

Balance Sheet

Assets

- Prepaid Insurance, Prepaid Expense, Prepaid Rent
- Subtract Accumulated Depreciation from Asset

Liabilities

- Unearned Revenue

Owner's Equity

- Retained Earnings

Income Statement

- Revenue-Expense
→ Depreciation in Expense

Statement of Retained Earnings

- Add Net Income
- Subtract Dividends

Deferrals

1. Prepaid Expense (paid/no benefit)
 - Initial: Prepaid Expense/Cash
 - Adjusting: Expense/Prepaid Expense
2. Unearned Revenue (received cash/haven't provided services)
 - Initial: Cash/Unearned Revenue
 - Adjusting: Unearned Revenue/Service Revenue

Accruals

1. Accrued Revenue (before money)
 - Adjusting: Receivable/Revenue
2. Accrued Expense (costs paid & unrecorded/ salaries/interest)
 - Adjusting: Expense/Accounts Payable

1. On November 15th, the company was paid \$6,000 for a remodeling project that was expected to take 4 months to complete. By December 31st, 1/3 of the work had been completed.

Entry: Unearned project Revenue/ Project Revenue

2. The company accepted a \$10,000, 9 month Note Receivable on September 1st for the purchase of merchandise. Interest at the rate of 7% has accrued through December 31st

Entry: Interest Receivable/ Interest Revenue

3. The company rents space to a tenant at \$2,400/month. The tenant did not make the December rent payment. So the company entered into an agreement with the tenant, who has promised to pay both December and January rent (\$2,400/per month) in full on January 15th. The tenant has agreed not to fall behind again.

Entry: Rent Receivable/ Rent Revenue (2400)

4. The company has 4 employees, who earn a total of \$800 for each workday. They are paid each Monday for their work in the 5 day work week ending the previous Friday. Assume that October 31, 2013 is a Monday and all 4 employees worked the first day of that week. They will be paid salaries for 5 full days on Monday, November 7, 2013

Entry: Salary Expense/Salary payable (800)

5. On September 15, 2013, Nomo Company agreed to provide consulting services (beginning immediately) to a client for \$3,000 per month, payable on December 15, 2013.

Entry: A/R/ Consulting Services (4500)

6. The company paid \$5,200 cash for the premium on an 18 month insurance policy. (regular entry)

Entry: Prepaid Insurance/Cash

Bank Reconciliation

Bank	Book
Deposits in Transit (+)	Collections made by bank (+)
Outstanding Checks (-)	Interest Earned (+)

Bank Error (+/-)	NSF (-) Bank service charge (-)
	Book errors (+/-) Credit Memo (+)

*If a check is drawn for a GREATER amount on the Bank side then is drawn for the book side → SUBTRACT

How to estimate Uncollectibles

- Percent of Sales (Income Sheet)
- Aging of Receivables (Balance Sheet)
 - Add up the percent uncollectible
 - *If there is a credit balance → SUBTRACT
 - *If there is a debit balance → ADD
 - Entry: Bad Debt Expense/Allowance for Doubtful Accounts

Prepare Adjusting Entry to record Doubtful Account Expense

- Entry: Bad Debt Expense/ Allowance for Doubtful Accounts

LIFO/FIFO/Average Cost

- **Lifo/Fifo Gross Profit: Sales- Cost of Goods Sold**
 - Sales= Units sold @ retail
 - CGS= (add up CGS column)
- **Average Cost Gross Profit**
 1. Cost of Goods Available for Sale= Multiply and add all units acquired at cost
 2. Units Available for Sale= Add just units available for sale under units acquired
 3. Average Cost/Unit= Divide Cost of Goods available for sale/Units= Average Cost Per Unit
 4. CGS= Multiply Units sold @ retail by Average Cost/Unit
 5. Ending Inventory= Multiply units left (UAS) by Average Cost/Unit

Issuance of Notes

- Notes Receivable
 1. Accepted Note: NR/AR
 2. Recorded Accrued interest: Interest Receivable/Interest Revenue
 3. Collected maturity value: Cash (Debit)/NR/Interest Receivable/ Interest Revenue (Credit)
 - Interest Receivable: from the second transaction
 - Interest Revenue: calculate
- Notes Payable
 1. Accounts Payable (Debit)/NP/Cash (sometimes)
 2. Interest Expense/Interest Payable
 3. Notes Payable/Interest Payable/Interest Expense (Debit)/Cash
 - Interest Payable: from second transaction
 - Interest Expense: calculate

Depreciation

- Units of Production
 - Cost-Salvage Value
 - Total Production Units
 - Units*\$ per Unit= Depreciation per Unit
- Double Declining
 1. First, do 1/(# of years)x100
 - To get percentage
 2. Multiply % by 2
 3. Take beginning year cost & multiply by %
 4. Whatever # you get (subtract) from beginning year cost
 5. Follow same process with new total for specified years given

Statement of Cash Flows

Increase	Decrease
Depreciation/Amortization Expense	Gain on Sale of Equipment
Loss on Sale of Equipment	Increase in accounts receivable
Increase in accounts payable	

Increase in income taxes payable	
Decrease in prepaid expense	
Decrease in merchandise inventory	

***IGNORE** Decrease in long-term notes payable, decrease in equipment

Stock Splits

Example: A corporation had 30,000 shares of \$1 par value, common stock issued and outstanding. On July 25th, the corporation declared a 2-for-1 stock split

1. What was total par value of the common stock before stock split?
\$30000*1=\$30000
2. How many shares are outstanding after stock split? \$30000*2=\$60000
3. What is the par value per share of the common stock after the stock split? \$1/2=.5 par value/share
4. What is the total par value of the common stock after the stock split?
\$60000*.5=\$30000
5. What happens to total stockholders' equity after the stock split? It stays the same

Cost of Goods Sold Problem

- **Sold merchandise under credit terms**

-Entry: Accounts Receivable/Sales Revenue

- **Record cost of merchandise**

-Entry: Cost of Goods Sold/Inventory

- **How to record Sales Discount**

- Collected cash and provided discount

- Entry: Cash & Sales Discount (Debit)/ AR (Credit)

- **If they return Merchandise**

- Entry: Sales Returns & Allowances/ AR

-Entry: Inventory/Cost of Goods Sold

- **If they paid, but do not receive discount**

-Entry: Cash/AR

*Example: Trax requested a discount on the August 19th sale because the merchandise did not meet its specifications. Stone sent Trax a \$600 credit memorandum to resolve the issue.

-Entry: Sales Discount/AR (600)

→ When they pay for the previous sale make sure to deduct \$600 from the total amount paid initially (3600-600)

Preferred & Cumulative Stock

Example: Supreme Foods Corporation has 2,000 shares of 6%, \$50 par value, cumulative preferred stock and 150,000 shares of \$1 par value common stock outstanding at December 31, 2012 and December 31, 2011. In 2011, a \$5,000 dividend was declared and paid. In 2012, \$32,000 of dividends are declared and paid. What are the dividends received by both classes of stockholders in 2011 and 2012?

- Cumulative Preferred (2000x6%x50)= \$6000 in dividends/year
- In 2011, Preferred gets ALL \$5000
- In 2012, Preferred pays 100 (from 2011) AND \$6000
→ TOTAL: \$7000
- Common Stock: \$32000-7000=\$25000

Common Stock & Treasury Stock

Example 1:

1. Issued 30,000 shares of \$1 par value common stock @ \$20 per share
- Entry: Cash (30,000x20)/ Common Stock (30,000x1) & Additional Paid in Capital (30,000x(20-1))
2. Reacquired 5,000 shares of common stock sold on Jan. 1 for \$22 per share
Purchased 1500 of its own shares (Another way to journalize Treasury Stock)
- Entry: Treasury Stock/ Cash (5,000x22)
3. Sold 500 shares of its treasury stock purchased on May 24 for \$25 per share

- Entry: Cash (500x25)/Treasury Stock (500x22) *only paid 22 → so 3 needs PIC & Additional Paid in Capital (500x3)

4. The board of directors declared and distributed a 10% common stock dividend. The selling price of the common stock was \$26 per share at the time of declaration.

*Cash not affected

- Entry: Retained Earnings (25,500x.1x26)/ Common Stock (25,500x.1x1) & Additional Paid in Capital (25,500x25x.1)

5. The board of directors declared a cash dividend of \$0.50 per share payable to stockholders on December 8

- Entry: Retained Earnings/Dividends payable

Example 2:

Stockholders' Equity

Preferred stock, \$5.00/par, 8%, 65,000 shares issued and outstanding: \$325,000

Common stock, \$.40/par, 7,250,000 shares issued and outstanding: \$2,900,000

Compute the total amounts of dividends to both preferred and common stockholders for 2012 and 2013 if total dividends are \$120,000 in 2012 and \$180,000 in 2013. Maxim has not paid any dividends since 2009.

Answer:

Preferred: \$5.00/par x 8% x 65,000 = \$26,000 for 2012 and 2013

Common: \$94,000 for 2012 and \$154,000 for 2013