

## 1. COMPPRO.02.01.PART.1.AND.PART.2

**Comprehensive Problem 2****Part 1 and Part 2:**

Palisade Creek Co. is a merchandising business that uses the perpetual inventory system. The account balances for Palisade Creek Co. as of May 1, 20Y7 (unless otherwise indicated), are as follows:

110 Cash	\$83,600
112 Accounts Receivable	233,900
115 Merchandise Inventory	652,400
117 Prepaid Insurance	16,800
118 Store Supplies	11,400
123 Store Equipment	569,500
124 Accumulated Depreciation—Store Equipment	56,700
210 Accounts Payable	96,600
211 Customer Refunds Payable	50,000
212 Salaries Payable	—
310 Lynn Tolley, Capital, June 1, 20Y6	685,300
311 Lynn Tolley, Drawing	135,000
410 Sales	5,069,000
510 Cost of Merchandise Sold	2,823,000
520 Sales Salaries Expense	664,800
521 Advertising Expense	281,000
522 Depreciation Expense	—
523 Store Supplies Expense	—
529 Miscellaneous Selling Expense	12,600
530 Office Salaries Expense	382,100
531 Rent Expense	83,700
532 Insurance Expense	—
539 Miscellaneous Administrative Expense	7,800

**Part 1:** Using the attached [spreadsheet](#), journalize the transactions for May, the last month of the fiscal year, below.

**Part 2:** Post the journal to the general ledger you created in Part 1, extending the month-end balances to the appropriate balance columns after all posting is completed. In this problem, you are not required to update or post to the accounts receivable and accounts payable subsidiary ledgers.

If an amount box does not require an entry, leave it blank.

**May 1:** Paid rent for May, \$5,000.

Description	Post. Ref.	Debit	Credit
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**May 3:** Purchased merchandise on account from Martin Co., terms 2/10, n/30, FOB shipping point, \$36,000.

Description	Post. Ref.	Debit	Credit

**May 4:** Paid freight on purchase of May 3, \$600.

Description	Post. Ref.	Debit	Credit

**May 6:** Sold merchandise on account to Korman Co., terms 2/10, n/30, FOB shipping point, \$68,500. The cost of the merchandise sold was \$41,000.

Description	Post. Ref.	Debit	Credit

**May 7:** Received \$22,300 cash from Halstad Co. on account.

Description	Post. Ref.	Debit	Credit

**May 10:** Sold merchandise for cash, \$54,000. The cost of the merchandise sold was \$32,000.

Description	Post. Ref.	Debit	Credit


**May 13:** Paid for merchandise purchased on May 3.

Description	Post. Ref.	Debit	Credit

**May 15:** Paid advertising expense for last half of May, \$11,000.

Description	Post. Ref.	Debit	Credit

**May 16:** Received cash from sale of May 6.

Description	Post. Ref.	Debit	Credit

**May 19:** Purchased merchandise for cash, \$18,700.

Description	Post. Ref.	Debit	Credit

**May 19:** Paid \$33,450 to Buttons Co. on account.

Description	Post. Ref.	Debit	Credit

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**May 20:** Paid Korman Co. a cash refund of \$5,000 for damaged merchandise from sale of May 6. Korman Co. kept the merchandise.

Description	Post. Ref.	Debit	Credit

**May 20:** Sold merchandise on account to Crescent Co., terms 1/10, n/30, FOB shipping point, \$110,000. The cost of the merchandise sold was \$70,000.

Description	Post. Ref.	Debit	Credit

**May 21:** For the convenience of Crescent Co., paid freight on sale of May 20, \$2,300.

Description	Post. Ref.	Debit	Credit

**May 21:** Received \$42,900 cash from Gee Co. on account.

Description	Post. Ref.	Debit	Credit

**May 21:** Purchased merchandise on account from Osterman Co., terms 1/10, n/30, FOB destination, \$88,000.

Description	Post. Ref.	Debit	Credit


**May 24:** Returned damaged merchandise purchased on May 21, receiving a credit memo from the seller for \$5,000.

Description	Post. Ref.	Debit	Credit

**May 26:** Refunded cash on sales made for cash, \$800. The defective merchandise was not returned by the customer.

Description	Post. Ref.	Debit	Credit

**May 28:** Paid sales salaries of \$56,000 and office salaries of \$29,000.

Description	Post. Ref.	Debit	Credit

**May 29:** Purchased store supplies for cash, \$2,400.

Description	Post. Ref.	Debit	Credit

**May 30:** Sold merchandise on account to Turner Co., terms 2/10, n/30, FOB shipping point, \$78,750. The cost of the merchandise sold was \$47,000.

Description	Post. Ref.	Debit	Credit


**May 30:** Received cash from sale of May 20 plus freight paid on May 21.

Description	Post. Ref.	Debit	Credit

**May 31:** Paid for purchase of May 21, less return of May 24.

Description	Post. Ref.	Debit	Credit

2. COMPPRO.02.01.PART.3

### Comprehensive Problem 2

#### Part 3:

**NOTE:** You must complete parts 1 and 2 before completing part 3.

Prepare an unadjusted trial balance. If an amount box does not require an entry, leave it blank.

Palisade Creek Co. Unadjusted Trial Balance May 31, 20Y7	
	Debit Balances    Credit Balances
Cash	
Accounts Receivable	
Merchandise Inventory	
Prepaid Insurance	
Store Supplies	
Store Equipment	
Accumulated Depreciation—Store Equipment	
Accounts Payable	
Customer Refunds Payable	

Salaries Payable
Lynn Tolley, Capital
Lynn Tolley, Drawing
Sales
Cost of Merchandise Sold
Sales Salaries Expense
Advertising Expense
Depreciation Expense
Store Supplies Expense
Miscellaneous Selling Expense
Office Salaries Expense
Rent Expense
Insurance Expense
Miscellaneous Administrative Expense

## 3. COMPPRO.02.01.PART.4.AND.PART.6

**Comprehensive Problem 2****Part 4 and 6:**

Note: You must complete parts 1, 2 and 3 before attempting to complete part 4 and part 6. Part 5 is an optional work sheet.

**4.** At the end of May, the following adjustment data were assembled. Analyze and use these data to complete Part 6.

- |  |           |        |
|--|-----------|--------|
| a. Merchandise inventory on May 31                                 | \$585,200 |        |
| b. Insurance expired during the year                               | 12,000    |        |
| c. Store supplies on hand on May 31                                | 4,000     |        |
| d. Depreciation for the current year                               | 14,000    |        |
| e. Accrued salaries on May 31:                                     |           |        |
| Sales salaries   | \$7,000   |        |
| Office salaries  | 6,600     | 13,600 |
| f. The adjustment for customer refunds and allowances is \$60,000. |           |        |

**6.** Journalize the adjusting entries. If an amount box does not require an entry, leave it blank. Post the adjusting entries to the attached [spreadsheet](#) you used in parts 1 and 2.

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Date	Description	Post. Ref.	Debit Credit
Adjusting Entries			
20Y7			
May 31			

[illegible]

**Palisade Creek Co.**

**End-of-Period Spreadsheet (Work Sheet)**

**For the Year Ended May 31, 20Y7**



	Unadjusted Trial		Adjustments		Adjusted Trial		Income		Balance	
	Balance				Balance		Statement		Sheet	
Account Title	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash										
Accounts Receivable										
Merchandise Inventory										
Prepaid Insurance										
Store Supplies										
Store Equipment										
Accum. Depr.-Store										
Equip.										
Accounts Payable										
Customer Refunds										
Payable										
Salaries Payable										
Lynn Tolley, Capital										
Lynn Tolley, Drawing										
Sales										
Cost of Merchandise Sold										
Sales Salaries Expense										
Advertising Expense										
Depreciation Expense										
Store Supplies Expense										
Miscellaneous Selling										
Expense										
Office Salaries Expense										
Rent Expense										
Insurance Expense										
Miscellaneous Admin.										
Expense										
Net Income										

## 5. COMPPRO.02.01.PART.7

**Comprehensive Problem 2****Part 7:**

You must complete parts 1, 2, 3, 4 and 6 before completing part 7. Part 5 is the optional work sheet.

Prepare an adjusted trial balance. If an amount box does not require an entry, leave it blank.

<b>Palisade Creek Co.</b> <b>Adjusted Trial Balance</b> <b>May 31, 20Y7</b>	
	<b>Debit Balances    Credit Balances</b>
Cash	
Accounts Receivable	
Merchandise Inventory	
Prepaid Insurance	
Store Supplies	
Store Equipment	
Accumulated Depreciation—Store Equipment	
Accounts Payable	
Customer Refunds Payable	
Salaries Payable	
Lynn Tolley, Capital	
Lynn Tolley, Drawing	
Sales	
Cost of Merchandise Sold	
Sales Salaries Expense	
Advertising Expense	
Depreciation Expense	
Store Supplies Expense	
Miscellaneous Selling Expense	
Office Salaries Expense	
Rent Expense	
Insurance Expense	
Miscellaneous Administrative Expense	

## 6. COMPPRO.02.01.PART.8

### Comprehensive Problem 2

#### Part 8:

You must complete parts 1, 2, 3, 4, 6 and 7 before attempting to complete part 8.

**Note:** part 5 is optional.

## 1. Prepare an income statement.

Palisade Creek Co.	
Income Statement	
For the Year Ended May 31, 20Y7	
_____	\$
_____	
_____	\$
Expenses:	
Selling expenses:	
_____	\$
_____	
_____	
_____	
_____	
Total selling expenses	_____ \$
Administrative expenses:	
_____	\$
_____	
_____	
_____	
Total administrative expenses	_____
Total expenses	_____
Net income	_____ \$

## 2. Prepare a statement of owner's equity.

Palisade Creek Co.	
Statement of Owner's Equity	
For the Year Ended May 31, 20Y7	
_____	\$
_____	\$
_____	_____
_____	_____
_____	\$

**3.** Prepare a balance sheet.

<b>Palisade Creek Co.</b> <b>Balance Sheet</b> <b>May 31, 20Y7</b>	
Assets	
Current assets:	
_____	\$
_____	
_____	
_____	
_____	
Total current assets	_____ \$
Property, plant, and equipment:	
_____	\$
_____	
Total property, plant, and equipment	_____
Total assets	_____ \$
Liabilities	
Current liabilities:	
_____	\$
_____	
_____	
Total liabilities	_____ \$
Owner's equity	
_____	
Total liabilities and owner's equity	_____ \$

7. COMPPRO.02.01.PART.9

**Comprehensive Problem 2****Part 9:**

You must complete parts 1, 2, 3, 4, 6, 7 and 8 before attempting to complete part 9. Part 5 is optional.

Journalize the closing entries. Then post the journal to the general ledger you created in part 1. Indicate closed accounts by inserting a line in both the balance columns opposite the closing entry. Insert the new balance in the owner's capital account.

If an amount box does not require an entry, leave it blank.

[illegible]

8. COMPPRO.02.01.PART.10

### Comprehensive Problem 2

## Part 10:

You must complete parts 1, 2, 3, 4, 6, 7, 8 and 9 before attempting to complete part 10. Part 5 is optional.

Prepare a post-closing trial balance. If an amount box does not require an entry, leave it blank.

<b>Palisade Creek Co.</b> <b>Post-Closing Trial Balance</b> <b>May 31, 20Y7</b>	
	<b>Debit Balances    Credit Balances</b>
Cash	
Accounts Receivable	
Merchandise Inventory	
Prepaid Insurance	

Store Supplies	
Store Equipment	
Accumulated Depreciation-Store Equipment	
Accounts Payable	
Customer Refunds Payable	
Salaries Payable	
Lynn Tolley, Capital	