

PROBLEMS

Prob. 6–1A

1.

CASE-IT CO. Income Statement For the Year Ended November 30, 2010

Revenue from sales:			
Sales		\$2,703,600	
Less: Sales returns and allowances.....	\$ 37,800		
Sales discounts.....	<u>19,800</u>	<u>57,600</u>	
Net sales.....			\$2,646,000
Cost of merchandise sold			<u>1,926,000</u>
Gross profit.....			\$ 720,000
Expenses:			
Selling expenses:			
Sales salaries expense	\$378,000		
Advertising expense.....	50,900		
Depreciation expense—store equipment.....	8,300		
Miscellaneous selling expense	<u>2,000</u>		
Total selling expenses.....		\$ 439,200	
Administrative expenses:			
Office salaries expense	\$ 73,800		
Rent expense	39,900		
Insurance expense	22,950		
Depreciation expense—office equipment.....	16,200		
Office supplies expense	1,650		
Miscellaneous administrative expense	<u>1,900</u>		
Total administrative expenses		<u>156,400</u>	
Total expenses.....			<u>595,600</u>
Income from operations			\$ 124,400
Other expense:			
Interest expense			<u>4,400</u>
Net income.....			<u>\$ 120,000</u>

Prob. 6–1A Continued

2.

CASE-IT CO.
Statement of Owner's Equity
For the Year Ended November 30, 2010

Gina Hennessy, capital, December 1, 2009.....		\$454,800
Net income for the year	\$120,000	
Less withdrawals	<u>45,000</u>	
Increase in owner's equity		<u>75,000</u>
Gina Hennessy, capital, November 30, 2010.....		<u><u>\$529,800</u></u>

Prob. 6–1A Continued
3.

CASE-IT CO.
Balance Sheet
November 30, 2010

<u>Assets</u>			
Current assets:			
Cash		\$ 37,700	
Accounts receivable		111,600	
Merchandise inventory		180,000	
Office supplies		5,000	
Prepaid insurance		<u>12,000</u>	
Total current assets			\$346,300
Property, plant, and equipment:			
Office equipment	\$115,200		
Less accumulated depreciation	<u>49,500</u>	\$ 65,700	
Store equipment	\$311,500		
Less accumulated depreciation	<u>87,500</u>	<u>224,000</u>	
Total property, plant, and equipment			<u>289,700</u>
Total assets			<u>\$636,000</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable		\$ 48,600	
Note payable (current portion)		8,000	
Salaries payable		<u>3,600</u>	
Total current liabilities			\$ 60,200
Long-term liabilities:			
Note payable (final payment due 2025)		<u>46,000</u>	
Total liabilities			<u>\$106,200</u>
<u>Owner's Equity</u>			
Gina Hennessy, capital		<u>529,800</u>	
Total liabilities and owner's equity			<u>\$636,000</u>

Prob. 6–1A Concluded

4. a. The multiple-step form of income statement contains various sections for revenues and expenses, with intermediate balances, and concludes with net income. In the single-step form, the total of all expenses is deducted from the total of all revenues. There are no intermediate balances.
- b. In the report form of balance sheet, the assets, liabilities, and owner's equity are presented in that order in a downward sequence. In the account form, the assets are listed on the left-hand side, and the liabilities and owner's equity are listed on the right-hand side.