

**Solution:**

## GENERAL JOURNAL (in \$)

Name: Ithaca Espresso, Inc.

Date	Particulars	L.F.	Debit	Credit
(a)	Merchandise Inventory To Accounts Payable  (Being purchase of merchandise on open account)		41,000	41,000
(b)	Cash To Sales Revenue  (Being cash sales)		74,250	74,250
(c)	Accounts Payable To Cash  (Being payment to creditors)		29,000	29,000
(d)	Accounts Receivable To Sales Revenue  (Being sales on open account)		3,000	3,000
(e)	Advertisement Expense To Cash  (Being expense for advertisement paid in cash)		3,000	3,000
(f)	Cost of Goods Sold To Merchandise Inventory  (Being cost of goods sold)		45,000	45,000
(g)	Cash To Accounts Receivable  (Being collection of amounts pending)		6,000	6,000
(h)	Sundry Expense To Cash  (Being expenses)		8,000	8,000
(i)	Salaries & Wages Expense To Cash  (Being wages paid)		9,000	9,000
(j)	Rent Expense To Prepaid Rent  (Being rent expense)		2,000	2,000

(k)	Depreciation Expense To Accumulated depreciation  (Being depreciation of equipment)		250	250
-----	--	--	-----	-----

Based on the above journal entries & balance sheet of the previous month, we can create T-accounts for the accounts as follows:

Cash	
13,000	29,000
74,250	3,000
6,000	8,000
	9,000

Accounts Receivable	
5,200	6,000
3,000	

Accounts Payable	
29,000	40,000
	41,000

Paid-in Capital	
	30,000

Retained Earnings	
	44,850

Merchandise Inventory	
77,800	45,000
41,000	

Sales Revenue	
	74,250
	3,000

Prepaid Rent	
4,000	2,000

Salaries & Wages Expense	
9,000	

Store equipment	
21,000	

Advertisement Expense	
3,000	

Rent Expense	
2,000	

Sundry Expense	
8,000	

Cost of Goods Sold	
45,000	

Depreciation Expense	
250	

Accumulated depreciation	
	250
	6,150

Based on these, the trial balance is given by:

---

**TRIAL BALANCE (in \$)**

<b>Name of Account</b>	<b>Debit</b>	<b>Credit</b>
Cash	44,250	
Accounts Receivable	2,200	
Merchandise Inventory	73,800	
Store Equipment	21,000	
Prepaid Rent	2,000	
Accumulated Depreciation, Store Eq.		6,400
Accounts Payable		52,000
Paid in Capital		30,000
Retained Earnings		44,850
Sales Revenue		77,250
Cost of Goods Sold	45,000	
Sundry Expense	8,000	
Rent Expense	2,000	
Depreciation Expense	250	
Salaries & Wages Expense	9,000	
Advertisement Expense	3,000	
<b>Total</b>	<b>210,500</b>	<b>210,500</b>

Using this trial balance, we can easily prepare the financial statements.

The statements are prepared as follows:

---

**STATEMENT OF INCOME (in \$)**

**Name: Ithaca Espresso, Inc.**

**As Of: September 2010**

<b>Particulars</b>	<b>Amount</b>
<b>Sales</b>	77,250
<b>Cost of Goods Sold</b>	(45,000)
<b>Gross Profit</b>	32,250
<b>Other operating expenses:</b>	
Salaries & Wages	(9,000)
Advertisement	(3,000)
Rent	(2,000)
Depreciation	(250)
<b>Net Operating Income</b>	18,000
Less: Sundry Expenses	(8,000)
<b>Net Income</b>	10,000

The balance sheet is given by:

---

**CLASSIFIED & CONSOLIDATED BALANCE SHEET (in \$)**

**Name: Ithaca Espresso, Inc.**

**As Of: September 30, 2010**

<b>Particulars</b>	<b>Amount</b>
<b>ASSETS:</b>	
Cash	44,250
Accounts Receivable	2,200
Merchandise Inventory	73,800
Prepaid Rent	2,000
Store Equipment	21,000
Less: Accumulated Depreciation	(6,400)
<b>Total assets</b>	<b>136,850</b>
<b>LIABILITIES:</b>	
Accounts Payable	52,000
<b>Total liabilities</b>	<b>52,000</b>
<b>STOCKHOLDERS' EQUITY:</b>	
Paid in Capital	30,000
Retained Earnings:	
As Of September 1, 2010	44,850
Add: Income	10,000
Retained Earnings as of September 30, 2010	54,850
<b>Total stockholders' equity</b>	<b>84,850</b>
<b>Total liabilities &amp; stockholders' equity</b>	<b>136,850</b>