# Introduction to Accounting I

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Accounting - Process of identifying, analyze, record, business transaction for the purpose of decision making

Generally Accepted Accounting Principles - Those ~~Ru~~ rules that we use to record and report financial info.

Financial Accounting Standards board (FASB) - The board

(SEC) Security Exchange Commision

International accounting standards board (IASB)

Business Entity concept - Each business is a seperate unit, sep. from all other business units and its seperate from it's own

Ford Motors | GM

* Two seperate units

Ford Motors | General Motors

- Two seperate units and because of the (BEC) a business is sep. in its own. We cant record our personal bills

- A sole propietership (sole ownership (unlimited liability) They can take everything you own to pay debt of business
- Partnership (more than one owner)
- Corperation (Many Many owners) and your ownership in the organization is denoted by how many stocks you own with corp.
- Limited Liability - you can only lose the money you invest if the company goes bankrupt

*Cost Concept* - States the cost of any asset is anything you must pay to get that asset to you and ready for intended use. (all the stuff you have to pay for) exp car, car insurances, tags ext.

Accounting equation -

The amount of money

Equity – 

money the owner has invested in an asset (ownership interest)

(Assets = Equity)

Asset = things we acquire

Formulas

Asset – Liability Equity

40,000 – 30,000 = 10,000

BANK OWNER

$A - L = E$

$A = L + E$

Bank holds title until loan is paid making them liabile for 30,000

Asset = Liability + Equity

40,000 = 30,000 + 10,000

* If you have any of the (2) you can find the other (solve equation)

---

1-1A) # Cost 81,000 cost of the land
* all the other #'s don't matter

1-2A) 475000 A Liabilties 115,000

475,000 – 115,000 = 360,000

Assets ~~Equity~~ Liabity equity

475
115
360

475,000 115,000
+ 90,000 + 28 000
565,000 – 143,000 = 422,000 equity

Do not to have payment of cash to have an expense incurred

1-3A

*Rules (1) - Any assets invested in the business by the owner increase owners equity

(2) Any expenses incurred by the business reduces owners equity

A/P (accounts payable) - Credit

(3) Any revenue earned by the CORP. increase owners equity

* Revenue is earned when the job is completed don't have to recieve cash

A/R - (accounts recievable) ↑asset When revenue is earned (increases equity)

*When ~~someome~~ someone owes something to you as they pay off it decreases your accounts recievable ~~while increase equity~~

*financial status still the same because

* Once an asset is gone it becomes an expense

(4) any assets taken out of business by owners decrease owners equity

that's paying dividends (so minus)

Assets

Cash + A/R + Sup = Liab. + Stock equ.

= A/P + Cap. Stock − div. − Fees earned − Rent − Sal − Sup − Mis

30,000 +17,60 = 1750 + 30,000

+3600 +1750 + 3600 + 1300

33,600 + 1750 = 1750 + 30,000 + 3600 + 1300

= 1750 + 30,000 + 3600 − 1300

−500 + 4800

1250

34,050

−500

31,800 + 1750 = 1250 30000 34,060 +4800 −1300

31,800 + 1750 = 1250 + 30,000 34,060 8400 −1300

+8400 −1300

−700

31,100

−1000 +4800 + 1750 = 1250 + 30,000 + 8400 +950

20,000

28,100 +4800 + 800 = 1250 + 30,000 − 2000

(Everytime you make the transaction down bring the total of everything down)

equations must balance or somethings wrong

~~pr por~~ (proportional equation)

Assets such as suplies, homes, items, A/R are only assets when they are still being used by the the owner when they Run out it becomes COST
A

Assets
CASH + A/R + Supplies

Assets 800,000
Liability 350,000

$$\begin{array}{r} 800, \\ -350 \\ \hline 450 \end{array}$$

equity = 800,000 - 350,000 = 450,000 = equity

Assets increased by 130,000
liability decreased by 25,000

~~105,000~~
~~555,000~~

~~equity = 130,000 - 25,000 = 105,000~~

130,000 = -25,000 + e
+25,000 +25,000
155,000 = equity
+450,000
605,000

| Assets | | Liab. |
| --- | --- | --- |
| 800,000 | - | 350,000 |
| 130,000 | - | 25,000 |
| 930,000 | - | 325,000 |

930 - 325
605,000 equity

8-24-09

$$\begin{array}{r} 16 \\ \cancel{17}00 \\ -900 \\ \hline 700 \end{array}$$

Assets - Liab = Equity

1) An ~~in~~ income statement is a list of all revenue and expense accounts to determine if we have net income or net loss for the period

2) net income which has been retained or kept in business - Retained earnings

3 When the revenue is greater than expenses you have net income (viceversa) net loss

Retained Earnings Statements - Shows if the net income was distributed to the shareholders (DIV) or retained in the corporation

Balance Sheet - Listing of all assets, liability, and equity (Assets = liability + eq

Stockholders Equity - Consists of 2 parts (HSD) Retained earnings and Cap. Stock

~~net income~~

# List of ~~Transfactio~~ Transactions + Effects on ~~Acc. equatio~~ Equation

Equation = Assets = Liability + Equity
OR Equity = Assets - Liability

1) Dividends - Distributions of earnings to stockholders ↓cash ↓stockholders equity (RECORD as (-))
2) Purchase of Stock - ↑cash ↑cap stock
3) Purchase of Land - Only affects makeup of asset side ~~not~~ but total assets stay the same ↓cash ↑Land
4) Accounts Payable - When items are purchased on account ↑Liability ↑Asset↑
5) Supplies ↑assets ↓cash until supplies are used then it becomes an expense ↓stock equity
6) Revenue = Money earned by selling goods or services to a customer ↑cash ↑stock equity (fees earned)
7) Expenses - Assets used in this process of earning revenue. ↓cash ↑expenses on Stock equity side
5) Accounts Payable - When accounts are paid on by business A/P ↓ cash ↓

6) Stockholders Equity - ↑ investments ↑Revenue ↓expenses ↓dividends

7) ACCT Recievable when customers pay on it cash↑ A/R ↓

## Financial Statements - Summerized repoets prepared ~~for users~~ of business transaction for users.

Primary Financial Statements
1) Income Statement
2) Retained Earnings Statement
3) Balance Sheet
4) Statement of cash flows

Summary of Revenue + expenses for a specific period to determine net loss ~~lost~~ or net profit (Add all expenses and subtract from fees earned)

Reports the changes in the retained earnings for a period of time. (the connecting link between the income stat. + balance sheet)

Reports the amount of assets, liabilites and stockholders equity ~~or~~ account form

Assets = Liabilities + Equity

Self Notes 8-25-09

Statement of Cash Flows - Consist of 3 sections -

1) operating activities
- cash payments + reciepts from operation (Cashed recieved from customers

2) Investing Activ.
Reports the acquistion and sale of relatively permanent assets (Land)
property, plant, equipment

3) Financing activ. - Reports the cash transactions related to cash investments by the stockholders borrowings + cash dividends

When you looking for unknowns you put the info give down in correct format with enough info you can find ~~the~~ the unknown

ex 1-15) * Use Balance Sheet

| | Assets | = | Liabilities | + | Equity |
|---|---|---|---|---|---|
| Jupiter Beg | 810,000 | = | 324000 | + | 486,000 (+) → 270,000 |
| End | 1296,000 | = | 540,000 | + | 756,000 |

equity increase = 270,000

~~Jupiter~~ Mercury * Use Retained Earings Stat

| | |
|---|---|
| Beg. R.E | 486,000 |
| Net income | 342,000 |
| Less DIV | 72,000 |
| Increase Retained Earnings | 270,000 |
| End R.E. | 756000 |

Quiz One
Steps.

* To find R.E. of beg. of term (Assets - Liab = Stoc Eq)
① get starting amounts of all assets (add)
② subtract from starting amount of Liab.
③ Solve equation, to get retained earnings

Assets - Liab. = Cap Stoc + RE

ACCOUNT - A device used to summeriza activity

ACCT CATOGORY

ACCOUNT Has 3 parts

~~Title~~

| Title | |
|---|---|
| Debit (Left) | Credit (Right) |

Normal Balances - All accounts have these. Some have it on debit side being an asset,
Expense ACCT Normal Balances found on the debit.

Credit Balances - Normal balaneses found on credit side

*Must* Know where the normal balance ~~of~~ is

* To get balance of Credit Balance Acct you subtract tot. credits from debit

Debit Bal

| Assets | | Expense | | DIV | |
|---|---|---|---|---|---|
| Normal Debit Balance | | normal debit Bal | | normal debit Bal. | |
| + | – | + | – | | |

To increase a debit balance acct place amount on ~~depit~~ debit side (left) decrease place on credit side (right)

To increase credit balance acct place amount on credit (right) side decrease place on debit side

(You must know balance+ rather you want to increase or decrease.)

Generalizing is a process of analyzing a transaction into it's debit and credit part

Debit Entry always 1st
Credit Entry indented

| DIV | |
|---|---|
| Norm Debit Balance | |

⇐ Because it decrease equity

contra equity is Div (set off)

Credit Balance Acct

| Liab | | Revenue | | Equity | |
|---|---|---|---|---|---|
| – | Credit Balance + | – | Credit Balance + | – | Credit Bal + |

* To determine the debit Bal. Balance of a credit Balance ~~balance~~ - credit (–) tot credits acct (debit and subtract

Self Notes

Accounts - The increases + decreases in each accounting equation element as a seperate record

Posting - Process of transferring data from journal to the ~~legend.~~ ledger.

Ledger - A group of accounts for a busines

Abnormal Balance - Negative Balance

A Trial Balance - Is a listing of all accounts in the ledger + their ~~Ba~~ Balances to prove equilibrium of your debits + credits

Listed In order
Assets, Liabilities, Stoc Equity, Revenues, Expenses.

Chart of Accounts - List of accounts in the ledger.

~~1. = Assets~~
On CHART OF ACCTS each account # has two digits.
1st digit ~~represent~~ indicates major account group of the ledger in which the account is located
ACCTS begining with...
1 = Assets 3 = Stock Equity 5 = Expenses
2 = Liabilities 4 = Revenue

The 2nd digit indicates the location of the account within its group

Double-Entry Accounting System - Is based on the accounting equation and requires that every transaction be recorded in at least 2 accounts - It requires that the total debits recorded for each transaction equal the total credits recorded.

Debit / Credit rules for balance sheet accounts are as follows:

| Assets | | = | Liabilities | | + | StockHolders Equity | |
|---|---|---|---|---|---|---|---|
| (+) | (-) | | (-) | (+) | | (-) | (+) |

Stock Equity increase by - credits
decreased by - debits

Expense Accounts increase - debits
decrease - credits

| Revenue Accounts | | Expense ACCTS | | DIV | |
|---|---|---|---|---|---|
| (-) | (+) | (+) | (-) | (+) | (-) |

The process of

~~Journalizing~~

Journalizing - Using the rules of debit ~~+debit~~ credit, transactions are initially entered in a record called a journal.

| Date | | Description | Post Ref | Debit | Credit |
|---|---|---|---|---|---|
| 2009 NOV | 1 | Cash | | 25,000 | |
| | | Cap Stoc. | | | 25000 |

1) Read description of transaction carefully to determine ~~whether an acc~~ which ACCTS being affected

2) FOR each ACCT affected by transaction (ACCT increase OR decrease)

3) Determine if each increase/decrease should be recorded as a debit OR credit

4) Record transaction using a journal entry.

Unearned Revenue - The liability created by recieving the cash in advance of providing the service

Class Notes

- The 1st step in the ACCT cycle is journalizing
- 2nd step (A.C.) Posting
- 3rd Prep. for Trial BAlance
- 4th Step in the Accting cycle is the adjusting process
- Accting period consist of 12 months Oct 1, - Sept 30 = Goverment fiscal year
- End of accounting period we make adjusting entries to correct those ACCTS who are over + under stated
- Matching Concept - Takes place in the income stament. In Statement you wanna show only Revenue that has been earned and expenses incurred. ~~in the~~

* - Every adjusting entry will have in it a balance sheet ACCT + an income statement ACCT
Never 2 of them each (one each)

Accured - Represents Revene earned but not recieved or expenses incurred but not paid.

*You will never have cash in an adjusting entry.*

Under the cash basis of accting journal entry are made only when cash is recieved or paid.

Accurl Basis of ACCTING we journalize when

Depreciation is the process of allocating ~~the~~ portion of the cost of an asset against the income generated by that asset.

Accumulated Depreciation - a Contra asset (Normal balance on Credit side)

| Accumulated Deprec. | |
| --- | --- |
| | Cred. Balance |

Book value - cost - accumulated Dep.

Market value - Is the amount some one is willing to pay for the item. as is Right Now

Depreciation - is an estimate

## Chapter 4

1st Step Journalizing pg 158
2nd Step Posting
3rd Step Prep for TRIAL Balance
4th Step Adjusting entry
5th Step Preperation of financial statements

Classified Balance Sheet

① Current Assets - Those assets which can or will be converted into cash within 1 year ; they are listed in their order of liquidity

liquidity - how much cash you have.

② Fixed Assets - ~~Land~~ Property, Plant Equipment

- Assets we use to generate our primary source of income. (not for sale but used for generation of income) Shown at book value = cost - accumulated Deprec.

③ Current Liab. - Liab. that must be paid within 1 year

④ Long Term Liab - ~~To~~ Liab which payment will extend beyond 1 year

⑤ Stoc Equity

(Permanent) Real ACCTS - All asset
Liab
Equip

Because balances found in real ACCTS Are carried forward to next ACCT period

Temporary ACCTS - Revenue
Expenses

Balances in Temp ACCT are not carried into next ACCT period they are Closed at the end of ACCT Period

Closing Entries

1) Close all Revenue accts with credit balances

- To close a credit balance ACCT you debit that ACCT for the total of it's credit balance + credit income Summary

2) Close all expense accts
- To close credit acct for the tot. of it's debit balance

3) DIV is closed into Retained Earnings

Income Summary - Is a temp acct only used during closing process (must be closed)

4) Last will do two things will
1) transfer n.i. OR n.l. into R.E. +
2) close Income Sum. - Summarizes everything in income statement.

Income Sum

| Total Expense | Tot Revenue |
| --- | --- |
| | Net loss |

Closing Entries
- 4 Journal Entries
- Process of getting accts ready for next period (Prepares ledger for new period)

*. need $0 Balance so that I will know n.i. for next period

CHAP 5

Merchandising 10-12-09
Business

begining

when take inventory add it to cost of purchases and gives you the amount you have for sale

Expense

Purchases

| Debit Balance | |
|---|---|

Contra Expense

Purchase Discounts

| | Credit bal |
|---|---|

Purch. Return + Allowances

| | Credit Bal |
|---|---|

Revenues

| | credit |
|---|---|

Contra Rev

| debit | |
|---|---|

~~Net beginning inventory~~ - Cost of Goods Sold
= Gross Profit - (Profit before deducting operating expenses.

2. Cost of Goods Sold - ~~Cost of~~ Amount ~~buyer~~ seller paid for merchandise which is recognized as an expense when merchandise is sold

1) Periodic Inventory System - The inventory records dont show the amount available for sale or amount sold during period

2) Perpetual Inventory System - 2 journal entries required to make a sale

Asset

Merchandise Inventory

| Debit Balance | |
|---|---|

~~1/10~~ 1/10, N/30 → If not paid in 10 days then net amount is paid 30 days

If you pay me within 10 days you can get 1% discount

* Under this system their is no purchase acct. so there will be no purchase discount or purchase return

- Discount is when you pay less for a good

- No discount on goods returned
- no discount on shipping cost

pg.

FOB shipping Point - If goods are labeled FOB shipping point means buyer is respondsible for cost of transportation

FOB destination - Means seller is respondsible for transportation cost

Sales - Total amount charged customers for ~~damage~~ merchandise sold, (cash sales + sales on account)

Sales Return + Allowances - Granted by the seller to customers for damaged or defective merchandise.

Sales Discount - Granted by sellers to customers for ~~damaged or defec~~ for early payments of amount owed

sales
- Ret.
- Dis
Net Sal

Net Sales - Determined by subtracting sales returns + allowances and sales discounts from sales.

- Add Freight in to net sales = cost of merchandised purchased

Net sales + Freight = Cost of merchandised purchased

Credit Memorandum - Is sent by Seller saying: I'm crediting your accounts for the goods that I have that you've returned

Debit Memorandum - When recieve credit memo, I ~~'m going to~~ have debited your acct. for amount returned + only owe.

Multi Step Income Statement - Contains several sections subsections and subtotals
Reports CMS, Gross Profit, admin + selling expenses, Income from operations
4 rev. reports net sales, gross profit, income from operations, net income

Freight in - costs incurred in obtaining the merchandise

Periodic System

- add freight to net purchase get cost of merchandised purchased

- Begining inventory + cost of merchandise purchased = merchandise available for sale

Cost of Merch. Sold (CMS) - Merch. available for sale subtracted by ending inventory

Single-Step Income Statement - deducts total exp. from revenues in one step

Periodic Inventory System - The inventory records dont show the amount available for sale or the amount sold during the period. (pg 213)

3 Cost of merch sold ~~[illegible]~~ 1 Net purchases

2 ~~[illegible]~~

cost of Merch Avail. for Sale ← Cost of merch. Purchased

Perpetual Inventory System - Each Purchase and sale of merch. is recorded in inventory + cost of merch Sold Acct.
- Report cost of merch. sold as a single line on the income

Gross Profit - Net Sales - Cost of merch Sold

Income From Operations (operating income) - Determined by subtracting operating exp. from Gross Profit

2 types Operating Exp
1) Selling Exp - Incurred directly in the selling of merch.
ex) 1 Sales Salaries, 2 Store sup. used, 3 depreciation of store equipment, 4 delivery exp., 5 advertising

2) Administrative Exp (General Exp) - incurred in adminastration or general operations of the business

ex) Office salaries, depreciation of office equipment, + office Sup. used

* Financial Statements differ from service businesses for merchandising Businesses *

Income Statement
- Multi + Single Step

R.E. Statement
- Same as for Serv. Business

Balance Sheet
- Report Form - Presented in a downward sequence in 3 sections

* When ACCT PAYABLE has abnormal Balance turns into A/R *

pg. 257 Sold merchandise on VISA = Cash

Cash 60,000
Sales 60,000
COGS - 36000
MI - 36000

28) Bank Serv. Charge - 1800
Cash 1800

10-19-09

Cont'd Self Notes

Sales Discount ACCT - Contra sales ACCT

| Debit Balance | |
|---|---|

Sale Return + Allowances - contra Sales ACCT

| Debit Balance | |
|---|---|

Merch Inv - Asset ACCT.

| Debit Bal. | |
|---|---|

Chp 6

Finding value of ending inventory
Periodic Method

3 Cost Flow Assumptions
- Fifo - ~~...~~ the first inventory in is to be the first sold
- Lifo - The last inventory in is to be the 1st sold
~~Average Cost~~
- Average Cost -

$$\frac{\text{Tot. Cost}}{\text{Tot. Units}} = \text{Average Cost per unit}$$

Roxanne Richardson

Chap. 9

Fixed Assets - Assets we purchase to produce income for the business. Not bought to sell

Cost of Fixed Asset - Anything you must pay to get the asset to you and ready for intended use.

Revenue Expenditures - (Repair Exp) Because it will be matched against current revenue and will end up in Income Statement the current period

Repair Exp - 1,000
Cash - 1,000

* debit expense

Capital Expenditures - Occurs when you buy a fixed asset. When debit this account it is called a cap. expend.

~~[illegible]~~ Will be on balance sheet

* debit to assets

Extraordinary Repair - A repair that extends the useful life of a piece of equipment

Acc Depr. - Equip. - 5,000
Cash - 5,000

(New Transmissi[on] not oil change or tune up)

Depreciation - Process of allocating a portion of the cost of an asset against the income generated by that asset.

3 Methods

1.) Straight Line Method
2) Unit of Production Method
3) Double ~~decling~~ declining Method

Assumption is that the piece of equipment will be used at the same rate every year.

-Formulla $\frac{\text{cost} - \text{trade in value (recissial val)}}{\text{estimated life}}$

Make same entry every year for 25 years

ex - 9-9) $\frac{93{,}750 - 10{,}000}{25 \text{ years}}$ * Est. that when finish will be able to sell it for..

$\frac{83{,}750}{25} = 3{,}350$

Show in Income Statement

Depr. Exp - 3,350
Acc Depr-Eqip - 3,350

2) Used when the use of the piece of equipment will vary from period to period. With ~~unit~~ this method the Est. life will be given in some other than years. (miles, hours)

Formula $\frac{\text{cost} - \text{Trade in Value}}{\text{Est. Life}}$

* Never depreciate the Trade In Value *

pg 291

# Periodic Method

6-4A

~~Ex5-32~~ $\boxed{\text{24 units}}$

sold from top to bottom

Fifo

Jan 1

10 x \$119 = 1,190

14 x \$114 = 1,596

24 units

2786

* Since selling from top you see how many units you have left

Lifo

flip from bottom to top

5 x \$120 = 6000

19 x \$114 = ~~2000~~ 2166

24

Ave Cost

$$\frac{\text{cost of units purch.}}{\text{tot \# Units Purchased}} \quad \frac{\$9200}{80} = \boxed{115 \times 24 = 2760}$$

6-4B $\boxed{\text{48 units}}$

Fifo

48 x \$54 = $\boxed{2592}$

Lifo

48x \$54 = $\boxed{2160}$

AVR $\frac{11,250}{225} = \$50 \times 48 = \boxed{2400}$

Perpetual Inventory System

6-2A FIFO

*you must repeat any unsold layer & can't change order

| Purchase | | | Sold | | | Balance | | |
|---|---|---|---|---|---|---|---|---|
| ~~7/1~~ | ~~100~~ | ~~$8~~ | | | | | | |
| 7/1 | 100 | $8 | | | | 100 | $8 | 800 |
| 7/8 | | | 90 | $8 | 720 | | | |
| 7/15 | 125 | $12 | | | | 10 | $8 | $80 |
| | | | | | | 125 | 12 | 1500 |
| 7/25 | | | 10 | $8 | $80 | | | |
| | | | 50 | $12 | 600 | 75 | $12 | 900 |
| | | | | | 1400 COGS | | | |

~~6-28~~
6-38

~~LIPO~~
LIFO

| Purch | | | Sold | | | Balance | | |
|---|---|---|---|---|---|---|---|---|
| 7/1 | 100 | \$8 | | | | | | |
| 7/8 | | | 90 | \$8 | 720 | 10 | \$8 | 80 |
| 7/15 | 125 | \$12 | | | | 10 | \$8 | 80 |
| | | | | | | 125 | \$12 | 1500 |
| 7/25 | | | 60 | \$12 | 720 | 10 | \$8 | 80 |
| | | | | | | 65 | 12 | 780 |
| | | | | | 1440 | | | 860 |
| | | | | | COGS | | | E.I. |

The Lower of Cost or Market -
You use whichever is lower
cost or market.
Cost - What originally paid for item
Market - What you have to pay for
that unit today
- Include decline (diff) in prices in COGS)

Ex.

| GSA | Quant | Cost | MKT |
|---|---|---|---|
| (A) | 400 | \$6 | \$5 |
| (B) | 350 | 12 | 14 |

A 400 x \$5 = 2,000
B 350 x 12 = 4200
6200 = E.I under this system

~~Self~~ CLASS Notes

Chp. 6

Ending Inventory - Made up of the remaining units on hand

* Inventory records are kept at cost. Ignore retail price.

* In times of inflation Fifo will always give the highest E.I. Lowest COGS, highest N.I
- Because it's before prices ↑
Inventory cost less

In times of inflation Lifo will ~~go~~ always give lowest ~~[illegible]~~, E.I., highest COGS, and Lowest ~~E.I.~~ N. Income

Average will always be in middle of Lifo + fifo

Estimate Inventory - Merch. comp. will do physical count of E.I. 1 time a year but will prepare financial

300 (6-5B) Retail Method of Estimating E.I.

| | Cost | Retail |
|---|---|---|
| B.I. | 200,000 | 300,000 |
| Purch. | 2,520,000 | 3,700,000 |
| Goods Avail. for sale → | 2720,000 | 4,000,000 |

Ratio - $\frac{2720,000}{4,000,000}$ divide $= 68\%$

* • 68¢ of every dollar is cost
• 32¢ of every dollar profit

Sales — 3,550,000
Sale Ret — 50,000
Net Sales — 3,500,000 ← what you sold

Estimated E.I. at Retail — 500,000 = E.I. at Retail ← what you sold - what you had for sale
Estimated E.I. at Cost — 340,000

68% ✓
x500,000
340,000

Gives Profit Not cost

Gross Profit Method for estimating Value of E.I.

Cost

B.I. — 300,000
Purch. — 1,800,000
Goods Avail. for sale — 2,100,000

Retail

~~Sales — 2,000,000~~
Sales — 2,796,000
Sales Ret. — 96,000
Net Sales 2,700,000
.36 ← Take Profit out
972,000

Inventory records are all maintained at cost

Net Sale 2,700,000
Profit — 972,000
Est. COGS — 1,728,000 — Cost
Est. E.I — 372,000
Profit 36%
Cost 64%

Goods Avail for sale 2,100,000
— Est Good Avail forsale 1,728,000
= Est. E.I. 372,00

Homework In class ~~10-3~~ ~~TD~~ 11-2

* if inventory understated so is net income

E.I will be B.I. in next accting period

Online Work

$$\begin{array}{r} 3150 \\ -900 \\ \hline 2250 \end{array}$$

$$\begin{array}{r} 3150 \\ -900 \\ \hline 2150 \end{array}$$

$$\begin{array}{r} 3125 \\ 3 \overline{)9375} \\ 9 \\ \hline 03 \\ 3 \\ \hline 7 \\ 6 \\ \hline 15 \end{array}$$

$$\begin{array}{r} 46 \\ 88 \\ \hline 134 \\ 63 \\ \hline 197 \end{array}$$

$$\begin{array}{r} 92 \\ \times 2 \\ \hline 184 \end{array}$$

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Reporting Merch. Inv. in Financial Stat.

- Cost is primary basis for valuing + reporting inventories in financial statements.

M. I. on Balance sheets report in
- current assets

Cost of Inventory
① - along with the method for determining (Lifo, OR, Fifo, average)

② - Method of valuing inventory (cost or the lowest cost or market)

* Effects on Financial Stat. when mistating inventory *
- ~~with~~ Income Stat. COGS, Net Income, & Gross Profit

Self Notes
Chp 7

Employee Fraud - Intentional act of deceiving an employer for personal gain.

Internal Control - Procedures put into place by businesses to protect assets of business from customers, + employees. (Regulations on who does what.) The most difficult asset to protect is cash.

5 elements of Internal Control
1) control enviroment - is overall attitude of management and employees about importance of internal controls

2) Risk Assesment
3) Control Procedures
4) Monitoring
5) Info + communication

Cash - Includes coins, currency, checks + money orders.
*Primary protection for cash is Bank Account. Businesses try to get cash out of business and into B.A. asap.
-Cash is asset most likely to be stolen or used improperly in a business

Cash Register - 1st control procedure over cash because It prints receipts

The bank statement is a primary control ~~for~~ over cash.

* at begining of the ~~acctING~~ day/work shift each cashier is given a:

Change Fund - a fund a business use to give change to establish a change fund journal entries are as follows:

Change Fund - 300
Cash - 300

- When you cash-out drawer at end of shift you always ~~been~~ leave begining amt. of change fund in drawer.
  - always same amt no more/less

* always record sales as the amt shown on cash. registers tape.

Electronic Funds Transfer - automatic electronic transfers from their checking accts to pay monthly bills
- Each month company notifies the cust. bank of the amt of the transfer and date due.
- On due date, company records the date the transfer should take place.
- Company records the electronic transfer as a receipt of cash.
- Post amt paid to cust acct.

Bank Statement - ~~Credit for bank~~ a summary of all transactions
- Beg. Balance. - Deposits - checks - debit

transactions, (additions) + fees

Bank Reconciliation - Proves accuracy of Bank + book statements forcing you to find any errors that have occureed during period
(Why the 2 statements may differ)

2 Sections

| | |
|---|---|
| ① Bank Section | Ledger |
| Beg Bal. | ① Cash Bal. |
| + Add Inns - Deposit in transit | + notes collected by bank |
| - Deductions - outstanding checks | - Unrecorde Bank Debit |
| = ④ Adjusted Bal. | ④ Adjusted Bal. |
| | NSF checks ser. charge |

* The adjusted balances must be equal.

Voucher System - a set of procedures for authorizing and recording liabilities and cash payments
- Voucher - any document that serves as proof of authority to pay cash or issues an electronic funds transfer. (Authorization to pay)

Homework
ex 7-9)
a) Weak Link

ex 7-13) cash recieved from sales 11,279
cash register 11,256

$$\begin{array}{r} 11,279 \\ -11,256 \\ \hline 00023 \end{array}$$

Cash — 11,279
Cash over + under — 23
Sales — 11256

ex 7-14) A voucher is supported by suppliers invoice, a purchased order, and a recieving report. Once approved the voucher is recorded in the accounts and filed by due date. voucher payment recorded as payment to A/P.

* ex 7-16) 1. D no 2. C 3. a No 4. d yes 5. A no 6. b no 7 C yes

Deducted 610
should ded. - 160
450 goes back to Book Bal.

* only book balance accts need journal entries. *

7. ~~11~~0
180
630

ex 7-18) Bank Bal.
Bal. 12,750
- Outstanding Che. 4170
+ Deposit transit 5100

Adjusted Bal. 13,680

Ledger Bal.
Bal. 13,065
Error + 630
- Serv. Charge. 15

adjusted Bal. 13680

Serv. Charge — 15
Cash — 15

ex 7-19) Cash 630
Cash over ~~A/P~~ — 690

* voucher system every thing recorded as payable

~~Cash — 5100~~
~~Deposit transit — 5100~~

ex 7-20) Cash — 18270
N/R — 18000
Intrest — 270

ex 7-23) ~~Bank Balance~~
7175
~~O. Check + 5190~~

Ledger Balance
7865

Bank Bal 18175
O. Checks - 5190

Adjusted Bal. 12985

Ledge. Bal. 7865
Bank C. 25
N/R 8400
adjusted Bal. 16240

3,255 = stolen

ex 7-24)

a. Petty Cash Fund — 800
Cash — 800

b. ~~294~~ + 295 + 120 + 75 = 800 Diff. 16
784

Office Sup Exp — 295
Misc Selling Exp — 120
Admin Exp — 75
Cash Short over — 16
Cash — 506

e7-21) Book Bal. 4690
Error + 450
N. collected by Bank 6630
Bank Charge (30)

11740

Bank B. 10125
O. Check - 3110
~~N. collected~~
Dep. in transit 4725

b 11,740

Cash — 450
A/P — 450

Bank Serv. — 30
Cash — 30

Cash — 6630
A/R — 6500
Interest — 130

Homework

ex 6-15) Yes there is a major flaw. ~~you can~~ First of you're not suppose to falsify financial ~~reports. That's the reason for correcting~~ Balance sheet assets (U)

ex 6-16)

Inventory report > ~~626,132~~ 627,000

$$\frac{\text{Cost } \cancel{630,000}}{\text{Retail } 950,000} = 66\%$$

ex 6-17) $\frac{572000}{880,000} = 65\%$ = Inventory Reported

ex 6-18) $\frac{225000}{375000}$

ex 6-19)

| | |
|---|---|
| Inv. | 300,000 |
| Purch. | 2,000,000 |
| | 2,300,000 |
| − | 2,025,000 |
| | 275000 |

275,000

~~ex 6-20)~~

| | Cost | Retail |
|---|---|---|
| | 180,000 | 300,000 |
| Purch. | 1200,000 | 2000,000 |
| Sale | 1,380,000 | 2,300,000 |

Ratio > $\frac{1,380,000}{2,300,000} = 60\%$

Sales —— 2,025,000
Est E.I. at Retail — 275,000
Est E.I. at Cost —— 165,000
(275,000 x .60)

ex 6-20) Gross Profit Inventory Method

@

| | Cost |
|---|---|
| B.I. | 260,000 |
| Purch | 1,920,000 |
| Cost of Goods Avail. | 2,160,000 |

Cant ~~to~~ subtract the cost from retail have to get profit from retail

Sales — 3,200,000
Profit — 1,280,000
Est COGS —— 1,920,000

Sales 3,200,000
.40
1,280,000 ~~prof~~ profit

Est. E.I. —— 240,000

(B) In case of fire, water damage

ex ~~21~~ 6-21) B.I. —— 250,000 cost #
Purch. — 2,900,000 cost #
Good's Avail for Sale —— 3,150,000 cost #
Sales —— 4,800,000
Profit —— 1,920,000
Est COGS —— 2880,000
Est E.I. —— 270,000

Sales 4,800,000
x .40
= 1,920,000

ex 6-22) B.I. — 80,000
Purch. — 948,000
Merch Avail Sale — 1,028000
Sales — 1,500,000
Profit — 570,000
Est. COGS — 930,000
Est. E.I. — 98,000

Sales 1,500,000
x .38
570,000

Class Homework Check

ex 6-15) B.I — xxx
Purch — xxx
Goods Avail for Sale — xxx (11,900) u
E.I. — xxx
COGS — xxx (O)
N.I. — (u)

ex 6-13) Incorrect E.I. 315,600
Correct E.I. 325,000
E.I. 9400 (u)

a) Asset (u) Retain E. (u)

b) COGS (O) N.I. (u)

* Sometimes ~~c~~ customer may pay back money after we wrote off so reinstate - put acct back on Books

Chp 8

- Most merchandising business sell on credit (recievables) —
  Prob. = some recievables are uncollected and become worthless
  * Must wright off

2 Methods

1) <u>Direct write off Method</u> - Once we determine a recievable is uncollectable it is written off. (Because it is written off directly into exp. acct.
2) <u>Allowance Method</u> - Est. the ~~amts~~ accts we think will go bad (the amount)
   - estimate is made at end of year as part of the adjusting process
     - When est. is based on credit sales you DO NOT ~~you~~ take into consideration any bal. found in allowance acct

When est is based on ~~credit sales~~ the balance A/R you MUST take into consideration any bal. in allowance B.A. accounts

<u>Aging Method</u>
- Put in order of oldest accts. pg. 358

The older the acct the least probable % of being paid

when finish bal. in allowance
acct ~~→~~ must equal est.

Notes Recievable - a stronger credit instrument than A/R.
- with a promisary note you promise to pay on a specific date + time, (Interest + principle)

Net Relizable ~~acct~~ Bal - amt you expect to collect. less allowance of doubtful acct from A/R

Maturity value - value of the note at the notes life amount that must be paid by due date sum of interest + face amt.

2 methods used to estimate uncollectable accts

1) Precent of Sales method

Formula: Bad Debt Exp = Credit Sales (A/R) X Bad debt as a precent of credit sales

ex) BDE = 3,000,000 X 3/4% = 22500

2) Analysis of Recievables Method

Step 1) Due date of A/R determined
2) Past due, number of days (days between due date + analysis)
3) Place in predifined age classes
4) Totals of each age class determined
5) Total each age class multiplied by an estimated precentage of uncollectable accts (the more past due the higher this prencentage)
6) Estimated tot. of uncollectible accts is determined (sum of age accts of each age class)

Precent of Sales

* When using the ~~Precent of Sales~~ Method you focus on the Bad Debt Exp. Acct. (Income statement) and add to ~~bal~~ balance of Allowance for Doubtful credit accounts.

-analysis of recieveables estimates A/R acct (-) ~~exp~~ unadjusted bal. Bad ~~exp~~

Notes Recievables

Formula- Interest = face value x Int. Rate x term (Term/360)

N/R entry as follows:

N/R - 6,000

A/R - 6,000

pg ~~[illegible]~~ 374

8-1A)

| A/R | |
|---|---|
| 600 | 100 |
| | 500 |
| 500/0 | |

Cash — 100
A/R — 100

Bad Debt Exp — 500
A/R — 500

A/R — 500
Bad Debt Exp ~~[illegible]~~ — 500

Cash — 500
A/R — 500

8-2A)

| Allowance For Doubtful Accts | |
|---|---|
| | Cred. Balance |
| | (Contra Asset Acct) |

* When write of acct using this method debit allowance for doubtful accts credit A/R

Cash — 100
A/R — 100

Allow for D.A — 500
A/R — 500

Reinstate A/R - 500
Allow for D.A - 500

Cash - 500
A/R - 500

8-3A) Based Credit Sales

| A/R | |
|---|---|
| 1,400,000 | |

| Allow. Doubt Acct | |
|---|---|
| 2250 | 23750 |
| | 21500 |

| Sales | |
|---|---|
| | 9500,000 |

$$
\begin{array}{r}
9{,}500{,}000 \\
\times \quad .25 \\
\hline
2{,}375{,}000 \\
\times .01 \\
\hline
23{,}750
\end{array}
$$

~~Allow~~ Bad Debt Ex - 23750
Allowance D.A - 23750

* When you pos

Aging Process

8-4A Based Bal. A/R

| A/R | |
|---|---|
| 1400000 | |

| Allowance D.A. | |
|---|---|
| 2,250 | 26250 |
| | 24,000 |

| Net Sales | |
|---|---|
| | 9,500,000 |

$$
\begin{array}{r}
2{,}250 \\
24{,}000 \\
\hline
26{,}250
\end{array}
$$

Bad debt Exp - 26,250
Allowance D.A - 26250

A/R — 1,400,000
Less Allow. DA 24000
Net Realizable Bal. 1,376,000

8-5A

ⓐ Term of Note — 120 days

Start B. Month → March — 31
Date — 13

18 (The note will be outstanding for 18 days

April — 30
May — 31
June — 30

want to add as many whole months as you can less than 120 days)

109

120
−109

July 11 = duedate

ⓑ Int. 200000 × 9/100 × 120/360

$\boxed{\text{Face Value} \times \text{interest rate} \times \text{Time}}$

= 6,000 Maturity Value = 206,000

N/R — 200,000
A/R — 200,000 (gave note to replace acct Recivable)

Cash — 206,000
N/R — 200,000
Int. Inc — 6,000

8-5B) 30 day, 6%, 40000, 9/23

Terms — 30 days
Sept — 30
Sept — 23

7 → will be outstanding 7 days in Sept

Oct — $\frac{-7}{23}$ Due Date

Int. $4/100 \times 30/360 \times 40{,}000$
$= 200$

Maturity Value $= 40{,}200$

Cash — 40,200
N/R — 40,000
Int Inc — 200

Homework
8-3 Direct W/O METH.
8-4 Allowance
8-5 8-20
8-6 8-23
8-13
8-19

8-24-09

Find Income Stament June 30, 2010

ETS

1-4B

Assets - Liab = Stoc Eq

~~Cash / A/R / Sup /~~ 12,000 35,000

32,000

78,000

= 475,000

Retained Earnings Statement

Begg. R.E — $90,000

Net income — 117,000 → 207,000

Less dividends — 0 — 0

Net increase R.E. = 117.00

Ending R.E. = 207,000

Balance Sheet

Assets = Liability + Stock

cash = 78,000

A/R = 32,000

Sup = 6,000

Land = 150,000

A/P = 12,000

Cap stock = ~~36,000~~ 65,000 +30,000 increase

R.E. = 189,000

Tot. Stoc equ = 242,000

Total ~~liability~~ liability + eq = 266,000

254,000

# Retuened Earnings Stat.

| | | |
|---|---|---|
| Begining R.E. | 90,000 | |
| net income | 117,000 | |
| Less DIV | 18,000 | |
| net increase RE. | | 99,000 |
| | | 189,000 |

## Balance Sheet (con'td)

8-24-09

Homework

ex 1-13) A

1) Fees earned 35,000 Service provided ↑cash ↑Fees
2) Purchased Land for 15,000 ↓cash ↑Land
3) Paid expenses 26000 ↑expenses ↓cash
4) Purchased supplies on account 1500 ↑sup, ↑a/p
5) Paid dividends 2,000 ↓cash ↓stock equity
6) Paid a/p 7200 ↓cash ↓a/p
7) 3000 worth of supplies are used ↓Assets ↓equity

B ~~16,000~~ 15,200 = net decrease

? C 4,000 = net increase in stockholders equity

D 6,000 = net income

E ? 55,000

ex 1-14) ~~Yes because capital stock is decreased when paying dividends + $ is cash (asset)~~ No because dividends ~~were already calculated in the net income (subtracted from)~~ are taken from R.E

ex-16) On balance sheet

Assets = Liability + Stock Equity

① A/P ; Cap Stock ②

③ cash ; Retained Earnings

④ Land

⑥ Supplies

ex-17) Fees earned + all expenses

ex-18)

exp. 1-19)

Income Statement

Fees earned ——— 363,200

Expenses

Wages Expense ——— 187,000

Rent Expense ——— 36,000

Supplies Expense ——— 11,500

M I S Expense ——— 12,100

Net increase 116,600

11 4 12 12
~~77~~ 5 ~~7~~80
− 83,780
631540

ex 1-18) Retained Earnings Stat.

Retained Earnings April 1, 2010 ——— 715,320

Net income for April ——— 93,780

2 Less Dividends ——— 10,000

Increase in Retained earnings ——— 83,780

Retained earnings as of April 30, 2010 ———

~~799,780~~

799,100

Fees earned ——— 35,000

Expenses ——— 29,000

Net increase ——— 6,000

R.E

8-26-09
Finding Unknowns

~~*~~ DO OVER

Ex 1-20) Balance Sheet

Assets = Liabi + Equity

(B) 216,000 = 129,000 + E
E = 86,400

(E) 268,2600 = 117,000 + E
E = 151,200

64,800

~~*~~ Because it comes from 2 places
(1) N.i.
(2) Add Invest.

R.E Sheet

| | |
|---|---|
| Beg. R.E. | 133290 |
| Add Cap Sto | 46,890 |
| Net income | 32,310 |
| Less Div | 14,400 |
| increase R.E | 17910 |
| Ending R.E | 151,200 |

Income Stat

| | |
|---|---|
| Rev | 71,190 |
| Expenses | 38,880 |
| N.i. | 32,310 |

64,800
−17,910
46,890 = Additional Investmen

# Balance Sheet

Assets = Liab. + Cap stock

216,000 = 129,600 + Cap

− 129,600   − 129,600

86,400 = Cap Stoc

151,200
− 86,400
64800 = N.I.

268,200 = 117,000 + Cap stoc

− 117,000   − 117,000

151,200 = Cap Stoc

3-31-09

## Mars

(B) Assets = Liab + Stock Equ

230,000 = 130,000 + S

− 130,000   − 130,000

120,000 = S

120,000

240,000

(E) 350,000 = 110,000 + S

− 110,000   − 110,000

240,000

$\boxed{(120,000)}$

350,000
250,000
100,000

130,000
− 110,000
020,000

ending eq. 120,000 ← ① Subtract beg + end Assets + Liab.
② Put down what we know

Mars

Ex 1-20)

Income Sheet

| | | |
|---|---|---|
| Fees earned | (b) ~~190,000~~ 134,000 | |
| Expenses: | | |
| Wages | | |
| Rent | | |
| Sup. | | |
| Utilities | | |
| MIS | | |
| Total Expense | 64,000 | ~~190~~ 140,000 |
| Net Increase | ~~126,000~~ | - 64,000 |
| | 70,000 | T 26000 |

Retained Earning Sheet

| | |
|---|---|
| R.E. 1st | 186,000 |
| Net Income | 70,000 |
| Less Dividend | 16,000 |
| Increase in R.E. | 54,000 (-) |
| R.E. end | 240,000 |

120,000

Balance Sheet

① subtract begining asset from ending asset
② same for Liab.

Assets = Liabilities + Stockholders Eq

| Assets | | Liabilities | Stockholders Eq | |
|---|---|---|---|---|
| Cash 350,000 | = | 110,000 | Cap. Stoc | 50,000 |
| Sup. | | | R.E. (b) | 134,000 |
| Land | | | Tot. Stoc. Eq | |
| | | | Tot liab + Stoc. Eq | 350,000 |

Tot. Assets 350,000 =

Pg. 41

1-6A

Income State

Fees EARNed — 239700

Expenses

Wage — 2 54,825

Rent — 24480

Sup — 20400

Utility — 13770

MIS — 8415

Total Ex — 121,890

Net Income — 2 117,890

R.E. Statement

Beg. RE — ?

Ni — ? 117,890

Less DIV — 2 61,200

Increase R.E — 36,610

Ending RE 56610

Balance Sheet

Assets = Liab + Stock Eq

Cash 150450

Sup 10 200

Land 2 367,200

A/P 12,240

Cap Stoc 459,000

RE 56610

Total Eq - 515,610

Total Liab + Eq - 527850

Total Assets = 2 527850

527850
-12 240
515610
-459000
= 56610

Add. Invest - 459,000

* Double entry accounting
The Debit + Credit Increas
same time

Pg 85
2-13

Journal

| Item | Debit | Credit |
|---|---|---|
| 3/1 Rent Expense | 3,000 | |
| → cash | | 3,000 |
| 3/2 Adv. Exp | 1800 | |
| cash | | 1800 |
| 3/5 Sup. | 900 | |
| cash | | 900 |
| 3/6 Off. Equip. | 12300 | |
| A/P | | 12300 |
| 3/10 Cash | 4100 | |
| A/R | | 4100 |
| 3/15 A/P | 1200 | |
| cash | | 1200 |
| 3/27 MIS Exp. | 500 | |
| Cash | | 500 |
| 3/30 Util expe | 180 | |
| Cash | | 180 |
| 3/31 A/R | 26 800 | |
| Revenue | | 26800 |
| 3/31 Electric | 315 | |
| Cash | | 315 |
| Div | 2,000 | |
| cash | | 2,000 |

# In Ledger

normal ↓

**Cash**

| | |
|---|---|
| 4100 | 3000 (315) |
| | 1800 (2000) |
| | 900 (180) |
| | 500 |

**A/R**

| | |
|---|---|
| | 4100 |

**Sup.**

| | |
|---|---|
| 900 | |

**Office Equip.**

| | |
|---|---|
| 12300 | |

**A/P**

**Cap Stoc**

**R.E.**

**DIV**

| | |
|---|---|
| 2000 | |

**Fees Earned**

| | |
|---|---|
| | 26800 |

**Rent Expense**

| | |
|---|---|
| 3000 | |

**Ad. Expens**

| | |
|---|---|
| 1800 | |

**Ut Exp**

| | |
|---|---|
| 180 | |
| 315 | |

**M.I.S**

| | |
|---|---|
| 900 | |

# Trial Balance

| | | |
|---|---|---|
| *Cash | 5795 | |
| A/R | 22700 | |
| Sup | 900 | |
| Eq | 12300 | |
| *A/P | ~~11100~~ | 11,100 |
| Div | 2,000 | |
| *Fees | 26800 | |
| Adv Exp | 1800 | |
| Util Exp. | 495 | |
| Misc | 500 | |
| Rent Exp | 3,000 | |
| | 43695 | 43695 |

Roxanne Richardson

Homework 9-08-09

2-1A) ① accounts payable (c) credit balance
② Cash (c) debit balance
③ DIVIDENDS (a) debit balance
④ MIS expense (a) debit balance
⑤ Prepaid Insurance (a) debit balance
⑥ Rent Revenue (b) credit balance

Wrong

| | 1. Account | Debit | Credit |
|---|---|---|---|
| a) | Cash | 30000 | |
| | Cap Stock | | 30000 |
| b) | Auto | 19500 | |
| | Cash | | 4500 |
| | A/P | | 15000 |
| c) | Rent Expense | 3000 | |
| | Cash | | 3000 |
| D) | Supplies | 1450 | |
| | Cash | | 1450 |
| E) | Office Equip. | 6000 | |
| | A/P | | 6000 |
| F) | Insurance | 2,000 | |
| | Cash | | 2,000 |
| G) | Cash | 7500 | |
| | Service | | 7500 |
| H) | A/P | 1750 | |
| | Cash | | 1750 |

| | ACCT | Deb | Cred |
|---|---|---|---|
| I | MIS Expense | 500 | |
| | Cash | | 500 |
| J | Blueprint Exp | 1,000 | |
| | A/P | | 1,000 |
| K | A/R | 5200 | |
| | Service | | 5200 |
| L | Sal expense | 1600 | |
| | cash | | 1600 |
| m | MIS Expense | 325 | |
| | Cash | | 325 |
| N | A/P | 250 | |
| | cash | | 250 |
| O | Auto Repair Exp | 400 | |
| | cash | | 400 |

* Should know how to do this in order

Journalize
Posting
Trial Balance
Income Statement
Retained Earnings
Balance Sheet

OK Check This

Cash

| | |
|---|---|
| 30000 | 4500 |
| 7500 | 3000 |
| | 1450 |
| | 2000 |
| | 500 |
| | 1600 |
| | 325 |
| | 250 |
| | 400 |

Auto

| | |
|---|---|
| 19500 | |

Rent Exp

| | |
|---|---|
| 3000 | |

A/R

| | |
|---|---|
| 5200 | |

Equip

| | |
|---|---|
| 6000 | |

Sal Ex

| | |
|---|---|
| 1600 | |

Cap Stoc

| | |
|---|---|
| | 30000 |

Sup

| | |
|---|---|
| 1450 | |

N/P

Blueprint Expense

| | |
|---|---|
| 1000 | |

Insurance

| | |
|---|---|
| 2,050 | |

A/P

| | |
|---|---|
| | 15000 |
| | 6000 |
| | 1000 |
| 250 | |

Auto Exp

| | |
|---|---|
| 400 | |

Pro Fee

| | |
|---|---|
| | 7500 |
| | 5200 |

MIS Ex

| | |
|---|---|
| 500 | |
| 325 | |

* DO All

## Trial Balance

* if trial balance balances correctly so will the balance sheet

| | | |
|---|---|---|
| Cash | 21725 | |
| A/R | 5200 | |
| Sup | 1450 | |
| Prep. In | 2000 | |
| Auto | 19500 | |
| Equip | 6000 | |
| N/P | | 14750 |
| A/P | | 5250 |
| Cap Stoc | | 30,000 |
| Pro. Serv. | | 12700 |
| Rent | 2,000 | |
| Sal | 1600 | |
| Blueprint | 1000 | |
| Auto Exp | 400 | |
| MIS | 825 | |
| | 62700 | 62700 |

## Income Statement

Fees Earned

Retained

pg. 189

ex 4-17)

① Income Stat.

Fees Earned —— 215,000

~~Wag~~ Expense

Wage Exp —— 190,000

Rent Exp —— 45,000

Sup Exp —— 11,200

Mis Exp —— 5100

Tot. Exp. —— 251,300

Net Loss —— (36,300)

When debit/credits equal it has a 0 balance

Cap Stoc

| | |
|---|---|
| | 100000 |

R. E

| | |
|---|---|
| 30000 | 380000 |
| 36300 | |
| 66300 | 380,000 |
| | 313700 |

DIV

| | |
|---|---|
| 30000 | 30000 |
| 0 | |

Fees Earned

| | |
|---|---|
| 215000 | 215000 |
| 0 | |

Wage Exp

| | |
|---|---|
| 190000 | 190000 |
| 0 | |

Rent Exp

| | |
|---|---|
| 45000 | 45000 |
| 0 | |

Sup Exp

| | |
|---|---|
| 11200 | 11,200 |
| 0 | |

MIS Exp

| | |
|---|---|
| 5100 | 5100 |
| 0 | |

Income Sum.

| | |
|---|---|
| Tot exp — 251,300 | 215,000 — Tot Rev. |
| 0 | 36300 — Net Loss |
| | 251300 |

Closing ~~Entries~~

① Fees Earned —— 215,000

Income Sum —— 215,000

② Wage Exp —— 190,000

Rent Exp —— 45,000

Sup Exp —— 11,200

MIS —— 5,000

Acct Sum. —— 251,300

③ R.E. —— 30,000

DIV —— 30,000

④ R.E. —— 36300

Income Sum —— 363000

R.E. Statement

Beg R.E. —— 380,000

Net loss —— -36,300

switch

Net decrease in R.E. —— (66,3000)

Less DIV —— 30,000

End R.E. —— 313,700

244

~~Ex~~ 5-3A)

(a) A/R — 41,000
Sales — 41000

Cost of Goods Sold — 22,500
Merch Inv. — 22500

(b) Cash — 40590
~~Sales Dis. A/R~~
Sales — 410
A/R — 41,000

41,000
,01
410

41000
- 410
40590 — Cash Record

~~Buyer~~
Merch Inv. — 41,000
A/P — 41,000

A/P — 41,000
Cash — 40,590
Merch. Inv. — 410

* Since ~~Per~~ Perpetual acct doesn't have Merchandise dis. we use Merch. Inv. acct.

5-4A) 21,500 purchase on ACCT
1500 Retuened + recieved full credit

Buyer

Merch. Inv. — 21500
A/P — 21500

A/P — 1500
merch Inv. - 1500

21500
- 1500 retuened
20,000
.01
200

20,000
- 200
19800

A/P — 20,000
Cash — 19800
M.I. — 200

Seller

A/R - 21500
Sales — 21500

Sales Retuened + Allow — 1500
A/R — 1500

Cash — 19800
Sale Dis — 200
A/R — 20,000

pg. 226 FOB

5-5A) 450 FOB destination

a) 1/10, N/30

13,150 purch. merch.
-4150 Returned
9000
x .01
90

9000
-90 - Discount
$\boxed{8910}$ → cash paid

b) 32,100 purch. goods FOB shipping point

2/10, N/30

32,100
5,000
27,100 net purch.
.02 - Dis
542

27,100
- 542 - Dis
26,558
+ 900 - ship cost
27458

EX 5-3) (a) X = ~~Perch.~~ ~~Cost of Merch~~ Purchase discount
y = [illegible] Returns + Allowances

(b) Freight ~~[illegible]~~ In

(c) Goods available for sale
(d) Ending Inventory

2 (a) Ex 5-4) Merchandise Inv. 210,000
Net purchases = 1,361,500,000.
Cost of Merch = 1,375,700

Ending Inventory - 185,000

(b) ~~Cost of Goods sold - 2,250,000~~ Sales

| | |
|---|---|
| Sales | 2,250,000 |
| COGS | 1,400,600 |
| Gross Profit | $849,400 |

5-14) If Goods Sold:
A/R — 65,900
Sales 65900
COGS — 40,000
M.I. — 40,000

When Returned:

Sales Return + Allowances — 65,900
A/R 65,900
M.I. 40,000
COGS 40,000

*n/eom = end of month*

EX 5-15)

25,000 - goods
-250 - disc.
24,750

~~A/R = 24,750~~
A/R - 25000
Sales — 25000

COGS — 15000
M.I. — 15000

Cash — 24,750
Sells Dis. - 250
A/R — ~~25~~ 25,000

Sale Ret + Allow — 25,000
Sal Dis — 250
Cash — 24,750

M.I. — 15,000
COGS — 15,000

~~Ex~~ Ex 517) A/R — 12,500 ← a
Sales — 12500

A/R — 400
Cash — 400

12500
x .01
125 Disc

Seller
A/R
12500
+ 400
12,900

Cash — 12,775
Sale Dis — 125
A/R — 12900

12500
- 125 = 12375
+ 400
12775

Ex 5-18)

$$\begin{array}{r} 9,000 \\ -1,200 \\ \hline 7,800 \\ .02 \\ \hline 156 \text{ Dis} \end{array}$$

$$\begin{array}{r} 7800 \\ 156 \\ \hline 7644 \end{array}$$

Merch, Inv, — 9,000
A/P — 9,000

A/P — 1200
M. I. — 1200

A/P — 7800
Cash — 7644
M. I. — 156

* Discount come out of merchandise Inventory Acct,

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5-6A)

Saddlebag

A/R — 17,500
sale — 17,500

COGS — 10,000
M.I. — 10,000

A/R — 600
Cash — 600

Cash — 17,750
Sale Dis — 350
A/R — 18100

17,500
.02
350 dis

17500
- 350
17,150
+600
17,750

A/R
17500
+600
18100

Buyer

M.I. — 17500
A/P — 17500

M.I. — 600
A/P — 600

A/P — 18,100
Cash — 17,750
M.I. — 350

5-6B)

Santana Seller vs. Birch Buyer

2 entries for sale

A/R — ~~4,000~~ 6,000

Sales — 6,000

COGS — 4,000

M.I. — 4,000

2 entries for Return

Sales Ret + Allow. — 800

A/R — 800

M.I. — 550

COGS — 550

6,000
− 800
5,200
x .02
104 dis

Cash — 5096

Sale Dis. — 104

A/R — 5200

5200
− 104
5096

Buyer

M.I — 6,000

A/P — 6000

A/P — 800

M.I. — 800

A/P — 5200

Cash ~~5096~~ 5096

M.I — 104

Pg 247

5-11)

Multi Step Income Statement

~~Rev From~~ Sales — 2,550,000
Less: Sales Return + Allow — 160,000
Sales Disc. — 40,000
① → Net Sales — 2,350,000
COGS — 1,400,000
② → Gross Profit — 950,000
Operating Expenses
Selling Exp. — 410,000
Adm. — 250,000 660,000
③ → Income from Oper. — 290,000

Other Exp.
Interest Exp. 15,000
④ → N.I. 275,000

Homework 10-19-09 pg 247

Ex 5-10) * a) = 15,000 (250,000 - (10,000 + a) = 225,000
* b) = 135,000 (225,000 - b = 90,000)
* c) = 552,000
* d) = 222,000
* e) = 50,000 (1,000,000 - (e + 40,000) = 910,000)
* f) = 623,500 (910,000 - f = 286,500)
* g) = 539,000
* h) = 520,000

Ex 5-16) 1) *Sale of Merch. on acct.
*2) 12,000 merch sold cost Exp.
3) Return of goods that were ~~purch~~ sold on acct.
*4) 1,000 return credit Cof. Merch. Sold debit Merch Inv.
5) 18000 recieved dis. 360 recieved cash amount 17640 because paid within 10 days (Recieved CASH from sale made in 1 ~~after~~ after return in 3)

ex 5-21)

a) Merch. In — 18,000
A/P — 18,000

b) A/P — 3,000
Merch — 3,000

c) A/P — 15,000
Cash — 14700
M.I. — 300

3000 AB

ex 5-22)

a) merch Inv. — 25,000
A/P — 25,000

A/P — 25,000
Cash — 24,500
M.I. ~~Dis~~ — 500

5,000
x .02
100 dis not entitle

5000

*

A/P

| 2500 | 25000 |
|---|---|
| 4900 | 4000 |
| 900 | |

A/P ~~Returns + Allowances~~ — 4900
MI — 100
M.I — 5000

d) Merch Inv. — 4,000
A/P — 4,000
e) Cash — 900
A/P — 900

Ex 5-23)
15,000
− 800
a) = 14,200

10,000 Purch.
− 1200 Returns
8,800 Net Purch
− 176 dis
8624 =
+ 400 Freight Inn
b) = 9,024 = cost of Merch Purch

c) 8250
− 750
7500
x .01
75

7500
− 75
7425 = C

d) 2900
− 400
2500
x .02
50

2500
− 50 dis
2450
+ 125
2575 = d

e) 3850
x .02
77

3850
- 77 dis
3,773 cash paid

ex 5-26)

ⓐ A/R — 23,400
Sales — 23400

COGS — 14,000
M.I. — 14,000

ⓑ Sales Retur - 4,400
A/R — 4400

MI — 2600
COGS — 2600

23,400
-4400 Ret
19000 net sales
x .02
380 dis

19000
- 380
18 620 cash Record

ⓒ Cash — 18,620
Sale Dis. - 380
A/P — 19000

ex 5-20) 1) Purchase Merch on acct
2) Paid Transportion cost 250
3) Returned 500 worth
4) Paid within discount Period

ex 5-27) (a) M.I. — 23400
A/P —— 23400

(b) A/P —— 4400
M.I —— 4400

(c) A/P — 19000
Cash —— 18620
MI —— 380

R.E
50000 | 
D.V
50000 |

10-19-09

ex-5-31) (1) Sales — 2,550,000
~~Credit~~ Income Sum. — 2,550,000

Exp
2275 | 2275

(2) Income Sum 2,275,000
Admin Exp 250,000
Int. Exp 15000
Sales Dis 40,000
* Sales Return. 160,000
Selling Exp 40000
* COGS 1400000

~~Contra~~ Deb Balance *

Sales
2550000 | 2550

(3) R. E. 50,000
DIV. 50,000

Inc. Sum
227500 | 255000

(4) Income Sum 275,000
R.E. —— 275,000

ex 5-32) Closing Entries

① Income Sum 411,685

Expenses:

Admin Exp — 65,300

Store Sup. Exp. — 2465

Selling Exp — 124,000

Sale Dis. — 18,000

Return + Allow — 12,000

Cost of G.S. — 188,000

Interest Exp — 1920

Inosum

4111685 | 313540

② R.E. — 7950

DIV — 7950

③ Sales — 313,540

Income Sum — 313,540

R E

7950 | 1116,155

④ Income

Didnt
Do It
:( hungry

In class homework

ex 5-32)

① Sales — 313,540
Income Sum. — 313540

② Income Sum 411,685
Admin Exp 65,300
COGS 128,000
Sales Dis. 18,000
Returns+Allow. 12,000
Selling Exp 124,000
Store Sup Exp. 2465
Interest Exp. 1920

③ R.E — 7950
Div — 7950

④ R.E — 98145
Income Sum — 98145

Because of net loss

PR 5-4B) 1) M.I. — 13600
A/P — 13600

3) M.I. — 18,300
A/P — 18000
Cash — 18300

4) M.I. — 22,000
A/P — 22,000

6) A/P Berry — 3500
M.I. — 3500

18000
.02
360

13) A/P cyper — 18000
Cash — 17640
M.I. — 360

22,000
\- 3500
18500
.02
370

14) A/P — 18500
Cash — 18130
M.I. — 370

19) M.I — 18,000
A/P — 18000

19) M.I — 500
Cash — 500

20) M.I — 10,000
A/P — 10,000

10,000
.01
100

30) A/P — 10,000
Cash — 9900
M.I. — 100

31) A/P — 13600
Cash — 13600

31) A/P — 18000
Cash 18000

# R.E. Statement online

1-2A

Beg year

| | | |
|---|---|---|
| R.E. - 30,540 | May 1, 2009 | 30,540 |
| Net income | | 208,860 |
| Less div | | 25,000 |
| Increase in Retained E. | | 183,860 |
| Retained E April 30, 2010 | | 214400 |

* Increase in R.E. is N.I. - Less Div *

## Income Statement

| | |
|---|---|
| Fees Earned | 600,000 |
| Expenses | |
| Rent | 80,900 |
| MIS | 5,000 |
| Sup | 13,200 |
| Taxes | 10,250 |
| Utility | 49,150 |
| Wage | 232,640 |
| Total Expense | 391,140 |
| Net Income | 208,860 |

## Balance Sheet

Assets = Liab + Stockholders Equity

| | Assets | Liab | Stockholders Equity | |
|---|---|---|---|---|
| Cash | 159,200 | A/P | cap Stock | 15,000 |
| A/R | 78,000 | 14,600 | R.E. | 214400 |
| Sup | 6800 | | Total Eq. | 229400 |
| | | | Tot. Liab + Eq. | 244400 |

Tot Assets - 244,000

## BLUERICHNOTES.COM KEY

| | | | |
|---|---|---|---|
| @ | At | Exp = | Expense |
| A/D; Acc Depr = | Accumulated depreciation | Fac = | Factory |
| A/R = | Accounts Receivable | FASB = | Financial Accounting Standards Board |
| Acct = | Account | FC = | Fixed Cost |
| Adj = | Adjustment(s) or Adjust | FICA = | Federal Insurance Contribution Act |
| Amort = | Amortize or Amortization | FIFO = | First in First out |
| Amt = | Amount | Fin = | Financial |
| AP = | Actual price | Fin = | Finished |
| AQ = | Actual quantity | FMW = | Fair Market Value |
| Ass = | Assets | FOH = | Factory Overhead |
| Avail = | Available | FV = | Fair Value |
| Ave = | Average | FV = | Face value (in case of investments) |
| B / P; Bd / Pay = | Bond Payable | IASB = | International Accounting Standards Board |
| Bal = | Balance | IDS = | Income distribution schedule |
| Bd; Bds = | Bond | Inc = | Income |
| Beg = | Beginning | Int = | Interest |
| BV = | Book Value | Inv = | Inventory or Investment |
| Cal; Calc = | Calculated or Calculation | Invest = | Investment |
| Cap = | Capital | IS = | Intercompany Sale |
| CM = | Contribution margin | LEV = | Labor efficiency variance |
| COG = | Cost of Goods Sold | Liab = | Liability |
| COGM = | Cost of Goods Manufactured | LIFO = | Last in first out |
| COGP = | Cost of goods production | LTL = | Long term liability |
| Com = | Common | Merch = | Merchandise |
| Comp = | Company | MI = | Merchandise Inventory |
| Consol = | Consolidation | MR = | Market Rate |
| CR = | Contract rate | MV = | Market Value |
| Cred = | Credit | MV = | Maturity value (in case of investments) |
| CV = | Carry Value | N/R = | Notes Receivable |
| CVP = | Cost volume profit | NCI = | Noncontrolling Interest |
| D = | Distributions | NI = | Net Income |
| Deb = | Debit | NL = | Net Loss |
| Depr = | Depreciation | NSF = | Nonsufficient funds checks |
| Dis; Disc = | Discount | OH = | Overhead |
| DIV = | Dividend | Pd = | Paid |
| DL = | Direct Labor | Pd = | Paid |
| DM = | Direct Materials | PIC = | Paid in Capital |
| DTA = | Deferred tax asset | PP&E = | Property plant & equipment |
| DTL = | Deferred tax liability | Pre = | Premium |
| EFT = | Electronic Funds transfer | Purch = | Purchase |
| EI= | Ending Inventory | PV = | Present Value |
| EL = | Eliminations | RE = | Retained Earnings |
| Equ = | Equity | Rec = | Receivable |
| Equip = | Equipment | Rev = | Revenue |
| EST = | Estimate | SE = | Simple Equity |

| | |
|---|---|
| Sup = | Supplies |
| SEC = | Security Exchange Commission |
| Sep = | Separate |
| Serv = | Service |
| Stat = | Statement |
| Strd P = | Standard price |
| Sub = | Subsidiary |
| Sum = | Summary |
| Tot = | Total |
| Val = | Value or Valuation |
| VC = | Variable Cost |
| VOH = | Variable overhead |
| W/ = | With |
| WIP = | Work in Process |
| WS = | Worksheet |