

*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
	<u>\$106,680</u>		<u>\$106,680</u>

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

- Morgan paid \$288 interest on the note payable on January 1, 2017. The note is due December 31, 2018.
- 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.
- Morgan paid \$221,000 in accounts payable.
- Morgan paid \$15,500 in sales taxes to the state.
- 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:

- Interest expense of \$288 has been incurred on the notes payable.
- 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.*)

No.	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

Total	\$	\$

Prepare an income statement. (Round answers to 0 decimal places, e.g. 5,275.)

	MORGAN COMPANY	
	Income Statement	
		\$
	\$	
		\$

Prepare an owner's equity statement for the month ending January 31, 2017. (Round answers to 0 decimal places, e.g. 5,275.)

	MORGAN COMPANY	
	Owner's Equity Statement	
		\$

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Question Attempts: 0 of 2 used

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