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14-2, 14-3, 14-4, 14-5, and 14-6

WORK TOGETHER, pp. 414, 418, 422, 426, and 436

- 14-2** Beginning an 8-column work sheet for a merchandising business
- 14-3** Analyzing and recording an adjustment for merchandise inventory
- 14-4** Analyzing and recording an adjustment for uncollectible accounts expense
- 14-5** Planning and recording adjustments for depreciation
- 14-6** Completing an 8-column work sheet for a merchandising business organized as a corporation

Coastal Aquatics
Work Sheet

For Year Ended December 31, 20--

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	18,485.00						18,485.00	
2 Petty Cash	300.00						300.00	
3 Accounts Receivable	15,485.25						15,485.25	
4 Allow. for Uncoll. Accts.		524.84	(a) 212.00					264.84
5 Merchandise Inventory	248,752.25		(b) 13,848.05				234,904.20	
6 Supplies—Office	5,485.25		(c) 4,828.10				657.15	
7 Supplies—Store	4,578.36		(d) 3,945.25				633.11	
8 Prepaid Insurance	6,200.00		(e) 5,400.00				800.00	
9 Office Equipment	35,487.25						35,487.25	
10 Acc. Depr.—Office Equipment		12,485.25	(f) 6,120.00					18,605.25
11 Store Equipment	40,849.50						40,849.50	
12 Acc. Depr.—Store Equipment		15,483.25	(g) 5,060.00					20,543.25
13 Accounts Payable		18,482.28						18,482.28
14 Federal Income Tax Payable			(h) 5,582					5,582
15 Emp. Income Tax Pay.		9,980.00						9,980.00
16 Social Security Tax Payable		7,740.07						7,740.07
17 Medicare Tax Payable		1,810.03						1,810.03
18 Sales Tax Payable		18,483.5						18,483.5
19 Unemployment Tax Pay.—Fed.		2,400						2,400
20 Unemployment Tax Pay.—State		1,620.00						1,620.00
21 Health Ins. Premiums Pay.		9,500.00						9,500.00
22 U.S. Savings Bonds Payable		8,000						8,000
23 United Way Donations Pay.		7,500						7,500
24 Dividends Payable		10,000.00						10,000.00
25 Capital Stock		175,000.00						175,000.00
26 Retained Earnings		12,577.45						12,577.45

Before Federal Income Tax
 Total of Income Statement Credit column \$859,940.34
 Total of Income Statement Debit column \$714,284.40
 Net Income Before Federal Income Tax \$145,655.94

14-2, 14-3, 14-4, 14-5, and 14-6

WORK TOGETHER (concluded)

Coastal Aquatics
Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
Dividends	2100000						2100000	
Income Summary			(a) 1384805		1384805			
Sales		84582809				84582809		
Sales Discount	64825				64825			
Sales Returns and Allowances	815727				815727			
Purchases	38918401				38918401			
Purchases Discount		461525				461525		
Purch. Returns and Allowances		949700				949700		
Advertising Expense	1528000				1528000			
Cash Short and Over	1285				1285			
Credit Card Fee Expense	648227				648227			
Depr. Exp.—Office Equipment			(b) 612000		612000			
Depr. Exp.—Store Equipment			(b) 506000		506000			
Insurance Expense			(c) 540000		540000			
Miscellaneous Expense	456897				456897			
Payroll Taxes Expense	1618425				1618425			
Rent Expense	2400000				2400000			
Salary Expense	20418085				20418085			
Supplies Expense—Office			(a) 482810		482810			
Supplies Expense—Store			(b) 394525		394525			
Uncollectible Accounts Exp.			(c) 212000		212000			
Utilities Expense	426428				426428			
Fed. Income Tax Expense	4000000		(a) 5582		4005582			
	1,109,585.86	1,109,585.86	41,377.22	41,377.22	754,340.22	859,940.34	368,601.46	263,001.34
Net Income after Fed. Income Tax					105,600.12		105,600.12	
					859,940.34	859,940.34	368,601.46	368,601.46

Federal Income Tax	Rate	Tax
First \$50,000	15%	\$ 7,500.00
Next \$25,000	25%	\$ 6,250.00
Next \$25,000	34%	\$ 8,500.00
<u>\$145,655.94</u> - \$100,000.00 = <u>\$45,655.94</u>	39%	<u>\$17,805.82</u>
Total Federal Income Tax		<u>\$40,055.82</u>

- 14-2 Beginning an 8-column work sheet for a merchandising business
- 14-3 Analyzing and recording an adjustment for merchandise inventory
- 14-4 Analyzing and recording an adjustment for uncollectible accounts expense
- 14-5 Planning and recording adjustments for depreciation
- 14-6 Completing an 8-column work sheet for a merchandising business organized as a corporation

Sonoma Treasures
Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	1705825						1705825	
2 Petty Cash	50000						50000	
3 Accounts Receivable	2560970						2560970	
4 Allow. for Uncoll. Accts.		64829		^(a) 185000				249829
5 Merchandise Inventory	26424884			^(b) 315887			26108997	
6 Supplies—Office	248328			^(c) 184967			63361	
7 Supplies—Store	518194			^(d) 419858			98336	
8 Prepaid Insurance	120000			^(e) 90000			30000	
9 Office Equipment	3218425						3218425	
10 Acc. Depr.—Office Equipment		1847400		^(f) 518400				2365800
11 Store Equipment	4518498						4518498	
12 Acc. Depr.—Store Equipment		2144800		^(g) 648000				2792800
13 Accounts Payable		2215417						2215417
14 Federal Income Tax Payable				^(h) 278358				278358
15 Emp. Income Tax Pay.		121500						121500
16 Social Security Tax Payable		87742						87742
17 Medicare Tax Payable		20520						20520
18 Sales Tax Payable		351500						351500
19 Unemployment Tax Pay.—Fed.		2400						2400
20 Unemployment Tax Pay.—State		16200						16200
21 Health Ins. Premiums Pay.		102000						102000
22 U.S. Savings Bonds Payable		10000						10000
23 United Way Donations Pay.		12000						12000
24 Dividends Payable		120000						120000
25 Capital Stock		2100000						2100000
26 Retained Earnings		9096238						9096238

Before Federal Income Tax
 Total of Income Statement Credit column \$937,547.54
 Total of Income Statement Debit column \$847,742.88
 Net Income Before Federal Income Tax \$ 89,804.66

14-2, 14-3, 14-4, 14-5, and 14-6 ON YOUR OWN (concluded)

Sonoma Treasures
Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
Dividends	840000						840000	
Income Summary			(a) 315887		315887			
Sales		92518320				92518320		
Sales Discount	71525				71525			
Sales Returns and Allowances	694228				694228			
Purchases	48210166				48210166			
Purchases Discount		421535				421535		
Purch. Returns and Allowances		814899				814899		
Advertising Expense	1325000				1325000			
Cash Short and Over	1118				1118			
Credit Card Fee Expense	1245127				1245127			
Depr. Exp.—Office Equipment			(b) 518400		518400			
Depr. Exp.—Store Equipment			(c) 648000		648000			
Insurance Expense			(c) 900000		900000			
Miscellaneous Expense	840200				840200			
Payroll Taxes Expense	2148288				2148288			
Rent Expense	300000				300000			
Salary Expense	23418225				23418225			
Supplies Expense—Office			(d) 184967		184967			
Supplies Expense—Store			(e) 419858		419858			
Uncollectible Accounts Exp.			(e) 185000		185000			
Utilities Expense	648299				648299			
Fed. Income Tax Expense	1600000		(f) 278358		1878358			
	132047300	132047300	3450470	3450470	86652646	93754754	47024412	39922304
Net Income after Fed. Income Tax					7102108		7102108	
					93754754	93754754	47024412	47024412

Federal Income Tax
 First \$50,000
 Next \$25,000
\$89,804.66 - \$75,000.00 = \$14,804.66
 Total Federal Income Tax

Rate	Tax
15%	\$ 7,500.00
25%	\$ 6,250.00
34%	\$ 5,033.58
	<u>\$18,783.58</u>

14-5 WORK TOGETHER, p. 426

Planning and recording adjustments for depreciation

- 1.
- | | |
|--------------------------------------|-------------------|
| Original Cost | <u>\$1,600.00</u> |
| Estimated Salvage Value | <u>100.00</u> |
| Estimated Total Depreciation Expense | <u>\$1,500.00</u> |
- ÷ 5 Years of Estimated Useful Life = \$300.00 Annual Depreciation Expense

- 2.
- | | |
|----------------------|-------------------|
| Original Cost | <u>\$1,600.00</u> |
| Depreciation: Year 1 | <u>\$300.00</u> |
| Year 2 | <u>300.00</u> |
| Book Value | <u>\$1,000.00</u> |

14-5 ON YOUR OWN, p. 426

Planning and recording adjustments for depreciation

- 1.
- | | |
|--------------------------------------|-------------------|
| Original Cost | <u>\$2,350.00</u> |
| Estimated Salvage Value | <u>600.00</u> |
| Estimated Total Depreciation Expense | <u>\$1,750.00</u> |
- ÷ 7 Years of Estimated Useful Life = \$250.00 Annual Depreciation Expense

- 2.
- | | |
|----------------------|-------------------|
| Original Cost | <u>\$2,350.00</u> |
| Depreciation: Year 1 | <u>\$250.00</u> |
| Year 2 | <u>250.00</u> |
| Year 3 | <u>250.00</u> |
| Book Value | <u>\$1,600.00</u> |

14-1 APPLICATION PROBLEM, p. 438

Journalizing dividends

1.

GENERAL JOURNAL

1	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT					
1	20-- Dec. 15	Dividends	M258		3	1	5	0	00					1
2		Dividends Payable								3	1	5	00	2
3														3
4														4
5														5
6														6
7														7

14-1 APPLICATION PROBLEM (concluded)

CASH PAYMENTS JOURNAL

PAGE 28

DATE	ACCOUNT TITLE	CK. NO.	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNT CREDIT	CASH CREDIT
				DEBIT	CREDIT			
1 Jan. 15	Dividends Payable	721		315	000			315 000
2								
3								
4								
5								
6								
7								
8								

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14-2, 14-3, 14-4, 14-5, and 14-6 APPLICATION PROBLEMS pp. 438-440

- 14-2 Beginning an 8-column work sheet for a merchandising business
- 14-3 Analyzing and recording a merchandise inventory adjustment on a work sheet
- 14-4 Analyzing and recording an allowance for uncollectible accounts adjustment on a work sheet
- 14-5 Planning and recording adjustments for depreciation
- 14-6 Calculating federal income tax and completing an 8-column work sheet for a merchandising business

Branson Amusement Company

Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	1756075				1756075			
2 Petty Cash	30000				30000			
3 Accounts Receivable	1471098				1471098			
4 Allow. for Uncoll. Accts.		49859	(a) 198800					248659
5 Merchandise Inventory	23631463		(b) 954825		22676638			
6 Supplies—Office	521098		(c) 472125		48973			
7 Supplies—Store	434944		(b) 364825		70119			
8 Prepaid Insurance	600000		(c) 550000		50000			
9 Office Equipment	3371288				3371288			
10 Acc. Depr.—Office Equipment		1186098	(d) 585000					1771098
11 Store Equipment	3880702				3880702			
12 Acc. Depr.—Store Equipment		1470908	(e) 525000					1995908
13 Accounts Payable		1755816						1755816
14 Federal Income Tax Payable			(b) 516191					516191
15 Emp. Income Tax Pay.		94810						94810
16 Social Security Tax Payable		72441						72441
17 Medicare Tax Payable		16942						16942
18 Sales Tax Payable		175593						175593
19 Unemployment Tax Pay.—Fed.		2400						2400
20 Unemployment Tax Pay.—State		16200						16200
21 Health Ins. Premiums Pay.		90250						90250
22 U.S. Savings Bonds Payable		7600						7600
23 United Way Donations Pay.		7125						7125
24 Dividends Payable		315000						315000
25 Capital Stock		5250000						5250000
26 Retained Earnings		9668921						9668921

Before Federal Income Tax
 Total of Income Statement Credit column **\$857,714.11**
 Total of Income Statement Debit column **\$678,452.81**
 Net Income Before Federal Income Tax **\$179,261.30**

14-2, 14-3, 14-4, 14-5, and 14-6 APPLICATION PROBLEMS (concluded)

Branson Amusement Company
Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
Dividends	1260000						1260000	
Income Summary			^(a) 954825		954825			
Sales		84353668				84353668		
Sales Discount	251525				251525			
Sales Returns and Allowances	848225				848225			
Purchases	36972480				36972480			
<i>Purchases Discount</i>								
Purch. Returns and Allowances		515528				515528		
Advertising Expense	1451600				1451600			
Cash Short and Over	772				772			
Credit Card Fee Expense	615815				615815			
Depr. Exp.—Office Equipment			^(b) 585000		585000			
Depr. Exp.—Store Equipment			^(b) 525000		525000			
Insurance Expense			^(c) 550000		550000			
Miscellaneous Expense	434500				434500			
Payroll Taxes Expense	1537503				1537503			
Rent Expense	2280000				2280000			
<i>Salary Expense</i>	19397180				19397180			
Supplies Expense—Office			^(a) 472125		472125			
Supplies Expense—Store			^(b) 364825		364825			
Uncollectible Accounts Exp.			^(c) 198800		198800			
Utilities Expense	405106				405106			
Fed. Income Tax Expense	4800000		^(b) 516191		5316191			
	1,059 5 1 3 74	1,059 5 1 3 74	416 6 7 66	416 6 7 66	731 6 1 4 72	857 7 1 4 11	346 1 4 8 93	220 0 4 9 54
<i>Net Income after Fed. Income Tax</i>					126 0 9 39		126 0 9 39	
					857 7 1 4 11	857 7 1 4 11	346 1 4 8 93	346 1 4 8 93

Federal Income Tax	Rate	Tax
First \$50,000	15%	\$ 7,500.00
Next \$25,000	25%	\$ 6,250.00
Next \$25,000	34%	\$ 8,500.00
\$179,261.30 - \$100,000.00 = \$79,261.30	39%	\$30,911.91
Total Federal Income Tax		\$53,161.91

14-5 APPLICATION PROBLEM, p. 439

Planning and recording adjustments for depreciation

Wave Diving Company scuba testing equipment:

- 1.**
- | | |
|--------------------------------------|--------------------|
| Original Cost | <u>\$10,540.00</u> |
| Estimated Salvage Value | <u>2,500.00</u> |
| Estimated Total Depreciation Expense | <u>\$ 8,040.00</u> |
- \div 3 Years of Estimated Useful Life = \$2,680.00 Annual Depreciation Expense

- 2.**
- | | |
|----------------------|--------------------|
| Original Cost | <u>\$10,540.00</u> |
| Depreciation: Year 1 | <u>\$2,680.00</u> |
| Year 2 | <u>2,680.00</u> |
| Book Value | <u>\$ 5,180.00</u> |

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Preparing an 8-column work sheet for a merchandising business

Carol's Closet
Work Sheet

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	2854825						2854825	
2 Petty Cash	50000						50000	
3 Accounts Receivable	3251828						3251828	
4 Allow. for Uncoll. Accts.		15525		(a) 549840				565365
5 Merchandise Inventory	22928236		(b) 954825				23883061	
6 Supplies—Office	612825			(c) 472125			140700	
7 Supplies—Store	421836			(d) 364825			57011	
8 Prepaid Insurance	1200000			(e) 1000000			200000	
9 Office Equipment	2818725						2818725	
10 Acc. Depr.—Office Equipment		515825		(f) 521600				1037425
11 Store Equipment	4284105						4284105	
12 Acc. Depr.—Store Equipment		1248325		(g) 482000				1730325
13 Accounts Payable		2154320						2154320
14 Federal Income Tax Payable				(h) 300522				300522
15 Emp. Income Tax Pay.		124825						124825
16 Social Security Tax Payable		82200						82200
17 Medicare Tax Payable		19224						19224
18 Sales Tax Payable		241525						241525
19 Unemployment Tax Pay.—Fed.		3360						3360
20 Unemployment Tax Pay.—State		22680						22680
21 Health Ins. Premiums Pay.		96000						96000
22 U.S. Savings Bonds Payable		7500						7500
23 United Way Donations Pay.		10000						10000
24 Dividends Payable		1100000						1100000
25 Capital Stock		5500000						5500000
26 Retained Earnings		17298013						17298013

Before Federal Income Tax
 Total of Income Statement Credit column
 Total of Income Statement Debit column
 Net Income Before Federal Income Tax

\$970,105.80
\$806,630.87
\$163,474.93