

Figuring the cost of merchandise sold

Business	Account Title	Trial Balance Debit	Income Statement Debit	Balance Sheet Debit	Cost of Merchandise Sold
1	Merchandise Inventory ..... Purchases ..... <i>(Beg. Inv. + Purch. - End. Inv. = CMS 68,000.00 + 3,800.00 - 64,000.00 = 7,800.00)</i>	\$68 000.00	\$3 800.00	\$64 000.00	<u>\$7 800.00</u>
2	Merchandise Inventory ..... Purchases ..... <i>(Beg. Inv. + Purch. - End. Inv. = CMS 74,000.00 + 4,200.00 - 76,000.00 = 2,200.00)</i>	\$74 000.00	\$4 200.00	\$76 000.00	<u>\$2 200.00</u>
3	Merchandise Inventory ..... Purchases ..... <i>(Beg. Inv. + Purch. - End. Inv. = CMS 62,000.00 + 2,940.00 - 58,000.00 = 6,940.00)</i>	\$62 000.00	\$2 940.00	\$58 000.00	<u>\$6 940.00</u>

Figuring net income or net loss

Business	Account Title	Trial Balance Debit	Income Statement		Balance Sheet Debit	Net Income (+) or Net Loss (-)
			Debit	Credit		
1	Merchandise Inventory ..... Sales ..... Purchases ..... Total Expenses .....	\$48 000.00	\$3 600.00 4 200.00	\$15 000.00	\$44 000.00	<u>+\$3 200.00</u>
2	Merchandise Inventory ..... Sales ..... Purchases ..... Total Expenses .....	\$56 000.00	\$5 200.00 3 600.00	\$18 000.00	\$52 000.00	<u>+\$5 200.00</u>
3	Merchandise Inventory ..... Sales ..... Purchases ..... Total Expenses .....	\$52 000.00	\$6 800.00 5 500.00	\$8 000.00	\$55 000.00	<u>-\$1 300.00</u>

Figuring distribution of net income or net loss

DRILL 17-D 3, p. 355  
[1, 2]

Business	Partner	Agreement on sharing net income or net loss	[1] \$18 000.00 net income	[2] \$7 000.00 net loss
1	A	50% of income or loss	<u>\$ 9 000.00</u>	<u>\$3 500.00</u>
	B	50% of income or loss	<u>9 000.00</u>	<u>3 500.00</u>
2	A	40% of income or loss	<u>\$ 7 200.00</u>	<u>\$2 800.00</u>
	B	60% of income or loss	<u>10 800.00</u>	<u>4 200.00</u>
3	A	20% of income or loss	<u>\$ 3 600.00</u>	<u>\$1 400.00</u>
	B	30% of income or loss	<u>5 400.00</u>	<u>2 100.00</u>
	C	50% of income or loss	<u>9 000.00</u>	<u>3 500.00</u>

Preparing financial statements [1-4]

Spencer Crafts  
Work Sheet

For Month Ended December 31, 19--

ACCOUNT TITLE	1		2		3		4		5		6		7		8	
	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		DEBIT		CREDIT		DEBIT		CREDIT	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	860000													860000		1
2 Accounts Receivable	108000													108000		2
3 Allowance for Uncollectible Accounts		14000			(a) 1600										15600	3
4 Merchandise Inventory	780000				(b) 20000									760000		4
5 Supplies	82000				(c) 12000									70000		5
6 Prepaid Insurance	96000				(d) 18000									78000		6
7 Equipment	1800000													1800000		7
8 Accumulated Depreciation — Equip.		1080000			(e) 15000										1095000	8
9 Accounts Payable		194000													194000	9
10 Sales Tax Payable		117000													117000	10
11 Carol Spencer, Capital		4352500													4352500	11
12 Carol Spencer, Drawing	120000													120000		12
13 Jason Spencer, Capital		4352500													4352500	13
14 Jason Spencer, Drawing	120000													120000		14
15 Income Summary			(b) 200000						200000							15
16 Sales		1950000								1950000						16
17 Purchases	740000								740000							17
18 Bad Debts Expense			(a) 1600						1600							18
19 Credit Card Fee Expense	28000								28000							19
20 Depreciation Expense — Equipment			(e) 15000						15000							20
21 Insurance Expense			(d) 18000						18000							21
22 Miscellaneous Expense	36000								36000							22
23 Rent Expense — Store	120000								120000							23
24 Salary Expense	150000								150000							24
25 Supplies Expense			(c) 12000						12000							25
26	12060000	12060000	246600	246600	246600	246600	246600	1950000	1320600	1950000	10756000	10756000	10126600	10126600		26
27 Net Income									629400					629400		27
28									1950000	1950000	10756000	10756000	10756000	10756000		28

Spencer Crafts

Income Statement

For Month Ended December 31, 19--

<b>Revenue:</b>									
<b>Sales</b>									19 5 0 0 00
<b>Cost of Merchandise Sold:</b>									
<b>Merchandise Inventory, Dec. 1, 19--</b>	78	0	0	0	00				
<b>Purchases</b>	7	4	0	0	00				
<b>Total Cost of Merchandise Available for Sale</b>	85	4	0	0	00				
<b>Less Merchandise Inventory, Dec. 31, 19--</b>	76	0	0	0	00				
<b>Cost of Merchandise Sold</b>									9 4 0 0 00
<b>Gross Profit on Sales</b>									10 1 0 0 00
<b>Expenses:</b>									
<b>Bad Debts Expense</b>						1	6	00	
<b>Credit Card Fee Expense</b>						2	8	00	
<b>Depreciation Expense — Equipment</b>						1	5	00	
<b>Insurance Expense</b>						1	8	00	
<b>Miscellaneous Expense</b>						3	6	00	
<b>Rent Expense — Store</b>						1	2	00	
<b>Salary Expense</b>						1	5	00	
<b>Supplies Expense</b>						1	2	00	
<b>Total Expenses</b>									3 8 0 6 00
<b>Net Income</b>									6 2 9 4 00

[2]

Spencer Crafts

Distribution of Net Income Statement

For Month Ended December 31, 19--

<b>Carol Spencer</b>									
<b>50% of Net Income</b>	3	1	4	7	00				
<b>Jason Spencer</b>									
<b>50% of Net Income</b>	3	1	4	7	00				
<b>Net Income</b>	6	2	9	4	00				





Preparing a distribution of net income statement  
and a capital statement

<b>S. W. Supply</b>	
<i>Distribution of Net Income Statement</i>	
<i>For Month Ended December 31, 19--</i>	
<b>Claudia Stevens</b>	
<i>60% of Net Income</i>	6 2 4 0 00
<b>Bradley Wilson</b>	
<i>40% of Net Income</i>	4 1 6 0 00
<b>Net Income</b>	10 4 0 0 00

[2]

<b>S. W. Supply</b>	
<i>Capital Statement</i>	
<i>For Month Ended December 31, 19--</i>	
<b>Claudia Stevens</b>	
<i>Capital, December 1, 19--</i>	66 0 0 0 00
<i>Share of Net Income</i>	6 2 4 0 00
<i>Less Withdrawals</i>	1 2 6 0 00
<i>Net Increase in Capital</i>	4 9 8 0 00
<i>Capital, December 31, 19--</i>	70 9 8 0 00
<b>Bradley Wilson</b>	
<i>Capital, December 1, 19--</i>	44 0 0 0 00
<i>Share of Net Income</i>	4 1 6 0 00
<i>Less Withdrawals</i>	1 1 1 0 00
<i>Net Increase in Capital</i>	3 0 5 0 00
<i>Capital, December 31, 19--</i>	47 0 5 0 00
<i>Total Capital, December 31, 19--</i>	118 0 3 0 00

<b>S. W. Supply</b>	
<b>Distribution of Net Income Statement</b>	
<b>For Month Ended December 31, 19--</b>	
<b>Claudia Stevens</b>	
60% of Net Loss	2 8 8 0 00
<b>Bradley Wilson</b>	
40% of Net Loss	1 9 2 0 00
<b>Net Loss</b>	4 8 0 0 00

[4]

<b>S. W. Supply</b>	
<b>Capital Statement</b>	
<b>For Month Ended December 31, 19--</b>	
<b>Claudia Stevens</b>	
Capital, December 1, 19--	66 0 0 0 00
Share of Net Loss	2 8 8 0 00
Plus Withdrawals	1 2 6 0 00
Net Decrease in Capital	4 1 4 0 00
Capital, December 31, 19--	61 8 6 0 00
<b>Bradley Wilson</b>	
Capital, December 1, 19--	44 0 0 0 00
Share of Net Loss	1 9 2 0 00
Plus Withdrawals	1 1 1 0 00
Net Decrease in Capital	3 0 3 0 00
Capital, December 31, 19--	40 9 7 0 00
<b>Total Capital, December 31, 19--</b>	<b>102 8 3 0 00</b>





**Midwest Appliance**  
**Distribution of Net Income Statement**  
**For Month Ended November 30, 19--**

<b>Velma Burr</b>									
50% of Net Income						1	9	0	9 00
<b>Thomas Burr</b>									
50% of Net Income						1	9	0	9 00
<b>Net Income</b>						3	8	1	8 00

[3]

**Midwest Appliance**  
**Capital Statement**  
**For Month Ended November 30, 19--**

<b>Velma Burr</b>														
Capital, November 1, 19--														75 3 0 6 00
Share of Net Income						1	9	0	9 00					
Less Withdrawals						1	3	0	0 00					
Net Increase in Capital														6 0 9 00
Capital, November 30, 19--														75 9 1 5 00
<b>Thomas Burr</b>														
Capital, November 1, 19--														32 2 7 4 00
Share of Net Income						1	9	0	9 00					
Less Withdrawals						1	3	0	0 00					
Net Increase in Capital														6 0 9 00
Capital, November 30, 19--														32 8 8 3 00
<b>Total Capital, November 30, 19--</b>														108 7 9 8 00



**Midwest Appliance**

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**Distribution of Net Income Statement**

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**For Month Ended November 30, 19--**

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<b>Velma Burr</b>					
70% of Net Income	2	6	7	2	60
<b>Thomas Burr</b>					
30% of Net Income	1	1	4	5	40
<b>Net Income</b>	3	8	1	8	00

[2]

**Midwest Appliance**

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**Capital Statement**

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**For Month Ended November 30, 19--**

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<b>Velma Burr</b>												
Capital, November 1, 19--					75	3	0	6	00			
Share of Net Income	2	6	7	2	60							
Less Withdrawals	1	3	0	0	00							
Net Increase in Capital					1	3	7	2	60			
Capital, November 30, 19--								76	6	7	8	60
<b>Thomas Burr</b>												
Capital, November 1, 19--	26	2	7	4	00							
Plus Additional Investment	6	0	0	0	00							
Total					32	2	7	4	00			
Withdrawals	1	3	0	0	00							
Less Share of Net Income	1	1	4	5	40							
Net Decrease in Capital					1	5	4	60				
Capital, November 30, 19--								32	1	1	9	40
Total Capital, November 30, 19--								108	7	9	8	00