	o.
Bal	\$539,162		

Accounts Payable			
O.	\$300,000	\$425,000	H.
S.	500,000	650,000	N.
			1,075,000
			\$25,000 Bal

Interest Payable	
	\$20,000 Dec. 31
	\$20,000 Bal

Notes Payable	
	\$400,000 C.
	\$40,000 Bal

Common Stock	

Petty Cash	
I	\$150
Bal	\$150

Accounts Receivable			
J	\$215,000	\$215,000	M.
T	985,000	715,000	U.
	\$270,000		

Allowance for Bad Debts	
	\$13,500 Dec. 31
	\$13,500 Bal

Dividends	

Merchandise Inventory			
H.	\$425,000	\$86,000	J.
N.	650,000	65,000	K.
1,075,000		35,000	L.
		175,000	P.
		130,000	R.
		395,000	T
Bal	\$189,000		886,000

Sales Revenue	
	\$215,000 J
	150,000 K
	80,000 L
	350,000 P
	265,000 R
	985,000 T
	\$2,045,000 Bal

Baker, Capital	
	\$500,000 a.

Baker, Withdrawals	
X	\$5,000

Office Supplies			
F.	\$ 600	\$ 475	Dec. 31
W.	85		
Bal	\$ 210		

Interest Revenue			
	\$ 6,000		Q.
	1,565		Z.
	3,533		Dec. 31
	\$ 11,098		Bal.

Prepaid Insurance			
G.	3,600	\$ 1,800	Dec. 31
Bal	\$ 1,800		

Cost of Goods Sold			
J.	\$ 86,000		
K.	65,000		
L.	35,000		
D.	175,000		
R.	130,000		
T.	395,000		
Bal	\$ 886,000		

Interest Receivable			
Dec. 31	\$ 3,533		
Bal	\$ 3,533		

Notes Receivable			
K.	\$ 150,000	\$ 150,000	Q.
R.	265,000		
Bal	\$ 265,000		

Franchise Fee Expense			
Y.	\$ 102,250		
Bal	\$ 102,250		

Land			
C.	\$ 100,000		
Bal	\$ 100,000		

Salaries Expense			
V.	\$ 180,000		
Bal	\$ 180,000		

Building			
C.	\$ 500,000		
Bal	\$ 500,000		

Utilities Expense			
V.	\$ 12,650		
Bal	\$ 12,650		

Accum. Dep. - Building			
		\$ 15,000	Dec. 31
		\$ 15,000	Bal

Insurance Expense			
Dec. 31	\$ 1,800		
Bal	\$ 1,800		

Store Fixtures			
d.	\$ 75,000		
Bal	\$ 75,000		

Supplies Expense			
Dec. 31	\$ 475		
Bal	\$ 475		

Accum. Dep. - Store Fixtures	
	\$5,000 Dec 31
	\$5,000 Bal

Office Equipment	
e.	\$45,000
Bal	\$45,000

Accum. Dep. - Office Equipment	
	\$18,000 Dec 31
	\$18,000 Bal

Franchise	
b.	\$50,000
Bal	\$45,000

Bad Debts Expense	
Dec 31	\$13,500
Bal	13,500

Bank Expense	
Z	\$2465
Bal	\$2465

Credit Card Expense	
L.	\$1,100
Bal	\$1,100

Dep. Exp. - Building	
Dec 31	\$15,000
Bal	\$15,000

Dep. Exp. - Store Fixtures	
Dec 31	\$5,000
Bal	\$5,000

Dep. Exp. - Office Equipment	
Dec 31	\$18,000
Bal	\$18,000

Amortization Expense - Franchise	
Dec 31	\$5,000
Bal	\$5,000

Interest Expense	
Dec 31	\$20,000
Bal	\$20,000

Cash Over and Short	
W	\$3
Bal	\$3

Requirement 3

TOP QUALITY APPLIANCE - LONG BEACH			
Bank Reconciliation			
December 31, 2018			
BANK		BOOK	
Balance as of Dec 31, 2018	\$490,500	Balance as of Dec 31, 2018	\$540,062
ADD:		ADD: Interest Revenue	\$1,565
Deposits In Transit (G)	\$156,000		541,627
LESS: Outstanding checks/Debits		LESS:	
(W)	88	EFT to Bank Checks	175
(X)	5,000	Bank Service Charge	2,340
(Y)	107,250		(2,415)
Adjusted Balance	<u>\$539,162</u>	Adjusted Balance	<u>\$539,162</u>

Date	Accounts and Explanation	Debit	Credit
Dec 31	Cash	1,565	
	Interest revenue		1,565
31	Bank Expense	2,415	
	Cash		2,415

Requirement 4

Building

30 years, 50,000 residual (500,000 - 50,000) / 30

Straight-Line Depreciation Schedule - Building						
Date	Asset Cost	Depreciation for the Year			Accumulated Depreciation	Book Value
		Depreciable Cost	Rate	Depreciation Expense		
01/02/2018	\$500,000					\$500,000
12/31/2018		(500,000 - 50,000)	30	\$15,000	15,000	485,000
12/31/2019		(500,000 - 50,000)	30	15,000	30,000	470,000
12/31/2020		(500,000 - 50,000)	30	15,000	45,000	455,000
12/31/2021		(500,000 - 50,000)	30	15,000	60,000	440,000
12/31/2022		(500,000 - 50,000)	30	15,000	75,000	425,000

Store Fixtures

15 years, 0 residual (75,000 - 0) / 15

Straight-Line Depreciation Schedule - Store Fixtures						
Date	Asset Cost	Depreciation for the Year			Accumulated Depreciation	Book Value
		Depreciable Cost	Rate	Depreciation Expense		
01/02/2018	\$75,000					\$75,000
12/31/2018		(75,000 - 0)	15	\$5,000	5,000	70,000
12/31/2019		(75,000 - 0)	15	5,000	10,000	65,000
12/31/2020		(75,000 - 0)	15	5,000	15,000	60,000
12/31/2021		(75,000 - 0)	15	5,000	20,000	55,000
12/31/2022		(75,000 - 0)	15	5,000	25,000	50,000

Office Equipment

5 years, 5,000 residual

Double-Declining-Balance Depreciation Schedule - Office Equipment						
Date	Asset Cost	Depreciation for the Year			Accumulated Depreciation	Book Value
		Book Value	DDB Rate	Depreciation Expense		
01/02/2018	\$45,000					\$45,000
12/31/2018		$45,000 \times 2 \times 1/5$		\$18,000	18,000	27,000
12/31/2019		$27,000 \times 2 \times 1/5$		10,800	28,800	16,200
12/31/2020		$16,200 \times 2 \times 1/5$		6,480	35,280	9,720
12/31/2021		$9,720 \times 2 \times 1/5$		3,888	39,168	5,832
12/31/2022				832	40,000	5,000

Requirement 6

TOP QUALITY APPLIANCE - LONG BEACH		
Adjusted Trial Balance		
December 31, 2018		
Account Title	Balance	
	Debit	Credit
Cash	\$539,162	
Petty Cash	150	
Accounts Receivable	270,000	
Allowance for Bad Debts		\$ 13,500
Merchandise Inventory	189,000	
Office Supplies	210	
Prepaid Insurance	1,800	
Land	100,000	
Building	500,000	
Accu. Depr. - Building		15,000
Store Fixtures	75,000	
Accu. Depr. - Store Fixtures		5,000
Office Equipment	45,000	
Accu. Depr. - Office Equipment		18,000
Franchise	45,000	
Notes Receivable	265,000	
Interest Receivable	3,533	
Accounts Payable		275,000
Interest Payable		20,000
Notes Payable		400,000
Baker, Capital		500,000
Baker, Withdrawals	5,000	
Sales Revenue		2,045,000
Interest Revenue		11,098
Cost of Goods Sold	886,000	
Franchise Fee Expense	102,250	
Salaries Expense	180,000	
Utilities Expense	12,650	
Insurance Expense	1,800	
Supplies Expense	475	
Bad Debt Expense	13,500	
Bank Expense	2,465	
Depreciation Expense - Building	15,000	
Depreciation Expense - Store Fixtures	5,000	
Depreciation Expense - Office Equipment	18,000	
Amortization Expense - Franchise	5,000	
Interest Expense	20,000	
Cash Short & Over	3	
Credit Card Expense	1,600	
Total:	\$3,302,598	\$3,302,598

Requirement 7

TOP QUALITY APPLIANCE - LONG BEACH		
Income Statement		
For Year Ended December 31, 2018		
Sales Revenue		\$ 2,045,000
COGS		(886,000)
Gross Profit:		\$ 1,159,000
Operating Expenses:		
Franchise Fee Expense	\$ 102,250	
Salaries Expense	150,000	
Utilities Expense	12,650	
Insurance Expense	1,800	
Supplies Expense	475	
Bad Debt Expense	13,500	
Credit Card Expense	1,600	
Bank Expense	2,465	
Depr. Expense - Building	15,000	
Depr. Expense - Store Fixtures	5,000	
Depr. Expense - Office Equipment	18,000	
Amortization Expense - Franchise	5,000	
		357,740
Operating Income		\$ 801,260
Non-Operating Items:		
Interest Revenue	11,098	
Interest Expense	(20,000)	
Cash Short + over	(3)	
		(8,905)
Net Income		\$ 792,355

TOP QUALITY APPLIANCE - LONG BEACH	
Statement of Owner's Equity	
For Year Ended December 31, 2018	
Baker, Capital, January 1, 2018	\$ 500,000
Net Income for the year	792,355
	1,292,355
Baker, Withdrawal	(5,000)
Baker, Capital, December 31, 2018	\$ 1,287,355

TOP QUALITY APPLIANCE - LONG BEACH		
Balance Sheet		
December 31, 2018		
Assets		
Current Assets:		
Cash	\$ 539,162	
Petty cash	150	
Accounts receivable	270,000	
Interest receivable	3,333	
Notes receivable	265,000	
Merchandise inventory	184,000	
Office supplies	210	
Prepaid insurance	1,875	
Allow for bad debts	(13,500)	
Total Current Assets		\$ 1,255,355
Property, Plant, and Equipment:		
Building	500,000	
Store fixtures	75,000	
Office equipment	45,000	
Less: Acc. Depr. - Building	(15,000)	
Less: Acc. Depr. - Store fixtures	(5,000)	
Less: Acc. Depr. - Office equipment	(18,000)	
Total Property, Plant, and Equipment	712,000	
Add: Land / Franchise		127,000
Total Assets		\$ 1,982,355
Liabilities		
Current Liabilities		
Accounts payable	275,000	
Interest payable	20,000	
Total Current Liabilities		295,000
Long-term Liabilities		
Notes payable		400,000
Total Liabilities		\$ 695,000
Owner's Equity		
Baker, Capital		1,287,355
Total Liabilities and Owner's Equity		\$ 1,982,355