1. Balance sheet presentation.

The balance sheet for Horrific Legal Services on 31 January 19X1 is as follows:

Horrific Legal Services
Balance Sheert
31 January 19X1

Assets		Liabilites and Owner's Equity	
		Liabilities:	
Cash	$6,000	Notes Payable	$80,000
Accounts Rec.	5,800	Accounts Payable	10,000
Land	100,000	Total Liabilities:	90,000
Buildings	40,000	Owner's Equity	
Equipment	60,000	Honest Abe, Capital	$121,800
Total Assets	$211,800	Total Liabilites and Owner's Equity	$211,800

Duing the First Week of February, the following transactions occured:
1. The business Collected $3,000 of its accounts receivable.
2. Owner, Honest Abe invested an addtional $15,000 of cash into the business.
3. Equipment was purcahsed on credit (open account) for $2,500.
4. The business paid of $7,500 of its Accounts Payable. (there were no payments made on the notes payable.)

Complete the balance sheet for Horrific Legal Services on 28 February 19X1:

Horrific Legal Services
Balance Sheet
28 February 19X1

Assets		Liabilites and Owner's Equity	
Cash	______	Notes Payable	______
Accounts Receivable	______	Accounts Payable	______
Land	______	Total Liabilites	______
Building	______	Honest Abe, Capital	______
Equipment	______		
Total Assets	______	Total Liabilites and Owner's Equity	______

2. A 31 December adjusted trial balance is presented:

Cash	$80,000	
Accounts Receivable	140,000	
Office Equipment	325,000	
Accumulated Depreciation: Office Equipment		50,000
Accounts Payable		80,000
Mary Rodriguez, Capital		225,000
Mary Rodriguez, Drawing	50,000	
Legal Fees Earned		700,000
Advertising Expense	60,000	
Rent Expense	125,000	
Salaries Expense		
Utilities Expense	250,000	
Depreciation Expense: Office Equipment	25,000	
Totals:	$ 1,055,000	$1,055,000

Instructions Prepare journal entries to close the accounts. Use four entries to: (1) close the revenue account, (2) close the expense accounts, (3) close the Income Summary account, and (4) close the drawing account.

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3. Richardson Plumbing Contractors was organized to do plumbing repairs. On 1 June, the owner, Sally deposited $50,000 into a bank account in the firm name.

On 5 June the company acquired a van at a cost of $15,000, paying $5,000 cash, with a note for the balance.

On 15 June, a $1,000 payment was made on the note.

Instructions: Journalize these transactions and post them to the ledger accounts provided.

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Date	Account Titles & Explanations	LP	Debit	Credit

LEDGER

Cash

Account No. 1

Date	Explanation	Ref	Debit	Credit	Balance

Van

Account No. 25

Date	Explanation	Ref	Debit	Credit	Balance

Notes Payable

Account No. 40

Date	Explanation	Ref	Debit	Credit	Balance

Sally Richardson, Capital

Account No. 50

Date	Explanation	Ref	Debit	Credit	Balance

PROTEMPS PERSONNEL AGENCY
Trial Balance
March 31, 19__

4.

Cash	$6,500	
Accounts Receivable	6,800	
Office Equipment	7,000	
Accounts Payable		$2,000
Robert Johnson, Capital		12,000
Robert Johnson, Drawing	3,000	
Fees Earned		35,000
Supplies Expense	1,000	
Salaries Expense	10,000	
Advertising Expense	6,000	
Rent Expense	4,000	
Utilities Expense	4,700	
Totals:	$49,000	$49,000

a. Using only the data shown in the trial balance above, compute net income or loss from March operations.

$ ____________

b. The office equipment shown in the trial balance was purchased on March 1 and has an estimated useful life of four years. The adjusting entry required at the end of March is: ____________

c. Compute net income or loss from March operations after the necessary adjusting entry is made for depreciation.

$ ____________

d. What is the balance in the Robin Half, Capital account *after* the adjusting entry for March depreciation and the closing entries are made at the end of March?

$ ____________

5. Restaurant Supply Company had gross Sales Revenue of $260,000. There were sales returns and allowances of $40,000 and sales discounts of $20,000. The Cost of Goods Sold was $150,000.

Compute:

a. Net Sales ____________________

b. Gross Profit ____________________

c. Gross Profit Rate ____________________

6.

Richard's Toy Store uses the periodic inventory system. During the current year, the store purchased toys for resale in the amount of: $150,000.
Compute the cost of goods sold under the following four assumptions:

	Cost of Goods sold
a. No beginning Inventory; Ending Inventory $18,000	____________
b. Beginning Inventory $8,000; No ending inventory.	____________
c. Beginning Inventory $23,000; Ending Inventory $16,000.	____________
d. Beginning Inventory $5,000; Ending Inventory $22,000.	____________

7. A 90 day note receivable is received from a customer in payment of equipment that we sold to them. The note bears an issuance date of 1 December 19X1 and is in the amount of $10,000.00. An interest rate of 12% per annum is specified in the note. For the recipient, record in general journal format, without explanations, the following.:

a. The receipt of the note on 1 December 19X1:

b. The 31 December 19X1 adjusting entry:

c. The maturity date of the note on 1 March 2001

8. Merchandise with a list price of $7,500 is purchased on account, terms FOB shipping point, 1/10 net 30. The seller prepaid transportation costs of $300.00 Prior to payment, $2,000.00 of the merchandise is returned. The correct amount is paid within the discount period.

Record the following:

a. Purchase of the merchandise on the purchase date:

b. Record the receipt of a credit memorandum for the returned merchandise.

c. Record payment of the merchandise.

9. Given the following data regarding a firm's credit granting activities to customers:

Sales: $3,000,000 (all credit.)
Accounts Receivable: 350,000
Breakdown of Receivables:
$275,000 not yet due
75,000 over due
Balance in allowance for doubtful accounts: $1,000 credit

Asset analysis: Uncollectible accounts are estimated to be 1% of those not yet due and 6% of those overdue.

Revenue Analysis: Uncollectible accounts will run 1/2 of 1% of credit sales.

Record the following in journal format without explanation:

a. The journal entry for estimated bad debt expense using the revenue based approach.

b. The journal entry for estimated bad debt expense using the asset based approach.

10. On 8 January Winston Fixture's trial balance reflected:

	Debit	Credit
Accounts Receivables	$240,000	
Allowance for Uncollectible Accounts		$7,100

On 15January, Richard Mills, a major customer declares bankruptcy and Winston determines that the account will be uncollectible. The Mills account balance is $4,200.
Give the journal entry to record the write off of the Mills Account:

Please record answer on the nest sheet.

a. The write off of the Mills account:

b. Compute the estimated net realizable value of the Winston receivables.

Before the write off of the Mills Account ____________________

After the write off of the Mills Account ____________________

11. Metric Systems uses a perpetual inventory system. On 10 January 19X2, the company had eight units of a single product on hand, with a total cost of $2,500. The per unit costs were:

Purchase Date	Quantity	Unit Cost	Total Cost
Ending Inventory, 19X1	3	$300.00	$900.00
5 January	5	320.00	1,600.00
Total on Hand	8		$2,500.00

On 15 January 19X2, Metric sold four units of this product.

Using the three flow assumptions listed below compute the cost of goods sold and the amount of ending inventory after the sale takes place. Show your computations.

a. Average Cost:

Cost of Goods Sold ____________________

Ending Inventory ____________________

LIFO and FIFO methods on the next sheet.

Continuation of #11:

LIFO (last in First Out)

Cost of Goods Sold ____________________

Ending Inventory ____________________

FIFO (First in First Out)

Cost of Goods Sold ____________________

Ending Inventory ____________________

12. Super duper sales company has beginning inventory of $20,000.00 During the current year, it purchases $30,000.00 in inventory. Its sales total $50,000.00. In accord with its selected cost flow assumption, the cost of goods sold it determined to be $40,000.00. In looking at the value of its remaining inventory, the firm estimates that it will be able to sell it for $9,000 net of cost of selling it. What entry, if any, should be given for marking the inventory to lower of cost or market?

13. Journalize each of the following three transactions:

a. A wing costing $1,550,000 was added to a building. A mortgage was issued to finance the cost.

b. A plumbing truck had a lift installed on the rear so that transportation of heavy items such as boilers could be facilitated. The cost was $7,500.00

c. A new engine costing $4,000.00 was installed in the plumbing truck and was expected to increase its life by three years.

Problem 14.:

A Machine costing $25,000 with an estimated residual value of $5,000.00 is purchased. It is estimated that the useful life is 10 years and the machine is depreciated on the basis of the straight line method.. The firm uses the half year convention.

a. Record depreciation for the first year:

b. Assuming that the asset is sold in year 5 for $12,000.00, give the journal entry to record the sale of the asset.

c. Suppose the firm has used double declining balance instead of straight line.. What would the depreciation have been in year 1?

15. Net Sales and Gross profit.

Richardson Sales Corporation had gross sales revenue of $2,680,000, cost of goods sold of $2,062,000. Sales returns and allowances were $52,000 and sales discounts were $39,000.

Compute:

a. Net Sales

b. Gross Profit

c. Gross Profit rate

16. Prepare a bank reconciliation for the following case:

The bank statement balance is	$3,016.00
The cash account balance is	3,160.00
Outstanding checks are	590.00
Deposits in transit are	700.00
A bank service charge is	25.00

A check for 76.00 in supplies was recorded as $67.00

Prepare a bank reconciliation for the above case

17. Why is control an important issue in accounting?

18. Give three examples of control.