

Financial Statement Homework #3

Name _____

Please circle section time: 8:00, 9:30, 2:00

YOU MUST STAPLE YOUR PAGES TOGETHER!

Part 1: At November 30, 2016, Rocky Mountain Company had the following trial balance. There is detailed information on the next page about December 2016 transactions that need to be recorded.

Rocky Mountain Company

Trial Balance

11/30/16

	Dr	Cr
Cash	266,000	
Accounts Receivable	62,000	
Allowance for Doubtful Accounts		5,000
Short Term Note Receivable	24,000	
Supplies	6,000	
Inventory	65,000	
Equipment	195,000	
Building	0	
Accumulated Depreciation		75,000
Copyright	44,000	
Accounts Payable		45,000
Dividends Payable		0
Interest Payable		0
Unearned Revenue		25,000
ST Note Payable		15,000
LT Mortgage Payable		0
Bonds Payable		200,000
Premium on Bonds Payable		26,840
Common Stock - \$1 par		3,000
Paid In Capital In Excess of Par – CS		86,000
Preferred Stock - \$5 par		1,000
Paid In Capital In Excess of Par – PS		50,000
Treasury Stock	0	
Retained Earnings		105,000
Dividends	5,000	
Sales Revenue		819,000
Sales Returns & Allowances	3,840	
Sales Discounts	9,000	
Cost of Goods Sold	380,000	
Bad Debts Expense	5,000	
Depreciation Expense	50,000	
Wages Expense	260,000	
Rent Expense	63,000	
Insurance Expense	16,000	
Supplies Expense	6,000	
Interest Revenue		1,000
Interest Expense	8,000	
Gain on Sale of Equipment		15,000
Income Tax Expense	4,000	
Total	1,471,840	1,471,840

Instructions: You must turn in the work performed on the sheets printed with this page. This WILL NOT BE ACCEPTED ON PLAIN PAPER.

- Write the journal entries (on the following General Journal page) required for each of the events described below. Write the entries in the order described below (#1 - #8).
- Use **ONLY** the accounts listed on the trial balance for your journal entries.
- Post the transactions to individual T-accounts and prepare an adjusted trial balance for Rocky Mountain Company as of December 31, 2016.

1. The company purchased a building December 1, 2016 with a LT Mortgage Payable of \$300,000 at 8% interest. (Record the purchase of the building.)
2. The company issued 1,000 shares of Common Stock for \$6,000 on December 25, 2016.
3. On December 29, 2016 the company declared a cash dividend of \$3.00 per share for common stock on the **shares issued and declared** (including the additional 1,000 shares declared on December 25th.)
4. The terms of the LT mortgage payable from #1 above require the company to make monthly installment payments over the term of the loan. Each payment consists of interest on the unpaid balance of the loan and a reduction of loan principal. Record the first monthly payment of \$3,800 on the LT Mortgage Payable on December 31, 2016.
5. The company last paid interest on the ST note payable on November 1, 2016. Record the accrued interest expense for the last 2 months of 2016. The annual interest rate is 8%. **Round to nearest whole dollar.**
6. The Bonds Payable and related Premium amounts on the Nov. trial balance relate to the Jan. 1, 2016 issuance of the following bonds: On Jan. 1, 2016, the company issued 10%, 10-year bonds when the market rate for similar investments was 8%. The company pays interest each year on January 1st. On Dec. 31, 2016, use the effective interest method of amortizing the premium on bonds payable to accrue the interest expense for 2016. **Round your interest expense calculation to the nearest whole dollar.**
7. The Unearned Revenue amount on the Nov. trial balance relates to amounts that the company previously collected in cash for sales that were to be completed in the future. The company completed some of these sales during December and now owes only \$16,000 of that unearned revenue. Record the necessary adjustment for December 31, 2016.
8. On December 31, 2016, the company purchased 50 shares of its own Preferred Stock for Treasury Stock for \$11 per share.

GENERAL JOURNAL

Use the space below for T-accounts (REQUIRED).

(Specific instructions: Prepare T-accounts for each account affected by a journal entry. Write in the unadjusted balance for each of these accounts (from page 1)...the unadjusted balance might be a debit, a credit, or zero balance. Now you are ready to post your journal entries from page 3 onto the corresponding T-accounts and then calculate adjusted balances.)

Rocky Mountain Company
ADJUSTED TRIAL BALANCE
12/31/16

	Dr	Cr
Cash		
Accounts Receivable		
Allowance for Doubtful Accounts		
Short Term Note Receivable		
Supplies		
Inventory		
Equipment		
Building		
Accumulated Depreciation		
Copyright		
Accounts Payable		
Dividends Payable		
Interest Payable		
Unearned Revenue		
ST Note Payable		
LT Mortgage Payable		
Bonds Payable		
Premium on Bonds Payable		
Common Stock - \$1 par		
Paid In Capital In Excess of Par – CS		
Preferred Stock - \$5 par		
Paid In Capital In Excess of Par – PS		
Treasury Stock		
Retained Earnings		
Dividends		
Sales Revenue		
Sales Returns & Allowances		
Sales Discounts		
Cost of Goods Sold		
Bad Debts Expense		
Depreciation Expense		
Wages Expense		
Rent Expense		
Insurance Expense		
Supplies Expense		
Interest Revenue		
Interest Expense		
Gain on Sale of Equipment		
Income Tax Expense		
Total		

1. What is the effect on the accounting equation when Treasury Stock is purchased?

Assets = Liabilities + Stockholders' Equity

_____ = _____ + _____ (fill in blanks with arrows to indicate what changes and in which direction)

2. How many **Common Stock** shares are outstanding at 12/31/2016? (HINT: Remember that the treasury shares purchased on 12/31/2016 were Preferred Shares, not Common Shares)
3. If this company had a common stock 3-1 stock split on Dec. 31, 2016:
 - a. How many shares would there be after the split?
 - b. What is the par value per share in dollars after the split?
4. Does the **Carrying Value** of the Bonds Payable and Premium increase or decrease over the life of the bonds?
5. What will be the balance in the Mortgage Payable Account at Jan. 31, 2017 after the second monthly payment is made?
6. The Company is about to issue \$2,000,000 of 5-year, 12% bonds. Interest will be paid semi-annually. The market interest rate for such securities is 10%. How much can The Company expect to receive from the sale (issuance) of these bonds?

Part 2: NOTE: This is a **DIFFERENT COMPANY**. Using the trial balance below, complete the Multi-Step Income Statement and prepare the Statement of Retained Earnings and Classified Balance Sheet on the pages which follow. To get full credit you must include **all critical subtotals**.

Cajias Company
Adjusted Trial Balance
December 31, 2015

	DEBIT	CREDIT
Cash	1,900	
Accounts Receivable	2,460	
Allowance for Doubtful Accounts		670
Short term Note Receivable	200	
Interest Receivable	20	
Supplies	30	
Inventory	3,000	
Prepaid Expenses	150	
Equipment	10,720	
Accumulated Depreciation		1,970
Copyrights	600	
Accounts Payable		670
Interest Payable		20
Unearned Revenue		50
Long Term Note Payable		1,400
Common Stock		6,600
Paid-in-Capital In Excess of Par - CS		800
Retained Earnings (1/1/15)		3,160
Dividends	600	
Sales		36,800
Sales Returns & Allowances	40	
Sales Discounts	60	
Cost of Goods Sold	21,200	
Bad debt expense	30	
Depreciation Expense	770	
Amortization Expense	70	
Wages Expense	8,000	
Rent Expense	500	
Office Expense	80	
Supplies Expense	100	
Selling Expense	800	
Interest Expense	200	
Interest Revenue		150
Income Tax Expense	760	
Totals	52,290	52,290

Cajias Company
Multi Step Income Statement
For the year ended December 31, 2015

(Be sure to include all the necessary headings, totals and subtotals as outlined in Chapter 5. You may not need to use all the lines provided. Note: The two columns below do not represent debit and credit balances like they do on a trial balance. On the Income Statement, use the right column for subtotals and totals.)

Cajias Company
Statement of Retained Earnings
For the year ended December 31, 2015

**Cajias Company
Classified Balance Sheet
December 31, 2015**

(Be sure to include all the necessary subtotals and totals as outlined in Chapter 2. You may not need to use all of the lines provided. Note: The two columns below do not represent debit and credit balances like they do on a trial balance. On the Balance Sheet, use the right column for subtotals and totals.)