

## HOMEWORK PROBLEM 2-1

The following account balances have been obtained from the books of The Cheatum Co. as of December 31, 20x6, the end of the company's fiscal year. The accounts shown are those having non-zero balances. You may assume that there are additional accounts in the accounting system.

Accounts Payable .....	\$100,000	Office Salaries Expense .....	\$120,000
Accounts Receivable .....	50,000	Prepaid Insurance .....	75,000
Accum. Depreciation - Equip. ..	50,000	Purchases .....	550,000
H. Cheatum, Capital .....	230,000	Purchase Discounts .....	3,000
Cash .....	120,000	Purchase Returns & Allow. ....	7,000
H. Cheatum, Drawing .....	10,000	Rent Expense .....	50,000
Delivery Expense .....	40,000	Sales .....	950,000
Equipment .....	200,000	Sales Discounts .....	4,000
Long-Term Notes Payable .....	275,000	Sales Returns & Allowances ..	6,000
Merchandise Inventory .....	150,000	Sales Salaries Expense .....	240,000

Record, in general journal form, the necessary year-end adjusting entries for The Cheatum Co. based on the additional information provided below.

### Additional Information:

- Insurance expense for the year, \$25,000
- Depreciation expense for the year, \$20,000
- Accrued sales salaries, \$15,000
- Accrued office salaries, \$5,000
- Accrued interest on long-term notes payable, \$7,000

## HOMEWORK PROBLEM 2-2

Shown below are the adjusted account balances of The Jefferson Company as of December 31, 20x1, the end of the company's fiscal year.

Accounts Payable .....	\$ 40,000	Prepaid Insurance (2 years) ....	\$ 8,000
Accounts Receivable .....	60,000	Purchases .....	240,000
Accum. Depreciation - Equip. ..	40,000	Purchase Discounts .....	4,000
R. Jefferson, Capital .....	222,000	Purchase Returns & Allow. ....	1,000
Cash .....	20,000	Rent Expense .....	80,000
Depreciation Expense .....	10,000	Sales .....	600,000
R. Jefferson, Drawing .....	30,000	Sales Discounts .....	7,000
Equipment .....	200,000	Sales Salaries Expense .....	150,000
Insurance Expense .....	4,000	Sales Salaries Payable .....	10,000
Merchandise Inventory .....	20,000	Sales Returns & Allow. ....	3,000
Office Salaries Expense .....	65,000	Utilities Expense .....	27,000
Office Salaries Payable .....	5,000	Utilities Payable .....	2,000

The merchandise inventory, as of December 31, 20x1, was \$25,000.

Required:

- Prepare an income statement for The Jefferson Company for the year ended December 31, 20x1.
- Prepare a balance sheet for The Jefferson Company as of December 31, 20x1.
- List the accounts that would be closed out at the end of the fiscal year, December 31, 20x1.