

MODULE 3 - CHAPTER 7 - PRACTICE SET

JOURNAL ENTRIES AND FINANCIAL STATEMENTS

Will Snyder decides to start a new business, Snyder Consulting, a firm specializing in placing out of work coaches with jobs, giving coaching seminars and public speaking engagements. During the month of April 20XX he completed the following transactions:

- April 1 Began his business with equipment valued at \$4,200 and placed \$8,000 in a business checking account. Also received a new credit card for the business.
- April 1 Purchased a car, costing \$20,000 by paying \$4,000 cash and signed a note for the balance with Wildcat auto dealership.
- April 1 Purchased a new computer for \$900 and supplies for \$200, all on open account, payment terms 1/10, n/30.
- April 2 Purchased gasoline for the car, \$55. Put the purchase on the credit card.
- April 3 Snyder's first customer Butch Daris prepays Snyder to do a job search for him. Butch gives Snyder \$3,000 cash.
- April 5 Snyder receives a \$500 honorarium for a speaking engagement.
- April 7 Snyder hires a former player of his, Jordy Wilson as an assistant to work with him, to be paid \$10 an hour.
- April 8 Put travel expenses for a motel room and food on the credit card, \$445.
- April 9 Snyder receives a bill for an ad he had placed in Coaches Anonymous magazine. The ad ran last week. The bill is for \$220, due in 10 days. There is an 18% interest charge on overdue accounts.
- April 10 Purchased supplies for \$140, paying cash.
- April 12 Paid \$2,400 on insurance policy for 12 months' coverage on the car.
- April 13 Found Butch Daris a job with University of Miami.
- April 13 Billed two soccer coaches for services performed, \$2,000.
- April 14 Paid Jordy, the assistant for 40 hours' work.
- April 21 Paid \$640 on the note signed for the car. This payment consists of 10% interest with the remainder of the payment principal. (Hint: there has been 20 days since the loan began. Round the interest result to the nearest dollar to avoid dealing with cents.)
- April 21 Paid Jordy, the assistant for 40 hours' work.
- April 22 Received the utility bill for \$280; however it is not due for 15 days.
- April 23 Received payment from one of the coaches billed on April 13, \$1,000.
- April 24 Found Lou Holder a job with the NFL Sacramento Sunbeams, billed him \$4,300.

M3 - ILLUSTRATION OF COST OF GOODS SOLD

- April 25 Received and paid the bill for the computer purchased on April 1.
- April 28 Paid Jordy, the assistant for 40 hours' work.
- April 29 Purchased ads that will run immediately for \$400 on open account in two magazines.
- April 30 Used \$100 of the supplies previously purchased.
- April 30 Snyder withdraws \$300 cash so he can go play golf.
- April 30 Received and immediately paid the telephone bill of \$220.
- April 30 Paid off the balance on the credit card.
- April 30 Realized that had not paid off the account for the ad on April 9. Send in payment with the interest for the overdue account. Round the interest up to a whole dollar amount.

Required:

Prepare journal entries to record the above transactions in the general journal. Set up T-accounts to represent accounts in the general ledger. Next prepare a trial balance for Snyder Consulting as of April 30, 20XX. Continue and complete the end-of-fiscal period adjusting entries (journalize and post to T accounts), financial statements, and closing entries.

Adjusting Entry Transactions:

1. Snyder recalls finishing up a job search for Jack Brown. He forgot to bill Jack the \$1,250.
2. Jordy had worked 16 hours as of the end of April. He will not be paid until May 5.
3. An inspection of the insurance policy purchased from Wildcat Insurance on April 12 indicates that it is a 12 month policy that included coverage for the entire month of April.
4. Snyder received the water bill for April, due May 10 for \$22. It will be paid on May 10.
5. Snyder counted the supplies remaining in the supply cabinet. The supply cabinet reveals that there is only \$160 of supplies remaining.
6. The last payment on the note was on April 21. As of April 30, 9 days of interest has accrued but has not yet been paid. (Round the result to the nearest dollar)
7. The car is considered to have a useful life of 40 months with \$1000 salvage value. The computer is considered to have a 2 year life (24 months) with no salvage value. (Round your calculation results to the nearest whole dollar.)