

**26-1 PROBLEM**

**Preparing financial statements and end-of-fiscal-period entries for a corporation**

Austin Corporation  
Work Sheet

For Year Ended December 31, 20--

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	16 284.00						16 284.00	
2 Petty Cash	300.00						300.00	
3 Notes Receivable	3500.00						3500.00	
4 Interest Receivable		(a) 40.00						40.00
5 Accounts Receivable	94 158.00						94 158.00	
6 Allowance for Uncollectible Accts.		88.20		(b) 87.10				87.98
7 Merchandise Inventory	230 183.00			(c) 207.50			209 433.00	
8 Supplies	3 254.00			(d) 190.00			1 354.00	
9 Prepaid Insurance	6 200.00			(e) 250.00			370.00	
10 Office Equipment	39 482.00						39 482.00	
11 Accum. Depr.—Office Equip.		7 483.00		(f) 415.00				11 633.00
12 Store Equipment	38 488.00						38 488.00	
13 Accum. Depr.—Store Equip.		6 845.00		(g) 500.00				11 845.00
14 Notes Payable		25 000.00						25 000.00
15 Interest Payable				(h) 40.00				40.00
16 Accounts Payable		20 480.00						20 480.00
17 Employee Income Tax Pay.		18 820.00						18 820.00
18 Federal Income Tax Payable				(i) 898.08				898.08
19 Social Security Tax Payable		3 850.00						3 850.00
20 Medicare Tax Payable		1 648.00						1 648.00
21 Sales Tax Payable		2 945.00						2 945.00
22 Unemploy. Tax Pay.—Federal		40.20						40.20
23 Unemploy. Tax Pay.—State		2 680.00						2 680.00
24 Health Insurance Prem. Pay.		6 452.00						6 452.00
25 Dividends Payable		12 000.00						12 000.00
26 Capital Stock		80 000.00						80 000.00
27 Retained Earnings		58 107.65						58 107.65
28 Dividends	48 000.00						48 000.00	

Austin Corporation

Work Sheet (continued)

For Year Ended December 31, 20--

ACCOUNT TITLE	5		6		7		8		9		10	
	TRIAL BALANCE		ADJUSTMENTS		DEBIT		CREDIT		DEBIT		CREDIT	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
Income Summary			2075000						2075000			
Sales		148328400								148328400		
Sales Discount	341500								341500			
Sales Returns and Allow.	513500								513500			
Purchases	85211800								85211800			
Purchases Discount		884100								884100		
Purchases Returns and Allow.		1395800								1395800		
Advertising Expense	3648300								3648300			
Cash Short and Over	425								425			
Credit Card Fee Expense	1025800								1025800			
Depr. Expense—Office Equip.			415000						415000			
Depr. Expense—Store Equip.			500000						500000			
Insurance Expense			250000						250000			
Miscellaneous Expense	1648300								1648300			
Payroll Taxes Expense	1424800								1424800			
Rent Expense	2800000								2800000			
Repair Expense	421800								421800			
Salary Expense	17841800								17841800			
Supplies Expense									190000			
Uncollectible Accounts Exp.									871000			
Utilities Expense	1015800								1015800			
Gain on Plant Assets		74800								74800		
Interest Income		64800					(a)	4000			64800	
Interest Expense	325100								365100			
Loss on Plant Assets	25800								25800			
Federal Income Tax Exp.	10000000						(c)	89808				
	174229625	174229625	4434808	4434808				130675533	150751900	45473900	25397533	
Net Income after Fed. Inc. Tax								20076367				20076367
								150751900	150751900	45473900	45473900	









**26-1 PROBLEM (continued)**

4.

Austin Corporation	
Balance Sheet (continued)	
December 31, 20--	

2.

**Income Statement Analysis**

	Acceptable %	Actual %	Positive Result		Recommended Action if Needed
			Yes	No	
Cost of merchandise sold	Not more than 64.0%				
Gross profit on operations	Not less than 36.0%				
Total operating expenses	Not more than 20.0%				
Income from operations	Not less than 16.0%				
Net deduction from other revenue and expenses	Not more than 1.0%				
Net income before federal income tax	Not less than 15.0%				

5.

**Balance Sheet Analysis**

	Acceptable	Actual	Positive Result		Recommended Action if Needed
			Yes	No	
Working capital	Not less than \$200,000.00				
Current ratio	Between 3.0 to 1 and 4.0 to 1				

6.

GENERAL JOURNAL

DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT	
1							1
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**26-1** PROBLEM (continued)

7.

GENERAL JOURNAL

DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT			CREDIT		
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GENERAL JOURNAL

DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT				
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