

Hoya Assignment

Part - 2

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Instructions

Part 2 involves applying Steps 5 – 7 of the accounting cycle: record adjusting journal entries, prepare financial statements, and record closing journal entries. Note that you will need information from Part 1 to complete Part 2.

Additional Information

1. The equipment has an estimated useful life of 6 years (72 months). Hoya Unlimited expects to receive \$2,800 when disposed of at the end of its estimated useful life.
2. The furniture has an estimated useful life of 5 years (60 months). Hoya Unlimited estimates the furniture can be sold for \$150 at the end of its estimated useful life.
3. Hoya Unlimited uses a straight-line depreciation method.
4. Supplies worth \$50 are still on hand at the end of July.
5. Hoya Unlimited's tax rate is 35%.

Requirements

1. Prepare all of Hoya Unlimited's adjusting entries on July 31, 2013.
2. After posting the adjusting entries to the t-accounts, prepare an adjusted trial balance on July 31, 2013. Use the t-accounts with the unadjusted balances from this packet to post your adjusting entries.
3. Prepare Hoya Unlimited's income statement and statement of stockholders' equity for the month of July 2013 as well as its balance sheet on July 31, 2013.
4. Prepare and post Hoya Unlimited's closing entries on July 31, 2013. Use the t-accounts with the unadjusted balances from this packet to post your closing entries.

On the following pages are blank journal paper, blank t-accounts, and a blank adjusted trial balance for you to use. You may use the same journal paper for adjusting and closing entries, but clearly label each category. You should attach the financial statements to this packet when you turn in your assignment. Be sure to follow the classified balance sheet format (i.e., separate current and noncurrent items) as well as the multiple step income statement format from the notes.

Hoya Unlimited
Adjusted Trial Balance
July 31, 2013

Account	Debit	Credit
Cash	\$7,550	
Accounts Receivable	650	
Supplies	50	
Inventory	4,000	
Prepaid Insurance	1,100	
Furniture	750	
Accumulated Depreciation, Furniture		\$10
Equipment	10,000	
Accumulated Depreciation, Equipment		100
Utilities Payable		80
Interest Payable		83
Income Tax Payable		377
Notes Payable - ST		10,000
Notes Payable – LT		5,000
Contributed Capital		8,000
Retained Earnings		
Revenue		2,600
Cost of Goods Sold	1,000	
Advertising Expense	100	
Utilities Expense	80	
Depreciation Expense	110	
Supplies Expense	50	
Insurance Expense	100	
Interest Expense	83	
Income Tax Expense	377	
Dividends	250	
Totals	\$26,250	\$26,250

Hoya Unlimited
Income Statement
For the Month Ended July 31, 2013

Revenue		\$2,600
Operating Expenses:		
Cost of Goods Sold	\$1,000	
Rent Expense	100	
Utilities Expense	80	
Depreciation Expense	110	
Supplies Expense	50	
Insurance Expense	<u>100</u>	
Total Operating Expenses		\$1,440
Income from Operations		\$1,160
Interest Expense		<u>83</u>
Income Before Taxes		\$1,057
Income Tax Expense		<u>377</u>
Net Income		<u>\$ 700</u>
Earnings Per Share		\$0.70

Hoya Unlimited
Statement of Stockholders' Equity
For the Month Ended July 31, 2013

Contributed Capital, July 1, 2013	\$ 0
+ Common Stock Issuances	<u>8,000</u>
Contributed Capital, July 31, 2013	\$ 8,000
 Retained Earnings, July 1, 2013	 \$ 0
+ Net Income	700
- Dividends	<u>(250)</u>
Retained Earnings, July 31, 2013	\$ 450
 Stockholders' Equity, July 31, 2013	 \$ 8,450

Hoya Unlimited
Balance Sheet
July 31, 2013

Assets

Current Assets:

Cash	\$7,550	
Accounts Receivable	650	
Supplies	50	
Inventory	4,000	
Prepaid Insurance	<u>1,100</u>	
Total Current Assets		\$13,350

Long-Term Assets:

Furniture	\$ 750	
Less: Accumulated Depreciation	(10)	740
Equipment	\$10,000	
Less: Accumulated Depreciation	(100)	<u>9,900</u>
Total Assets		<u>\$23,990</u>

Liabilities

Current Liabilities:

Utilities Payable	\$ 80	
Interest Payable	83	
Income Tax Payable	377	
Notes Payable – ST	<u>10,000</u>	
Total Current Liabilities		\$10,540

Long-term Liabilities:

Notes Payable – LT	<u>5,000</u>	
Total Liabilities		\$15,540

Stockholders' Equity

Contributed Capital	\$ 8,000	
Retained Earnings	<u>450</u>	
Total Stockholders' Equity		\$ 8,450

Total Liabilities and Stockholders' Equity		<u>\$23,990</u>
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Closing Entries:

Date	Account Title	Debit	Credit
7/31/13	Revenue	2,600	
	Retained Earnings		2,600
7/31/13	Retained Earnings	1,900	
	Cost of Goods Sold		1,000
	Rent Expense		100
	Utilities Expense		80
	Depreciation Expense		110
	Supplies Expense		50
	Interest Expense		83
	Insurance Expense		100
	Income Tax Payable		377
7/31/13	Retained Earnings	250	
	Dividends		250