

BOA 1111 Bookkeeping
 Course Project
 Chapters 5-7 Accounting Cycle – Merchandising Company

Express Fashion has the following chart of accounts:

Assets

101 Cash
 111 Accounts Receivable (A/R)
 121 Merchandise Inventory
 131 Supplies
 133 Prepaid Insurance
 135 Prepaid Advertising
 141 Equipment
 142 Accumulated Depreciation-Equip

Liabilities

201 Accounts Payable (A/P)
 229 Salaries Payable
 231 Sales Tax Payable

Owner's Equity

311 T. Lashay, Capital
 312 T. Lashay, Drawing
 399 Income Summary

Revenue

401 Sales
 402 Sales Returns and Allowances

Cost of Goods Sold

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

Expenses

611 Advertising Expense
 614 Depreciation Expense-Equip
 617 Insurance Expense
 623 Janitorial Services Expense
 629 Rent Expense
 632 Salaries Expense
 635 Supplies Expense
 638 Telephone Expense
 644 Utilities Expense

The following transactions were completed by *Express Fashion* during the month of October:

- Oct**
- 1 Issued Check 601 for \$4,200 to pay Capital City Properties the monthly rent.
 - 1 Signed a three-month radio advertising contract with cable station, The CW, for \$4,800; issued Check 602 to pay the full amount in advance.
 - 2 Received \$520 from Marshall Green, a credit customer, in payment on his account.
 - 2 Issued Check 603 for \$17,820 to remit the sales tax owed for July through September to the State Tax Commission.
 - 2 Issued Check 604 for \$7,673.40 to Design Splendor, a creditor, in payment of Invoice 9387 (\$7,830), less a cash discount of \$156.60.
 - 3 Sold merchandise on account for \$2,480 plus sales tax of \$124 to Ian Phelps, Invoice #241.

- 4 Issued Check 605 for \$1,050 to Cinco Supply Co. for supplies.
- 4 Issued Check 606 for \$8,594.60 to Modern Style, a creditor, in payment of Invoice 5671 (\$8,770), less a cash discount of \$175.40.
- 5 Collected \$1,700 on account from Will Stefan, a credit customer.
- 5 Issued Check 607 for salaries accrued on September 30, \$4,084.
- 5 Accepted a return of merchandise from Ian Phelps. The merchandise was originally sold on Invoice 241, dated October 3; issued credit memo 18 for \$630, which includes sales tax of \$30.
- 5 Issued Check 608 for \$1,666 to Fashion Threads, a creditor, in payment of Invoice 3292 (\$1,700), less a cash discount of \$34.
- 6 Had cash sales of \$18,600 plus sales tax of \$930 during October 1 – 6.
- 8 Received a check from James Highley, a credit customer, for \$832 to pay the balance he owes.
- 9 Sold merchandise on account for \$2,050 plus sales tax of \$102.50 to Erin Brunston, Invoice #242.
- 10 Issued Check 609 for \$1,445 to pay *Central City Journal* for a newspaper advertisement that appeared in October.
- 11 Purchased merchandise on account for \$4,820 from A Fashion Star, Invoice 942, dated October 8; terms are 2/10, n/30.
- 12 Issued Check 610 for \$375 to pay freight charges to Able Freight Company, the trucking company that delivered the merchandise from A Fashion Star on September 27 and October 11.
- 13 Had cash sales of \$12,300 plus sales tax of \$615 during October 8 – 13.
- 15 Sold merchandise on account for \$1,940 plus sales tax of \$97 to James Highley, Invoice #243.
- 16 Purchased discontinued merchandise from Discount Fashion; paid for it immediately with Check 611 for \$6,420.
- 16 Received \$510 on account from Ian Phelps, a credit customer.
- 16 Issued Check 612 for \$4,723.60 to A Fashion Star, a creditor, in payment of Invoice 9422 (\$4,820), less a cash discount of \$96.40.
- 18 Issued Check 613 for \$7,200 Terrence Lashay as a withdrawal for personal use.
- 20 Had cash sales of \$13,500 plus sales tax of \$675 during October 15 – 20.

- 22 Issued Check 614 to Capital City Utilities for \$1,112 to pay the monthly electric bill.
- 24 Sold merchandise on account for \$820 plus sales tax of \$41 to Marshall Green, Invoice #244.
- 25 Purchased merchandise on account for \$3,380 from Fashion Threads, Invoice 3418, dated October 23; terms are 2/10, n/30.
- 26 Issued Check 615 to Midwestern Telephone for \$780 to pay the monthly telephone bill.
- 27 Had cash sales of \$14,240 plus sales tax of \$712 during October 22 – 27.
- 29 Received credit memo #175 for \$430 from Fashion Threads, for defective goods that were returned. The original purchase was recorded on October 25.
- 29 Sold merchandise on account for \$3,120 plus sales tax of \$156 to Will Stefan, Invoice #245.
- 30 Purchased merchandise for \$4,020 from Modern Style, Invoice 5821, dated October 26; terms 1/10, n/30.
- 31 Issued Check 616 for \$475 to City Janitors for October janitorial services.
- 31 Had cash sales of \$1,700 plus sales tax of \$85 for October 29 – 31.

Instructions

1. Record each transaction in the appropriate journal.
2. Post the column totals and the individual components of the "Other Accounts" column in the Sales Journal, Purchases Journal, Cash Receipts Journal, and Cash Payments Journal to the general ledger and subsidiary ledgers, if applicable.
3. Post the individual entries from the general journal to the general ledger and the subsidiary ledgers.
4. Prepare a schedule of accounts receivable and a schedule of accounts payable as of October 31, 2016.
5. Copy the ending account balances in the general ledger to the trial balance column of the work sheet.
6. Complete the Adjustments section of the work sheet using the following information:
 - a. On October 31, an inventory of the supplies showed that items costing \$3,240 were on hand. Record an adjustments for the supplies used in October.

- b. On September 30, 2016, the company purchased a six-month insurance policy for \$8,400. Record an adjustment for the expired insurance in October.
 - c. On October 1, the company signed a three-month advertising contract for \$4,800 with a local TV station and paid the full amount in advance. Record an adjustment for the expired advertising in October.
 - d. On April 1, 2016, the company 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 using the straight-line (SL) method.
 - e. Based on a physical count, ending merchandise inventory was determined to be \$81,260.
- 7. Complete the remaining columns of the work sheet and determine the amount for net income (or net loss).
 - 8. Prepare a classified income statement, statement of owner's equity, and a classified balance sheet for October 31, 2016.
 - 9. Journalize and post the adjusting and closing entries.
 - 10. Prepare a post-closing trial balance as of October 31, 2016.