

1. EMPLOYEE NO.	HOURS, HOURLY	HOURS WORKED	REGULAR TIME EARNINGS	E EARNING	EARNING S
Kathy Burnet	\$13.44	42	\$537.60	\$40.32	\$577.92
			(40 X 13.44)	(2 X 13.44 X 1.5)	
Gross Pay		\$577.92			
Less:					
Social Security Tax		35.83	(577.92 X .062)		
Medicare Tax		8.38	(577.92 X .0145)		
Income Tax Withholding		24.00	Circular E		
Health & Disability		161.00	Given		
Charitable Contribution		18.00	Given		
U.S. Savings Bond		100.00	Given		
Total Deductions		347.21			
Net Pay		\$230.71	Gross - Deductions = 577.92 - 347.21)		

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1	DATE	DESCRIPTION		
1	2019			
2	Dec. 31	Wages or Salaries Expense	577.92	
3		Social Security Tax Payable		35.83
4		Medicare Tax Payable		8.38
5		Income Tax Payable		24.00
6		Health & Disability Payable		161.00
7		Charitable Contribution Payable		18.00
8		US Savings Bond Payable		100.00
9		Wages or Salaries Payable		230.71
		To record the payroll of 12/31/2019		
1	2019			
2	Dec. 31	Payroll Taxes Expense	44.21	
3		Social Security Tax Payable		35.83
4		Medicare Tax Payable		8.38
5		FUTA Payable - Note 1		0
6		SUTA Payable - Note 1		0

to record the employers payroll taxes

Note 1 - Wages above maximum of \$7,000 so no FUTA or SUTA

**PROBLEM 12.1A**

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	DATE	DESCRIPTION	REF.	DEBIT					CREDIT				
1	###	Adjusting Entries											
2	June 30	(Adjustment a)											
3		Income Summary		8	3	0	0	00					
4		Merchandise Inventory							8	3	0	0	
5		Take Out Old Inventory											
6													
7	30	(Adjustment b)											
8		Merchandise Inventory		8	8	0	0	00					
9		Income Summary							8	8	0	0	
10		Put in new inventory											
11													
12	30	(Adjustment c)											
13		Unearned Seminar Fees		2	7	2	0	00					
14		Seminar Fees Income							2	7	2	0	
15		(6800 prepaid / 5 seminars = 1360 per semina											
16		(1360 X 2 seminars completed = 2720)											
17													
18	30	(Adjustment d)											
19		Insurance Expense		5	6	0	0	00					
20		Prepaid Insurance							5	6	0	0	
21		16,800 X 2/6 months used up											
22													
23	30	(Adjustment e)											
24		Depreciation Expense - Store Equipment		6	7	5	00						
25		Accumulated Depreciation - Store Equipment							6	7	5		
26		Annual Depn = (Cost - SV) / Life											
27		= (11,380 - 580) / 4 years = 2700 annual											
28		2700 X 3/12 of year (April May June)											
29													
30	30	(Adjustment f)											
31		Wages Expense		3	3	0	00						
32		Wages Payable							3	3	0		
33		to record accrued wages											
34													
35	30	(Adjustment g)											
36		Payroll Taxes Expense			3	7	13						
37		State Unemployment Taxes Payable											9
38		Federal Unemployment Taxes Payable											1
39		Medicare Taxes Payable											4
40		Social Security Taxes Payable								2	0		
41		to record taxes on accrued wages											
42													
43	30	(Adjustment h)											



## Solutions

### 1. Compute Net Sales

Sales		\$ 1,110,300
Less Sales Returns		8,400
Less Sales discounts		<u>0</u>
Net Sales		<u><u>1,101,900</u></u>

### 2. Cost of Goods Sold

Beginning Inventory		\$ 131,400
Purchases	\$ 463,000	
Add Freight In	<u>9,800</u>	
Delivered Cost of Purchases	472,800	
Less Purchases Returns and Allowances	<u>13,650</u>	
Less Purchases discounts	<u>9,240</u>	
Net Delivered Cost of Purchases		<u>449,910</u>
Merchandise Available for Sale		<u>581,310</u>
Less Ending Inventory		<u>128,500</u>
Cost of Goods Sold		<u><u>452,810</u></u>

### 3. Calculate Gross Profit and Gross Profit Percentage

Net Sales (See #1)		1,101,900
Less Cost of Goods Sold (See #2)		<u>452,810</u>
Gross Profit		<u><u>649,090</u></u>

Gross Profit Percentage = Gross Profit/Net Sales

$$\text{GP Percentage} = \frac{649,090}{1,101,900} = 58.9\%$$

### 4. Total Operating Expenses

Warehouse Wages Expense	108,600
Warehouse Supplies Expense	5,800
Depreciation Expense—Warehouse Equip	3,400
Salaries Expense—Sales	151,700
Travel Expense	24,000
Delivery Expense	37,425
Salaries Expense—Office	85,000
Office Supplies Expense	1,220
Insurance Expense	9,875
Utilities Expense	8,000
Telephone Expense	3,280

Payroll Taxes Expense	31,600
Building Repairs Expense	3,700
Property Taxes Expense	16,400
Uncollectible Accounts Expense	3,580
Depreciation Expense—Building	5,600
Depreciation Expense—Office Equipment	1,620
Total Operating Expenses	500,800

#### 5. Compute Net Income

Gross Profit	649,090
Less Operating Expenses	<u>500,800</u>
Income From Operations	148,290
Other Income Expenses	
Add Interest Income	580
Less Interest Expense	<u>4000</u>
Net Income	<u><u>144,870</u></u>

#### 6. Current Ratio

Current Assets / Current Liabilities

##### Current Assets

Cash	99,000	
Petty Cash Fund	600	
Notes Receivable, due 2020	15,000	
Accounts Receivable	140,200	
Allowance for Doubtful Accounts	(3,800)	
Interest Receivable	150	
Merchandise Inventory	128,500	
Warehouse Supplies	3,300	
Office Supplies	700	
Prepaid Insurance	<u>4,640</u>	
Total Current Assets	388,290	388,290

##### Current Liabilities

Notes Payable, due 2020	15,000
Accounts Payable	56,900
Interest Payable	<u>400</u>
Total Current Liabilities	72,300

Current Assets / Current Liabilities = 5.37 to 1  
388,290 / 72,300

#### 7. Compute Working Capital

Current Assets - Current Liabilities (Detail in #6)	315,990
388,290 - 72,300	

#### 8. Accounts Receivable Turnover

Net Sales (See #1)	<u>1,101,900</u>
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Avg. Accounts Receivable  $(120,000 + 136,400)/2$  128200

9. Inventory Turnover

8.60 Times  
(or about every 42 days) 365/8.6

COGS

Avg. Inventory

$452,810$   

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 $(131400 + 128500) / 2$   
129950

3.48 Times  
(Or about every 104.9 days) 365/3.48