

Comprehensive Problem 2

Lyre Company is a merchandising business. During August 2006, the last month of the fiscal year, the following transactions were completed.

- Aug. 1. Paid rent for August, \$1,600.
3. Purchased merchandise on account from Biathlon Co., terms 2/10, n/30, FOB shipping point, \$15,000.
4. Paid transportation charges on purchase of August 3, \$400.
6. Sold merchandise on account to Hillcrest Co., terms 2/10, n/30, FOB shipping point, \$8,500. The cost of the merchandise sold was \$5,000.
7. Received \$7,500 cash from Aberg Co. on account, no discount.
10. Sold merchandise for cash, \$18,300. The cost of the merchandise sold was \$11,000.
13. Paid for merchandise purchased on August 3, less discount.
14. Received merchandise returned on sale of August 6, \$1,500. The cost of the merchandise returned was \$900.
15. Paid advertising expense for last half of August, \$1,500.
16. Received cash from sale of August 6, less return of August 14 and discount.
19. Purchased merchandise for cash, \$8,100.
19. Paid \$6,100 to Ramler Co. on account, no discount.
20. Sold merchandise on account to Petroski Co., terms 1/10, n/30, FOB shipping point, \$16,000. The cost of the merchandise sold was \$9,600.
21. For the convenience of the customer, paid shipping charges on sale of August 20, \$600.
21. Received \$11,750 cash from Phillips Co. on account, no discount.
21. Purchased merchandise on account from Walden Co., terms 1/10, n/30, FOB destination, \$15,000.
24. Returned \$3,500 of damaged merchandise purchased on August 21, receiving credit from the seller.
26. Refunded cash on sales made for cash, \$720. The cost of the merchandise returned was \$ 380.
28. Paid sales salaries of \$1,750 and office salaries of \$950.
29. Purchased store supplies for cash, \$550.
30. Sold merchandise on account to Whitetail Co., terms 2/10, n/30, FOB shipping point, \$18,750. The cost of the merchandise sold was \$11,250.
30. Received cash from sale of August 20, less discount, plus transportation paid on August 21.
31. Paid for purchase of August 21, less return of August 24 and discount.

Instructions: You have two options for completing this extra-credit problem. The instructions for each option is presented below.

A. General Ledger Software System.

1. The beginning balances for this problem have been pre-loaded in the General Ledger system.
2. Journalize the transactions, for the month of August, in the General Journal.
3. After posting the transactions for the month, print an unadjusted trial balance, which is to be used in making some of the adjusting entries. Data for the adjusting entries are as follows:

a. Merchandise inventory on August 31.....	\$124,115
b. Insurance expired during the year	1,250
c. Store supplies on hand on August 31.....	975
d. Depreciation for the current year.....	7,400
e. Accrued salaries on August 31:	
Sales salaries.....	\$350
Office salaries.....	<u>180</u> 530
4. Post the adjusting entries to the General Journal.
5. As you work the problem, the specific instructions will be found by clicking on the “Browser” toolbar button.
6. Save your completed problem on a CD or flash drive to turn it in for grading.

B. Manual Completion.

1. If you complete the problem manually, first establish a set of General Ledger accounts (either “T” accounts or the formal balance format) for the following accounts and enter any beginning balances provided.

<u>Acct Nr.</u>	<u>Title</u>	<u>Beginning Balances</u>	
		<u>Debit</u>	<u>Credit</u>
110	Cash	\$ 14,160	
112	Accounts Receivable	34,220	
113	Interest Receivable	0	
115	Merchandise Inventory	133,900	
116	Prepaid Insurance	3,750	
117	Store Supplies	2,550	
123	Store Equipment	104,300	
124	Accumulated Deprec. - Equip.		\$ 12,600
210	Accounts Payable		21,450
211	Salaries Payable		0
310	Kevin Wilcox, Capital		103,280
311	Kevin Wilcox, Drawing	10,000	
312	Income Summary	0	

<u>Acct Nr.</u>	<u>Title</u>	<u>Beginning Balances</u>	
		<u>Debit</u>	<u>Credit</u>
410	Sales		\$ 715,800
411	Sales Ret. & Allow.	\$ 20,600	
412	Sales Discounts	13,200	
510	Cost of Merchandise Sold	360,500	
520	Sales Salaries Expense	74,400	
521	Advertising Expense	18,000	
522	Depreciation Expense	0	
523	Store Supplies Expense	0	
529	Misc. Selling Expense	2,800	
530	Office Salaries Expense	40,500	
531	Rent Expense	18,600	
532	Insurance Expense	0	
539	Misc. Admin. Expense	1,650	
		<u>\$853,130</u>	<u>\$853,130</u>

2. Journalize the transactions, for the month of August, in the General Journal.
3. Post all the month's journal entries (August 1-31) from the general journal to the general ledger accounts.
4. After posting the transactions for the month, produce an unadjusted trial balance, which is to be used in making some of the adjusting entries. Data for the adjusting entries are as follows:

a. Merchandise inventory on August 31.....	\$124,115	
b. Insurance expired during the year	1,250	
c. Store supplies on hand on August 31.....	975	
d. Depreciation for the current year.....	7,400	
e. Accrued salaries on August 31:		
Sales salaries.....	\$350	
Office salaries.....	<u>180</u>	530
5. Prepare the adjusting entries and record them in the General Journal.
6. Post the adjusting entries from the General Journal to the General Ledger accounts.
7. Produce an Adjusted Trial Balance from the General Ledger updated accounts.
8. Turn in your completed General Journal (including the month's transactions and adjusting entries) and your Adjusted Trial Balance.