**Costa Company**

You will use the information provided below for Pickett Company for this application.

Below find a working trial balance for Pickett Company. This format is often used during the preparation phase of the financial statements since it provides a good overview. The module 2 background information has a very simple example, which may be helpful.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Costa Company | | | | | | |
| 31-Dec-12 | | | | | | |
| Trial Balance (accounts in alphabetical order) | | | | | | |
| Accounts | Working Trial Balance | | Balance Sheet | | Income Statement | |
|  | Debit | Credit | Debit | Credit | Debit | Credit |
| Accounts payable |  | $14,500 |  | $14,500 |  |  |
| Accounts receivable | $18,000 |  | $18,000 |  |  |  |
| Cash | 41,500 |  | 41,500 |  |  |  |
| Common stock |  | 10,000 |  | 10,000 |  |  |
| Depreciation expense | 18,250 |  |  |  | 18,250 |  |
| Cost of goods sold | 402,610 |  |  |  | 402,610 |  |
| Equipment (net of depreciation) | 325,000 |  | 325,000 |  |  |  |
| Insurance | 1,500 |  |  |  | 1,500 |  |
| Inventory | 80,500 |  | 80,500 |  |  |  |
| Long-term debt |  | 105,000 |  | 105,000 |  |  |
| Marketing | 5,600 |  |  |  | 5,600 |  |
| Misc. expenses | 4,500 |  |  |  | 4,500 |  |
| Paid-in capital |  | 90,000 |  | 90,000 |  |  |
| Property taxes | 6,500 |  |  |  | 6,500 |  |
| Rent | 22,000 |  |  |  | 22,000 |  |
| Retained earnings |  | 156,400 |  | 245,500 |  |  |
| Revenues |  | 619,400 |  |  |  | 619,400 |
| Salaries | 61,940 |  |  |  | 61,940 |  |
| Utilities | 7,400 |  |  |  | 7,400 |  |
|  |  |  |  |  |  |  |
| Total | $995,300 | $995,300 | $465,000 | $465,000 | $530,300 | $619,400 |

Net Income $89,100

***Required:***

Your task is to prepare an income statement and a balance sheet in **good format** after adjusting for the two errors below.

* A physical count of inventory indicates $70,500 on hand.
* There’s a check for $5,000 from a customer that has not been recorded in the working trial balance. The sale was never recorded in the first place, so the transaction relating to this sale is missing.

In addition

1. Please describe the effect of the errors on the income statement and balance sheet.
2. Is this company profitable? How do you determine whether or not this is the case.
3. Is the company in a solid financial position, i.e. comment on balance sheet.

**Modular SLP Expectations**

Always include the name or the organization(s), time period covered and source of information. It is important to answer the questions as posed. The document should be two to four pages and written in a clear and concise manner or present tables as required. Support your discussion or tables with references in APA format. You are encouraged to use Excel or other compatible spreadsheet when computations are involved. You can turn in the spreadsheet instead. The content should be equivalent to the page length suggested for a word processing document.