**ACC403 - Principles of Accounting**

**Module 2 - SLP**

**Financial Accounting - Income Statement**

[Introduction](https://cdad.trident.edu/CourseHomeModule.aspx?course=190&term=102&module=2&page=home)[Background Information](https://cdad.trident.edu/CourseHomeModule.aspx?course=190&term=102&module=2&page=bkg)[Case assignment](https://cdad.trident.edu/CourseHomeModule.aspx?course=190&term=102&module=2&page=case)[Session Long Project](https://cdad.trident.edu/CourseHomeModule.aspx?course=190&term=102&module=2&page=slp)[Objectives](https://cdad.trident.edu/CourseHomeModule.aspx?course=190&term=102&module=2&page=objectives)

We are using the same company as in the first module. However, you need to consider some additional information.

* One client had indicated that they were interested in purchasing $35,500 worth of products, so the bookkeeper recorded the transaction. However, the client has not actually committed to the purchase.
* The bookkeeper may have made a mistake when computing cost of good sold. She included total production costs for 2012 and did not adjust ending inventory for the $35,500 worth of units left at the end of the year. The amount of ending inventory was determined using a physical count.

|  |  |  |
| --- | --- | --- |
| Smith Company | | |
| 31-Dec-12 | | |
| Trial Balance (accounts in alphabetical order) | | |
|  | Debit | Credit |
| Accounts payable |  | 67,000 |
| Accounts receivable | 24,500 |  |
| Cash | 16,700 |  |
| Common stock |  | 10,000 |
| Depreciation expense | 24,350 |  |
| Cost of goods sold | 254,000 |  |
| Equipment (net of depreciation) | 296,000 |  |
| Insurance | 1,400 |  |
| Inventory | 25,000 |  |
| Long-term debt |  | 145,000 |
| Marketing | 4,500 |  |
| Paid-in capital |  | 90,000 |
| Property taxes | 8,900 |  |
| Rent | 18,000 |  |
| Retained earnings |  | ??? |
| Revenues |  | 406,000 |
| Salaries | 67,500 |  |
| Utilities | 6,700 |  |
|  |  |  |
| Total | 747,550 | 718,000 |

**Required**

Prepare an income statement for the company in good format. Also, explain the the adjustments separately. Always include the name of the company and the period covered in the title. Don't forget dollar signs where appropriate. You do not need to include the balance sheet. Consequently, you will not need all the accounts listed above. How does the income or loss compare to the original income statement? Explain the importance of the matching concept.

**Modular SLP Expectations**

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.

**Grading Rubric:** [**Click here**](https://cdad.trident.edu/Presentation.aspx?course=190&term=102&presentation=81079) **for details of the rubric used to grade the submission.**

**When your paper is done, send it in to CourseNet.**