

JACK TUPP AUTO REPAIR

Jack Tupp Auto Repair opened on September 1, 2016. The following account balances existed:

Cash	\$	80,010
Carburetor Inventory (210 units @ \$60/unit)		12,600
Equipment		62,500
Accounts payable (Great Wattage)		19,000
Common stock (108,888 shares)		136,110

The following events and transactions occurred through December 31, 2016.

- 9/2 Signed a 6-month contract to repair delivery vans owned by Walter Melon Grocery for \$72,000, which was paid immediately. Work is to be performed equally each month.
- 9/3 Sold 20 carburetors to Phil Rupp Fuel for \$160.00 each. Phil Rupp Fuel paid cash.
- 9/4 Purchased 300 additional carburetors for its inventory, on account, from Pep Boys for 24,000. Terms were 4/10, n/30.
- 9/7 Phil Rupp Fuel returned 5 damaged carburetors, and received a refund.
- 9/9 Paid the correct amount on the invoice related to the 9/4 transaction.
- 9/10 Sold 60 carburetors to Tim Burr Logging for \$5,400, terms of 3/10, n/30.
- 9/15 Paid the accounts payable balance due to Great Wattage of \$19,000 in full.
- 9/16 Received a check from Tim Burr Logging for the correct amount related to the 9/10 sale.
- 9/17 Sold 150 carburetors to Iona Carr Autohaus for its new dealership for \$28,500, on account. Payment terms were 5/10, n/20.
- 9/29 Received a check from Iona Carr Autohaus for the correct amount related to the 9/17 sale.
- 10/2 Issued 300 6% \$1,000 face-value 4-year bonds to new investors at 96. The bonds pay interest quarterly on January 1, April 1, July 1 and October 1.
- 11/13 Purchased a building for \$328,800. The building was purchased with a 30-year mortgage from the Eighth Mono Bank, bearing interest at 5% per annum. A previous month's accrued interest is due and payable on the first day of the next month. Make sure to prorate any interest due for November 2015 based on a 12-month year. (Hint: it's 17 days of interest). Principal payments of \$17,500 are to be paid on the last day of each year.
- 11/17 Sold 100 carburetors to Phil Rupp Fuel for \$180.00 each, terms 5/10, net 30.
- 12/1 Pays the Eighth Mono Bank for November 2016 interest owed on the mortgage from 11/13.
- 12/28 Declared \$100 of dividends to shareholders, payable on 1/2/2017.
- 12/29 Redeemed all of the bonds issued on 10/2 at 103. Assume 3 months of interest were paid at this time on these redeemed bonds.
- 12/30 Wrote a check to the Monocle for five months of future advertising for \$2,000.
- 12/31 Incurred the following expenses at year-end which are not due and payable until 1/30/17:

Telephone	\$	362	Utilities	\$	955
Fuel		349	Postage		120

Other additional information:

- 1) Don't forget to journalize the beginning balances as of September 1, 2016.
- 2) Presume the same unit costs apply to all items of inventory when calculating cost of goods sold. Jack Tupp Auto Repair uses the periodic inventory system and FIFO.
- 3) Don't forget to accrue the mortgage interest owed for December 2016, and to record the principal payment made at the end of the year.
- 4) Don't forget to post adjusting entries for any necessary items, including bond interest.
- 5) Allowance for doubtful accounts is calculated using the percentage of sales method. As of December 31, 2016, the percentage of sales estimated to be uncollectible is 4%.
- 6) All common stock is owned by Jack Tupp. Par value is \$1.00 per share.
- 7) For all equipment, depreciation is calculated using units-of-activity method, with a total estimated useful life of 5,000 units. 1,200 units were used in 2016. (Equipment owned on September 1, 2016 of \$62,500 has a salvage value is \$2,500.)
- 8) For the building, depreciation is calculated using double-declining balance with a 20-year useful life. Estimated salvage value is \$28,800. (For 2016, calculate depreciation for 1½ months)
- 9) Don't forget to allocate liabilities between current liabilities and long-term liabilities.
- 10) Other than the transactions listed in the facts, assume no other cash or check transactions have occurred. There are no outstanding checks nor deposits in transit at year-end.
- 11) Round all amounts to the nearest dollar.

Instructions:

- 1) Using the General Journal, journalize all transactions which occurred in 2016. (Don't forget to journalize the beginning balances, too.)
- 2) Post all journal entries to the Trial Balance.
- 3) Complete the:
 - a. Balance Sheet as of December 31, 2016
 - b. Income Statement for the year ending December 31, 2016
 - c. Statement of Cash Flows for the year ending December 31, 2016