

*Comprehensive Problem 10

Hassellhouf Company's trial balance at December 31, 2017, is presented below. All 2017 transactions have been recorded except for the items described below.

	Debit	Credit
Cash	\$25,500	
Accounts Receivable	36,400	
Notes Receivable	8,400	
Interest Receivable	0	
Inventory	36,100	
Prepaid Insurance	2,400	
Land	21,200	
Buildings	141,000	
Equipment	61,000	
Patents	10,400	
Allowance for Doubtful Accounts		\$550
Accumulated Depreciation—Buildings		47,000
Accumulated Depreciation—Equipment		24,400
Accounts Payable		27,000
Salaries and Wages Payable		0
Unearned Rent Revenue		4,800
Notes Payable (due in 2018)		14,000
Interest Payable		0
Notes Payable (due after 2018)		36,000
Owner's Capital		106,850
Owner's Drawings	15,000	
Sales Revenue		904,000
Interest Revenue		0
Rent Revenue		0
Gain on Disposal of Plant Assets		0
Bad Debts Expense	0	
Cost of Goods Sold	639,000	
Depreciation Expense	0	
Insurance Expense	0	
Interest Expense	0	
Other Operating Expenses	61,200	
Amortization Expense	0	
Salaries and Wages Expense	107,000	
Total	<u>\$1,164,600</u>	<u>\$1,164,600</u>

Unrecorded transactions:

- On May 1, 2017, Hassellhouf purchased equipment for \$26,200 plus sales taxes of \$800 (all paid in cash).
- On July 1, 2017, Hassellhouf sold for \$3,500 equipment which originally cost \$4,200. Accumulated depreciation on this equipment at January 1, 2017, was \$2,000; 2017 depreciation prior to the sale of the equipment was \$500.
- On December 31, 2017, Hassellhouf sold on account \$7,500 of inventory that cost \$5,250.
- Hassellhouf estimates that uncollectible accounts receivable at year-end is \$4,000.
- The note receivable is a one-year, 8% note dated April 1, 2017. No interest has been recorded.
- The balance in prepaid insurance represents payment of a \$2,400 6-month premium on September 1, 2017.
- The building is being depreciated using the straight-line method over 30 years. The salvage value is \$31,200.
- The equipment owned prior to this year is being depreciated using the straight-line method over 5 years. The salvage value is 10% of cost.
- The equipment purchased on May 1, 2017, is being depreciated using the straight-line method over 5 years, with a salvage value of \$1,920.
- The patent was acquired on January 1, 2017, and has a useful life of 10 years from that date.
- Unpaid salaries and wages at December 31, 2017, total \$5,200.
- The unearned rent revenue of \$4,800 was received on December 1, 2017, for 3 months' rent.
- Both the short-term and long-term notes payable are dated January 1, 2017, and carry a 9% interest rate. All interest is payable in the next 12 months.

Prepare journal entries for the transactions listed above. (Credit account titles are automatically indented when amount is entered.)

Do not indent manually. If no entry is required, select "No Entry" for the account titles and enter 0 for the amounts.)

No.	Account Titles and Explanation	Debit	Credit
1.	Equipment	27,000	
	Cash		27,000
2.			
	(To record depreciation expense.)		
	(To record sale of equipment.)		
3.			
	(To record sales revenue.)		
	(To record cost of goods sold.)		
4.			
5.			
6.			
7.			
8.			
9.			
10.	Amortization Expense	1,040	
	Patents		1,040
11.	Salaries and Wages Expens	5,200	
	Sales Revenue		5,200
12.	Cash	4,800	
	Unearned Rent Revenue		4,800
13.			

Prepare an updated December 31, 2017, trial balance. *(Combine the amounts of current and non-current portion of Notes Payable. Do not record separately.)*

HASSELLHOUF COMPANY			
Trial Balance			
	Debit		Credit
	\$		\$

Prepare a 2017 income statement.

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Prepare a 2017 an owner's equity statement. (List items that increase owner's equity first.)

Prepare a December 31, 2017, classified balance sheet. (List Current Assets in order of liquidity. List Property, Plant and Equipment in the order of Land, Buildings and Equipment.)

Assets

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Question Attempts: 0 of 2 used