Sorval Sales Ltd., a family owned business, sells small tools to retailers. For this project, you have the following 3 objectives:

1. Convert the existing accounting system into a computerized system using Simply Accounting (or other acceptable accounting software).
2. Prepare correcting and adjusting journal entries using a financial spreadsheet.
3. Prepare a full set of financial statements for the year ended August 31, 2014 (ASPE)

	Adj. Trial Balance		Unadj. Trial Balance	
	August 31, 2013		August 31, 2014	
Cash	8,793		6,000	
Accounts Receivable	49,992		56,000	
Allowance for doubtful accounts		3,000	2,500	
Warehouse supplies	3,000		3,600	
Merchandise inventory	40,000		45,000	
Prepaid expenses	4,500		3,900	
Investment in Totem Tools			21,000	
Land	150,000		150,000	
Building	250,000		250,000	
Acc. depreciation-building		31,250		31,250
Equipment	60,000		60,000	
Acc. depreciation- equipment		18,960		18,960
Fixtures	12,000		22,000	
Acc. depreciation- fixtures		9,000		9,000
Accounts payable		18,000		30,000
Accrued liabilities		5,100		
Income taxes payable		2,275		1,000
Mortgage payable		338,600		315,284
Common stock		70,000		70,000
Dividends	4,000		5,000	
Retained earnings		65,000		82,100
Sales		515,753		570,000
Cost of goods sold	275,000		306,594	
Advertising expense	33,000		34,000	
Depreciation expense	23,260			
Bad debts expense	3,300			
Insurance expense	11,550		12,000	
Interest expense	14,468			
Property tax expense	10,000		12,000	
Office expenses	20,100		22,000	
Repairs & maintenance expenses	10,500		12,000	
Salaries expense	80,000		90,000	
Warehouse supplies expense	8,200		9,000	
Income tax expense	5,275		5,000	
	1,076,938	1,076,938	1,127,594	1,127,594

Additional facts (including information for corrections and year-end adjusting entries)

1. The business was incorporated on March 1, 2011 when the company acquired a warehouse building estimated to have a useful life of 20 years and no residual value. The building is depreciated on a straight-line basis prorated to the nearest month.

2. Equipment costing $40,000 was also acquired with the building, followed by an additional $20,000 purchase on October 1, 2012. Equipment is depreciated using a 20% CCA rate, observing CCRA's half year rule for acquisitions.

3. All Fixtures recorded on the books as at August 31, 2013 were traded in on September 1, 2013 for new ones (having a fair value of $15,000) along with a cash payment of $10,000. The bookkeeper neglected to remove the traded assets from the books and recorded the cash disbursement as a debit to the Fixtures

account. The new items are to be depreciated on a 10 year straight-line basis assuming a salvage value of 10%. (Hint: correct the trade-in transaction entry before preparing the year's depreciation entry).

4. The Prepaid expenses account at August 31, 2014 consisted of advance payments for an insurance policy and for property taxes as follows:

Coverage dates	Description	Amount
June 30 – Dec 31, 2014	Insurance policy	$ 2,100
Jan 1 to June 30, 2014	Property tax payments	1,800
	Total at year-end	$ 3,900

All prepayments were recorded by debiting Prepaid expenses and crediting Cash.

5. Warehouse supplies were counted at year-end and recorded in the G/L. A few outdated and soiled items were discarded and removed from the valuation list prior to submission to the chief accountant.

6. During the year, the company wrote off receivables in the amount of $5,500. At year-end, Sorval estimated that 5% of year-end receivables would probably not be collectible.

7. Sorval maintains a moving weighted average perpetual inventory system. The direct method is used for Y/E adjustments. Net realizable value at August 31, 2014 was $42,000.

8. The following expenses occurring at the end of the latest fiscal year have not been recorded pending receipt of invoices. The amount of accruals for advertising and repairs has been determined as $3,200 and $1,200 respectively.

9. The mortgage loan from the Bank of Montreal bears a 4.25% interest rate requiring monthly payments of $1,943 (deducted by the bank on the last day of each month). All payments during the current year were applied to the principal balance. The bank's mortgage amortization schedule showed a balance of $329,372 on August 31, 2014.

10. On June 1, 2014 Sorval paid $21,000 for 30% of the common shares of Totem Tools Ltd. Subsequently for the fiscal year ended July 31, the investee company reported earnings of $15,000 and declared dividends totaling $3,000 payable to shareholders on September 15th. Sorval intends to hold this investment indefinitely.

11. Sorval has an unlimited # of authorized common shares. The number of issued and outstanding shares stands at 2,000. During the current fiscal year Sorval declared and paid a dividend of $2.50 per share.

12. Sorval estimates its income tax expense throughout the year, and pays instalments as funds are available. As a Canadian Controlled Private Corporation (CCPC), Sorval's effective income tax rate is 20%. After all accounts are adjusted, the income tax expense is calculated and the expense/liability accounts are updated accordingly. (Ignore future tax assets and liabilities, covered in Acct3410). CRA will expect payment of any outstanding taxes for the fiscal year by 60 days after the year-end.

You may add any G/L accounts necessary to complete the adjustments and corrections derived from the above information. Round all values to the nearest dollar.