15-A2. Analysis of Transactions, Preparation of Statements

The Kumar Company was incorporated on April 1, 20X1. Kumar had 10 holders of common stock. Bin Kumar, who was the president and CEO, held 51% of the shares. The company rented space in chain discount stores and specialized in selling running shoes. Kumar's first location was a store in Import Market Centers. The following events occurred in April:

1. The company was incorporated. Common stockholders invested $120,000 cash.
2. Purchased merchandise inventory for cash, $35,000.
3. Purchased merchandise inventory on open account, $25,000.
4. Merchandise carried in inventory at a cost of $40,000 was sold for $110,000, $35,000 for cash and $75,000 on open account. Kumar carries and will collect these accounts receivable.
5. Collection of a portion of accounts payable, $15,000.
6. Payments of a portion of accounts payable, $18,000. See transaction e.
7. Special display equipment and fixtures were acquired on April 1 for $36,000. Their expected useful life was 36 months with no terminal scrap value. Straight-line depreciation was adopted. This equipment was removable. Kumar paid $12,000 as a down payment and signed a promissory note for $24,000.
8. On April 1, Kumar signed a rental agreement with Import Market Centers. The agreement called for rent of $2,000 per month, payable quarterly in advance. Therefore, Kumar paid $6,000 cash on April 1.
9. The rental agreement also called for a payment of 10% of all sales. This payment was in addition to the flat $2,000 per month. In this way, Import market Centers would share in any success of the venture and be compensated for general services such as cleaning and utilities. This payment was to be made in cash on the last day of each month as soon as the sales for the month were tabulated. Therefore, Kumar made the payment on April 30.
10. Wages, salaries, and sales commissions were all paid in cash for all earnings by employees. The amount was $49,000.
11. Depreciation expense for April was recognized. See transaction g.
12. The expiration of an appropriate amount of prepaid rental services was recognized. See transaction h.
13. Prepare an analysis of Kumar Company’s transactions, employing the equation approach demonstrated in Excel Sheet 16-42 Part 2. Two additional columns will be needed, one for Equipment and Fixtures and one for Note Payable. Show all amounts in thousands.
14. Prepare a balance sheet as of April 1, 20X1, and an income statement for the month of April. Ignore income taxes
15. Given these sparse facts, analyze Kumar’s performance for April and its financial position as of April 1, 20X1.