1-7 Special Problem 1 (Chapter 2)

1.

Excalibur Corporation manufactures and sells video games for personal computers. The unadjusted trial balance as of December 31, 2013, appears below. December 31 is the company's fiscal year-end. The company uses the perpetual inventory system.

Account Title	Debits	Credits
Cash	23,300	
Accounts receivable	32,500	
Supplies	0	
Prepaid rent	0	
Inventory	65,000	
Equipment	75,000	
Accumulated depreciation—equipment		10,000
Accounts payable		26,100
Wages payable		3,000
Note payable		30,000
Common stock		80,000
Retained earnings		16,050
Sales revenue		180,000
Cost of goods sold	95,000	
Interest expense	0	
Wage expense	32,350	
Rent expense	14,000	
Supplies expense	2,000	
Utility expense	6,000	
Totals	345,150	345,150

Cash dividends paid to shareholders during the year amounted to $6,000.

Information necessary to prepare the year-end adjusting entries appears below.

1. The equipment was purchased in 2011 and is being depreciated using the straight-line method over an eight-year useful life with no salvage value.
2. Accrued wages at year-end should be $4,500.
3. The company borrowed $30,000 on September 1, 2013. The principal is due to be repaid in 10 years. Interest is payable twice a year on each August 31 and February 28 at an annual rate of 10%.
4. The company debits supplies expense when supplies are purchased. Supplies on hand at year-end cost $500.
5. Prepaid rent at year-end should be $1,000.

Complete the worksheet below.

Account Title	Unadjusted Trial Balance		Adjusting Entries		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	23,300									
Accounts receivable	32,500									
Supplies										
Prepaid rent										
Inventory	65,000									
Equipment	75,000									
Accumulated depreciation—equipment		10,000								
Accounts payable		26,100								
Wages payable		3,000								
Note payable		30,000								
Interest payable		0								
Common stock		80,000								
Retained earnings		16,050								
Sales revenue		180,000								
Cost of goods sold	95,000									
Interest expense										
Wage expense	32,350									
Rent expense	14,000									
Supplies expense	2,000									
Utility expense	6,000									
Depreciation expense										
Net income										
Totals	345,150	345,150								

Use the information in the worksheet to prepare an income statement for 2013.

EXCALIBUR CORPORATION		
Income Statement		
For the Year Ended December 31,2013		
Gross profit (loss)		
Operating expenses:		
Total operating expenses		
Operating income (loss)		
Other expense:		
Net income (loss)		

Use the information in the worksheet to prepare a statement of shareholders' equity for 2013. **(Negative amounts should be indicated by a minus sign.)**

EXCALIBUR CORPORATION			
Statement of Shareholders' Equity			
For the Year Ended December 31, 2013			
	Common stock	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2013			
Balance at December 31, 2013			

Use the information in the worksheet to prepare a balance sheet as of December 31, 2013.

EXCALIBUR CORPORATION		
Balance Sheet		
At December 31, 2011		
Assets		
Current assets:		
Total current assets		
Total assets		
Liabilities and Shareholders' Equity		
Current liabilities:		
Total current liabilities		
Shareholders' equity:		
Total shareholders' equity		
Total liabilities and shareholders' equity		

Prepare the necessary closing entries assuming that adjusting entries have been correctly posted to the accounts. **(If no entry is required for a particular transaction, select "No journal entry required" in the first account field.)**

view transaction list | view general journal

Journal Entry Worksheet

1 2 3

Close the revenue accounts as necessary

Date	General Journal	Debit	Credit
December 31, 2013			

*Enter debits before credits

done clear entry record entry