

Accounting Basics | Sample Assignment | www.expertsmind.com

Question - Merchandising Company Income Statement

The Olympic Company provides the following alphabetic list of accounts and their respective Balances. All accounts have normal balances, and income statement account balances are for the year ending December 31, 2011. A physical count of merchandise inventory on hand year end revealed a balance of \$299,000. Use this information to prepare a comprehensive income statement.

Accounts payable	\$66,399
Accounts receivable	82,890
Accumulated depreciation	166,554
Beginning inventory, Jan. 1	185,000
Capital stock	144,000
Cash	25,442
Depreciation expense	25,000
Dividends	12,000
Equipment	324,556
Freight-in	156,000
Insurance expense	9,500
Land and Buildings	5,630,000
Marketing expense	86,230
Office Supplies Expense	3,620
Purchase discounts	26,850
Purchase returns & allowances	16,000
Purchases	980,000
Rent expense	19,600
Retained earnings, Jan. 1	24,327
Salaries expense	158,500
Salaries payable	9,955
Sales	1,580,000
Sales discounts	65,200
Sales returns and allowances	24,000
Utilities expense	12,000

Solution

Answer :					
	Opening Trial balance				
	Accounts payable				66399.00
	Accounts receivable			82,890	
	Accumulated depreciation				166,554
	Beginning inventory, Jan. 1			185,000	
	Capital stock				144,000
	Cash			25,442	
	Depreciation expense			25,000	
	Dividends			12,000	
	Equipment			324,556	
	Freight-in			156,000	
	Insurance expense			9,500	
	Land and Buildings			5,630,000	
	Marketing expense			86,230	
	Office Supplies Expense			3,620	
	Purchase discounts				26,850
	Purchase returns & allowances				16,000
	Purchases			980,000	
	Rent expense			19,600	
	Retained earnings, Jan. 1				24,327
	Salaries expense			158,500	
	Salaries payable				9,955
	Sales				1,580,000
	Sales discounts			65,200	
	Sales returns and allowances			24,000	
	Utilities expense			12,000	
	Total			7,799,538	2,034,085
					5,765,453
	<u>Olympic company</u>				
	<u>Comprehensive Income Statement</u>				
	<u>For the year ended 31.12.11</u>				
			<u>Working Note</u>		<u>Amount in \$</u>
	Sales revenue		1		1,556,000
	Less: Cost of goods sold		2		1,004,150

	Gross profit				551,850
	Operating expenses:				
	General and administrative expenses		3		203,220
	Selling expenses		4		151,430
	Operating income / Comprehensive income				197,200
	<u>Working Note:</u>				
1	<u>Sales revenue</u>	1,580,000			
	Less: Return and allowances	-24,000			
	Net sales	1,556,000			
2	<u>Cost of goods sold</u>				
	Purchases	980,000			
	Less :Purchase discounts	26,850			
	Purchase returns & allowances	16,000			
		937,150			
	Freight-in	156,000			
	Depreciation expense	25,000			
		1,118,150			
	Add: Opening stock	185,000			
	Less: closing stock	-299,000			
		1,004,150			
3	<u>General and administrative expenses</u>				
	Office Supplies Expense	3,620			
	Rent expense	19,600			
	Salaries expense	158,500			
	Insurance expense	9,500			
	Utilities expense	12,000			
		203,220			
4	<u>Selling expenses</u>				
	Sales discounts	65,200			
	Marketing expense	86,230			
		151,430			