

Final Project A

The Fashion Rack

The Fashion Rack is a retail merchandising business that sells brand-name clothing at discount prices. The firm is owned and managed by Teresa Lojay, who started the business on April 1, 2020. This project will give you an opportunity to put your knowledge of accounting into practice as you handle the accounting work of The Fashion Rack during the month of October 2020.

INTRODUCTION

The Fashion Rack has a monthly accounting period. The firm's chart of accounts is shown below. The journals used to record transactions is the general journal. The employees are paid at the end of the month. A computerized payroll service prepares all payroll records and checks.

INSTRUCTIONS

1. Analyze the transactions for October and record each transaction in the General journal. (Use 16 as the number for the first page of the general journal.)
2. Post the transactions to the general ledger accounts.
3. Check the accuracy of the subsidiary ledgers by preparing a schedule of accounts receivable and a schedule of accounts payable as of October 31, 2020. Compare the totals with the balances of the **Accounts Receivable** account and the **Accounts Payable** account in the general ledger.
4. Check the accuracy of the general ledger by preparing a trial balance in the first two columns of a 10-column worksheet. Make sure that the total debits and the total credits are equal.
5. Complete the Adjustments section of the worksheet. Use the following data. Identify each adjustment with the appropriate letter. Round to the nearest whole dollar.
 - a. During October, the firm only had net credit sales. From experience with similar businesses, the previous accountant had estimated that 1.0 percent of the firm's net credit sales would result in uncollectible accounts. Record an adjustment for the expected loss from uncollectible accounts for the month of October.
 - b. On October 31, an inventory of the supplies showed that items costing \$3,240 were on hand. Record an adjustment for the supplies used in October.
 - c. On September 30, 2020, the firm purchased a six-month insurance policy for \$8,400. Record an adjustment for the expired insurance for October.
 - d. On October 1, the firm signed a three-month advertising contract with a local cable television station and paid the full amount in advance. Record an adjustment for the expired advertising for October.
 - e. On April 1, 2020, the firm purchased equipment for \$83,000. The equipment was estimated to have a useful life of five years and a salvage value of \$12,500. Record an adjustment for depreciation on the equipment for October.
 - f.–g Based on a physical count, ending merchandise inventory was determined to be \$81,260.
6. Complete the Adjusted Trial Balance section of the worksheet.
7. Determine the net income or net loss for October and complete the worksheet.
8. Prepare a classified income statement for the month ended October 31, 2020. (The firm does not divide its operating expenses into selling and administrative expenses.)
9. Prepare a statement of owner's equity for the month ended October 31, 2020.
10. Prepare a classified balance sheet as of October 31, 2020.
11. Journalize and post the adjusting entries using general journal page 20.
12. Prepare and post the closing entries using general journal page 21.
13. Prepare a post-closing trial balance.

**The Fashion Rack
Chart of Accounts**

Assets

101	Cash
111	Accounts Receivable
112	Allowance for Doubtful Accounts
121	Merchandise Inventory
131	Supplies
133	Prepaid Insurance
135	Prepaid Advertising
141	Equipment
142	Accumulated Depreciation — Equipment

Owner's Equity

301	Teresa Lojay, Capital
302	Teresa Lojay, Drawing
399	Income Summary

Revenues

401	Sales
402	Sales Returns and Allowances

Cost of Goods Sold

501	Purchases
502	Freight In
503	Purchases Returns and Allowances
504	Purchases Discounts

Liabilities

203	Accounts Payable
221	Social Security Tax Payable
222	Medicare Tax Payable
223	Employee Income Tax Payable
225	Federal Unemployment Tax Payable
227	State Unemployment Tax Payable
229	Salaries Payable
231	Sales Tax Payable

Expenses

611	Advertising Expense
614	Depreciation Expense — Equipment
617	Insurance Expense
620	Uncollectible Accounts Expense
623	Janitorial Services Expense
626	Payroll Taxes Expense
629	Rent Expense
632	Salaries Expense
635	Supplies Expense
638	Telephone Expense
644	Utilities Expense

Final Project A			
	Transactions for 2020		
Date			
Oct 1	Issued Ck 601 to pay City Properties for monthly rent		\$ 5,100.00
1	Signed a three-month radio advertising contract with Cable Station KOTU, issued Ck 602 to pay the full amount in advance.		\$ 5,600.00
2	Received payment from Magen Greenly, a credit customer, in payment of her account.		\$ 415.00
2	issued Ck 603 to remit the sales tax owed for July through September to the State Tax Commission.		\$ 17,894.00
2	Issued Ck 604 to A Fashion Statement , a creditor, in payment of invoice 9387, less a cash discount.	Invoice Amount	\$ 9,167.00
		Cash Discount	\$ 183.34
3	Sold Merchandise on credit to Dimitri Sayegh plus tax, sales slip 241.	Sales Slip	\$ 1,747.00
		Tax	\$ 103.00
4	Issued Ck 605 to BMX Supply co. for supplies.		\$ 1,440.00
4	Issued Ck 606 to Today's Woman, a creditor, in payment of invoice 5671, less a cash discount.	Invoice Amount	\$ 7,440.00
		Cash Discount	\$ 148.80
5	Collected on account from Emily Tran, a credit customer.		\$ 1,584.00
5	Accepted a return of merchandise from Dimitri Sayegh. The merchandise was originally sold on sales slip 241, dated October 3; issued credit memo which included tax.	Credit Memo	\$ 651.00
		Tax	\$ 42.00
5	Issued Ck 607 to Classy Threads, a creditor, in payment of invoice 3292, less a cash discount.	Invoice Amount	\$ 1,349.00
		Cash Discount	\$ 26.98
6	Had cash sales plus tax during October 1-6.	Sales	\$ 18,645.00
		Tax	\$ 945.00
8	Received a check from James Helmer, a credit customer, to pay the balance he owes.		\$ 712.00
8	Issued Ck 608 to deposit Social Security, Medicare and employee income tax from the September payroll.	Social Security	\$ 530.00
		Medicare	\$ 261.00
		Employee Income Tax	\$ 987.00
9	Sold Merchandise on credit to Emma Maldonado plus tax, sales slip 242.	Sales Slip	\$ 2,330.00
		Tax	\$ 170.00
10	Issued Ck 609 to pay The City Daily for a newspaper advertisement that appeared in October		\$ 1,704.00
11	Purchased merchandise from A Fashion Statement, Invoice 9422, dated October 8; terms are 2/10, n/30.		\$ 4,317.00
12	Issued Ck 610 to pay freight charges to Ace Freight Company, the trucking company that delivered merchandise from A Fashion Statement on September 27 and October 11.		\$ 536.00
13	Had cash sales plus tax during October 8-13.	Sales	\$ 11,914.00
		Tax	\$ 689.00
15	Sold Merchandise on credit to James Helmer plus tax, sales slip 243.	Sales Slip	\$ 1,675.00
		Tax	\$ 71.00
16	Purchased discontinued merchandise from Acme Jobbers; paid for it immediately with Ck 611.		\$ 6,602.00
16	Received payment on account from Dimitri Sayegh, a credit customer.		\$ 562.00
16	Issued Ck 612 to A Fashion Statement, a creditor, in payment of invoice 9422, less a cash discount.	Invoice Amount	\$ 4,317.00
		Cash Discount	\$ 86.34
18	Issued Ck 613 to Teresa Lajay as a withdrawal for personal use.		\$ 7,328.00

20	Had cash sales plus tax during October 15-20.	Sales	\$ 12,982.00
		Tax	\$ 614.00
22	Issued Ck 614 to City Utilities to pay monthly electric bill.		\$ 1,307.00
24	Sold Merchandise on credit to Magen Greening plus tax, sales slip 244.	Sales Slip	\$ 792.00
		Tax	\$ 41.00
25	Purchased merchandise from Classy Threads, Invoice 3418, dated October 23; terms are 2/10, n/30.		\$ 3,972.00
26	Issued Ck 615 to Regional Telephone to pay monthly telephone bill.		\$ 825.00
27	Had cash sales plus tax during October 22-27.	Sales	\$ 14,710.00
		Tax	\$ 705.00
29	Received Credit Memo 175 from Classy Threads for defective good that were returned. The original purchase was recorded on October 25.		\$ 455.00
29	Sold Merchandise on credit to Emily Tran plus tax, sales slip 245.	Sales Slip	\$ 4,922.00
		Tax	\$ 177.00
29	Recorded the October payroll. The records prepared by the payroll service are as follows:	Earnings	\$ 10,200.00
		Social Security	\$ 654.00
		Medicare	\$ 136.00
		Employee Income Tax	\$ 1,108.00
		Net Pay	\$ 8,302.00
29	Recorded the employer's payroll taxes, which are calculated by the payroll service are as follows:	Social Security	\$ 654.00
		Medicare	\$ 136.00
		FUTA	\$ 130.00
		SUTA	\$ 642.00
30	Purchased merchandise from Today's Woman, Invoice 5821, dated October 26; terms are 1/10, n/30.		\$ 3,254.00
31	Issued Cks 616 through 619 to employees to pay October payroll. For the sake of simplicity, enter the total of the checks on a single line in the general journal.		\$ 8,302.00
31	Issued Ck 620 to Handy Janitors for October Janitorial services.		\$ 491.00
31	Had cash sales plus tax during October 29-31.	Sales	\$ 1,057.00
		Tax	\$ 83.00