

Republic Lighting Company Practice Set

for use with

LARSON ■ WILD ■ CHIAPPETTA



FAP¹⁵
I.A.I.
EDITION

FUNDAMENTAL ACCOUNTING PRINCIPLES

Prepared by
Leland Mansuetti

Republic Lighting Company Practice Set

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**FUNDAMENTAL
ACCOUNTING
PRINCIPLES**

Fifteenth Edition

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REPUBLIC LIGHTING COMPANY

Republic Lighting Company, a wholesale-retail lighting fixture store is a sole proprietorship owned by Nicole "Nikki" Chang. The company's accounting system includes a(n):

General journal	Cash disbursements journal
Purchases journal	General ledger
Sales journal	Accounts receivable subsidiary ledger
Cash receipts journal	Accounts payable subsidiary ledger

The transactions and accounting records in this set have been selected to give the student an understanding of the interrelationship in an accounting system. The student is involved in all phases of the accounting cycle, from journalizing transactions to closing the books. While most companies employ either accounting machines or computers, this set is structured around a manual system to permit maximum student learning. An effort was made to use numbers that were divisible by two, five and ten to allow students to focus on the process instead of just the numbers. To aid the student, details have been kept to a minimum by summarizing repetitious transactions into totals covering a number of days or the entire month. Also, it is assumed that the company closes its books monthly.

The post-closing trial balance of Republic Lighting Company as of November 30, was as follows:

	Debits	Credits
Cash	\$ 18,000	
Petty Cash	200	
Accounts Receivable	7,780	
Allowance for Doubtful Accounts		\$ 450
Interest Receivable	80	
Notes Receivable	7,200	
(K Loo, 60 day, 10 percent, dated October 21)		
Merchandise Inventory	18,900	
Office Supplies	455	
Store Supplies	816	
Prepaid Insurance	600	
Prepaid Rent	3,200	
Office Equipment	22,500	
Accumulated Depreciation – Office Equipment		5,200
Store Equipment	43,500	
Accumulated Depreciation – Store Equipment		8,700
Accounts Payable		13,850
Interest Payable		160
Employees' Federal Income Taxes Payable		565
FICA Taxes Payable		426
Short-term Notes Payable		12,000
(Scottsdale City Bank, 60-day, 8%, dated October 31)		
Nicole Chang, Capital		81,880
	<u>\$ 123,231</u>	<u>\$ 123,231</u>

CHART OF ACCOUNTS FOR REPUBLIC LIGHTING COMPANY

Account Number	Account
101	Cash
102	Petty Cash
106	Accounts Receivable
107	Allowance for Doubtful Accounts
109	Interest Receivable
111	Notes Receivable
119	Merchandise Inventory
124	Office Supplies
125	Store Supplies
128	Prepaid Insurance
131	Prepaid Rent
163	Office Equipment
164	Accumulated Depreciation—Office Equipment
165	Store Equipment
166	Accumulated Depreciation—Store Equipment
201	Accounts Payable
203	Interest Payable
209	Salaries Payable
219	Employees' Federal Income Taxes Payable
225	FICA Taxes Payable
240	Short-term Notes Payable
301	Nicole Chang, Capital
302	Nicole Chang, Withdrawals
409	Interest Earned
413	Sales
414	Sales Returns and Allowances
415	Sales Discounts
505	Purchases
506	Purchase Returns and Allowances
507	Purchase Discounts
508	Transportation-in
612	Depreciation Expense—Office Equipment
613	Depreciation Expense—Store Equipment
620	Office Salaries Expense
621	Sales Salaries Expense
625	Payroll Tax Expense
633	Interest Expense
637	Insurance Expense
640	Rent Expense
650	Office Supplies Expense
651	Store Supplies Expense
655	Advertising Expense
656	Bad Debts Expense
684	Repairs Expense, Office
685	Repair Expense, Store
690	Utilities Expense
901	Income Summary

Republic Lighting Company

Schedule of Accounts Payable

Balances as of November 30

Acme Lights	\$ 1,550
Continental Lighting	3,100
Dexter Lights, Inc.	2,100
Hoberts Electric	500
Manfredi Lights, Inc.	0
Southwest Fixtures	6,000
Universal Computers	0
Vallejo Lighting Company	600
	<u>\$ 13,850</u>

Republic Lighting Company

Schedule of Accounts Receivable

Balances as of November 30

Advanced Lighting and Decorations	\$ 1,200
Custom Lighting, Inc.	350
J. Jackson	2,400
L. Kramer	1,250
J. Mansenilli	580
P. Oseto	800
A. Schmidt	1,200
	<u>\$ 7,780</u>

The post-closing trial balance of Republic Lighting Company has been entered in the accounts as of December 1.

REQUIRED

Journalize all transactions for the month of December. All purchases are recorded at the gross amount. Post daily any entries that require daily postings. Assume that all amounts appearing in the subsidiary ledgers are the result of one sale per customer or one purchase per creditor. Terms of 2/10, n/30 are offered to all credit customers.

TRANSACTIONS

- Dec. 2 Sold merchandise on account to Custom Lighting, Inc., \$2,670. Issue Invoice No. 500
- 2 Received payment in full from J. Mansenilli on the \$580 sale made November 15. Invoice No. 480. Assume discounts are taken if payment is made within the discount period and that payments are for the correct amount.
- 3 Purchased merchandise on account from Southwest Fixtures; \$5,340. Invoice No. SWF960, dated November 30, terms 2/10, n/60.
- 3 Issued Check No. 1300 for \$100 to Emory's Trucking for freight on the November shipment from Vallejo Lighting Company.
- 3 Issued Check No. 1301 to Southwest Fixtures in full settlement of our November account balance of \$6,000, Invoice SWF890, terms n/30.

- Dec. 4 Sold merchandise on account to L. Kramer, \$600. Issued Invoice No. 501.
- 4 Issued credit memorandum No. 82 for \$100 to Advanced Lighting and Decorations for defects in merchandise sold to and retained by Advanced Lighting.
- 5 Issued Check No. 1302 to Lazer Repairs for computer (office) repairs, \$195.
- 5 Received payment in full from Advanced Lighting and Decorations on sale made November 25, Invoice No. 499. (Recall the credit memorandum of December 4).
- 5 Purchased merchandise on account from Hubert's Electric, \$750, Invoice No. Hel29, dated December 3, terms n/60.
- 6 Returned defective merchandise from the December 3 recorded purchase from Southwest Fixtures and received a \$140 credit memorandum.
- 6 Issued Check No. 1303 to Continental Lighting in full settlement of the November 21 purchase. Invoice CL945, terms 2/15, n30.
- 6 Cash sales for the period ended December 5 were \$8,320.
- 6 Received payment in full from L. Kramer for the sale made on November 27, Invoice No. 489.
- 8 Received \$900 from A. Schmidt as partial payment on the November 6 sale, Invoice No. 455.
- 10 Issued Check No. 1304 to the Internal Revenue Service in payment of FICA taxes accrued as of November 30, \$426.
- 10 Issued Check No. 1305 to the Internal Revenue Service in payment of federal income taxes withheld from employees on November 30, \$565.
- 11 Sold merchandise on account to L. Kramer, \$1,100. Issued Invoice No. 502.
- 12 Received payment in full from P. Oseto for the sale made November 11, Invoice No. 479.
- 12 Purchased a computer and monitor from Universal Computers, \$3,678. Invoice No. UC618, dated December 12, terms n/30.
- 13 Issued Check No. 1306 to Vallejo Lighting Company in full settlement of the November 29 purchase, Invoice No. VL430, terms 2/15, n/60.
- 13 Cash sales for the period ended December 13 were \$6,890.
- 13 Issued Check No. 1307 to Southwest Fixtures in full settlement of our account for the December 3 purchase. (Recall the credit memorandum of December 6).
- 14 Issued Check No. 1308 to Dexter Lights, Inc. in settlement of the purchased made on November 20, Invoice No. DL125, terms 2/15, n/60.
- 15 Issued Check No. 1309 for \$425 to Janet's Stationery Store for office supplies.
- 15 Sold merchandise with a list price of \$2,300 to Advanced Lighting and Decorations on account. A trade discount of ten percent was granted. Issued Invoice No. 503.
- 15 Purchased merchandise on account from Continental Lighting, \$2,400. Invoice No. CL670, dated December 13, terms 2/15, n/30.
- 16 Accepted a \$2,400, 30-day, 8 percent note dated December 16 from J. Jackson in settlement of her open account.

- Dec. 17 Return the monitor purchased from Universal Computers on December 12 and received a credit memorandum for \$900.
- 18 Issued Check No. 1310 to Ray's Electric for equipment (store) repairs, \$185.
- 18 Sold merchandise on account to P. Oseto, \$4,200. Issued Invoice No. 504.
- 19 Received payment from Custom Lighting, Inc. on sale made November 19, Invoice No. 482.
- 20 Received a check from K. Loo for the maturity value of his note. Interest was accrued on the note through November 30. Recording this transaction in the Cash Receipts Journal will require the use of three lines in the journal.
- 20 Purchased merchandise on account from Manfredi Lights, Inc., \$4,650, Invoice No. ML679, dated December 19, terms n/30.
- 20 Cash sales for the period ended December 20 were \$6,450.
- 21 Received payment in full from L. Kramer for the December 11 sale.
- 22 Issued Check No. 1311 to Acme Freight for freight on the December 15 shipment from Continental Lighting, \$90.
- 23 Issued Check No. 1321 to Merchants Supply for store supplies, \$625.
- 23 Purchased merchandise on account from Dexter Lights, Inc., \$4,900, Invoice No. DL260, dated December 21, terms 2/15, n/60.
- 24 Issued Check No. 1313 to Acme Lights in settlement of the November 24 purchase, Invoice AL091, terms n/30.
- 28 Received payment in full from Advanced Lighting and Decorations for the December 15 sale.
- 28 Purchased merchandise on account from Southwest Fixtures, \$900, Invoice No. SWF999, dated December 26, terms 2/10, n/60.
- 28 Issued Check No. 1314 to Continental Lighting in full settlement of the December 15 purchase.
- 30 Sold merchandise to L. Kramer, \$1,350. Issued Invoice No. 505.
- 30 Issued Check No. 1315 to Scottsdale City Bank for the maturity value of the note payable. Interest was accrued through November 30. Recording this transaction in the Cash Receipts Journal will require the use of three lines in the journal.
- 30 Issued Check No. 1316 to Nicole Chang as a withdrawal, \$8,500.
- 30 Issued Check No. 1317 to Pacific West Electric for December services, \$600.
- 30 Issued Check No. 1318 to Western Chronicle for this month's advertising, \$340.
- 30 Issued Check No. 1319 to Western Telephone Company, \$375.
- 31 Issued Check No. 1320 to Cash to replenish the petty cash fund, \$135. The summarized petty cash vouchers showed the payments of: Transportation-In, \$50; Office Supplies, \$35; Nicole Chang, Withdrawals, \$50. Use three lines to record this entry in the Cash Disbursements Journal.

- 31 The payroll records of December 31 showed the following information:

Office Salaries Expense		\$1,340
Sales Salaries Expense		2,560
Gross Pay		<u>\$3,900</u>
Employees' Federal Income Tax Withheld (payable)	\$800	
FICA Taxes Withheld (payable)	320	1,120
Net Pay (Salaries Payable)		<u>\$2,780</u>

Record this information in the General Journal. The expense accounts should be debited and the amounts withheld should be credited to liabilities accounts. This instruction is given because you may be working this practice set before you have read the chapter on payroll and payroll taxes in the textbook.

- 31 In the General Journal, record the employer's FICA tax of \$320 on the December payroll. Debit Payroll Tax Expense and credit FICA Taxes Payable.
- 31 Issued Check No. 1321 to 1323 for the Salaries Payable of \$2,780 from the December Payroll. Show Check Numbers 1321 to 1323 **on one line**, with Payee as Employees' Payroll Checks and Explanation as Salaries Payable.
- 31 Consider the balance of A. Schmidt's account to be uncollectible.
- 31 Cash sales for the period ended December 31 were \$10,600.

Required

- 1) Total and balance all special journals as of December 31 and post to the general ledger. Take a trial balance of the general ledger and enter it on the work sheet. Prepare a schedule of accounts receivable and a schedule of accounts payable as of December 31.
- 2) Complete the work sheet by using the following supplementary data: (All of the account titles you will need in preparing the adjusting entries have been included in the work sheet in their proper numerical sequence so that you will not have to write them in below the trial balance.)
 - a) Adjust the Allowance for Doubtful Accounts account to a balance of \$441.
 - b) Accrue interest on the \$2,400, 30-day, 8.0 percent note dated December 16.
 - c) Office supplies on hand at the end of the month total \$500.
 - d) Store supplies consumed during the month total \$596.
 - e) The balance of prepaid insurance is for a 2-month policy purchased on November 30.
 - f) The balance of prepaid rent is for the prepayment of 4 month's rent on November 30.
 - g) Office equipment depreciation is per month is \$650.
 - h) Store equipment has a salvage value of \$1,500 and a five-year life. Depreciate the store equipment for one month
- 3) Prepare a classified (multiple-step) income statement for the month of December and a classified balance sheet as of December 31. You do not have to divide operating expenses into selling into administrative expenses on the income statement.
- 4) Journalize and post all adjusting and closing entries.
- 5) Prepare a post-closing trial balance.

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CASH RECEIPTS

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