

**16-1 WORK TOGETHER, p. 396**

**Preparing an income statement for a merchandising business**

A to Z Auto Parts  
Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	1 TRIAL BALANCE		2		3 ADJUSTMENTS		4		5 INCOME STATEMENT		6		7 BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	2378000												2378000	
2 Petty Cash	30000												30000	
3 Accounts Receivable	962400												962400	
4 Merchandise Inventory	22882000			(a) 1340000									21542000	
5 Supplies—Office	548000			(b) 400000									148000	
6 Supplies—Store	586400			(c) 331000									255400	
7 Prepaid Insurance	498600			(d) 270000									228600	
8 Accounts Payable		966600												966600
9 Sales Tax Payable		178600												178600
10 Mack Cruz, Capital		10610000												10610000
11 Mack Cruz, Drawing	1845000												1845000	
12 Rose Hurst, Capital		10670000												10670000
13 Rose Hurst, Drawing	1890000												1890000	
14 Income Summary					(a) 1340000				1340000					
15 Sales		28480000								28480000				
16 Purchases	16070000								16070000					
17 Advertising Expense	558000								558000					
18 Credit Card Fee Expense	294000								294000					
19 Insurance Expense					(d) 270000				270000					
20 Miscellaneous Expense	239800								239800					
21 Rent Expense	1800000								1800000					
22 Supplies Expense—Office					(b) 400000				400000					
23 Supplies Expense—Store					(c) 331000				331000					
24 Utilities Expense	323000								323000					
25	50905200	50905200	2341000	2341000	2341000	2341000	21625800	28480000	29279400	22425200				
26							6854200				6854200			
27							28480000	28480000	29279400	29279400				
Net Income														

Preparing an income statement for a merchandising business

Electron Games  
Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	1 TRIAL BALANCE		3 ADJUSTMENTS		5 INCOME STATEMENT		7 BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	24 490 00						24 490 00	
2 Petty Cash	50 00						50 00	
3 Accounts Receivable	11 230 00						11 230 00	
4 Merchandise Inventory	266 960 00		(a) 15 640 00				251 320 00	
5 Supplies—Office	6 390 00		(b) 4 670 00				17 200 00	
6 Supplies—Store	68 400 00		(c) 38 600 00				29 800 00	
7 Prepaid Insurance	58 300 00		(d) 31 900 00				26 400 00	
8 Accounts Payable		11 280 00						11 280 00
9 Sales Tax Payable		2 080 00						2 080 00
10 Caren Grant, Capital		121 100 00						121 100 00
11 Caren Grant, Drawing	21 550 00						21 550 00	
12 Craig Payne, Capital		124 440 00						124 440 00
13 Craig Payne, Drawing	22 000 00				15 640 00		22 000 00	
14 Income Summary			(a) 15 640 00					
15 Sales		332 260 00				332 260 00		
16 Purchases	187 500 00				187 500 00			
17 Advertising Expense	6 520 00				6 520 00			
18 Credit Card Fee Expense	3 430 00				3 430 00			
19 Insurance Expense			(d) 31 900 00		31 900 00			
20 Miscellaneous Expense	2 550 00				2 550 00			
21 Rent Expense	21 600 00				21 600 00			
22 Supplies Expense—Office			(b) 4 670 00		4 670 00			
23 Supplies Expense—Store			(c) 38 600 00		38 600 00			
24 Utilities Expense	3 770 00				3 770 00			
25	591 160 00	591 160 00	27 360 00	27 360 00	252 730 00	332 260 00	338 430 00	258 900 00
26 Net Income					79 530 00			79 530 00
27					332 260 00	332 260 00	338 430 00	338 430 00





**16-2 WORK TOGETHER, p. 401**

**Analyzing component percentages**

**4., 5.**

Component	Acceptable Percentage	Actual Percentage	Acceptable Result		Recommended Action if Needed
			Yes	No	
Cost of merchandise sold	No more than 63.0%				
Gross profit on sales	No less than 37.0%				

**Extra form**

Component	Acceptable Percentage	Actual Percentage	Acceptable Result		Recommended Action if Needed
			Yes	No	

Analyzing component percentages

6., 7.

Component	Acceptable Percentage	Actual Percentage	Acceptable Result		Recommended Action if Needed
			Yes	No	
Total expenses	No more than 13.0%				
Net income	No less than 25.0%				

Extra form

Component	Acceptable Percentage	Actual Percentage	Acceptable Result		Recommended Action if Needed
			Yes	No	

**16-3 WORK TOGETHER, p. 407**

Preparing distribution of net income and owners' equity statements

4.


5.


**Preparing distribution of net income and owners' equity statements**

**6.**

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**7.**

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**16-3 ON YOUR OWN, p. 407**

**Preparing distribution of net income and owners' equity statements**

**6.**



**7.**





**16-1 APPLICATION PROBLEM, p. 414**

**Preparing an income statement for a merchandising business**

Flower Mart

Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	1 TRIAL BALANCE		3 ADJUSTMENTS		5 INCOME STATEMENT		7 BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
4 Merchandise Inventory	17990000			(a) 682000			17308000	
15 Sales		16230000				16230000		
16 Purchases	7300000				7300000			
17 Advertising Expense	413000				413000			
18 Credit Card Fee Expense	164000				164000			
19 Insurance Expense			(d) 216000		216000			
20 Miscellaneous Expense	199000				199000			
21 Rent Expense	1248000				1248000			
22 Supplies Expense—Office			(b) 249000		249000			
23 Supplies Expense—Store			(c) 218000		218000			
24 Utilities Expense	214000				214000			
25	33351000	33351000	1365000	1365000	10903000	16230000	22470000	17143000
26 Net Income					5327000			5327000
27					16230000	16230000	22470000	22470000
28								
29								
30								
31								
32								

								% OF SALES	



Extra form

										% OF SALES



**16-2 APPLICATION PROBLEM, p. 414**

**Analyzing component percentages**

Historic Door Supply Co.

Income Statement

For Year Ended December 31, 20 --

										% OF SALES	
Revenue:											
Sales								352	600	000	100.0
Cost of Merchandise Sold:											
Merchandise Inventory, January 1, 20 --	225	400	000								
Purchases	158	300	000								
Total Cost of Merchandise Available for Sale	383	700	000								
Less Merchandise Inventory, December 31, 20 --	212	200	000								
Cost of Merchandise Sold								171	500	000	48.6
Gross Profit on Sales								181	100	000	51.4
Expenses:											
Advertising Expense	5	500	000								
Credit Card Fee Expense	2	890	000								
Insurance Expense	2	640	000								
Miscellaneous Expense	2	182	15								
Payroll Taxes Expense	7	299	75								
Rent Expense	18	000	000								
Salary Expense	60	153	000								
Supplies Expense—Office	3	940	000								
Supplies Expense—Store	3	260	000								
Utilities Expense	3	180	000								
Total Expenses								109	044	90	30.9
Net Income								72	055	10	20.4



**16-2 APPLICATION PROBLEM (concluded)**

**1., 2., 3., 4.**

Component	Acceptable Percentage	Actual Percentage	Acceptable Result		Recommended Action If Needed
			Yes	No	
Cost of merchandise sold	No more than 47.5%				
Gross profit on sales	No less than 52.5%				
Total expenses	No more than 29.0%				
Net income	No less than 23.5%				

Component	Acceptable Percentage	Actual Percentage	Acceptable Result		Recommended Action If Needed
			Yes	No	





**16-4 APPLICATION PROBLEM, p. 415**

**Preparing an owners' equity statement (net loss)**

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**16-5 APPLICATION PROBLEM, p. 415**

**Preparing a balance sheet for a partnership**

Athletic Supply

Work Sheet

For Year Ended December 31, 20 --

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	22738.00						22738.00	
2 Petty Cash	350.00						350.00	
3 Accounts Receivable	11622.00						11622.00	
4 Merchandise Inventory	26983.20		(a) 10236.00				25959.60	
5 Supplies—Office	592.00		(b) 373.20				219.00	
6 Supplies—Store	625.00		(c) 328.00				296.40	
7 Prepaid Insurance	513.00		(d) 324.00				189.00	
8 Accounts Payable		10596.00						10596.00
9 Sales Tax Payable		1014.00						1014.00
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								





4.

A grid for working on the problem, consisting of a large grid with two shaded columns on the right side.
