

Hoya Assignment

Part - 1

Submitted By:
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Topic: Processing Accounting Information

Instructions

Part I involves applying Steps 1 – 4 of the accounting cycle: analyze each transaction, record journal entries, post journal entries to the ledger, and prepare an unadjusted trial balance.

Background

Jason McCarthy began formulating an idea for a business which would design and manufacture military-grade premium backpacks for civilian use while a Georgetown graduate student. Jason felt this idea was the perfect intersection of his military background and the increasing popularity of military-inspired adventure races like Tough Mudder, Warrior Dash, and GoRuck Challenge.¹ After many months of planning, Jason officially launched Hoya Unlimited on July 1, 2013. In addition to manufacturing military-grade backpacks, Hoya also served as a retailer of select race-related merchandise. In the first month of business, Hoya Unlimited engages in the following transactions:

- 1) On July 1, Jason incorporates Hoya Unlimited and issues 1,000 shares of stock to family and close friends for \$8 per share.
- 2) On July 1, Hoya Unlimited borrows \$10,000 on a one-year note with 6% annual interest from Bank of Georgetown.
- 3) On July 1, Hoya Unlimited purchases equipment for \$10,000. The equipment will be used to manufacture premium-grade backpacks. Hoya Unlimited pays \$5,000 cash at delivery and signs a note with the equipment supplier for the remainder. The note terms include 8% annual interest due at the end of each quarter (March, June, September, and December). The \$5,000 of principal is due on June 30, 2016.

¹ The business which inspired this assignment was founded by Jason McCarthy, a MSB Class of 2011 MBA student. For the truly interested, see www.goruck.com for additional information. Financial information and July 2013 transactions were created by Professors Anderson, Davidson and Koester to illustrate the accounting cycle and in no way reflect the actual financial operations of GORUCK.

- 4) On July 1, Hoya Unlimited purchases a one-year renter's insurance policy from State Farm Insurance for \$1,200.
- 5) On July 1, Hoya Unlimited purchases office furniture (two desks and two chairs) from Office Depot for \$750.
- 6) On July 7, Hoya Unlimited buys 200 short-sleeved shirts (made of moisture-wicking fabric) for \$25 each, on account.
- 7) On July 10, Hoya Unlimited buys office supplies from Office Depot for \$100 cash.
- 8) On July 18, Hoya Unlimited sells 40 of the moisture-wicking shirts to a new customer for \$65 each, on account.
- 9) On July 19, Jason celebrates his success by having lunch with his brother at Clyde's on M Street for \$70.
- 10) On July 22, Hoya Unlimited pays the outstanding \$5,000 balance for the moisture-wicking shirts it purchased previously (Transaction #6).
- 11) On July 24, Hoya Unlimited receives an order from a customer for 50 moisture-wicking shirts. The sales price is \$65 per shirt.
- 12) On July 25, Hoya Unlimited collects cash for 30 of the moisture-wicking shirts sold on account (Transaction #8).
- 13) On July 27, *The Georgetown* newspaper runs a favorable article about Hoya Unlimited, predicting that Hoya products will be the next big thing in sports gear. The article predicts Hoya Unlimited stock will be worth \$20/share within the next year.
- 14) On July 29, Hoya Unlimited pays \$100 for a "help wanted" advertisement which ran in the Georgetown University student-run newspaper the same day.
- 15) On July 30, 2013, Hoya Unlimited receives a bill for \$80 for utilities used in July. The bill is due August 22, 2013.
- 16) On July 31, Hoya Unlimited declares and pays a dividend of \$0.25 per share on each of the 1,000 shares of stock outstanding.

Requirements

1. For each of Hoya Unlimited's July 2013 transactions listed above, prepare, in good form, the required journal entry(ies).
2. Post each of the journal entries to the appropriate t-accounts.
3. Prepare Hoya Unlimited's unadjusted trial balance on July 31, 2013.

On the following pages are blank journal paper, blank t-accounts, and a blank unadjusted trial balance for you to use.

Date	Account Title	Debit	Credit
7/1/13	Cash	8,000	
	Contributed Capital		8,000
7/1/13	Cash	10,000	
	Notes Payable – ST		10,000
7/1/13	Equipment	10,000	
	Cash		5,000
	Notes Payable – LT		5,000
7/1/13	Prepaid Insurance	1,200	
	Cash		1,200
7/1/13	Furniture	750	
	Cash		750
7/7/13	Inventory	5,000	
	Accounts Payable		5,000
7/10/13	Supplies	100	
	Cash		100
7/18/13	Accounts Receivable	2,600	
	Revenue		2,600
	Cost of Goods Sold	1,000	
	Inventory		1,000

Cash			
BB	0		
(1)	8,000	5,000	(3)
(2)	10,000	1,200	(4)
(12)	1,950	750	(5)
		100	(7)
		5,000	(10)
		100	(14)
		250	(16)
7/31	7,550		

Accounts Receivable			
BB	0		
(8)	2,600	1,950	(12)
7/31	650		

Supplies			
BB	0		
(7)	100		
7/31	100		

Inventory			
BB	0		
(6)	5,000	1,000	(8)
7/31	4,000		

Prepaid Insurance			
BB	0		
(4)	1,200		
7/31	1,200		

Furniture			
BB	0		
(5)	750		
7/31	750		

Accumulated Depreciation (Furniture)			
	0	BB	
	0	7/31	

Equipment			
BB	0		
(3)	10,000		
7/31	10,000		

Accumulated Depreciation (Equipment)			
	0	BB	
	0	7/31	

Accounts Payable			
		0	BB
(10)	5,000	5,000	(6)
		0	7/31

Utilities Payable		
	0	BB
	80	(15)
	80	7/31

Interest Payable		
	0	BB
	0	7/31

Income Tax Payable		
	0	BB
	0	7/31

Notes Payable – ST		
	0	BB
	10,000	(2)
	10,000	7/31

Notes Payable - LT		
	0	BB
	5,000	(3)
	5,000	7/31

Contributed Capital		
	0	BB
	8,000	(1)
	8,000	7/31

Retained Earnings		
	0	BB
7/31	0	

Revenue	
	2,600 (8)
	2,600 7/31

Supplies Expense	
7/31	0

Cost of Goods Sold	
(8)	1,000
7/31	1,000

Advertising Expense	
(14)	100
7/31	100

Utilities Expense	
(15)	80
7/31	80

Interest Expense	
7/31	0

Depreciation Expense	
7/31	0

Insurance Expense	
7/31	0

Income Tax Expense	
7/31	0

Dividends	
(16)	250
7/31	250

Hoya Unlimited
Unadjusted Trial Balance
July 31, 2013

Account	Debit	Credit
Cash	\$7,550	
Accounts Receivable	650	
Supplies	100	
Inventory	4,000	
Prepaid Insurance	1,200	
Furniture	750	
Equipment	10,000	
Accounts Payable		\$0
Utilities Payable		80
Notes Payable - ST		10,000
Notes Payable – LT		5,000
Contributed Capital		8,000
Retained Earnings		0
Revenue		2,600
Cost of Goods Sold	1,000	
Advertising Expense	100	
Utilities Expense	80	
Dividends	250	
Totals	\$25,680	\$25,680