

MIDTERM 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 SET B

Problem 4-1B

Applying the accounting cycle

C1 C2 P2 P3 

On July 1, 2017, Lula Plume created a new self-storage business, Safe Storage Co. The following transactions occurred during the company's first month.

- | | | |
|------|----|---|
| July | 1 | Plume invested \$30,000 cash and buildings worth \$150,000 in the company. |
| | 2 | The company rented equipment by paying \$2,000 cash for the first month's (July) rent. |
| | 5 | The company purchased \$2,400 of office supplies for cash. |
| | 10 | The company paid \$7,200 cash for the premium on a 12-month insurance policy. Coverage begins on July 11. |
| | 14 | The company paid an employee \$1,000 cash for two weeks' salary earned. |
| | 24 | The company collected \$9,800 cash for storage fees from customers. |
| | 28 | The company paid \$1,000 cash for two weeks' salary earned by an employee. |
| | 29 | The company paid \$950 cash for minor repairs to a leaking roof. |
| | 30 | The company paid \$400 cash for this month's telephone bill. |
| | 31 | Plume withdrew \$2,000 cash from the company for personal use. |

The company's chart of accounts follows:

101	Cash	401	Storage Fees Earned
106	Accounts Receivable	606	Depreciation Expense—Buildings
124	Office Supplies	622	Salaries Expense
128	Prepaid Insurance	637	Insurance Expense
173	Buildings	640	Rent Expense
174	Accumulated Depreciation—Buildings	650	Office Supplies Expense
209	Salaries Payable	684	Repairs Expense
301	L. Plume, Capital	688	Telephone Expense
302	L. Plume, Withdrawals	901	Income Summary

Required

- Use the balance column format to set up each ledger account listed in its chart of accounts.
- Prepare journal entries to record the transactions for July and post them to the ledger accounts. Record prepaid and unearned items in balance sheet accounts.
- Prepare an unadjusted trial balance as of July 31.
- Use the following information to journalize and post adjusting entries for the month:
 - Two-thirds of one month's insurance coverage has expired.
 - At the end of the month, \$1,525 of office supplies are still available.
 - This month's depreciation on the buildings is \$1,500.
 - An employee earned \$100 of unpaid and unrecorded salary as of month-end.
 - The company earned \$1,150 of storage fees that are not yet billed at month-end.
- Prepare the adjusted trial balance as of July 31. Prepare the income statement and the statement of owner's equity for the month of July and the balance sheet at July 31, 2017.
- Prepare journal entries to close the temporary accounts and post these entries to the ledger.
- Prepare a post-closing trial balance.

Check (3) Unadj. trial balance totals, \$189,800

(4a) Dr. Insurance Expense, \$400

(5) Net income, \$2,725; L. Plume, Capital (7/31/2017), \$180,725; Total assets, \$180,825

(7) P-C trial balance totals, \$182,325

The following unadjusted trial balance is for Power Demolition Company as of the end of its April 30, 2017, fiscal year. The April 30, 2016, credit balance of the owner's capital account was \$46,900, and the owner invested \$40,000 cash in the company during the 2017 fiscal year.

A	B	C
1	POWER DEMOLITION COMPANY	
2	Unadjusted Trial Balance	
3	April 30, 2017	
4	No. Account Title	Debit Credit
5	101 Cash	\$ 7,000
6	126 Supplies	16,000
7	128 Prepaid insurance	12,600
8	167 Equipment	200,000
9	168 Accumulated depreciation—Equipment	\$ 14,000
10	201 Accounts payable	6,800
11	203 Interest payable	0
12	208 Rent payable	0
13	210 Wages payable	0
14	213 Property taxes payable	0
15	251 Long-term notes payable	30,000
16	301 J. Bonn, Capital	86,900
17	302 J. Bonn, Withdrawals	12,000
18	401 Demolition fees earned	187,000
19	612 Depreciation expense—Equipment	0
20	623 Wages expense	41,400
21	633 Interest expense	3,300
22	637 Insurance expense	0
23	640 Rent expense	13,200
24	652 Supplies expense	0
25	683 Property taxes expense	9,700
26	684 Repairs expense	4,700
27	690 Utilities expense	4,800
28	Totals	\$324,700 \$324,700

Problem 4-2B

Preparing a work sheet, adjusting and closing entries, and financial statements

C3 P1 P2 

Required

1. Prepare and complete a 10-column work sheet for fiscal year 2017, starting with the unadjusted trial balance and including adjustments based on these additional facts.
 - a. The supplies available at the end of fiscal year 2017 had a cost of \$7,900.
 - b. The cost of expired insurance for the fiscal year is \$10,600.
 - c. Annual depreciation on equipment is \$7,000.
 - d. The April utilities expense of \$800 is not included in the unadjusted trial balance because the bill arrived after the trial balance was prepared. The \$800 amount owed needs to be recorded.
 - e. The company's employees have earned \$2,000 of accrued wages at fiscal year-end.
 - f. The rent expense incurred and not yet paid or recorded at fiscal year-end is \$3,000.
 - g. Additional property taxes of \$550 have been assessed for this fiscal year but have not been paid or recorded in the accounts.
 - h. The long-term note payable bears interest at 12% per year. The unadjusted Interest Expense account equals the amount paid for the first 11 months of the 2017 fiscal year. The \$300 accrued interest for April has not yet been paid or recorded. (Note that the company is required to make a \$10,000 payment toward the note payable during the 2018 fiscal year.)
2. Using information from the completed 10-column work sheet in part 1, journalize the adjusting entries and the closing entries.
3. Prepare the income statement and the statement of owner's equity for the year ended April 30 and the classified balance sheet at April 30, 2017.

Check (3) Total assets, \$195,900; Current liabilities, \$23,450; Net income, \$77,550

Analysis Component

4. Analyze the following separate errors and describe how each would affect the 10-column work sheet. Explain whether the error is likely to be discovered in completing the work sheet and, if not, the effect of the error on the financial statements.
 - a. Assume the adjusting entry to reflect expiration of insurance coverage for the period was recorded with a \$2,000 credit to Prepaid Insurance and a \$2,000 debit to Insurance Expense. The adjustment should have been for \$10,600.
 - b. When the adjusted trial balance in the work sheet was completed, assume that the \$4,700 Repairs Expense account balance is extended to the Debit column of the Balance Sheet columns.