

TERM PROJECT ASSIGNMENT

ACC 231

Below is the Term Project Assignment. Please click on the attached file below. It is due by 5pm on the Friday of the week of the semester. This assignment is intended to reinforce the knowledge and skills you have acquired in the course on how to prepare, analyze, and interpret financial statements of a company. This is because you will need the knowledge and skills to help you prepare your senior project financial before you can graduate from the school of business. Submit your work in the term project drop box. Your project should be typed in black ink color using 12 font size and plain text with Microsoft Word or Excel. It should be 3 page minimum and 5 pages maximum with single-spaced. Please observe standard rules of grammar and punctuation – Appropriate capitalization, punctuation, and sentence structure are important. Always proofread prior to sending – Make a habit of proofreading your materials prior to hitting the send button.

Problem 4-4A

Preparing closing entries,
financial statements, and
ratios

C3 A1 P2

The adjusted trial balance for Tybalt Construction as of December 31, 2017, follows.

TYBALT CONSTRUCTION Adjusted Trial Balance December 31, 2017			
No.	Account Title	Debit	Credit
101	Cash	\$ 5,000	
104	Short-term investments	23,000	
126	Supplies	8,100	
128	Prepaid insurance	7,000	
167	Equipment	40,000	
168	Accumulated depreciation—Equipment		\$ 20,000
173	Building	150,000	
174	Accumulated depreciation—Building		50,000
183	Land	55,000	
201	Accounts payable		16,500
203	Interest payable		2,500
208	Rent payable		3,500
210	Wages payable		2,500
213	Property taxes payable		900
233	Unearned professional fees		7,500
251	Long-term notes payable		67,000
301	O. Tybalt, Capital		126,400
302	O. Tybalt, Withdrawals	13,000	
401	Professional fees earned		97,000
406	Rent earned		14,000
407	Dividends earned		2,000
409	Interest earned		2,100
606	Depreciation expense—Building	11,000	
612	Depreciation expense—Equipment	6,000	
623	Wages expense	32,000	
633	Interest expense	5,100	
637	Insurance expense	10,000	
640	Rent expense	13,400	
652	Supplies expense	7,400	
682	Postage expense	4,200	
683	Property taxes expense	5,000	
684	Repairs expense	8,900	
688	Telephone expense	3,200	
690	Utilities expense	4,600	
	Totals	<u>\$411,900</u>	<u>\$411,900</u>

O. Tybalt invested \$5,000 cash in the business during year 2017 (the December 31, 2016, credit balance of the O. Tybalt, Capital account was \$121,400). Tybalt Construction is required to make a \$7,000 payment on its long-term notes payable during 2018.

Required

1. Prepare the income statement and the statement of owner's equity for the calendar year 2017 and the classified balance sheet at December 31, 2017.
2. Prepare the necessary closing entries at December 31, 2017.
3. Use the information in the financial statements to compute these ratios: (a) return on assets (total assets at December 31, 2016, was \$200,000), (b) debt ratio, (c) profit margin ratio (use total revenues as the denominator), and (d) current ratio. Round ratios to three decimals for parts a and c, and to two decimals for parts b and d.

Check (1) Total assets (12/31/2017), \$218,100; Net income, \$4,300

Problem 16-3A

Indirect: Statement of cash flows

A1 P1 P2 P3

Forten Company, a merchandiser, recently completed its calendar-year 2017 operations. For the year, (1) all sales are credit sales, (2) all credits to Accounts Receivable reflect cash receipts from customers, (3) all purchases of inventory are on credit, (4) all debits to Accounts Payable reflect cash payments for inventory, and (5) Other Expenses are paid in advance and are initially debited to Prepaid Expenses. The company's income statement and balance sheets follow.

FORTEN COMPANY Income Statement For Year Ended December 31, 2017		
Sales		\$582,500
Cost of goods sold		<u>285,000</u>
Gross profit		297,500
Operating expenses		
Depreciation expense	\$ 20,750	
Other expenses	<u>132,400</u>	153,150
Other gains (losses)		
Loss on sale of equipment		<u>(5,125)</u>
Income before taxes		139,225
Income taxes expense		<u>24,250</u>
Net income		<u>\$114,975</u>

FORTEN COMPANY Comparative Balance Sheets December 31, 2017 and 2016		
	2017	2016
Assets		
Cash	\$ 49,800	\$ 73,500
Accounts receivable	65,810	50,625
Inventory	275,656	251,800
Prepaid expenses	1,250	1,875
Total current assets	<u>392,516</u>	<u>377,800</u>
Equipment	157,500	108,000
Accum. depreciation—Equipment	<u>(36,625)</u>	<u>(46,000)</u>
Total assets	<u>\$513,391</u>	<u>\$439,800</u>
Liabilities and Equity		
Accounts payable	\$ 53,141	\$114,675
Short-term notes payable	<u>10,000</u>	<u>6,000</u>
Total current liabilities	63,141	120,675
Long-term notes payable	<u>65,000</u>	<u>48,750</u>
Total liabilities	128,141	169,425
Equity		
Common stock, \$5 par value	162,750	150,250
Paid-in capital in excess of par, common stock	<u>37,500</u>	<u>0</u>
Retained earnings	<u>185,000</u>	<u>120,125</u>
Total liabilities and equity	<u>\$513,391</u>	<u>\$439,800</u>

Additional Information on Year 2017 Transactions

- The loss on the cash sale of equipment was \$5,125 (details in b).
- Sold equipment costing \$46,875, with accumulated depreciation of \$30,125, for \$11,625 cash.
- Purchased equipment costing \$96,375 by paying \$30,000 cash and signing a long-term note payable for the balance.
- Borrowed \$4,000 cash by signing a short-term note payable.
- Paid \$50,125 cash to reduce the long-term notes payable.
- Issued 2,500 shares of common stock for \$20 cash per share.
- Declared and paid cash dividends of \$50,100.

Required

- Prepare a complete statement of cash flows; report its operating activities using the *indirect method*. Disclose any noncash investing and financing activities in a note.

Analysis Component

- Analyze and discuss the statement of cash flows prepared in part 1, giving special attention to the wisdom of the cash dividend payment.

Check Cash from operating activities, \$40,900

Selected year-end financial statements of Cabot Corporation follow. (All sales were on credit; selected balance sheet amounts at December 31, 2016, were inventory, \$48,900; total assets, \$189,400; common stock, \$90,000; and retained earnings, \$22,748.)

Problem 17-4A

Calculation of financial statement ratios

P3

CABOT CORPORATION Income Statement For Year Ended December 31, 2017	
Sales	\$448,600
Cost of goods sold	<u>297,250</u>
Gross profit	151,350
Operating expenses	98,600
Interest expense	<u>4,100</u>
Income before taxes	48,650
Income taxes	<u>19,598</u>
Net income	<u>\$ 29,052</u>

CABOT CORPORATION Balance Sheet December 31, 2017			
Assets		Liabilities and Equity	
Cash	\$ 10,000	Accounts payable	\$ 17,500
Short-term investments	8,400	Accrued wages payable	3,200
Accounts receivable, net	29,200	Income taxes payable	3,300
Notes receivable (trade)*	4,500	Long-term note payable, secured by mortgage on plant assets	63,400
Merchandise inventory	32,150	Common stock	90,000
Prepaid expenses	2,650	Retained earnings	<u>62,800</u>
Plant assets, net	<u>153,300</u>	Total liabilities and equity	<u>\$240,200</u>
Total assets	<u>\$240,200</u>		

* These are short-term notes receivable arising from customer (trade) sales.

Required

Compute the following: (1) current ratio, (2) acid-test ratio, (3) days' sales uncollected, (4) inventory turnover, (5) days' sales in inventory, (6) debt-to-equity ratio, (7) times interest earned, (8) profit margin ratio, (9) total asset turnover, (10) return on total assets, and (11) return on common stockholders' equity. Round to one decimal place; for part 6, round to two decimals.

Check Acid-test ratio, 2.2 to 1; Inventory turnover, 7.3