

Sample A

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102
212

Journal

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT
a.	Cash		812,500	
	Common Stock			375,000
	Paid in Capital in Excess of Par-Common			437,500
b.	Cash		1,600,000	
	Preferred Stock			1,250,000
	Paid in Capital in Excess of Par-Preferred			350,000
c.	Cash		16,869,339	
	Bonds Payable			15,000,000
	Premium on Bonds Payable			1,869,339
d.	Cash Dividends		78,125	
	Cash Dividends Payable			78,125
	(common 31,250; pref'd 46,875)			
e.	Cash Dividends Payable		78,125	
	Cash			78,125
f.	Bonds Payable		500,000	
	Premium on Bonds Payable		6,150	
	Cash			505,000
	Gain on redemption of bonds			1,150
g.	Treasury Stock		390,625	
	Cash			390,625
h.	Stock Dividends		151,406	
	Stock Dividends Distributable			71,250
	Paid in Capital In Excess of Par Common			80,156
	Cash Dividend		46,875	
	Cash Dividends Payable			46,875
i.	Stock Dividends Payable <i>71,250</i>		71,250	
	Common Stock			71,250
	Cash Dividends Payable		46,875	
	Cash			46,875
j.	Investment in Lewis Sports Bonds		145,500	
	Interest Revenue		5,625	
	Cash			151,125
k.	Cash		271,875	
	Treasury Stock			234,375

Journal

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT
	Paid in capital in excess of t stock			37,500
l.	Interest Expense		806,533	
	Premium on Bonds Payable		93,467	
	Cash			900,000
m.	Interest Receivable		7,500	
	Interest Revenue			7,500

[illegible]

Dellhome Products Inc
Income Statement
For the Year Ended July 31, 2008

Sales			\$ 6,300,000
Cost of merchandise sold			\$ 3,498,750
Gross profit			<u>\$ 2,801,250</u>
Operating expenses:			
Selling expenses:			
Sales salaries expense	\$ 360,000		
Sales commissions expense	\$ 195,000		
Advertising expense	\$ 150,000		
Depreciation expense - store bldg & eqpt	\$ 90,000		
Store supplies expense	\$ 20,000		
Delivery expense	\$ 27,000		
Miscellaneous selling expense	\$ 13,750		
Total selling expenses		\$ 855,750	
Administrative expenses:			
Office salaries expense	\$ 170,000		
Office rent expense	\$ 50,000		
Depreciation expense - office bldg & eqpt	\$ 25,000		
Office supplies expense	\$ 10,000		
Miscellaneous administrative expense	\$ 7,500		
Total administrative expenses		\$ 262,500	
Special charges:			
Loss from fixed asset impairment	\$ 187,500		
Restructuring charge	\$ 93,750		
Total special charges		\$ 281,250	
Total expenses			\$ 1,399,500
Income from continuing operations before other income and expenses			<u>\$ 1,401,750</u>
Other income and expenses:			
Interest revenue			\$ 2,025
Gain on redemption of bonds			\$ 1,150
Interest Expense			<u>\$ 778,266</u>
Income from continuing operations before income tax			\$ 626,659
Income tax expense			\$ 247,659
Income from continuing operations			<u>\$ 379,000</u>
Loss from discontinued operations	\$ 250,000		
Less applicable income tax	\$ 100,000		\$ 150,000
Net income			<u>\$ 229,000</u>
Earnings per share:			
Income from continuing operations			1.53
Loss from discontinued operations			1.20
Net income			0.33

\$ 41,500

0.33

Dellhome Products Inc
Retained Earnings Statement
For the Year Ended July 31, 2008

Retained earnings, August 1, 2007			\$2,302,970
Net income		\$ 229,000	
Less dividends declared:			
Cash dividends	\$310,315		
Stock dividends	<u>151,406</u>	<u>461,721</u>	
Increase in retained earnings			<u>(232,721)</u>
Retained earnings, July 31, 2008			<u>\$2,070,249</u>

Dellhome Products Inc
Balance Sheet
July 31, 2008

Assets

Current assets:

Cash	\$250,000
Accounts receivable	<u>562,500</u>
Less allowance for doubtful accounts	(43,750)
Notes receivable	156,250
Merchandise inventory, at lower of cost (FIFO) or market	<u>850,000</u>
Interest receivable	7,500
Prepaid expenses	<u>31,250</u>
Total current assets	\$1,813,750

Investments:

Investment in Lewis Sports Bonds	<u>145,620</u>	
Total investments		\$145,620

Property, plant, and equipment:

Store Building & Equipment	<u>21,920,876</u>	
Office Building & Equipment	<u>\$7,412,500</u>	
Less accumulated depreciation	<u>6,099,400</u>	
Total property, plant, and equipment		23,233,976

Intangible assets:

Goodwill	<u>540,000</u>	
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Total assets

\$25,733,346Liabilities

Current liabilities:

Accounts payable	\$212,000	
Employee termination obligation	81,250	
Income tax payable	40,000	
Dividends payable	37,500	
Deferred income taxes payable	<u>17,500</u>	
Total current liabilities		\$388,250

Long-term liabilities:

Debenture 11% bonds payable, due 2018	14,500,000	
Plus unamortized premium	<u>1,769,722</u>	
Total long-term liabilities		\$16,269,722

Deferred credits:

Deferred income taxes payable	<u>33,875</u>	
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Total liabilities

\$16,691,847

Stockholders' Equity

Paid-in capital:

Preferred 8% stock, \$125 par (30,000 shares authorized; 18,750 shares issued)	\$2,343,750	
Excess of issue price over par	<u>300,000</u>	\$2,643,750
Common stock, \$30 par (400,000 shares authorized; 124,875 shares issued)	\$3,746,250	
Excess of issue price over par	<u>700,000</u>	4,446,250
From sale of treasury stock		<u>37,500</u>
Total paid-in capital		\$7,127,500

Retained earnings

2,070,249

\$9,197,749

Deduct treasury common stock (2,500 shares at cost)

156,250

Less accumulated other comprehensive loss

0

Total stockholders' equity

9,041,499

Total liabilities and stockholders' equity

\$25,733,346

