

## ACCT 100 - Chapter 13 Outline

Now that we are selling a product and have added eleven new accounts to our chart of accounts, our financial statements will require some updates as well.

### I. Classified Balance Sheet

We are going to categorize, or classify, the accounts on the Balance Sheet based on how soon the accounts will be received (assets) or paid (liabilities).

Why? you ask. Actually, it makes a big difference. It is important for owners, investors and managers to know when money is due to be received and when money is due to be paid.

#### A. Current Assets

- 1.
- 2.
- 3.
- 4.
- 5.

#### B. Property, Plant & Equipment (Fixed Assets)

- 1.
- 2.
- 3.
- 4.
- 5.

C. Non-Current Assets

1.

D. Current Liabilities

1.

2.

3.

4.

5.

6.

E. Long-term Liabilities

1.

2.

F. Owner's Equity

1.

## II. Multi-Step Income Statement

The change to selling a product has changed our Income Statement significantly. We now need to provide the users of the Income Statement with much more detail so they can make informed decisions.

### A. Revenue

B. Cost of Goods Sold – this is a new addition to our Income Statement. This is where we will report how much **we** paid for the items we sold in the revenue section. The Cost of Goods Sold must be calculated.

### C. Gross Profit

D. Operating Expenses

1. Selling Expenses

a.

b.

c.

d.

e.

2. General Expenses

a.

b.

c.

d.

e.

f.

3. Total Operating Expenses

E. Income from Operations

F. Other

1. Other Income

2. Other Expense

G. Net Income

**Why bother with these new-fangled statements?**

Well, there are several good reasons to learn these: 1) To pass the next quiz and test, 2) because this is what the financial statements in the real world look like, 3) because many common financial ratios and analyses will use components from these statements, 4) because you will have money to invest someday and need to learn what some key ratios mean so you can make an informed investment choice.

Dewey, Cheetum & Howe Auto Parts  
Adjusted Trial Balance  
December 31, 2021

Account Title	Adj. T/Balance	
	Dr.	Cr.
Cash	32,760	
Accounts Receivable	84,790	
Notes Receivable - due 2022	21,708	
Merchandise Inventory	154,200	
Warehouse Supplies	1,692	
Office Supplies	876	
Prepaid Insurance	6,120	
Warehouse Equipment	22,200	
Accumulated Deprec - Warehouse Equip		10,440
Delivery Equipment	30,600	
Accumulated Deprec - Delivery Equip		11,760
Office Equipment	15,000	
Accumulated Deprec - Office Equip		7,200
Notes Payable - due 2022		12,120
Accounts Payable		23,100
Interest Payable		348
Mortgage Payable		36,600
Loan Payable - Due 2030		10,200
Kelly Green, Capital		247,476
Kelly Green, Drawing	52,200	
Income Summary	146,400	154,200
Sales		1,045,200
Sales Returns & Allowances	10,920	
Sales Discounts	1,140	
Interest Income		948
Purchases	460,200	
Freight In	8,280	
Purchase Returns & Allowances		5,064
Purchase Discounts		6,696
Sales Salaries Expense	161,520	
Warehouse Wages Expense	119,760	
Delivery Expense	15,540	
Insurance Expense	9,720	
Depreciation Expense - Warehouse Equip	3,480	
Utilities Expense - Store	7,896	
Office Salaries Expense	81,360	
Payroll Taxes Expense	35,400	
Depreciation Expense - Delivery Equip	5,880	
Advertising Expense	30,810	
Depreciation Expense -Office Equip	2,352	
Store Supplies Expense	10,104	
Office Supplies Expense	6,578	
Warehouse Supplies Expense	8,460	
Utilities Expense	11,574	
Telephone Expense	6,912	
Interest Expense	4,920	
	<u>1,571,352</u>	<u>1,571,352</u>

Income Statement Calculations:

1. Net Sales

\_\_\_\_\_

2. Cost of Goods Sold

\_\_\_\_\_

3. Gross Profit

\_\_\_\_\_

4. Total Operating Expenses  
Selling Expenses

General Expenses

\_\_\_\_\_

5. Income from Operations

\_\_\_\_\_

6. Other Income

\_\_\_\_\_

7. Other Expense

\_\_\_\_\_

8. Net Income

\_\_\_\_\_

Balance Sheet Calculations:

1. Current Assets

---

2. Property, Plant & Equipment

---

3. Current Liabilities

---

4. Long-Term Liabilities

---

5. Owner's Equity

---