*Comprehensive Problem 11

Morgan Company's balance sheet at December 31, 2016, is presented below.

MORGAN COMPANY
Balance Sheet
December 31, 2016

Cash	\$31,000	Accounts Payable	\$12,500
Inventory	30,500	Interest Payable	288
Prepaid Insurance	6,060	Notes Payable	57,500
Equipment	39,120	Owner's Capital	36,392
	\$106,680		\$106,680

During January 2017, the following transactions occurred. (Morgan Company uses the perpetual inventory system.)

- 1. Morgan paid \$288 interest on the note payable on January 1, 2017. The note is due December 31, 2018.
- 2. Morgan purchased \$243,000 of inventory on account.
- Morgan sold for \$482,000 cash, inventory which cost \$263,000. Morgan also collected \$31,330 in sales taxes.
- 4. Morgan paid \$221,000 in accounts payable.
- 5. Morgan paid \$15,500 in sales taxes to the state.
- 6. Paid other operating expenses of \$22,000.
- On January 31, 2017, the payroll for the month consists of salaries and wages of \$55,000. All salaries and wages are subject to 7.65% FICA taxes. A total of \$8,600 federal income taxes are withheld. The salaries and wages are paid on February 1.

Adjustment data:

- 8. Interest expense of \$288 has been incurred on the notes payable.
- 9. The insurance for the year 2017 was prepaid on December 31, 2016.
- The equipment was acquired on December 31, 2016, and will be depreciated on a straight-line basis over 5
 years with a \$3,060 salvage value.
- Employer's payroll taxes include 7.65% FICA taxes, a 5.4% state unemployment tax, and an 0.8% federal unemployment tax.

Prepare journal entries for the transactions listed above and the adjusting entries. (Credit account titles are automatically indented when amount is entered. Do not indent manually. Round answers to 0 decimal places, e.g. 5,275.)

Vo.	Account Titles and Explanation	Debit	Credit
1.	Interest Expense	288	
	Cash		288
2.	Inventory	243,000	
	Accounts Payable		243,000
3.	Cash	482,000	
	Sales Revenue		219,000
	Inventory		263,000
	(To record sales revenue.)		
	Cost of Goods Sold	20,000	
	Inventory		20,000

	(To record cost of goods sold.)		
4.	Accounts Payable	221,000	
	Cash		221,000
5.	Sales Taxes Payable	15,500	
	Cash		15,500
6.	Other Operating Expenses	22,000	
	Cash		22,000
7.	FICA Taxes Payable	4,208	
	Federal Income Taxes Pay	8,600	
	Salaries and Wages Payabl	55,000	
	Cash		67,808
8.	Interest Expense	288	
	Notes Payable		288
9.	Prepaid Insurance	6,060	
	Cash		6,060
10.	Depreciation Expense	7,212	
	Accumulated Depreciation		7,212
11.	FICA Taxes Payable	4,208	
	State Unemployment Taxe	2,970	
	Federal Unemployment Ta	440	
	Payroll Tax Expense		7,618

Prepare an adjusted trial balance at January 31, 2017. (Round answers to 0 decimal places, e.g. 5,275.)

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Total	\$	\$	
Prepare an income stateme	MORGAN COMPANY Income Statement	decimal places, e.g. 5,275.)	
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Prepare an owner's equity places, e.g. 5,275.)	statement for the month end	ling January 31, 2017. (Roun	d answers to 0 decimal
	MORGAN COMPANY		
	Owner's Equity Statement		
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Prepare a classified balance answers to 0 decimal pla	sheet as of January 31, 201	17. (List current assets in o	rder of liquidity. Round
answers to o accimal pic	1003, c.g. 5/275.)		
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	Bala	nce Sheet	
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	Question Attempts: 0 of 2 used
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