

**Requirement #2 - Adjusting Entries**

**General Journal**

Date		Account Name/Explanation	Ref.	Debit	Credit
<u>2020</u>					
Dec.	31	Insurance Expense		1,400	
		Prepaid Insurance			1,400
		(\$4,000 - \$2,600 = \$1,400)			
	31	Office Rent Expense		4,000	
		Prepaid Office Rent			4,000
	31	Store Supplies Expense		1,250	
		Store Supplies			1,250
	31	Depreciation Expense, Store Equipment		2,400	
		Accumulated Depreciation, Store Equipment			2,400
	31	Sales Salaries Expense		400	
		Sales Salaries Payable			400
	31	Utilities Expense		550	
		Utilities Payable			550
	31	Accounts Receivable		3,000	
		Sales Revenue			3,000
	31	Interest Receivable		400	
		Interest Revenue			400
	31	Interest Expense		500	
		Interest Payable			500

The Morales Store

Work Sheet

For the Year Ended December 31, 2020

ACCOUNT NAME	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	9,000				9,000				9,000	
Interest Receivable	63,000		(i) 400		63,400				63,400	
Notes Receivable	160,000				160,000				160,000	
Accounts Receivable	15,800		(h) 3,000		18,800				18,800	
Merchandise Inventory, 1/1/20	28,000			Leave Blank	28,000		28,000	32,000	32,000	
Prepaid Insurance	4,000			(b) 1,400	2,600				2,600	
Prepaid Office Rent	16,000			(c) 4,000	12,000				12,000	
Store Supplies	3,000			(d) 1,250	1,750				1,750	
Land	90,000				90,000				90,000	
Store Equipment	40,000				40,000				40,000	
Accumulated Depreciation, Store Equipment		5,000		(e) 2,400		7,400				7,400
Accounts Payable		12,000				12,000				12,000
Notes Payable (Due 5/31/21)		140,000				140,000				140,000
Bonds Payable (Due 2024)		35,000				35,000				35,000
Mortgage Payable (Due 2028)		25,000				25,000				25,000
J. Morales, Capital		164,400				164,400				164,400
J. Morales, Drawings	9,400				9,400				9,400	
Sales Revenue		139,000		(h) 3,000		142,000	142,000			
Sales Returns & Allowances	2,400				2,400		2,400			
Sales Discounts	1,600				1,600		1,600			
Purchases	50,000				50,000		50,000			
Purchases Returns & Allowances		4,200				4,200		4,200		
Purchases Discounts		1,800				1,800		1,800		
Freight-in	6,000				6,000		6,000			
Sales Salaries Expense	19,600		(f) 400		20,000		20,000			
Office Rent Expense	6,800		(c) 4,000		10,800		10,800			
Utilities Expense	5,000		(g) 550		5,550		5,550			
Interest Expense	3,800		(j) 500		4,300		4,300			
Interest Revenue		7,000		(i) 400		7,400		7,400		
<b>TOTALS</b>	<b>533,400</b>	<b>533,400</b>								
Insurance Expense			(b) 1,400		1,400		1,400			
Store Supplies Expense			(d) 1,250		1,250		1,250			
Depreciation Expense, Store Equipment			(e) 2,400		2,400		2,400			
Sales Salaries Payable				(f) 400		400				400
Utilities Payable				(g) 550		550				550
Interest Payable				(j) 500		500				500
<b>Totals</b>			<b>13,900</b>	<b>13,900</b>	<b>540,650</b>	<b>540,650</b>	<b>133,700</b>	<b>187,400</b>	<b>438,950</b>	<b>385,250</b>
Net Income (\$187,400 - \$133,700)							<b>53,700</b>			<b>53,700</b>
<b>Grand totals</b>							<b>187,400</b>	<b>187,400</b>	<b>438,950</b>	<b>438,950</b>

**Requirement #3 - Income Statement**

<i>The Morales Store</i>				
<i>Income Statement</i>				
<i>For the Year Ended December 31, 2020</i>				
<b>Net Sales (or Sales):</b>				
Sales Revenue				\$ 142,000
<b>Less:</b> Sales Returns and Allowances			\$ 2,400	
Sales Discounts			<u>1,600</u>	<u>(4,000)</u>
<i>Net Sales</i>				<i>\$ 138,000</i>
<b>Cost of Goods Sold:</b>				
Merchandise Inventory, Beginning			\$ 28,000	
Purchases		\$ 50,000		
<b>Less:</b> Purchases Returns and Allowances	\$ 4,200			
Purchases Discounts	<u>1,800</u>	<u>(6,000)</u>		
Net Purchases		\$ 44,000		
<b>Add:</b> Freight-In		<u>6,000</u>		
Cost of Goods Purchased			<u>50,000</u>	
<b>Cost of Goods Available for sale</b>			<b>\$ 78,000</b>	
<b>Less:</b> Merchandise Inventory, Ending			<u>(32,000)</u>	
Cost of Goods Sold				<u>(46,000)</u>
Gross Profit				\$ 92,000
<b>Operating Expenses:</b>				
Sales Salaries Expense			\$ 20,000	
Office Rent Expense			10,800	
Utilities Expense			5,550	
Insurance Expense			1,400	
Store Supplies Expense			1,250	
Depreciation Expense, Store Equipment			<u>2,400</u>	
Total Operating Expenses				<u>(41,400)</u>
Income from Operations				\$ 50,600
<b>Other Revenues and Gains:</b>				
Interest Revenue				7,400
<b>Other Expenses and Losses:</b>				
Interest Expense				<u>(4,300)</u>
<b>Net Income</b>				<b><u>\$ 53,700</u></b>

**Requirement #4****Statement of Owner's Equity**

The Morales Store		
Statement of Owners' Equity		
For the Year Ended December 31, 2020		
J. Morales, Capital, Beginning		164,400
<b>Add:</b>		
Net Income		<u>53,700</u>
Subtotal		218,100
<b>Less:</b>		
J. Morales, Drawings		<u>(9,400)</u>
J. Morales, Capital, Ending		<u>\$ 208,700</u>

**Balance Sheet**

The Morales Store			
Balance Sheet			
December 31, 2020			
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash		\$ 9,000	
Interest Receivable		63,400	
Notes Receivable		160,000	
Accounts Receivable		18,800	
Merchandise Inventory		32,000	
Prepaid Insurance		2,600	
Prepaid Office Rent		12,000	
Store Supplies		<u>1,750</u>	
Total Current Assets			\$ 299,550
<b>Property, Plant, and Equipment:</b>			
Land		\$ 90,000	
Store Equipment	\$ 40,000		
<b>Less:</b> Accumulated Depreciation, Store Equipment	<u>(7,400)</u>	<u>32,600</u>	
Total Property, Plant, and Equipment			<u>122,600</u>
<b>Total Assets</b>			<b><u>\$ 422,150</u></b>

<b><u>Liabilities and Owners' Equity:</u></b>			
<b><u>Liabilities:</u></b>			
<b><u>Current Liabilities:</u></b>			
Accounts Payable		\$ 12,000	
Notes Payable (Due 5/31/21)		140,000	
Sales Salaries Payable		400	
Utilities Payable		550	
Interest Payable		<u>500</u>	
Total Current Liabilities			\$ 153,450
<b><u>Long-Term Liabilities:</u></b>			
Bonds Payable (Due 2024)		\$ 35,000	
Mortgage Payable (Due 2028)		<u>25,000</u>	
Total Long-Term Liabilities			<u>60,000</u>
Total Liabilities			\$ 213,450
<b><u>Owners' Equity:</u></b>			
J. Morales, Capital			<u>208,700</u>
<b><i>Total Liabilities and Owners' Equity</i></b>			<b><u>\$ 422,150</u></b>

**Requirement #5**

**General Journal**

Date		Account Name/Explanation	Ref.	Debit	Credit
<u>2020</u>					
Dec.	31	Merchandise Inventory, Ending		32,000	
		Sales Revenue		142,000	
		Purchases Returns & Allowances		4,200	
		Purchases Discounts		1,800	
		Interest Revenue		7,400	
		Income Summary			187,400
	31	Income Summary		133,700	
		Merchandise Inventory, Beginning			28,000
		Sales Returns & Allowances			2,400
		Sales Discounts			1,600
		Purchases			50,000
		Freight-in			6,000
		Sales Salaries Expense			20,000
		Office Rent Expense			10,800
		Utilities Expense			5,550
		Interest Expense			4,300
		Insurance Expense			1,400
		Store Supplies Expense			1,250
		Depreciation Expense, Store Equipment			2,400
	31	Income Summary		53,700	
		J. Morales, Capital			53,700
	31	J. Morales, Capital		9,400	
		J. Morales, Drawings			9,400