

22-M MASTERY PROBLEM (LO1, 2, 3, 4, 5, 6, 7), p. 711

Journalizing adjustments, preparing financial statements, and journalizing end-of-fiscal-period entries for a corporation

Ramel Corporation

Unadjusted Trial Balance

December 31, 20--

ACCOUNT TITLE	DEBIT			CREDIT		
Cash	55	03	650			
Petty Cash		2	5000			
Accounts Receivable	251	69	650			
Allowance for Uncollectible Accounts		3	2000			
Notes Receivable	8	00	000			
Interest Receivable						
Merchandise Inventory	576	63	616			
Supplies	12	96	256			
Prepaid Insurance	28	00	000			
Office Equipment	58	29	644			
Accumulated Depreciation—Office Equipment				17	42	000
Store Equipment	54	31	600			
Accumulated Depreciation—Store Equipment				36	32	000
Accounts Payable				89	56	658
Sales Tax Payable				5	03	732
Notes Payable				50	00	000
Interest Payable						
Unearned Rent Income				9	00	000
Employee Income Tax Payable				4	91	760
Social Security Tax Payable				4	24	262
Medicare Tax Payable				1	02	538
Medical Insurance Payable				1	34	400
Unemployment Tax Payable—State				5	85	600
Unemployment Tax Payable—Federal					9	120
Federal Income Tax Payable						
Dividends Payable				16	00	000
Bonds Payable				15	00	000
Capital Stock—Common				80	00	000
Paid-in Capital in Excess of Par—Common				180	00	000
Capital Stock—Preferred				40	00	000

(Note: Unadjusted trial balance is continued on next page.)

22-M MASTERY PROBLEM (continued)

Ramel Corporation
 Unadjusted Trial Balance (Concluded)
 December 31, 20—

ACCOUNT TITLE	DEBIT				CREDIT			
Paid-in Capital in Excess of Par—Preferred								
Retained Earnings					298	36	600	
Dividends	64	00	00	00				
Income Summary								
Sales					4503	78	634	
Sales Discount	11	78	87	2				
Sales Returns and Allowances	30	97	47	8				
Purchases	2996	36	61	6				
Purchases Discount					26	23	60	4
Purchases Returns and Allowances					12	36	83	2
Advertising Expense	32	97	38	0				
Cash Short and Over			3	37				
Credit Card Fee Expense	16	97	86	6				
Depreciation Expense—Office Equipment								
Depreciation Expense—Store Equipment								
Insurance Expense								
Miscellaneous Expense	84	37	26	0				
Payroll Taxes Expense	64	36	80	4				
Rent Expense	90	00	00	0				
Repairs Expense	12	30	99	8				
Salary Expense	843	09	67	2				
Supplies Expense								
Uncollectible Account Expense								
Utilities Expense	40	89	12	2				
Federal Income Tax Expense	50	00	00	0				
Interest Income						12	96	0
Rent Income								
Gain on Plant Assets						30	96	0
Interest Expense	72	00	00	0				
Loss on Plant Assets	48	30	40	0				
Totals	5395	699	00	5395	699	00	00	00

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DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT				
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22-M MASTERY PROBLEM (continued)

2., 4.

Allowance for Uncollectible Accounts	
Bal.	320.00
	Bal. 11,020.00

Income Summary	

Interest Receivable	

Depreciation Expense—Office Equipment	

Merchandise Inventory	
Bal.	576,636.16
Bal.	581,489.16

Depreciation Expense—Store Equipment	

Supplies	
Bal.	12,962.56
Bal.	620.01

Insurance Expense	

Prepaid Insurance	
Bal.	28,000.00
Bal.	4,000.00

Supplies Expense	

22-M MASTERY PROBLEM (continued)

Accumulated Depreciation—Office Equipment

	Bal.	17,420.00
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	Bal.	28,380.00

Accumulated Depreciation—Store Equipment

	Bal.	36,320.00
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	Bal.	46,440.00

Interest Payable

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Unearned Rent Income

	Bal.	9,000.00
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	Bal.	3,000.00

Federal Income Tax Payable

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Uncollectible Accounts Expense

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Federal Income Tax Expense

Bal.	50,000.00	
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Bal.	81,617.09	

Interest Income

	Bal.	1,296.00
<hr/>		
	Bal.	1,456.00

Rent Income

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Interest Expense

Bal.	7,200.00	
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Bal.	7,825.00	

22-M MASTERY PROBLEM (continued)

5.

Adjusted Trial Balance

ACCOUNT TITLE	DEBIT				CREDIT			
Cash	55	03	65	00				
Petty Cash	2	50	00	00				
Accounts Receivable	251	69	65	00				
Allowance for Uncollectible Accounts								
Notes Receivable	8	00	00	00				
Interest Receivable								
Merchandise Inventory								
Supplies								
Prepaid Insurance								
Office Equipment	58	29	64	44				
Accumulated Depreciation—Office Equipment								
Store Equipment	54	31	60	00				
Accumulated Depreciation—Store Equipment								
Accounts Payable					89	56	65	88
Sales Tax Payable					5	03	73	32
Notes Payable					50	00	00	00
Interest Payable								
Unearned Rent Income								
Employee Income Tax Payable					4	91	76	60
Social Security Tax Payable					4	24	26	62
Medicare Tax Payable					1	02	53	88
Medical Insurance Payable					1	34	40	00
Unemployment Tax Payable—State					5	85	56	00
Unemployment Tax Payable—Federal					9	12	00	00
Federal Income Tax Payable								
Dividends Payable					16	00	00	00
Bonds Payable					15	00	00	00
Capital Stock—Common					80	00	00	00
Paid-in Capital in Excess of Par—Common					180	00	00	00
Capital Stock—Preferred					40	00	00	00

(Note: Adjusted trial balance is continued on next page.)

22-M MASTERY PROBLEM (continued)

Adjusted Trial Balance (Concluded)

ACCOUNT TITLE	DEBIT				CREDIT			
Paid-in Capital in Excess of Par—Preferred								
Retained Earnings					298	3	6	00
Dividends	64	0	0	00				
Income Summary								
Sales					4503	7	8	34
Sales Discount	11	7	8	72				
Sales Returns and Allowances	30	9	7	478				
Purchases	2996	3	6	616				
Purchases Discount					26	2	3	04
Purchases Returns and Allowances					12	3	6	832
Advertising Expense	32	9	7	380				
Cash Short and Over			3	376				
Credit Card Fee Expense	16	9	7	866				
Depreciation Expense—Office Equipment								
Depreciation Expense—Store Equipment								
Insurance Expense								
Miscellaneous Expense	84	3	7	260				
Payroll Taxes Expense	64	3	6	804				
Rent Expense	90	0	0	000				
Repairs Expense	12	3	0	998				
Salary Expense	843	0	9	672				
Supplies Expense								
Uncollectible Accounts Expense								
Utilities Expense	40	8	9	122				
Federal Income Tax Expense								
Interest Income								
Rent Income								
Gain on Plant Assets					30	9	6	00
Interest Expense								
Loss on Plant Assets	4	8	3	040				

22-M MASTERY PROBLEM (continued)

6.

Income Statement

														% OF SALES			
Operating Revenue:																	
Sales																	
Less: Sales Discount																	
Sales Returns and Allowances																	
Net Sales																	
Cost of Merchandise Sold:																	
Merchandise Inventory, Jan. 1, 20-																	
Purchases																	
Less: Purchases Discount																	
Purchases Returns and Allowances																	
Net Purchases																	
Total Cost of Merchandise Available for Sale																	
Less Merchandise Inventory, Dec. 31, 20-																	
Cost of Merchandise Sold																	
Gross Profit																	
Operating Expenses:																	
Advertising Expense																	
Cash Short and Over																	
Credit Card Fee Expense																	
Depreciation Expense—Office Equipment																	
Depreciation Expense—Store Equipment																	
Insurance Expense																	
Miscellaneous Expense																	
Payroll Taxes Expense																	
Rent Expense																	
Repairs Expense																	
Salary Expense																	
Supplies Expense																	
Uncollectible Accounts Expense																	
Utilities Expense																	
Total Operating Expenses																	
Income from Operations																	
Other Revenue:																	
Interest Income																	
Rent Income																	
Gain on Plant Assets																	
Total Other Income																	
Other Expenses:																	
Interest Expense																	
Loss on Plant Assets																	
Total Other Expenses																	
Net Deduction																	
Net Income before Federal Income Tax																	
Less Federal Income Tax Expense																	
Net Income after Federal Income Tax																	

22-M MASTERY PROBLEM (continued)

7.

	Acceptable %	Actual %	Positive Result		Recommended Action if Needed
			Yes	No	
Cost of merchandise sold	Not more than 65.00%				
Gross profit on operations	Not less than 35.00%				
Total operating expenses	Not more than 30.00%				
Income from operations	Not less than 5.00%				
Net deduction from other revenue and expenses	Not more than 0.10%				
Net income before federal income tax	Not less than 4.90%				

22-M MASTERY PROBLEM (continued)

9.

Balance Sheet

Assets												
Current Assets:												
Cash												
Petty Cash												
Accounts Receivable												
Less Allowance for Uncollectible Accounts												
Notes Receivable												
Interest Receivable												
Merchandise Inventory												
Supplies												
Prepaid Insurance												
Total Current Assets												
Plant Assets:												
Office Equipment												
Less Accumulated Depreciation—Office Equipment												
Store Equipment												
Less Accumulated Depreciation—Store Equipment												
Total Plant Assets												
Total Assets												
Liabilities												
Current Liabilities:												
Accounts Payable												
Sales Tax Payable												
Notes Payable												
Interest Payable												
Unearned Rent Income												
Employee Income Tax Payable												
Social Security Tax Payable												
Medicare Tax Payable												
Medical Insurance Payable												
Unemployment Tax Payable—State												
Unemployment Tax Payable—Federal												
Federal Income Tax Payable												
Dividends Payable												
Total Current Liabilities												
Long-term Liabilities:												
Bonds Payable												
Total Long-term Liabilities												
Total Liabilities												
Stockholders' Equity												
Capital Stock—Common												
Paid-in Capital in Excess of Par—Common												
Capital Stock—Preferred												
Retained Earnings												
Total Stockholders' Equity												
Total Liabilities and Stockholders' Equity												

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