

She Wears A Bullet-Proof Vest:

Detailed Solving Steps for the 2014 Regional Accounting Exam's Work Sheet Problems



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Group 3

Refer to Table 1 on pages 4 and 5. For questions 22 through 31 write the correct answer on your answer sheet.

What were the balances in the following accounts on the Post-Closing Trial Balance dated December 31, 2012?

- 22. Cash in Bank
- 23. Accounts Receivable
- 24. Merchandise Inventory
- 25. Floral Supplies
- *26. Prepaid Insurance
- 27. Equipment
- 28. Accumulated Depreciation—Equipment
- 29. Accumulated Depreciation—Building
- 30. Sales Tax Payable
- **31. Jade Harris, Capital

Continue to refer to Table 1. For questions 32 through 34, write the correct answer on your answer sheet; and for question #33, no brackets are necessary.

- *32. What was the amount of gross profit for 2012?
- *33. What was the amount of net loss for 2012?
- 34. What was the sales tax rate for 2012?

Group 4

Refer to Table 2 on pages 6 and 7 and to the work sheet on page 8. For questions 35 through 52, write the correct amount on your answer sheet. These questions refer to the properly completed work sheet for 2013.

What was the balance in each of the following accounts in the unadjusted trial balance?

- ***35. Cash in Bank
- 36. Accounts Receivable
- 37. Allowance for Uncollectible Accounts
- 38. Merchandise Inventory
- 39. Floral Supplies
- 40. Prepaid Insurance
- 41. Accumulated Depreciation—Equipment
- 42. Building
- 43. Accumulated Depreciation—Building
- 44. Accounts Payable
- 45. Sales Tax Payable
- 46. Jade Harris, Capital
- 47. Jade Harris, Drawing
- 48. Income Summary
- *49. Sales
- 50. Purchases
- 51. Salaries Expense
- *52. Payroll Tax Expense

Group 5

Continue to refer to Table 2. For questions 53 through 65, write the correct amount on your answer sheet. These questions refer to the properly completed work sheet for 2013.

What was the balance in each of the following accounts in the adjusted trial balance?

- | | |
|--|-----------------------------|
| 53. Accounts Receivable | 61. Jade Harris, Capital |
| 54. Allowance for Uncollectible Accounts | 62. Floral Supplies Expense |
| *55. Merchandise Inventory | 63. Insurance Expense |
| 56. Floral Supplies | 64. Bad Debt Expense |
| *57. Prepaid Insurance | 65. Depreciation Expense |
| 58. Equipment | |
| *59. Accumulated Depreciation—Equipment | |
| *60. Accumulated Depreciation—Building | |

Group 6

Continue to refer to Table 2. For questions 66 through 72, write the correct amount on your answer sheet that would appear on the income statement for the twelve months ending December 31, 2013 and the balance sheet dated December 31, 2013.

- 66. Cost of Merchandise Available for Sale
- 67. Cost of Merchandise Sold
- *68. Gross Profit
- *69. Total Expenses
- *70. Net Income
- *71. Total Assets
- 72. Total Liabilities

Group 7

Continue to refer to Table 2. For questions 73 through 80, write the correct amount on your answer sheet.

- **73. What was the balance in Jade Harris, Capital on December 31, 2013 after all end-of-fiscal-year adjusting and closing entries were journalized and posted?
- 74. What was the total amount of gross sales sold on account to customers in 2013?
- 75. What was the total of the debits to Accounts Receivable for the year 2013?
- 76. What was the historical cost of the delivery vehicle?
- 77. What was the book value of Accounts Receivable on January 1, 2013?
- 78. What was the book value of Accounts Receivable on December 31, 2013?
- 79. What is the book value of the building on January 1, 2014?
- 80. What is the book value of all of the equipment on January 1, 2014?

This is the end of the exam. Please hold your exam and answer sheet until the contest director asks for them. Thank you.

Table 1
(for questions 22 through 34)

Jade Harris is the sole owner of Jade Florist & Gifts.

Business operations began on December 1, 2012 when Jade invested in her new business the following assets that she owned personally. The assets were appraised at current fair market value.

	Market Value	Salvage Value	Useful Life	Depreciation Method
Cash	85,000	xxxxxxxxx	xxxxx	xxxxxxxxxxxx
Building	197,800	25,000	40 yrs	straight line
Equipment	3,500	500	5 yrs	straight line

There are only two plant asset accounts in the general ledger (one is Building and the other is Equipment). Each plant asset has its respective contra-asset account for accumulated depreciation. There is only one expense account for all depreciation.

Among other accounts that have been prepared for use, the general ledger contains an account called Purchases and an account called Income Summary (which is not only used during the closing process but is also used for merchandise inventory adjustments). Jade does not use the perpetual inventory system; rather she uses the periodic inventory system. (There is NO general ledger account entitled Cost of Merchandise Sold nor should you open one.)

It is company policy to purchase on account only merchandise for resale. This merchandise consists of flowers and retail gift items. All other assets and expenses must be paid for by check at the time of acquisition.

Some of the merchandise vendors used by Jade did not allow purchases on account and required that payment by check be received by the vendor prior to shipment.

Acquisitions of floral supplies and insurance are properly recorded in their respective asset accounts.

At the end of the first fiscal year, the owner made no personal withdrawals of either cash or merchandise.

All employee payroll tax withholdings and all of the associated employer payroll tax expenses were paid by December 31, 2012.

Table 1 continued

All floral and gift sales are taxable for state sales tax. Sales taxes collected in one month are payable to the state by the 20th of the following month. Sales tax in this state must be collected on the original gross amount of sale. The same sales tax rate is used consistently.

Adjusting and closing entries are prepared only at the end of the fiscal year, which is December 31.

During December of 2012 Jade had the following transactions:

Date	Transaction
Dec 1	Wrote a check for \$2,952 for insurance on the building for two years of coverage
Dec 2	Purchased a floral walk-in cooler by writing a check for \$7,500. The cooler has a salvage value of \$1,500 and a useful life of 5 years.
Dec 3	Purchased merchandise inventory by writing a check \$23,418
Dec 4	Purchased floral supplies by writing a check \$3,800
Dec 12	Deposited to the business checking account \$2,491 (consisting of taxable cash sales of \$2,350 and the correct amount of sales tax, which was ???) (there were no sales discounts or delivery charges)
Dec 15	Sold merchandise on account to Mavis Lynch and also charged the correct amount of sales tax (taxable charge sale was \$1,200 and the correct sales tax amount was ???).
Dec 22	Purchased merchandise inventory on account \$18,265
Dec 23	Wrote checks for various expenses incurred for December (combined here for simplicity) for salaries, payroll tax expense, utilities, advertising, and accounting services \$7,356
Dec 31	Deposited to the business checking account \$15,052 (consisting of taxable cash sales and the correct amount of sales tax) (there were no sales discounts or delivery charges)

All required end-of-year adjusting entries were journalized dated 12-31-12.

The December 31, 2012 physical inventory of merchandise at cost was \$30,678 and the physical inventory of floral supplies was \$3,230.

Jade received the total and correct amount from Mavis Lynch on January 5, 2013 so no adjusting entry for uncollectible accounts is required on 12-31-12. Jade will use an allowance method to estimate bad debts beginning in 2013.

Table 2
(for questions 35 through 80)

Refer to Table 1 for the 2012 information for this business.

The selected amounts that appear on the work sheet on page 8 are correct.

For simplicity, assume there are no sales discounts, returns or allowances and there are no purchases discounts, returns or allowances.

The end-of-year adjusting entries for 12-31-13 will require additional expense accounts to be listed on the work sheet.

Additional Information:

Received on account from customers during 2013	11,616
Floral supplies purchased by check during 2013	7,680
Physical inventory of floral supplies taken on 12-31-13	3,950
Paid on account to vendors during 2013	190,075
Capital contribution made by the owner in 2013	18,000

- In 2013 the following insurance premiums were paid by check:

Asset Insured	Date Paid	Length of Coverage	Amount Paid
Delivery Vehicle	2-2-13	six months	265
Equipment	3-2-13	one year	1,380
inventory	4-1-13	one year	4,140
Delivery Vehicle	8-2-13	6 months	276

- The owner withdrew \$5,000 cash each month during 2013 for personal use.
- The actual gross profit percentage based on sales for 2013 is 39%
- Purchases of merchandise for the year: cash..... \$ 36,014
 on account... 196,080
- Sales of merchandise for the year:

	Taxable Sales	Sales Tax	Total Bank Deposit	Total Increase to Accts. Rec.
cash sales	371,800	?	?	xxxxxxxxxxxx
sold on account	?	?	xxxxxxxxxxxx	?

- Sales Tax (the rate is the same as in 2012)
 sales tax paid to the state during 2013 was \$21,399

Table 2 continued

- A delivery vehicle was purchased on February 2, 2013 with a salvage value of \$4,000 and a useful life of 3 years. Jade uses the straight-line method. This was the only addition to the Equipment account during 2013 and no outside financing was required. There were no additions to the Building account during 2013.
- Jade's business pays an independent contractor for selected monthly bookkeeping and accounting services.
- The company employed one person during the year, but she quit in October. The owner did not rehire anyone in 2013 because Jade's teenage daughters volunteered their time to help out after school and on the weekends. The accountant prepared a rough draft of the employee's Form W-2 for 2013 and the amount of Social Security tax withheld is \$992.
- All employer payroll tax expense was paid prior to 12-31-13.
- The following rates and maximums per employee for 2013 are in effect:

Social Security	6.2% on gross earnings up to \$113,700
Medicare	1.45% on all earnings
Employee Federal Income Tax	15% on all earnings
Employee State Income Tax	2% on all earnings
Federal Unemployment Tax	.8% on first \$7,000 of gross earnings
State Unemployment Tax	1.4% on first \$9,000 of gross earnings

- There were no customer accounts written off during 2013. However, future collection of some of the accounts is doubtful. The company policy is to use an allowance method that estimates bad debt expense based on 2% of that year's total sales on account.

Detailed Solutions for Group 3

Step 1—Set Up

Read the instructions for the questions and Table 1. From this we learn that the business began operations on December 1, 2012, and we will need to consider:

- 1) the opening entry of the business start-up;
- 2) December transactions; and
- 3) End-of-year adjusting entries and closing entries.

We need to determine the Post-Closing Trial Balance of 12-31-12. This indicates the need to make T-accounts.

Step 2—Analyzing December Transactions

Please locate the “empty” T-accounts on page 13 for your use. Do NOT spend time writing the journal entries; rather post your journal entries directly into the T-accounts. The following journal entries are provided for clear communication only! Please note the identifying number in parentheses that will correspond to the entries on the T-Accounts KEY also provided in this document.

(1) Opening entry 12-1-12

	DR	CR
Cash	85,000	
Building	197,800	
Equipment	3,500	
Jade Harris, Capital		286,300

(2) Transaction of December 1

	DR	CR
Prepaid Insurance	2,952	
Cash in Bank		2,952

(3) Transaction of December 2

	DR	CR
Equipment	7,500	
Cash in Bank		7,500

(4) Transaction of December 3

	DR	CR
Purchases	23,418	
Cash in Bank		23,418

(5) Transaction of December 4

	DR	CR
Floral Supplies	3,800	
Cash in Bank		3,800

- (6) Transaction of December 12—Given information states there were no discounts or other charges which was meant to confirm the only missing piece is sales tax
 $\$2,491 - 2,350 = 141$ Sales Tax Collected)

	DR	CR
Cash in Bank	2,491	
Sales		2,350
Sales Tax Payable		141

- (7) Transaction of December 15—Use previous transaction to calculate sales tax rate:
 $141 / 2,350 = 6\%$. Now apply 6% to the sales amount given: $1,200 \times .06 = \$72$.
 Then calculate debit to Accounts Receivable: $1,200 + 72 = 1,272$

	DR	CR
Accounts Receivable (Mavis Lynch)	1,272	
Sales		1,200
Sales Tax Payable		72

- (8) Transaction of December 22

	DR	CR
Purchases	18,265	
Accounts Payable		18,265

- (9) Transaction of December 23

	DR	CR
"Various" Expenses	7,356	
Cash in Bank		7,356

- (10) Transaction of December 31—Use sales tax rate calculated earlier, 6%. The only known amount is the deposit which consists of the sales amount and the sales tax collected. Consider that: Sales = x and Sales tax = .06x

$$\begin{aligned}
 1x + .06x &= 15,052 \\
 1.06x &= 15,052 \\
 x &= 15,052 / 1.06 \\
 x &= 14,200 \text{ (sales)}
 \end{aligned}$$

	DR	CR
Cash in Bank	15,052	
Sales		14,200
Sales Tax Payable ($14,200 \times .06$)		852

Step 3—Adjusting Entries as of 12-31-12**(A1) Adjustment for Merchandise Inventory**

	DR	CR
Merchandise Inventory	30,678	
Income Summary		30,678

(A2) Adjustment for Floral Supplies—Trial Balance \$3,800 less ending inventory of supplies 3,230 = \$570 used during December.

	DR	CR
Floral Supplies Expense	570	
Floral Supplies		570

(A3) Adjustment for Insurance—This is a TWO-year policy that was purchased on 12-1-12. \$2,952 / 24 months = \$123 per month. We need to adjust for one month.

	DR	CR
Insurance Expense	123	
Prepaid Insurance		123

(A4) Adjustment for depreciation:**Building:**

$(197,800 - \text{salvage value } 25,000) / 40 \text{ years} = \text{annual } \$4,320 / 12 \text{ months} = \360

Owner's Invested Equipment from Opening Entry:

$(3,500 - \text{salvage value } 500) / 5 \text{ years} = \text{annual } \$600 / 12 \text{ months} = \50

Walk-In Cooler:

$(\text{cost } 7,500 - \text{salvage value } 1,500) / 5 = \text{annual } \$1,200 / 12 \text{ months} = \100

Even though a depreciation method was not provided in the given information for the walk-in-cooler, the accounting principles of consistency and conservatism would lead us to use the same depreciation method as was used for other equipment.

	DR	CR
Depreciation Expense	510	
Accumulated Depreciation—Equipment (50+100)		150
Accumulated Depreciation—Building		360

Step 4—Calculate Ending Balances for each T-account. These balances would be found on the Work Sheet in the ADJUSTED Trial Balance columns.

Step 5—Confirm the Debits Equal Credits for the Adjusted Trial Balance:

$57,517 + 1,272 + 30,678 + 3,230 + 2,829 + 11,000 - 150 + 197,800 - 360 - 18,265 - 1,065 - 286,300 - 30,678 - 17,750 + 41,683 + 7,356 + 570 + 123 + 510 = \text{zero}$

(For a clearer presentation, see the bottom of page 14.)

Step 6—You are now able to write the answers for questions 22 through 30.

22	57,517
23	1,272
24	30,678
25	3,230
26	2,829

27	11,000
28	150
29	360
30	1,065

Step 7—In order to answer Q#31, calculate net income or net loss. (Use your calculator. The following is written out only for clarity in this instruction!)

Sales		17,750	
BI	0		
Pur	41,683		
COMAS	41,683		
EI	<30,678>		
COMS		11,005	
GP		6,745	Q#32
*Expenses		8,559	
Net Loss		<1,814>	Q#33

*Expenses: 7,356 + 570 + 123 + 510

	Jade Harris, Capital		
		286,300	
Net Loss	1,814		
Drawing	0		
		284,486	Q#31

Step 8—Q#34 was answered when analyzing the transaction dated December 15. Answer is 6%.

Cash in Bank	Accts Receivable	Merchandise Inventory
Floral Supplies	Prepaid Insurance	Equipment
A/D Equip	Bldg	A/D Bldg
Accts Payable	Sales Tax Payable	Jade Harris, Capital
Income Summary	Sales	Purchases
Various Expenses	Floral Supplies Expense	Insurance Expense
Depreciation Expense		

Cash in Bank	
(1) 85,000	2,952 (2)
	7,500 (3)
	23,418 (4)
	3,800 (5)
(6) 2,491	
	7,356 (9)
(10) 15,052	
57,517	

Accts Receivable	
(7) 1,272	

Merchandise Inventory	
(A1) 30,678	

Floral Supplies	
(5) 3,800	
	570 (A2)
3,230	

Prepaid Insurance	
(2) 2,952	
	123 (A3)
2,829	

Equipment	
(1) 3,500	
(3) 7,500	
11,000	

A/D Equip	
	150 (A4)

Bldg	
(1) 197,800	

A/D Bldg	
	360 (A4)

Accts Payable	
	18,265 (8)

Sales Tax Payable	
	141 (6)
	72 (7)
	852 (10)
	1,065

Jade Harris, Capital	
	286,300 (1)

Income Summary	
	30,678 (A1)

Sales	
	2,350 (6)
	1,200 (7)
	14,200 (10)
	17,750

Purchases	
(4) 23,418	
(8) 18,265	
41,683	

Various Expenses	
(9) 7,356	

Floral Supplies Expense	
(A2) 570	

Insurance Expense	
(A3) 123	

Depreciation Expense	
(A4) 510	

ADJUSTED Trial Balance 12-31-12		
	DR	CR
Cash in Bank	57,517	
Accounts Receivable	1,272	
Merchandise Inventory	30,678	
Floral Supplies	3,230	
Prepaid Insurance	2,829	
Equipment	11,000	
Accum. Depr.--Equipment		150
Building	197,800	
Accum. Depr.—Building		360
Accounts Payable		18,265
Sales Tax Payable		1,065
Jade Harris, Capital		286,300
Income Summary		30,678
Sales		17,750
Purchases	41,683	
Various Expenses	7,356	
Floral Supplies Expense	570	
Insurance Expense	123	
Depreciation Expense	510	

Detailed Solutions for Group 4

Some of the T-accounts prepared in the previous group will be used to complete the worksheet. Remember, the Post-Closing Trial Balances for 12-31-12 become the beginning balances on 1-1-13. Please note the additional columns added to the work sheet for “beginning balances” and “during the fiscal period.” A blank worksheet form is on page 24.

Just as a jigsaw puzzle has any number of starting points and subsequent sequences for solving, so does this worksheet problem. The steps in this instruction attempt to follow the given information in Table 2 using the advice “Write Down What You Know” so you read each item only once.

Set up T-accounts only when one is needed. Use the worksheet instead of a T-account whenever possible.

Abbreviations used in the instruction:

TB = trial balance

ADJ = Adjustment

ATB = Adjusted Trial Balance

Solving Steps: Begin reading Table 2

1. Use a T-account for Accounts Receivable: Record the 1-1-13 debit balance of \$1,272 AND record the collection on account \$11,616 as a credit.
2. On the worksheet for Floral Supplies, write in the following:
 - A. far left column 1-1-13 balance of \$3,230
 - B. in the column for during the fiscal period \$7,680
 - C. calculate the debit in TB ($3,230 + 7,680 = 10,910$)
 - D. write the 12-31-13 physical inventory in the ATB debit column \$3,950
3. Plot the adjustment to Floral Supplies. You will have to write in the account title “Floral Supplies Expense.” ($10,910 - 3,950 = 6,960$ used) Write 6,960 in the ATB debit column for Floral Supplies Expense.
4. Use a T-account for Accounts Payable: Record 1-1-13 beginning credit balance of \$18,265 AND record paid on account \$190,075 as a debit.
5. On the worksheet for Jade Harris, Capital, write in the following:
 - A. far left column 1-1-13 beginning balance of \$284,486
 - B. in the column for during the fiscal period \$18,000
 - C. Calculate the credit in the TB ($284,486 + 18,000 = 302,486$) and write it in the TB

6. On the worksheet for Prepaid Insurance, write in the following:
 - A. far left column 1-1-13 beginning balance of \$2,829 (WARNING: recall this is 23 months worth of a policy covering the building purchased on December 1, 2012. Nothing in Table 2 will instruct you to include 12 months of this premium in the 2013 insurance expense. However, YOU as the accountant should know to do this!)
 - B. in the column for during the fiscal period, write \$6,061 (265 + 1,380 + 4,140 + 276)
 - C. Calculate the debit in the TB (2,829 + 6,061 = 8,890)

7. In Table 2 for insurance, add two columns to the right that breaks down \$8,890 between 2013 Expense and the prepaid amount for 2014. WARNING: don't forget the insurance on the Building paid in the year 2012 !

	TB	Expense 2013	Prepaid 2014
Building	2,829	\$123 x 12 mo = 1,476	\$123 x 11 mo = 1,353
Delivery Vehicle	265	Feb – July = \$265	0
Equipment	1,380	Mar – Dec = 10 mo 1,380 / 12 = 115 x 10 mo = 1,150	Jan & Feb 115 x 2 mo = 230
Inventory	4,140	Apr – Dec = 9 mo 4,140 / 12 = 345 x 9 mo = 3,105	Jan, Feb, Mar 345 x 3 mo = 1,035
Delivery Vehicle	276	Aug – Dec = 5 mo 276 / 6 = 46 x 5 mo = 230	Jan 46 x 1 mo = 46
	8,890	6,226	2,664

8. Plot the adjustment to Prepaid Insurance. You will have to write in the account "Insurance Expense." Debit Insurance Expense and Credit Prepaid Insurance \$6,226. Therefore \$2,664 is written in the ATB debit column for Insurance Expense.

9. Owner drawing 5,000 x 12 mo = 60,000. This goes in TB debit AND ATB debit columns.

10. When writing the drawing amount, attention is drawn to the debit \$2,268 to Income Summary.
 - A. Write the 1-1-13 beginning balance of Merchandise Inventory \$30,678 in the TB debit column.
 - B. "Back-track" the adjustment to Income Summary. (In other words, what had to happen in order for \$2,268 to end up in ATB debit column?) Write \$2,268 in the ADJ debit column.
 - C. Write the other half of this adjustment in the ADJ credit column for Merchandise Inventory.
 - D. Calculate 12-31-13 Merchandise Inventory balance: 30,678 – 2,268 = 28,410 and write \$28,410 in ATB debit column.

11. Total purchases (break down is given in Table 2): Record on worksheet as a debit in the TB and in the ATB \$232,094

cash	36,014
on account	196,080
Total Purchases	232,094

12. We are given the Purchases made on account \$196,080. Recall the Table 1 information for 2012: “It is company policy to purchase on account **only** merchandise for resale.” This tells us there are no other credits to Accounts Payable. Record the \$196,080 as a Credit to the T-account for Accounts Payable. Then calculate the balance of the T-account: $18,265 + 196,080 - 190,075 = 24,270$. Write \$24,270 on the worksheet in the TB and ATB credit columns for Accounts Payable.

13. Make a rough draft of the Income Statement based on what we know so far: (Learn to use abbreviations for the component names.)

S		????	100%	← given info states “based on sales”
BI	30,678			
P	232,094			
COMAS	262,772			
EI	<28,410>			
COMS		<234,362>	???	
GP			39%	← given info

14. The given info states that the gross profit percentage (39%) is based on sales (100%). Therefore the COMS percentage is 61% ($100 - 39 = 61$)
 $COMS \$234,362 / .61 = Sales 384,200$. Write \$384,200 for Sales on the worksheet in the TB and ATB credit columns.

In your rough draft of the Income Statement, write in the sales amount. Also calculate and write in the amount for gross profit: $Sales 384,200 - COMS 234,362 = GP 149,838$. See updated rough draft of Income Statement:

S		384,200	100%	← given info states “based on sales”
BI	30,678			
P	232,094			
COMAS	262,772			
EI	<28,410>			
COMS		<234,362>	61%	
GP		149,838	39%	← given info

Save this rough draft of the Income Statement to use later.

15. See Table 2 for the Sales information which is reproduced here:

	Taxable Sales	Sales Tax	Total Bank Deposit	Total Increase to Accts. Rec.
cash sales	371,800	?	?	xxxxxxxxxxxx
sold on account	?	?	xxxxxxxxxxxx	?

- A. Calculate "sold on account" (Total Sales 384,200 – cash sales 371,800 = 12,400)
- B. Calculate 6% sales tax for cash sales (371,800 x .06 = 22,308)
- C. Calculate 6% sales tax for "sold on account" (12,400 x .06 = 744)
- D. Calculate the bank deposits (cash sales 371,800 + sales tax collected 22,308 = 394,108)
- E. Calculate total increase to Accounts Receivable (sold on account 12,400 + sales tax charged to customer 744 = 13,144)
- F. See these calculations updated for the chart in Table 2 shown below:

	Taxable Sales	Sales Tax	Total Bank Deposit	Total Increase to Accts. Rec.
cash sales	371,800	22,308	394,108	xxxxxxxxxxxx
sold on account	12,400	744	xxxxxxxxxxxx	13,144
Totals	384,200	23,052		

- 16. Complete the T-account for Accounts Receivable:
 - A. Write the "increase to Accounts Receivable" \$13,144 as a debit.
 - B. Calculate the account balance (1,272 + 13,144 – 11,616 = 2,800) and write \$2,800 on the worksheet in the TB and ATB debit columns.

- 17. Make a T-account for Sales Tax Payable:
 - A. Write the 1-1-13 beginning balance \$1,065 as a credit
 - B. Sales tax during this fiscal period (both from cash and charge sales) (22,308 + 744 = 23,052) is a credit.
 - C. Given info states paid to state \$21,399, so debit the liability account (Sales Tax Payable)
 - D. Calculate the T-account balance for Sales Tax Payable: (1,065 + 23,052 – 21,399 = 2,718) Write \$2,718 on the worksheet in the TB and ATB credit columns.

- 18. On the worksheet for Equipment:
 - A. Write the 1-1-13 balance \$11,000 in the far left column
 - B. The TB debit \$28,500 is given. The difference is the cost of the delivery vehicle purchased on 2-2-13 (28,500 – 11,000 = 17,500). Write \$17,500 on the line for Equipment in the column for during the fiscal period.

- 19. Table 2 states there were no additions to the Building account. So write on the worksheet for Building \$197,800 in the TB and in the ATB debit columns.

20. Table 1 stated "Adjusting and closing entries are prepared only at the end of the fiscal year." Therefore, no entries have been made for depreciation during the year 2013. Write the 12-31-12 balances of the two accumulated depreciation accounts in the credit column of the TB only.
21. Prepare the depreciation adjusting entry for 2013. You will have to use your work from the previous group for the year 2012.

	2012 Expense	2013 Expense	Explanation of 2013 Expense
Building	360	4,320	Monthly 360 x 12 mo = 4,320
Equipment	50	600	Monthly 50 x 12 mo = 600
Walk-In Cooler	100	1,200	Monthly 100 x 12 mo = 1,200
Delivery Vehicle	xxxxx	4,125	(cost 17,500 – salvage value 4,000) / 3 years / 12 mo = \$375. Monthly 375 x 11 mo (Feb – Dec) = 4,125
		10,245	

22. Plot the adjusting entry for depreciation on the worksheet. You will have to add the account title for Depreciation Expense. Just use one expense account.

	DR	CR
Depreciation Expense	10,245	
Accumulated Depreciation—Equipment (600 + 1,200 + 4,125)		5,925
Accumulated Depreciation—Building		4,320

23. Calculate and write on the worksheet the ATB totals for:
- Accumulated Depreciation—Equipment (150 + 5,925 = 6,075 credit)
 - Accumulated Depreciation—Building (360 + 4,320 = 4,680 credit)
24. The given info states the bookkeeping is done by an independent contractor so that fees paid to the bookkeeper would not cause confusion with the missing piece of Salaries Expense.

Salaries Expense = Social Security tax amount \$992 / SS rate .062 = \$16,000
Write \$16,000 on the worksheet in the TB and in the ATB debit columns.

25. Payroll Tax Expense was all paid before 12-31-13 so this confirms there is no liability at the end of the year. Use the payroll tax table to calculate Payroll Tax Expense:

Social Security (given) (16,000 x .062)	992
Medicare (16,000 x .0145)	232
FUTA (max 7,000 x .008)	56
SUTA (max 9,000 x .014)	126
Total Payroll Tax Expense	1,406

Write \$1,406 on the worksheet for Payroll Tax Expense in the TB and in the ATB debit columns.

26. To follow the Matching Principle, an allowance for uncollectible accounts is required. Table 2 states to “estimate bad debt expense based on 2% of that year’s total sales on account.” Sales on account \$12,400 x given .02 = 248.

Plot the following adjusting entry on the worksheet. You will have to write in the account title Bad Debts Expense.

	DR	CR
Bad Debt Expense	248	
Allowance for Uncollectible Accounts		248

The 1-1-13 balance of Allowance for Uncollectible Accounts was zero. (Recall in Table 1 it is given that no adjusting entry was necessary for the year 2012.) Write \$248 on the worksheet in the ATB debit column for Bad Debt Expense and then write \$248 in the ATB credit column for the Allowance account.

27. Glance over the worksheet and extend all balances to the ATB columns (for example, Utilities Expense, Advertising Expense, etc.)
28. You should now see that every account on the worksheet has a balance in the ATB columns EXCEPT for Cash in Bank. How should we have known we should have been building a T-account for Cash in Bank as we were working through the Table items? You could not have known, nor is it necessary IF you have all your numbers on the worksheet correct. PLUG the difference:

DEBITS: 2,800 + 28,410 + 3,950 + 2,664 + 28,500 + 197,800 + 60,000 + 2,268 + 232,094 + 4,896 + 1,375 + 16,000 + 1,406 + 5,605 + 2,580 + 6,960 + 6,226 + 10,245 + 248 = 614,027

CREDITS: 248 + 6,075 + 4,680 + 24,270 + 2,718 + 302,486 + 384,200 = 724,677

Cash in Bank: 724,677 – 614,027 = 110,650

If you are skeptical, here is the T-account the way it might have looked if we had prepared the T-account while working the steps in the order presented in this instruction.

		Cash in Bank	
1-1-13 balance	57,517		
A/Rec collections	11,616		
		7,680	*purchased floral supplies
owner contribution	18,000	190,075	paid on Accounts Payable
		6,061	*bought insurance
		60,000	owner drawing
		36,014	purchased items by check
bank deposits (remember this is cash sales plus the sales tax collected)	394,108		
		21,399	remitted sales tax to state
		17,500	*bought delivery vehicle
		16,000	salary paid
		1,406	payroll tax is all paid
		4,896	*utilities paid
		1,375	*advertising paid
		5,605	*delivery expense paid
		2,580	*accounting services paid
Balance on 12-31-13	110,650		

*Recall Table 1 stated "All other assets and expenses must be paid for by check at the time of acquisition." In other words, none of these items were first charged "on account" and the delivery vehicle was not financed through a loan.

29. You are now ready to answer questions 35 through 52 by referring to the worksheet's TRIAL BALANCE columns. To avoid using the wrong column, cover up the ATB column if you must.

- 35. Cash in Bank \$110,650
- 36. Accounts Receivable \$2,800
- 37. Allowance for Uncollectible Accounts 0 or zero
- 38. Merchandise Inventory \$30,678
- 39. Floral Supplies \$10,910
- 40. Prepaid Insurance \$8,890
- 41. Accumulated Depreciation—Equipment \$150
- 42. Building \$197,800
- 43. Accumulated Depreciation—Building \$360
- 44. Accounts Payable \$24,270
- 45. Sales Tax Payable \$2,718
- 46. Jade Harris, Capital \$302,486
- 47. Jade Harris, Drawing \$60,000
- 48. Income Summary 0 or zero
- 49. Sales \$384,200
- 50. Purchases \$232,094
- 51. Salaries Expense \$16,000
- 52. Payroll Tax Expense \$1,406

30. Answer questions 53 through 65 by referring to the worksheet's ADJUSTED Trial Balance columns. Be careful! You've worked too hard to carelessly write down the wrong amount now!

- 53. Accounts Receivable \$2,800
- 54. Allowance for Uncollectible Accounts \$248
- 55. Merchandise Inventory \$28,410
- 56. Floral Supplies \$3,950
- 57. Prepaid Insurance \$2,664
- 58. Equipment \$28,500
- 59. Accumulated Depreciation—Equipment \$6,075
- 60. Accumulated Depreciation—Building \$4,680
- 61. Jade Harris, Capital \$302,486
- 62. Floral Supplies Expense \$6,960
- 63. Insurance Expense \$6,226
- 64. Bad Debt Expense \$248
- 65. Depreciation Expense \$10,245

31. Questions 66 through 72: Think FINANCIAL STATEMENTS and refer to the rough draft you prepared earlier for the Income Statement.

- 66. COMAS \$262,772
- 67. COMS \$234,362
- 68. GP \$149,838
- 69. Total Expenses \$55,541 (4,896 + 1,375 + 16,000 + 1,406 + 5,605 + 2,580 + 6,960 + 6,226 + 10,245 + 248)
- 70. Net Income \$94,297 (GP 149,838 – Expenses 55,541)
- 71. Total Assets \$363,771 (110,650 + 2,800 – 248 + 28,410 + 3,950 + 2,664 + 28,500 – 6,075 + 197,800 – 4,680)
- 72. Total Liabilities \$26,988 (24,270 + 2,718)

32. Questions 73 through 80:

Jade Harris, Capital		
	284,486	1-1-13 balance
	18,000	owner capital contribution
owner drawing	60,000	94,297
	336,783	Net Income for 2013
		Balance on 12-31-13
		AFTER closing entries Q#73

Convenient Double Check:

	DR	CR
Q#71 Total Assets	363,771	
Q#72 Total Liabilities		26,988
Q#73 Ending Capital		336,783
Balance Sheet Balances!	363,771	363,771

74. Gross sales sold on account \$12,400 (See Table 2 for sales, where we filled in the blanks.)

75. Total debits to Accounts Receivable \$13,144 (Look at your T-account.)

76. Cost of delivery truck \$17,500

77. Book Value of Accounts Receivable (careful, watch the date!!) on 1-1-13:

Accounts Receivable	1,272
Less Allowance for Uncollectible Accounts	0
Book Value on 1-1-13	1,272

78. Book Value of Accounts Receivable on 12-31-13:

Accounts Receivable	2,800
Less Allowance for Uncollectible Accounts	<248>
Book Value on 12-31-13	2,552

79. Book Value of Building (watch the date) on 1-1-14:

Building	197,800
Less Accumulated Depreciation—Building	<4,680>
Book Value on 1-1-14	193,120

80. Book Value of Equipment on 1-1-14:

Equipment	28,500
Less Accumulated Depreciation—Equipment	<6,075>
Book Value on 1-1-14	22,425

T-Accounts Used for Group 4:

Accts Receivable		Accts Payable		Sales Tax Payable	
1,272			18,265		1,065
13,144	11,616	190,075	196,080	21,399	23,052
2,800			24,270		2,718

