

Given the accounting equation answer each of the following questions

- 1 The liabilities of Shumway Company are \$100,00 and the owner's equity is \$232,000. What is the amount of Shumway Company's total assets?
- 2 The total assets of Company are \$190,000 and its owner's equity is \$80,000. What is the amount of its total liabilities?
- 3 The total assets of Norris Co. are \$600,000 and its liabilities are equal to one half its total assets. What is the amount of Norris Co.'s owner's equity?

Selected transactions for H.Burns, an interior decorator, in her first month of business are as follows

- Jan.
- 1 Invested \$15,000 cash in business
 - 3 Purchased used car for \$4,000 cash for use in business
 - 9 Purchased supplies on account for \$500
 - 11 Billed customer \$1,800 for services performed
 - 16 Paid \$200 cash for advertising
 - 20 Received \$700 cash from customers billed on January 11
 - 23 Paid creditor \$300 cash on balance owed
 - 28 Withdrew \$2,000 cash for personal use of owner

For each transaction indicate the following

- a The basic type of account debited and credited (asset, liability, owner's equity)
- b The specific account debited and credited
- c Whether the specific account is increased or decreased
- d The normal balance of the specific account

The bookkeeper for Stan Tucci Equipment Repair made a number of errors in journalizing and posting as described below

- 1 A credit posting of \$400 to Accounts Receivable was omitted
- 2 A debit posting of \$750 for Prepaid Insurance was debited to Insurance Expense
- 3 A collection from a customer of \$100 in payment of its account owed was journalized and posted as a debit to Cash of \$100 and a credit to Service Revenue \$100
- 4 A credit posting of \$300 to Property Taxes Payable was made twice
- 5 A cash purchase of supplies for \$250 was journalized and posted as a debit to Supplies \$25 and a credit to Cash \$25
- 6 A debit of \$495 to Advertising Expense was posted as \$459

For each error

- a Indicate whether the trial balance will balance
- b If the trial balance will not balance indicate the amount of the difference
- c Indicate the trial balance column that will have the larger total

Mendoza Co. was organized on July 1 2005. The unadjusted and adjusted trial balances as of September 30 are shown below

Mendoza Co
Trial Balance
September 30, 2005

	Unadjusted		Adjusted	
	DR	CR	DR	CR
Cash	\$ 6,700		\$ 6,700	
Accounts Receivable	400		600	
Prepaid Rent	1,500		900	
Supplies	1,200		1,000	
Equipment	15,000		15,000	
Accumulated Depreciation-Equipment				\$ 850
Notes Payable		\$ 5,000		5,000
Account Payable				1,510
Salaries Payable		1,510		400
Interest Payable				50
Unearned Rent		900		500
Joe Mendoza-Capital		14,000		14,000
Joe Mendoza-Withdrawl	600		600	
Commission Revenue		14,000		14,200
Rent Revenue		400		800
Salaries Expense	9,000		9,400	
Rent Expense	900		1,500	
Depreciation Expense			850	
Supplies Expense			200	
Utilities Expense	510		510	
Interest Expense			50	
Total	<u>\$ 35,810</u>	<u>\$ 35,810</u>	<u>\$ 37,310</u>	<u>\$ 37,310</u>

- 1 Journalize the adjusting entries that were made
- 2 Prepare the following statements
 - Income Statement
 - Statement of Owners Equity
 - Balance Sheet

Spring River Resorts opened for business on June 1 with eight air-conditioned units
 Its unadjusted trial balance as of August 31 is as follows

**Spring River Resort
 Trial Balance
 August 31, 2005**

	DR	CR
Cash	\$ 19,600	
Supplies	3,300	
Prepaid Insurance	6,000	
Land	25,000	
Cottages	125,000	
Furniture	26,000	
Accounts Payable		\$ 6,500
Unearned Rent		7,400
Mortgage Payable		80,000
P.Orbis Capital		100,000
P.Orbis Withdrawl	5,000	
Rent Revenue		80,000
Repair Expense	3,600	
Salaries Expense	51,000	
Utilities Expense	9,400	
Total	<u>\$ 273,900</u>	<u>\$ 273,900</u>

In addition to those accounts listed on the trial balance, the chart of accounts for Spring River Resort also contains the following accounts: Accounts Receivable, Accumulated Depreciation - Cottages, Accumulated Depreciation-Furniture, Salaries Payable, Interest Payable, Depreciation Expense-Cottages, Depreciation Expense-Furniture, Supplies Expense, Interest Expense, and Insurance Expense

Other Data

- 1 Insurance expires at the rate of \$400 per month
- 2 A count on August 31 shows a \$900 of supplies on hand
- 3 Annual depreciation is \$3,600 on cottages and \$2,400 on furniture
- 4 Unearned rent of \$4,100 was earned prior to August 31
- 5 Salaries of \$400 were unpaid at August 31
- 6 Rentals of \$800 were due from tenants at August 31
- 7 The annual interest expense on the mortgage is \$7,200. The mortgage was taken out on August 1

Journalize the adjusting entries on August 31 for the 3-month period June 1 - August 31

Post entries to T- Accounts

Prepare an adjusted trial balance on August 31

Prepare the following Statement

Income Statement

Statement of Owners Equity

Balance Sheet

Presented below are the components in Clearwater Company's income statement. Determine the missing amounts

Sales		Cost of Goods Sold		Gross Profit		Operating Expenses		Net Income	
\$	75,000		?	\$	28,600		?	\$	10,800
\$	108,000	\$	70,000		?		?	\$	29,500
	?	\$	71,900	\$	99,600	\$	39,500		?

On September 1 Eden Office Supplies had an inventory of 30 pocket calculators at a cost of \$18 each. The company uses a perpetual inventory system. During September the following transaction occurred

- Sept
- 6 Purchased 80 calculators at \$17 each from Mozart Co on account Terms 2/10 net 30
 - 9 Paid freight of \$80 on calculators purchased from Mozart Co
 - 10 Returned 2 calculators to Mozart Co because they did not meet specifications. Received a credit
 - 12 Sold 26 calculators for \$31 each to Mega Book Store terms 1/12 n 30 (cost \$468)
 - 14 Paid Mozart for purchase of the 6
 - 15 Mega Books Store returned 1 calculator (Cost \$18)
 - 20 Received payment from Mega Books
 - 25 Sold 30 calculators for \$31 each to Barbara 's Card Shop for cash (cost \$540)

Journalize the September transactions

In its income statement for the year ended December 31, 2005, Bach Company reported the following

Administrative expenses	\$ 435,000	Selling Expenses	\$ 490,000
Cost of Goods Sold	1,289,000	Loss on Sale of Equipment	10,000
Interest Expense	70,000	Net Sales	2,342,000
Interest Revenue	28,000		

Prepare the following

Multi-step income statement

Single-step income statement

You are provided with the following information for Lahti Inc for the month ended October 31, 2005
Lahti uses to perpetual method of inventory

Date	Description	Units	Unit Cost or Selling Price
October	1 Beginning Inventory	60	\$ 25
October	9 Purchase	120	26
October	11 Sale	100	35
October	17 Purchase	70	27
October	22 Sale	60	40
October	25 Purchase	80	28
October	29 Sale	150	40

Compute the ending inventory, cost of goods sold, and gross profit under the following methods

FIFO

LIFO

Average Cost

Compute the interest and find the maturity date for the following notes

	Date	Principal	Interest Rate	Terms
A	June 10	\$ 100,000	6.0%	60 days
B	July 14	\$ 50,000	7.5%	90 days
C	April 27	\$ 12,000	8.0%	75 days

The following represents selected information taken from a company's aging schedule

	Total	Current	31-60	61-90	Over 90
Accounts receivable	\$ 260,000	\$ 100,000	\$ 60,000	\$ 50,000	\$ 50,000
% uncollectible		1.0%	5.0%	7.5%	22.0%

Calculate the ending balance in the allowance for doubtful accounts at year end

Prepare the adjusting entry if the unadjusted balance in the account is a credit of \$10,000

Ripley Company was organized on January 1. During the first year of operations, the following plant asset expenditures and receipts were recorded

Accrued real estate taxes paid at the time of purchase of real estate	\$ 2,000
Real estate taxes apportioned on land for the current year	3,000
Payment to Building Contractor	600,000
Excavation cost for new building	25,000
Cost of real estate purchased (Land \$100,000 and building \$25,000	125,000
Cost of parking lots and driveways	15,000
Architect's fees on building plans	10,000
Installation of fences around property	4,000
Cost of demolishing old building on land	21,000

Calculate the cost of the following

Land	Land Improvement	Building
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On January 1, 2005 Solomon Company purchased the following two machines for use in its production process

Machine A: The cash price of this machine was \$38,500. Related expenditures included sales tax \$2,200, shipping costs \$175, insurance during shipping \$75, installation and testing costs \$ 50 and \$90 of oil and lubricant to be used with the machinery during its first year of operations. Solomon estimates that the useful life of the machine is 4 years with a \$5,000 salvage value

Machine B: The cost of the machine was \$100,000. Solomon estimates that the useful life of the machine is 4 years with a \$8,000 salvage value

For Machine A:

- 1 Prepare the journal entry to record the purchase of the machine on January 1, 2005
2. Prepare the journal entry to record the annual depreciation at December 31, 2005 using the straight line method

For Machine B

Calculate the depreciation for each of the 4 years under the following methods

- 1 Straight Line
2. Double Declining Balance
3. Units of Production- The estimated useful life in units is 25,000 Actual usage is as follows
 - 2005 6,500 units
 - 2006 7,500 units
 - 2007 6,000 units
 - 2008 5,000 units

For each year which method will report the lowest amount of depreciation expense
Which method reports the lowest total depreciation expense