a

COMPREHENSIVE PROBLEM 1 PART B (CHAPTERS 1, 3, 4)

GENERAL JOURNAL

DATE	ACCOUNT TITLES	Post ref	DEBIT	CREDIT
2019	CLOSING ENTRIES:			
1	income summary account		275,560	
1	All expense account write out all exps -2			275,560
	Being transfer of all expense			
	account in income summary account			
2	service revenue account		394,500	
2	income summary account			394,500
	bein transfer of all revenue			
	towards income summary			
Dec. 31	-3			
Dec 31	-3			

GENERAL LEDGER T-ACCOUNTS (partial list)

Retained Earnings #312

Income Summary #314

-4

COMPREHENSIVE PROBLEM 1 PART B (CHAPTERS 1, 3, 4)

COMPLETE THE DATE LINE ⇒

PEAK VIEW SPA, INC.
BALANCE SHEET

As at on 31st Decemder

Liabilities		
Accounts Payable		
interest payable		10,900
Salarries and wages Payable		900
unearned Service revenue		1,410
Not Payable		7,500
Owner's equity		135,000
common Stock		
Assests		150,000
Accounts receiveable		
Building	31,700	
Equipment	256,500	
cash	19,600	
prepaid insurance	74,130	
supplies	4,800	
	540	
Total	387,270	387,270

Missing Assets -9

16

13

PEAK VIEW SPA, INC.
INCOME STATEMENT

COMPLETE THE DATE LINE ⇒

Label -1

Revenue Earned		
Less:		394,500
Spa supplies expenses	16,200	
Gross profit		
operating expenses		378,300
Advertising expenses	8,600	
Depreciation expenses	+ 17,900	
Insurance expense	+ 9,300	
Salaries and wages	+ 156,800	
Ultilites expenses	+ 7,010	
operating Profit (EBIT)		
Less: interest expense	14,100	178,690
profit before Tax		
Less: income Tax expense	45,650	164,590
~~Net~~		
Net profit		
		118,940

2

PEAK VIEW SPA, INC.
STATEMENT OF RETAINED EARNINGS

COMPLETE THE DATE LINE ⇒ for the year ended 31 December

-1 Beg. Retained Earnings ~~Profit for current year~~	~~118,940~~	0
Less: Dividend paid	(40,000)	
-1 Add: Net Income	118,940	
~~Net Balance~~ Ending Retained Earnings -1	78,940	

COMPREHENSIVE PROBLEM 1 PART B (CHAPTERS 1, 3, 4)

PEAK VIEW SPA, INC.
ADJUSTED TRIAL BALANCE
DECEMBER 31, 2019

ACCOUNT TITLES	DEBIT	CREDIT
Accounts Payable		$ 10,900
Accounts Receivable	$ 31,700	
Accumulated Depreciation—Building		13,500
Accumulated Depreciation—Equipment		4,400
Advertising Expense	8,600	
Building	270,000	
Cash	74,130	
Common Stock		150,000
Depreciation Expense	17,900	
Dividends	40,000	
Equipment	24,000	
Income Tax Expense	45,650	
Income Taxes Payable		2,620
Insurance Expense	9,300	
Interest Expense	14,100	
Interest Payable		900
Notes Payable		135,000
Prepaid Insurance	4,800	
Retained Earnings (January 1, 2019)		0
Salaries & Wages Expense	156,800	
Salaries & Wages Payable		1,410
Service Revenue		394,500
Spa Supplies	540	
Spa Supplies Expense	16,200	
Unearned Service Revenue		7,500
Utilities Expense	7,010	
TOTALS	$ 720,730	$ 720,730

COMPREHENSIVE PROBLEM 1 PART B (CHAPTERS 1, 3, 4)

The purpose of Comprehensive Problem 1 is to review and reinforce your understanding of the accounting cycle. The number of accounts included in this comprehensive problem has been kept to a minimum so that you can simulate what might happen in actual practice without unnecessary redundancy or excessive time requirements.

BACKGROUND

Peak View Spa, Inc. had a busy first year of operations, providing spa services to thousands of customers. With the end of the fiscal year approaching, Maxi Monroe would like to review the operating results and financial position of her business.

After all the transactions and adjusting entries from the fiscal year were recorded and posted to the accounts, the ***December 31, 2019 fiscal year-end*** adjusted trial balance (with accounts listed in alphabetical order), of Peak View Spa, Inc. was prepared and is presented on the following page.

COMPREHENSIVE PROBLEM 1 REQUIREMENTS

Part B *(use the December 31, 2019 adjusted trial balance on the following page to complete the below requirements)*:

(3) Prepare, ***in good form***, the 2019 fiscal year financial statements:

- (a) Income Statement: Check figure: Net Income = $118,940.
- (b) Statement of Retained Earnings: Check figure: Retained Earnings, December 31, 2019 = $78,940.
- (c) Balance Sheet: Check figure: Total Assets = $387,270.

(4) Prepare the year-end closing entries in the general journal (all CJEs are dated December 31). Check figure: Total debits = $829,000.

(5) Post the closing entries to Income Summary and Retained Earnings in the general ledger and compute the ending balances of these accounts.

DISCOVERY OF ERRORS

If your FINANCIAL STATEMENT amounts do not agree with the check figures:

(1) Remember that each account is included in only one statement; check each account off as it is used.
(2) Calculate the difference between your amount and the check figure and then look for accounts that are:
- (a) included on a particular statement but should not be, or
- (b) omitted.

NAME Yousef alnajar

PROFESSOR'S NAME

SECTION

SCORE

ACC 255 SPRING 2019
COVER SHEET FOR PART B
COMPREHENSIVE PROBLEM 1 (CHAPTERS 1, 3, 4)

INSTRUCTIONS: *Complete all requirements for the comprehensive problem and turn in the original of your problem (stapled) by the due date & time specified by your professor. No late problems will be accepted for any reason!!! You should take pictures of your solution to check your answers with the solutions which will be provided on BbLearn.*

REQUIREMENTS:

Part B:

(3) PREPARE FINANCIAL STATEMENTS:

INCOME STATEMENT ______

STATEMENT OF RETAINED EARNINGS ______

BALANCE SHEET ______

(4) PREPARE CLOSING ENTRIES ______

(5) POST CLOSING ENTRIES TO INCOME SUMMARY & RETAINED EARNINGS ______

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

PEAK VIEW SPA, INC.
ADJUSTED TRIAL BALANCE
JANUARY 31, 2019

ACCOUNT TITLES	DEBIT	CREDIT
Cash	47,930	
Accounts Receivable		17,600
Prepaid Insurance	4,500	
Spa Supplies	1600	
Building	216,000	
Accumulated Depreciation—Building		
Equipment	12,600	
Accumulated Depreciation—Equipment		10,000
Accounts Payable		1600
Notes Payable		180,000
Unearned Service Revenue		5,000
Salaries & Wages Payable		
Interest Payable		
Income Taxes Payable		
Common Stock		150,000
Dividends	2,500	
Service Revenue		
Salaries & Wages Expense		
Utilities Expense	670	
Advertising Expense	800	
Insurance Expense		
Spa Supplies Expense		
Depreciation Expense		
Interest Expense	57,600	
Income Tax Expense	14,400	
TOTALS		
	369,900	369,900

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

PEAK VIEW SPA, INC.
UNADJUSTED TRIAL BALANCE
JANUARY 31, 2019

ACCOUNT TITLES	DEBIT	CREDIT
Cash	62,380	
Accounts Receivable		17,600
Prepaid Insurance	4,500	
Spa Supplies	1,600	
Building	270,000	
Equipment	18,000	
Accounts Payable		1,600
Notes Payable		180,000
Unearned Service Revenue		5,000
Common Stock		150,000
Dividends	2,500	
Service Revenue		10,000
Salaries & Wages Expense	11,250	
Utilities Expense	670	
Advertising Expense	800	
TOTALS	371,700	371,700

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

GENERAL LEDGER T-ACCOUNTS

Service Revenue #411

Salaries & Wages Expense #511

Utilities Expense #512

Cas	670	balance	670
bal	670	bal	670

Advertising Expense #513

Cash	800	balance	800
bal	800	bal	800

Insurance Expense #514

Spa Supplies Expense #515

Depreciation Expense #520

Interest Expense #530

Income Tax Expense #540

Accounts Payable #211

balance	1600	supplies	1600
bal.	1600	bal.	1600

Notes Payable #212

balance	130,000	cash account	130000
bal.	130,000	bal.	130,000

Unearned Service Revenue #213

balance	500	Cash	500
bal	500	bal	500

Salaries & Wages Payable #214

Interest Payable #215

Income Taxes Payable #216

Common Stock #311

balance	150,000	Cash	150,000
bal.	150,000	bal.	150,000

Retained Earnings #312

Dividends #313

Cash	2500	Balance b/d	2500
bal	2500	bal	2500

Income Summary #314

OP
Optional

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

GENERAL LEDGER T-ACCOUNTS

Cash #111

1/2	180,000	Prepaid insuran	4,500
stock	150,000	building	270,000
Account payable	9000	Advertising	800
unearned servises	5000	salary and wages	4,450
		whole company equipment	8000
account recievable	700	salary and wages	6,300
Account recievable	15,400	utilities	670
		Dividend	2,500
bal	360,100	balance	62,380
			360,100
		bal	

Accounts Receivable #112

retained earning	3,400	cash	9000
retained earning	4,100	cash	700
balance b/d	17,600	cash	15,400
bal	25,100 bal		25,100

Prepaid Insurance #113

cash account	4500	balance b/d	4,500
bal	4500	bal	4,500

Spa Supplies #114

Account payable	1600	balance	1600
bal	1600	bal.	1600

Building #141

cash	270,000	bld	270,000
bal	270,000	bal	270,000

Accumulated Depreciation-Building #142

Equipment #143

spa equipment	18000	b/d	18,000
	18,000	bal	18,000
bal			

Accumulated Depreciation-Equipment #144

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

GENERAL JOURNAL

DATE	ACCOUNT TITLES	Post ref	DEBIT	CREDIT
2019	ADJUSTING ENTRIES:			
1	Depreciation expense		54,000	
	To building account			54000
	Being depreciation changed			
2	Depreciation expense		3600	
	To equipment account			3600
	Being record of depreciation			
3	Interest expense		14,400	
	To interest payable			14,400
	Interest due against not payable issued			
4.	Interest payable		14,400	
	To cash account			14,400
	Being payment of interest du			

,77

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

GENERAL JOURNAL

DATE 2019	DESCRIPTION	Post ref	DEBIT	CREDIT
Jan 4	Accoant receiveable	112	3,400	
	~~retained earning~~	312		3400
-1	Rev.			
Jan 15	~~wholesale equipment~~ Acc Payable account		8,000	
	cash account	111		8,000
Jan 20	cash account	111	5,000	
	un eared services	213		5000
Jan 23	Cash account	111	700	
	Account receivable	112		700
Jan 26	Salaries and wages account		6,320	
	cash account	111		6,300
Jan 27	utilities Account	512	670	
	cash account	111		670
Jan 28	Cash account	111	15,400	
	~~Account receiveable~~	112		15,400
-1	Sev. Rev.			
Jan 30	Account receviable	112	4,100	
	~~retained earning~~	312		4,100
-1	Sev. Rev.			
Jan 31	Dividend account	313	2,500	
	cash account	111		2,500

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COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

GENERAL JOURNAL

DATE	DESCRIPTION	Post ref	DEBIT	CREDIT
2019				
Jan 2	cash account	111	180,000	
	Not payable accoult	212		180,000
Jan 2	cas account	111	150,000	
	common stock account	311		150,000
Jan 3	prepaid insurance account	113	4,500	
	cash account	111		4,500
Jan 3	Building account	141	270,000	
	cash account	111		270,000
Jan 4	Advertisment expense account	513	800	
	cash account	111		800
Jan 5	equipment account	143	18,000	
-1	~~wholesale Equipment company~~ Acc Payable	?		18,000
Jan 10	supply account	?	1600	
	Account payable	211		1,600
Jan 12	cash account	111	9000	
	~~Account receivable~~	112		
-1	Rev.			9000
Jan 14	salaries and wayes account	?	4,950	
	cash account	111		4950

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

DISCOVERY OF ERRORS

If your **TRIAL BALANCE** doesn't balance:

(1) Determine the difference between the totals.
(2) Possible sources of the error:
  (a) If difference is 10, 100, 1,000, etc., it may be the result of an addition error.
  (b) Look for an omission of a dr. or cr. posting in the amount of the difference.
  (c) If difference is evenly divisible by 2, half of the difference may be the result of a dr. posted as a cr. or vice versa.
  (d) If difference evenly divisible by 9, it could be a:
    ⇨ transposition error (erroneous arrangement of digits; e.g. 542 instead of 452).
    ⇨ slide error (entire number moved 1 or more spaces to right or left; e.g. 542 instead of 5,420).

If error not found, retrace steps of accounting process beginning with the last and working backwards:

(1) Double check trial balance column totals.
(2) Compare listings in trial balance with balance per T-account (also make sure items in dr. column have dr. balance; same for cr. items).
(3) Recalculate each balance in T-accounts.
(4) Trace postings in T-accounts back to journal, placing a check by each item; then look for unchecked items in the journal.
(5) Verify equality of dr. and cr. in journal by computing total of all debits and total of all credits.

Transactions:

Jan.	2	Peak View Spa, Inc. borrowed $180,000 from High Country Bank. Peak View Spa signed a promissory note with an 8% annual interest rate.
	2	Peak View Spa sold 50,000 shares of $3 par value common stock for $150,000.
	2	Paid the $4,500 premium for a 6-month insurance policy.
	3	Found the perfect building in which to locate the spa. Negotiated a price and completed the purchase for $270,000 cash.
	3	Paid $800 for advertising in the Canyon Press Newspaper to run throughout January.
	4	Purchased equipment for the business for $18,000 on account from Wholesale Equipment Company.
	5	Purchased $1,600 of spa supplies on account.
	10	Received $9,000 cash for spa services provided to customers.
	12	Paid employee salaries and wages for January 2-12 of $4,950.
	14	Provided spa services for $3,400 to customers on account.
	15	Paid $8,000 on account to Wholesale Equipment Company in partial payment for the equipment purchased on January 4.
	20	Received $5,000 cash in advance for Peak View Spa Gift Certificates for spa services to be performed in the future.
	23	Received $700 from customers for payments on their accounts.
	26	Paid employee salaries and wages for January 13-26 of $6,300.
	27	Paid utility bills (water, electric, telephone) for the month totaling $670.
	28	Received $15,400 cash for spa services provided to customers.
	30	Provided spa services for $4,100 to customers on account.
	31	Declared and paid cash dividends to the stockholders, $2,500.

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

COMPREHENSIVE PROBLEM 1 REQUIREMENTS

PART A:

(1) Prepare journal entries to record the January 2019 transactions listed on the following page (refer to the chart of accounts for the appropriate account titles to use). ***Prepare a separate journal entry for each transaction and leave a space after each entry!*** Check figure: Total debits = $684,920.

OPTIONAL: Post the journal entries to the T-accounts and calculate the account balances. Prepare an unadjusted trial balance. Check figures: Cash balance = $62,380; Trial balance total debits = $378,500.

(2) Prepare adjusting journal entries in the general journal based on the following information (all AJEs are dated January 31):

(a) In January, entered into a contract with Nordstrom & Associates, CPAs to provide massages for the firm's professionals. Peak View Spa will bill Nordstrom & Associates in the following month for spa services provided. Spa services totaling $800 were performed in January and will be billed in February 2019.

(b) Accrue interest for January on the High Country Bank promissory note that was signed on January 2.

(c) The building has an estimated useful life of 20 years. Record depreciation for one month.

(d) The equipment has an estimated useful life of 5 years. Record depreciation for one month.

(e) Record insurance expired for one month.

(f) Spa supplies on hand at the end of January have a cost of $250.

(g) As of the end of January, 20% of the spa services have been performed for customers redeeming Peak View Spa Gift Certificates for which payment had been received in advance.

(h) Accrue employee salaries and wages for the 5 days from January 27-31 (payroll is $3,150 per week for a 7-day workweek).

(i) Accrue estimated income taxes for January of $4,920.

Check figure: Total debits = $13,695.

OPTIONAL: Post the adjusting entries to the T-accounts and calculate the account balances. Prepare an adjusted trial balance. Check figure: Total debits = $389,095.

COMPREHENSIVE PROBLEM 1 PART A (CHAPTERS 1, 3, 4)

The purpose of Comprehensive Problem 1 is to review and reinforce your understanding of the accounting cycle. The number of transactions included in this comprehensive problem has been kept to a minimum so that you can simulate what might happen in actual practice without unnecessary redundancy or excessive time requirements.

BACKGROUND

Maxi Monroe was recently licensed as a spa therapist and started her new business on January 2, 2019 to provide spa services, including massages, facials, and skin treatments. She incorporated her new business as **Peak View Spa, Inc.** and advertises, *"Come experience Flagstaff's best day spa, which offers deep relaxation and rejuvenation in a variety of treatments, and leave feeling and looking your best!"*

Maxi has hired you to perform the accounting and record-keeping for the business and expects your work as an accounting professional to be neat and properly formatted. You have established the following chart of accounts for Peak View Spa, Inc.:

ACCT #	ACCOUNT TITLE	ACCT #	ACCOUNT TITLE
111	Cash	311	Common Stock
112	Accounts Receivable	312	Retained Earnings
113	Prepaid Insurance	313	Dividends
114	Spa Supplies	314	Income Summary
141	Building	411	Service Revenue
142	Accumulated Depreciation—Building	511	Salaries & Wages Expense
143	Equipment	512	Utilities Expense
144	Accumulated Depreciation—Equipment	513	Advertising Expense
211	Accounts Payable	514	Insurance Expense
212	Notes Payable	515	Spa Supplies Expense
213	Unearned Service Revenue	520	Depreciation Expense
214	Salaries & Wages Payable	530	Interest Expense
215	Interest Payable	540	Income Tax Expense
216	Income Taxes Payable		

USE THESE ACCOUNT TITLES FOR YOUR JOURNAL ENTRIES!!!

DISCOVERY OF ERRORS: Refer to the page following the transactions for suggestions in case you make an error.

NAME Yousef Al Najjar

PROFESSOR'S NAME

SECTION 007

SCORE 33

ACC 255 SPRING 2019
COVER SHEET FOR PART A
COMPREHENSIVE PROBLEM 1 (CHAPTERS 1, 3, 4)

INSTRUCTIONS: *Complete all requirements for the comprehensive problem and turn in the original of your problem (stapled) by the due date & time specified by your professor. No late problems will be accepted for any reason!!! You should take pictures of your solution to check your answers with the solutions which will be provided on BbLearn.*

REQUIREMENTS:

Part A:

(1) PREPARE JOURNAL ENTRIES 31

(2) PREPARE ADJUSTING JOURNAL ENTRIES 0

Part B Grading Points 40

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