The Business

This practice set is designed in two parts. In the first part, the student will complete the journal entries for the month in a manual accounting system for Carly's Cookie Bouquets by entering the journal entries in the back of the Practice Set. In the second part, the student will record the journal entries using an accounting software application (Peachtree Complete). Here, the necessary month-end entries are entered and financial statements as well as a bank reconciliation are prepared. Additionally, journal entries related to the reconciliation are entered into the system. No closing entries will be made in this practice set.

Background

Carly's Cookie Bouquet is a cookie shop started in July of 2014 by Carly Cooper. She has saved over $20,000 to invest in the business. She has had a meeting with her lawyer and her Certified Public Accountant (CPA) and they have determined that the business should be organized as a corporation. The CPA has agreed to help Ms. Cooper set up her accounting system. He provided to Ms. Cooper a chart of accounts.

Note: You are allowed to create additional accounts when appropriate. However, new accounts must have an account number corresponding to the numbering system used for the other accounts.

Numbering System

1xxxx	Current Asset
15xxx	Property, Plant & Equipment
17xxx	Accumulated Depreciation
2xxxx	Current Liabilities
27xxx	Long-term Liabilities
39xxx	Stockholders' Equity
4xxxx	Revenues
5xxxx	Cost of Goods Sold
60xxx	Operating Expenses

Current Assets	
10000	Cash
11000	Accounts Receivable
12000	Inventory Cookies
12100	Inventory – Baskets
13100	Supplies (Ribbon, Sticks, Cellophane, Straw)
13200	Shipping Supplies
14000	Prepaid Rent
14100	Prepaid Insurance
14200	Prepaid Advertising

Long-Term Assets	
15000	Cash Register/Computer Equipment
17000	Accumulated Depreciation – Cash Register/Computer Equipment
15100	Delivery Van
17100	Accumulated Depreciation-Delivery Van

Current Liabilities	
20000	Accounts Payable
21100	Note Payable – Wells Fargo Bank
21200	Note Payable – Office Mart
23100	Wages Payable
23200	Interest Payable
23300	Sales Tax Payable

Long-Term Liabilities	
27000	**Mortgage Payable**
27100	**Notes Payable**

Stockholders' Equity	
39003	Common Stock
39005	Retained Earnings
39007	Dividends paid

Revenue	
40000	Sales

Expenses	
50000	Cost of Goods Sold
60100	Legal Expense
60150	Supplies Expense
60200	Shipping Supplies Expense
60300	Insurance Expense
60350	Wages Expense
60400	Credit Card Expense
60500	Advertising and Promotion Expense
60550	Utility Expense
60600	Rent Expense
60650	Depreciation Expense
60700	Interest Expense
60750	Bank Service Fee

Part One Instructions

Record the July 2014 transactions in the general journal (last section of this practice set) using the following events. Skip a line between each entry and number the entries to match the number of transactions. No explanation is required for the journal entries.

Transactions

	Date	Deposit No. / Check No.	Description
1.	7/02/14		Carly Cooper met with her lawyer and CPA for advice on starting the business. They decided that Ms. Cooper would organize the business as a corporation. The lawyer told Ms. Cooper to register the company name Carly's Cookie Bouquet with the County of El Paso. In addition, Ms. Cooper will get an employer identification number (EIN) from the Internal Revenue Service and get a sales tax permit from the state of Texas. The lawyer agreed to prepare the Articles of Incorporation to be filed with the Secretary of State of Texas. The CPA has agreed to help Ms. Cooper set up her accounting system.
2.	7/02/14	Deposit #1	Ms. Cooper opened a business checking account at Wells Fargo Bank by depositing $20,000. The corporation issued her a stock certificate for 2,000 shares of common stock with no par value.
3.	7/03/14	Ck #1001	Ms. Cooper signed a one-year rental agreement with Reynolds Realtors for warehouse space. She was required to pay $2,400 for rent for the months of July 1, 2012 — December 31, 2012.
4.	7/03/14	Ck #1002	Arranged for a general business liability insurance policy and paid $2,700 to State Penn Insurance. This premium is for eighteen months coverage.
5.	7/03/14		Purchased a new cash register/computer system that cost $3,600 from Office Mart for use in the business. Ms. Cooper signed a six-month, 12% installment note payable for the cost of the system. The computer system has an estimated useful life of 4 years the residual (salvage) value is $0. This will be recorded as Cash Register/Computer Equipment, and depreciated using the Straight – Line Depreciation method accordingly (round the depreciation to the nearest whole dollar).

6.	7/05/14	Deposit #2	Signed a note payable to borrow $5,000 from Wells Fargo Bank. Interest is 9% annually and the note is to be repaid with interest in six months.
7.	7/05/14	Ck #1003	Purchased a delivery van for $16,000 from Marvin's Motors. The estimated service life of this asset is 5 years. The residual (salvage value) is $1,000. This will be recorded as Delivery Van and depreciated accordingly.
8.	7/06/14	Ck #1004	Paid $600 to have Carly's logo painted on the side of the van. This should be added to the cost of the van and depreciated over the life of the van.
9.	7/06/14	Ck #1005	Paid $500 for business cards, flyers, and posters. This will be recorded as prepaid advertising.
10.	7/08/14		Purchased $6,200 of merchandising inventory (cookies) from Connie's Cookies on account. The vendor extended credit terms of 2/15, n/30.
11.	7/08/14		Purchased $900 of merchandise inventory (baskets) from Bonnie's Baskets on account. The vendor extended credit terms of 2/10 n/30.
12.	7/13/14	Ck #1006	Ms. Cooper received and paid the $800 charge from her lawyer.
13.	7/14/14		Carly's Cookie Bouquet is now open for business. Sales will be both retail and wholesale. Retail customers will purchase online and at the shop and will be charged an 8% sales tax. Wholesale customers are not charged a sales tax in the state of Texas. Ms. Cooper will allow major customers to charge their purchases (Carly will treat this as a cash sale).
14.	7/14/14		Purchased $300 of supplies consisting of cellophane, ribbon and sticks to use in baskets on account.
15.	7/14/14	Ck #1007	Purchased shipping supplies of $400 for cash.
16.	7/14/14		Sold cookies to UTEP for Centennial Celebration for $4,000. The cost of the cookies is $1,700; the cost of the baskets is $500, supplies $50. UTEP does not have to pay sales tax on this purchase and they paid on account.
17.	7/16/14		Purchased additional cookies on account for $5,500. Credit terms were 2/15, n/30.
18.	7/20/14	Deposit #3	Recorded internet sales for the first five days of operation. Sales totaled $6,000. The sales tax collected totaled $480. The $6,480 was deposited in the bank. The cost of merchandise sold was

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			$4,200 (cookies were $3,900; baskets $300).
19.	7/22/14	Ck #1008	Received and paid the $300 invoice for supplies (cellophane and ribbon) purchased on 7/14/14.
20.	7/23/14		Ms. Cooper donated a cookie arrangement to the Humane Society fund raiser. She felt that this was a good way to advertise her new business. Her business was listed as a sponsor and a large ad was put in the fund raiser program. Cost of the cookies were $600 and the baskets were $100. Ms. Cooper considers this an advertising expense.
21.	7/23/14	Deposit #4	Received payment in full from UTEP. The payment was deposited in the bank.
22.	7/23/14	Ck #1009	Ms. Cooper paid her credit card bill for the month. The total was $350. $300 was for gas and $50 was for the decorative ribbon used in the Humane Society arrangement.
23.	7/23/14	Ck #1010	Paid for the baskets purchased from Bonnie's Baskets on 7/08/14.
24.	7/23/14	Deposit #5	Internet and retail sales totaled $7,000 plus sales taxes of $560. The cost of the merchandise sold was $4,500 (cookies $3,500; baskets $1,000). The money was deposited in the bank.
25.	7/23/14	Ck #1011	Paid the balance due to Connie's Cookies for the cookies. There are two invoices on 7/8/14 and 7/16/14.
26.	7/25/14	Deposit #6	Collected and deposited $2,484 of payments on account from retail credit customers of which $184 was sales tax.
27.	7/28/14		Received but did not pay the phone bill for the month. $120.
28.	7/31/14	Ck #1012	Paid the first monthly installment on the cash register/computer equipment. The payment amount is $636. Of this amount, $36 is for interest and $600 is for principal on the note payable. Make the check payable to Office Mart.
29.	7/31/14	Deposit #7	Recorded internet sales made for the last week of the month. Total sales were $3,400. The cost of the merchandise sold was $1,290 (cookies $1,200; baskets $90). Sales tax was $272.
30.	7/31/14	Ck #1013	Paid all sales tax owed for July to the Comptroller of Public Accounts.
31.	7/31/14	Ck #1014	Declared and paid a cash dividend of $100 to Carly Cooper.