

SHOEBOX ENTERPRISES INC.

Shoebox Enterprises Inc. (Shoebox) sells personalized items such as mugs, key chains and plaques to the public. The company was started by two high school friends 8 years ago when their parents agreed to help them by guaranteeing a loan from a bank. Shoebox. was organized by issuing 40,000 shares of \$0.25 par stock. During the current year they sought further capital by issuing a further 10,000 shares to friends and fellow students.

Like many small companies, Shoebox is required to prepare accrual basis financial statements at the end of the year for submission to its bank and to stockholders. Because of the size of the company and the fact that it does not have an accountant on its payroll, Shoebox has maintained very sketchy records of its transactions. They have come to you as an accountant for assistance and have provided you with a box of records containing that contain the information necessary to record the transactions that occurred for the year. These records should provide enough information to prepare a worksheet summarizing the year's transactions and adjusting journal entries necessary to prepare the financial statements for the 2010 fiscal year. From the 2009 accounts of Shoebox Enterprises that were filed with the bank you have obtained the following balance sheet (post closing trial balance) as of December 31, 2009.

Post closing trial balance
 31-Dec-09 - *fr 09 year - last year's balance sheet - cash basis - accounting*

	Dr.	Cr.
Cash	55,000	
Accounts receivable	12,000	
Inventory	31,000	
Prepaid insurance	800	
Land	40,000	
Buildings	50,000	
Accumulated depreciation – buildings		15,000
Equipment	32,000	
Accumulated depreciation- equipment		6,000
Accounts payable		25,400
Advances from customers		1,100
Salaries payable		2,100
Taxation payable		5,000
Interest payable		1,200
Long term loan payable		60,000
Capital stock \$0.25 par		10,000
Paid in capital		16,000
Retained earnings		79,000
	220,800	220,800