

1

23 points



Required information

Project 2: Review of Merchandising Cycle

[The following information applies to the questions displayed below.]

Wally's Widget Company (WWC) incorporated near the end of 2011. Operations began in January of 2012. WWC prepares adjusting entries and financial statements at the end of each month. Balances in the accounts at the end of January are as follows:

Cash	\$18,920	Unearned Revenue (30 units)	\$ 4,450
Accounts Receivable	\$ 9,950	Accounts Payable (Jan Rent)	\$1,500
Allowance for Doubtful Accounts	\$(1,000)	Notes Payable	\$ 14,500
Inventory (35 units)	\$ 2,800	Contributed Capital	\$ 5,200
		Retained Earnings – Feb 1, 2012	\$ 5,020

- WWC establishes a policy that it will sell inventory at \$165 per unit.
- In January, WWC received a \$4,450 advance for 30 units, as reflected in Unearned Revenue.
- WWC's February 1 inventory balance consisted of 35 units at a total cost of \$2,800.
- WWC's note payable accrues interest at a 12% annual rate.
- WWC will use the FIFO inventory method and record COGS on a perpetual basis.

February Transactions

- Included in WWC's February 1 Accounts Receivable balance is a \$1,700 account due from Kit Kat, a WWC customer. Kit Kat is having cash flow problems and cannot pay its balance at this time. WWC arranges with Kit Kat to convert the \$1,700 balance to a note, and Kit Kat signs a 6-month note, at 12% annual interest. The principal and all interest will be due and payable to WWC on August 1, 2012.
- 02/02 WWC paid a \$500 insurance premium covering the month of February. The amount paid is recorded directly as an expense.
- 02/05 An additional 130 units of inventory are purchased on account by WWC for \$9,750 – terms 2/15, n30.
- 02/05 WWC paid Federal Express \$260 to have the 130 units of inventory delivered overnight. Delivery occurred on 02/06.
- 02/07 Sales of 100 units of inventory occurred during the period of 02/07 – 02/10. The

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- 02/02 WWC paid a \$500 insurance premium covering the month of February. The amount paid is recorded directly as an expense.
- 02/05 An additional 130 units of inventory are purchased on account by WWC for \$9,750 – terms 2/15, n30.
- 02/05 WWC paid Federal Express \$260 to have the 130 units of inventory delivered overnight. Delivery occurred on 02/06.
- 02/10 Sales of 100 units of inventory occurred during the period of 02/07 – 02/10. The sales terms are 2/10, net 30.
- 02/15 The 30 units that were paid for in advance and recorded in January are delivered to the customer.
- 02/15 15 units of the inventory that had been sold on 2/10 are returned to WWC. The units are not damaged and can be resold. Therefore, they are returned to inventory. Assume the units returned are from the 2/05 purchase.
- 02/16 WWC pays the first 2 weeks wages to the employees. The total paid is \$2,400.
- 02/16 Paid in full the amount owed for the 2/05 purchase of inventory. WWC records purchase discounts in the current period rather than as a reduction of inventory costs.
- 02/18 Wrote off a customer's account in the amount of \$1,100.
- 02/19 \$3,000 of rent for January and February was paid. Because all of the rent will soon expire, the February portion of the payment is charged directly to expense.
- 02/19 Collected \$8,200 of customers' Accounts Receivable. Of the \$8,200, the discount was taken by customers on \$4,500 of account balances; therefore WWC received less than \$8,200.
- 02/26 WWC recovered \$420 cash from the customer whose account had previously been written off (see 02/18).
- 02/27 A \$600 utility bill for February arrived. It is due on March 15 and will be paid then.
- 02/28 WWC declared and paid a \$800 cash dividend.

Adjusting Entries:

- 02/29 Record the \$2,400 employee salary that is owed but will be paid March 1.
- 02/29 WWC decides to use the aging method to estimate uncollectible accounts. WWC determines 8% of the ending balance is the appropriate end of February estimate of uncollectible accounts.
- 02/29 Record February interest expense accrued on the note payable.
- 02/29 Record one month's interest earned Kit Kat's note (see 02/01).

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Check my

Project 2: Part 1 & 2

Required:
 1-a. Prepare all February journal entries and adjusting entries. (If no entry is required for a transaction/event, select "No Journal Entry Required" in the first account field.)

View transaction list

Journal entry worksheet

< 1 2 3 4 5 6 7 8 23 >

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Note: Enter debits before credits.

Date	General Journal	Debit	Credit
Feb. 1			

McGraw Hill Project 2

< Prev 1 of 1 Next > Saved

Help Save & Exit Subm

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Required information

Cash				Accounts Receivable			
Beg. bal.				Beg. bal.			
End. bal.				End. bal.		0	
Allowance for Doubtful Accounts				Inventory			
Beg. bal.				Beg. bal.			
End. bal.				End. bal.			
Notes Receivable				Interest Receivable			
Beg. bal.				Beg. bal.			
End. bal.				End. bal.			
Accounts Payable				Unearned Revenue			
Beg. bal.				Beg. bal.			

McGraw Hill

< Prev 1 of 1 Next >

Check my work

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Required information

23 points

2. Prepare all February 29 closing entries for WWC. Post to the T-Accounts in requirement 1-b. (If no entry is required for a transaction/event, select "No Journal Entry Required" in the first account field.)

- eBook
- References

View transaction list

Journal entry worksheet

< 1 2 3 >

Record the entry to close sales revenue, interest revenue, sales returns and allowances, sales discounts.

Note: Enter debits before credits.

Transaction	General Journal	Debit	Credit
1			

Record entry Clear entry View general journal