

Name : _____

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ACCOUNTING PRACTICUM - SPRING 2014

SAAD ALMOUSA
Byan AlMogbel

You are the accountant for Corp X for the year. You will need to complete the following tasks:

- Prepare the general journal entries for the year. To make it easier to read, skip 2 or 3 inches between each month, the adjusting entries on 12/31 and the closing entries.
- In separate calculations, show the calculation of cost of goods sold, depreciation expense, bad debt expense, interest expense and income tax expense.
- Prepare a balance sheet and income statement.
- Analysis of how well Corp X has done.
- Any recommendations to improve the way Corp X does business next year
- The analysis and recommendations are the only parts that need to be typed.

Be careful that you read the information concerning wages, purchases, sales and borrowing funds carefully. This information is not repeated and you will need to record journal entries throughout the year. Adjusting entries should be made at the end of the year and not on a monthly basis.

Genius Scan

Corp X
Balance Sheet
12/31/13

| | | | | | |
|-------------------|------------------|--------------|---------------------------|----------------|-------------|
| Cash | \$50,000 | | AP | \$300,000 | |
| | | | Customer Advances Payable | 150,000 | |
| A/R | 150,000 | | Wages Payable | 7,000 | |
| Allowance | <u>(20,000)</u> | 130,000 | Income Tax Pay | <u>80,000</u> | |
| Supplies | 20,000 | | | | 537,000 |
| Inventory | 200,000 | | Common Stock | 90,000 | |
| | | | Par Value \$4.00 | | |
| Prepaid Insurance | 14,000 | | Paid-in-Capital | 560,000 | |
| | | | Retained Earnings | <u>312,000</u> | |
| Equipment | 500,000 | | | | 962,000 |
| Acc Depr | <u>(100,000)</u> | 400,000 | | | |
| Land | 285,000 | | | | |
| Build | 500,000 | | | | |
| Acc Depr | <u>(100,000)</u> | 400,000 | | | |
| | | <hr/> | | | <hr/> |
| | | \$ 1,499,000 | | | \$1,499,000 |

Other Information:

Inventory is valued using FIFO and there were 100,000 units at the beginning of the year and 170,000 units at the end of the year.

Corp X borrows at 10%.

The equipment has a 10-year life and straight line method was used to calculate depreciation.

The building has a 20-year life and straight line method was used to calculation depreciation.

Wages of \$25,000 are paid on the 20th of every month.

Prepaid insurance is for the next 14 months.

Corp X purchased inventory on the following dates all on account.

| | <u>UNITS</u> |
|-------|-----------------|
| 1/10 | \$2.00 x 50,000 |
| 2/7 | \$2.20 x 50,000 |
| 4/9 | \$2.40 x 40,000 |
| 6/8 | \$2.70 x 40,000 |
| 11/20 | \$2.90 x 30,000 |
| 12/15 | \$3.00 x 20,000 |

Corp X made the following sales all on account

| | <u>Amount</u> |
|-------|---------------|
| 1/20 | \$160,000 |
| 2/15 | 200,000 |
| 3/15 | 300,000 |
| 5/14 | 170,000 |
| 6/20 | 220,000 |
| 7/30 | 300,000 |
| 10/15 | 300,000 |
| 12/30 | 400,000 |

Income tax rate is 30%. Any taxes owed at the end of the year will be paid in April, 2015.

If Corp X runs out of cash, it can borrow money in \$80,000 increments. There are no interest charges for this form of borrowing. For the convenience of being able to borrow funds, we will pay \$10,000 on 1/1/11.

January

1/1 Corp X purchased land. It will pay \$60,000 every 12 months, starting on 12/31/14, for the next 8 years.

1/1 Bank fees paid.

1/25 Collected \$80,000 of the A/R.

1/30 Paid \$200,000 on the existing account payables.

February

2/5 After a thorough review, Corp X has determined that \$15,000 of their customers will never pay them.

2/25 Collected the sale made on 1/20.

March

3/1 Corp X plans to rent office space to Corp Y. Corp Y is paying \$12,000 for the next 12 months rent on 3/1/14. Corp Y moves in on 3/1/12.

3/5 Corp X pays a janitorial service \$12,000 to clean the offices for the next 12 months.

3/10 Collected 80% of the sale made on 2/15.

3/18 Corp X delivered all the inventory that has been paid in advance in 2013.

April

4/1 To guarantee that there will be no more cash shortages, we issued 200 bonds at a face value of \$1000 each. The bonds will pay 10% interest every 12 months (3/1/15 will be the first interest payment.)

4/4 Corp X repurchased 500 shares of its own stock for \$10,000.

4/10 Paid the income tax owed from last year.

4/25 Paid for the purchase on 4/9

May

5/3 Purchased equipment costing \$200,000 (5/15/30). The equipment will have a 10 year life and Corp X will start using it at the end of the month. Corp X will use double-declining balance.

5/10 Paid \$5,000 for delivery of the equipment

5/11 Paid for the equipment

5/15 Paid \$8,000 to have the equipment installed

June

6/2 To promote sales, Corp X has hired a consulting firm who has assured them that they will be able to increase Sales. Corp X will pay the consulting firm 10% of any sales in excess of \$200,000 per month. The payments will be made on the 5th of the following month.

July

7/1 One-half of the equipment that was purchased prior to 1/1/14 was destroyed by fire. The insurance proceeds Of \$400,000 will be paid on 7/25. The fire is regarded as both unusual and infrequent.

7/10 Collected the sales made on 6/20

7/25 Received insurance proceeds

August

8/19 Corp X paid \$4,000 for normal maintenance on the equipment

September

During the month of September, Corp X shut down to allow their employees to take a vacation. Any regular bills will be paid as well as the normal wages for the month.

October

10/1 From this point forward, Corp X will provide a free 2 yr. warranty on any sales. Corp S expects the warranty
Will cost 8% of future sales & most of the returns will be made in 2015 and 2016.

10/24 Purchase \$30,000 of supplies and paid cash

November

11/4 Corp X purchases 1,000 shares of its own stock for \$20,000

11/5 A customer orders customized inventory. The customer paid \$25,000 with the remainder (\$30,000) to be paid
When the inventory is delivered to the customer in 2015.

11/20 Paid \$10,000 in warranty costs on sales made in October.

11/27 Declared a \$20,000 cash dividend; Dividend will be paid in Jan. 2015.

December

12/4 Corp X issued 3,000 shares of common stock and received \$70,000

12/10 Corp X paid one of its employees a \$3,000 advance on next year's wages.

12/31 Paid the first \$60,000 payment on the land purchased on 1/1.

Additional Consideration at Year End

- Estimated uncollectibles as of 12/31/14 are 10% of the A/R balance
- Corp X has \$10,000 of supplies remaining on 12/31