

Problems

P4-1 Multiple-step income statement and report form of balance sheet

The following selected accounts and their current balances appear in the ledger of Aqua Co. for the fiscal year ended June 30, 20Y8:

Cash	\$ 83,500	Sales	\$3,625,000
Accounts Receivable	150,000	Sales Returns and Allowances	37,800
Merchandise Inventory	380,000	Sales Discounts	20,200
Office Supplies	15,000	Cost of Merchandise Sold	2,175,000
Prepaid Insurance	12,000	Sales Salaries Expense	388,800
Office Equipment	115,200	Advertising Expense	45,900
Accumulated Depreciation—		Depreciation Expense—	
Office Equipment	49,500	Store Equipment	8,300
Store Equipment	511,500	Miscellaneous Selling Expense	2,000
Accumulated Depreciation—		Office Salaries Expense	77,400
Store Equipment	186,700	Rent Expense	39,900
Accounts Payable	48,600	Insurance Expense	22,950
Salaries Payable	9,600	Depreciation Expense—	
Note Payable		Office Equipment	16,200
(final payment due in five years)	54,000	Office Supplies Expense	1,650
Capital Stock	15,000	Miscellaneous Administrative	
Retained Earnings	253,800	Expense	1,900
Dividends	125,000	Interest Expense	12,000

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✓ 1. Net income,
\$775,000

Instructions

1. Prepare a multiple-step income statement.
2. Prepare a retained earnings statement.
3. Prepare a report form of balance sheet, assuming that the current portion of the note payable is \$8,000.
4. Briefly explain (a) how multiple-step and single-step income statements differ and (b) how report-form and account-form balance sheets differ.