

ACCT 621 Individual Case #1

Introduction

You are a junior financial analyst for the CPA firm, ACCT621 LLP. Your firm specializes in providing a wide variety of internal financial solutions for local small businesses. Today is your first, a Senior Manager has requested your support on the first client engagement to provide financial reporting service for the year end.

Client Background

Godox Inc. was established in 1995 when it first opened its doors in Calgary, AB. Godox Inc. has grown over the years with lighting equipments but the wireless strobe lightings remain the most popular items amongst the 10 varieties of lighting. The business has been expended to distribute its products in different province and it is currently owned by Strobe family.

Godox operates out of 10,000 sqft location and it has one studio and warehouse at the back. Godox pays \$10,000 per month for the rental of the space. Strobe family was able to negotiate with the landlord and were not required to pay the first month's rent in advance. All of the rental payments are current and up to date. For the last two years, Strobe has had a very reliable external accounting firm prepare its year-end financial statements and everything has been correct. This year, Strobe is planning to hire a junior accountant in house to cut the cost, and the junior did the best he could collect and record financial information to their financial systme. For the information he was not sure about, he kept all of the required supporting documentation. Now it is year end preparation and Strobe hired your firm to prepare their financial statements for the year. They provided you with the unadjusted trial balance and the information in Exhibit 1.1 to assist you.

Supplementary Information

- Godox has a note that their owed \$10,000 in wages to his employees for the period ending December 31st.
- Godox owed \$10,000 in rent the period ending December 31st
- To expand their warehouse, Godox has started a bank loan of \$20,000 with the local bank on January 1st this year. The loan carried an interest rate of 10%. The interest is due as the same time as the loan by the end of this year.
- Godox sometimes book special workshop with local well-known photographer and they have a payment in two weeks. On December 28th, a local photographer had a workshop at the location for 3 days. Godox charges one time setup fee of \$500 and \$300 for daily rental. The junior has not yet send out invoice and recorded.
- Godox declared a dividend of \$1,000 on December 30th.
- Godox has some office supplies. At begin of the year, they had \$2,500 of the office supplies in their warehouse including printing paper, backdrop and tapes. During the year, they purchased \$5,000 more. On December 31st, there are only \$2,000 of the supplies left.
- The junior didn't know how to record depreciation for the year and so left it for you to record. depreciation for all assets is charged using a straight-line method by taking the cost of the asset and dividing it by its expected useful life. The assets have expected useful lives as follows:
 - Computer: 2 years

- Lift equipment: 15 years
- Studio furniture and fixtures: 10 years
- The invoice shows that Godox's owes \$1,500 for a utilities bill and \$4500 for advertising agency for the month of December. These amounts have not been recorded yet.
- Currently, Godox has a \$150,000 of Accounts Receivable and a \$3,000 of Allowance for Doubtful Accounts. Godox records its bad debt expense based on aging percentage of Accounts Receivable (*See Exhibition 1.2 Aging Schedule*)
- The amount currently sitting in prepaid insurance due the insurance policy purchased in June this year. The junior didn't know how to correct it, so he left it. This year's insurance policy was purchased on June 1st for \$12,000. The policy runs from June 1 to May 31 of each year.

Requirements

Based on the information you need to prepare depreciation schedule, the adjusting journal entries, an adjusted trial balance, the statement of earnings (income statement), statement of retained earnings and the statement of financial position (balance sheet).

Exhibit 1.1

Godox Inc.
Unadjusted Trial Balance
December 31, 2015

Accounts	Debit	Credit
Cash	\$185,000	
Accounts Receivable	\$150,000	
Allowance for Doubtful Accounts		\$3,000
Inventory	\$750,000	
Office Supplies	\$7,500	
Prepaid Insurance	\$18,000	
Computers	\$30,000	
Accumulated Amortization – Computers		\$15,000
Lift Equipment	\$90,000	
Accumulated Amortization – Lift Equipment		\$18,000
Furniture and Fixtures	\$150,000	
Accumulated Amortization – Furniture and Fixtures		\$60,000
Accounts Payable		\$18,000
Salary Payable		-
Interest Payable		
Dividend Payable		-
Long-term Loan		\$20,000
Common Shares		\$150,000
Retained Earnings		\$106,000
Equipment Sale Revenue		\$1,580,000
Rental Revenue		\$30,000
Rental Expense	\$110,000	
Advertising Expense	\$62,000	
Utility Expense	\$16,500	
Telephone Expense	\$12,000	
Interest Expense	\$0	
Salary Expense	\$350,000	
Insurance Expense	\$9,000	
Supplies Expense	\$0	
Depreciation Expense	-	
Rent Expense	\$60,000	
Bad Debt Expense	\$0	
	\$2,000,000	\$2,000,000

Exhibit 1.2 Accounts Receivable Aging Schedule

		Number of Days Past Due				
Account Numbers	Total	Not Ye Due	30-Jan	31 - 60	61 - 90	Over 90
Customer 001	\$ 30,000	\$ 8,500	\$ 4,000	\$ 5,500	\$ 7,000	\$ 5,000
Customer 002	\$ 20,000	\$ 7,500	\$ 5,500	\$ 3,500	\$ 2,000	\$ 1,500
Customer 003	\$ 18,000	\$ 3,500	\$ 4,500	\$ 3,600	\$ 3,500	\$ 2,900
Customer 004	\$ 45,000	\$ 10,000	\$ 14,300	\$ 9,000	\$ 8,000	\$ 3,700
Customer 005	\$ 37,000	\$ 15,500	\$ 7,200	\$ 5,300	\$ 7,800	\$ 1,200
Total	\$ 150,000	\$ 45,000	\$ 35,500	\$ 26,900	\$ 28,300	\$ 14,300
Estimated Percentage Uncollectible		2%	4%	6%	10%	20%
Total Estimated Uncollectible Accounts						

Grading Rubric

This Case will be marked in its entirety out of 100. The following rubric indicates the criteria students are to adhere to, and their relative weights to the assignment overall. The instructor may also generate a class case discussion, upon which a grade scaling might be deemed appropriate.

	Activity/Competencies Demonstrated	% of Final Grade
1.	Financial Reporting (100%)	
	a. Depreciation Schedule (Fixed Assets)	/10
	b. Accounts Receivable Aging Schedule	/10
	c. Adjusting Entries (Unrecorded Transaction by the Junior)	/20
	d. Adjusted trial balance	/10
	e. Income Statement	/20
	f. Retained Earnings	/10
	g. Balance Sheet	/20
	Total	/100