

**BA 203 Section 02- Financial Accounting**

**CASE REPORT**

**Name of Group Members and ID Numbers:**

**Günsu Günaydın - 1809868013**

**Fuat Yiğit Koçyiğit - 16429085948**

**Date of Submission: 04.01.2021**

**Instructor Name: Işıl Sevilay Yılmaz**

|  |  |  |  |
| --- | --- | --- | --- |
| DATE | ACCOUNTS AND EXPLANATION | DEBIT | CREDIT |
| Dec.1 | Cash | $20.000 |  |
|  | Truck | $14.500 |  |
|  | Common Stock |  | $34.500 |
|  | Cash and truck brought into business. |  |  |
| Dec.1 | Prepaid Insurance | $2.400 |  |
|  | Cash |  | $2.400 |
|  | Insurance paid in advance. |  |  |
| Dec.4 | Office Supplies | $920 |  |
|  | Cash |  | $920 |
|  | Office supplies purchased. |  |  |
| Dec.12 | Cash | $6.250 |  |
|  | Service revenue |  | $6.250 |
|  | Cash received for Service revenue. |  |  |
| Dec.15 | Account receivable | $9.300 |  |
|  | Service revenue |  | $9.300 |
|  | Services performed on credit. |  |  |
| Dec.18 | Salary expense | $1.800 |  |
|  | Cash |  | $1.800 |
|  | Paid employee salary. |  |  |
| Dec.20 | Cash | $8.000 |  |
|  | Service revenue |  | $8.000 |
|  | Received cash for delivery services. |  |  |
| Dec.22 | Cash | $4.200 |  |
|  | Unearned revenue |  | $4.200 |
|  | Received cash for unearned revenue. |  |  |
| Dec.25 | Cash | $9.300 |  |
|  | Account receivable |  | $9.300 |
|  | Collection from customers on account. |  |  |
| Dec.27 | Fuel expense | $550 |  |
|  | Account payable |  | $550 |
|  | Purchase of fuel on account. |  |  |
| Dec.28 | Account receivable | $1.400 |  |
|  | Service revenue |  | $1.400 |
|  | Performed services on account. |  |  |
| Dec.29 | Rent expense | $2.500 |  |
|  | Cash |  | $2.500 |
|  | Paid office rent |  |  |
| Dec.30 | Accounts payable | $350 |  |
|  | Cash |  | $350 |
|  | Paid on account. |  |  |
| Dec.31 | Dividends | $3.250 |  |
|  | Cash |  | $3.250 |
|  | Dividends paid in cash. |  |  |

1. Journal entries of Murphy Delivery Service

**2)** Posting the transactions in T accounts.

**Cash Account**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.1 $20.000 | Dec.1 $2.400 |
| Dec.12 $6.250 | Dec.4 $920 |
| Dec.20 $8.000 | Dec.18 $1.800 |
| Dec.22 $4.200 | Dec.29 $2.500 |
| Dec.25 $9.300 | Dec.30 $350 |
|  | Dec.31 $3.250 |
| Balance $36.530 |  |

**Service Revenue**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
|  | Dec.12 $6.250 |
|  | Dec.15 $9.300 |
|  | Dec.20 $8.000 |
|  | Dec.28 $1.400 |
|  | Balance $24.950 |

**Account Receivable**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.15 $9.300 | Dec.25 $9.300 |
| Dec.28 $1.400 |  |
| Balance $1.400 |  |

**Common Stock**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
|  | Dec.1 $34.500 |
|  | Balance $34.500 |

**Accounts Payable**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.30 $350 | Dec.27 $550 |
|  | Balance $200 |

**Office Supplies**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.4 $920 |  |
| Balance $920 |  |

**Unearned Revenue**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
|  | Dec.22 $4.200 |
|  | Balance $4.200 |

**Salaries Expense**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.18 $1.800 |  |
| Balance $1.800 |  |

**Rent Expense**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.29 $2.500 |  |
| Balance $2.500 |  |

**Fuel Expense**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.27 $550 |  |
| Balance $550 |  |

**Dividends**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.31 $3.250 |  |
| Balance $3.250 |  |

**Prepaid Insurance**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.1 $2.400 |  |
| Balance $2.400 |  |

**Truck**

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.1 $14.500 |  |
| Balance $14.500 |  |

1. Preparing unadjusted trial balance

**Murphy Delivery Service**

**Unadjusted Trial Balance**

**Dec.31, 2019**

|  |  |  |
| --- | --- | --- |
| ACCOUNTS | DEBIT | CREDIT |
| Cash | $36.530 |  |
| Service revenue |  | $24.950 |
| Account receivable | $1.400 |  |
| Common stock |  | $34.500 |
| Account payable |  | $200 |
| Office supplies | $920 |  |
| Unearned revenue |  | $4.200 |
| Salaries expense | $1.800 |  |
| Rent expense | $2.500 |  |
| Fuel expense | $550 |  |
| Dividends | $3.250 |  |
| Prepaid insurance | $2.400 |  |
| Truck | $14.500 |  |

1. Journalizing the adjusted entries

a) Accumulated Depreciation - Truck Depreciation Expense - Truck

|  |  |
| --- | --- |
| DEBIT | CREDIT |
|  | **Dec.31 $3.000** |
|  | Balance $3.000 |

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| **Dec.31 $3.000** |  |
| Balance $3.000 |  |

Cost = $14.500

Residual Value = $2.500

Useful life = 4 years

Annual depreciation = ($14.500 - $2.500)/4 year = $12.000/4 year = $3.000 per year

b) Office Supplies Office Supplies Expense

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.4 $920 | **Dec.31** **$580** |
| Balance $340 |  |

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| **Dec.31 $580** |  |
| Balance $580 |  |

c) Unearned Service Revenue Service Revenue

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| **Dec.31 $750** | Dec.22 $4.200 |
|  | Balance $3.450 |

|  |  |
| --- | --- |
| DEBIT | CREDIT |
|  | Dec.12 $6.250 |
|  | Dec.15 $9.300 |
|  | Dec.20 $8.000 |
|  | Dec.28 $1.400 |
|  | **Dec.31 $750** |
|  | Balance $25.700 |

d) Salaries Payable Salaries Expense

|  |  |
| --- | --- |
| DEBIT | CREDIT |
|  | **Dec.31 $1.200** |
|  | Balance $1.200 |

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.18 $1.800 |  |
| **Dec.31 $1.200** |  |
| Balance $3.000 |  |

e) Prepaid Insurance Insurance Expense

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.1 $2.400 | **Dec.31 $2.400** |
| Balance $0 |  |

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| **Dec.31 $2.400** |  |
| Balance $2.400 |  |

|  |  |
| --- | --- |
| DEBIT | CREDIT |
|  | Dec.12 $6.250 |
|  | Dec.15 $9.300 |
|  | Dec.20 $8.000 |
|  | Dec.28 $1.400 |
|  | Dec.31 $750 |
|  | **Dec.31 $1.250** |
|  | Balance $26.950 |

f) Unearned Service Revenue Service Revenue

|  |  |
| --- | --- |
| DEBIT | CREDIT |
| Dec.31 $750 | Dec.22 $4.200 |
| **Dec.31 $1.250** |  |
|  | Balance $2.200 |

1. Murphy Delivery Service’s income statement and statement of retained earnings

**Murphy Delivery Service**

**Income Statement**

**Dec.31, 2019**

|  |  |
| --- | --- |
| Revenues: |  |
| Service Revenue | $26.950 |
| Total Revenues | $26.950 |
|  |  |
| Expenses: |  |
| Insurance Expense | $2.400 |
| Salaries Expense | $3.000 |
| Office Supplies Expense | $580 |
| Depreciation Expense | $3.000 |
| Fuel expense | $550 |
| Rent expense | $2.500 |
| Total Expenses | $12.030 |
| **Net Income** | **$14.920** |

**Murphy Delivery Service**

**Statement of Retained Earnings**

**Dec.31, 2019**

|  |  |
| --- | --- |
| Beginning Retained Earnings | $0 |
| Net Income | $14.920 |
| Less (Dividends) | $3.250 |
| **Ending Retained Earnings, Dec.31 2019** | **$11.670** |

**Murphy Delivery Service**

**Balance Sheet**

**Dec.31, 2019**

|  |  |
| --- | --- |
| ASSETS |  |
| Current Assets: |  |
| Cash | $36.530 |
| Account Receivable | $1.400 |
| Office Supplies | $340 |
| Prepaid Insurance | $0 |
| Total Current Assets | $38.270 |
|  |  |
| Plant Assets: |  |
| Truck | $14.500 |
| Less (Accumulated depreciation – Truck) | $3.000 |
| Total Plant Assets | $11.500 |
|  |  |
| **Total Assets** | **$49.770** |
|  |  |
| LIABILITIES |  |
| Current Liabilities: |  |
| Salaries Payable | $1.200 |
| Unearned Revenue | $2.200 |
| Accounts Payable | $200 |
| Total Current Liabilities | $3.600 |
|  |  |
| **Total Liabilities** | **$3.600** |
|  |  |
| STOCKHOLDER’S EQUITY |  |
| Common Stock | $34.500 |
| Retained Earnings | $11.670 |
|  |  |
| **Total Stockholder’s Equity** | **$46.170** |
|  |  |
| **Total Stockholder’s Equity and Liabilities ($3.400 + $54.595)** | **$49.700** |

1. Journalize the closing entries and post to T-accounts.

Closing Entries

Dec.31 Service Revenue…………………………………………………………………………$26.950

Retained Earnings…………………………………………………………. $26.950

Dec.31 Retained Earnings………………………………………………………………………$12.030

Insurance Expense………………………………………………………… $2.400

Salaries Expense.…………………………………………………………… $3.000

Office Supplies Expense.………………………………………………… $580

Depreciation Expense……………………………………………………. $3.000

Fuel Expense.…………………………………………………………………. $550

Rent Expense…………………………………………………………………. $2.500

Dec.31 Retained Earnings……………………………………………………………………….$3.250

Dividends……………………………………………………………………….. $3.250

Insurance Expense Service Revenue

|  |  |
| --- | --- |
| D | C |
|  |  |
| Bal. $2.400 | Clo. $2.400 |

|  |  |
| --- | --- |
| D | C |
|  |  |
| Clo. $26.950 | Bal. $26.950 |

Salaries Expense

|  |  |
| --- | --- |
| D | C |
|  |  |
| Bal. $3.0000 | Clo. $3.000 |

Office Supplies Expense Retained Earnings

|  |  |
| --- | --- |
| D | C |
|  |  |
| Bal. $580 | Clo. $580 |

|  |  |
| --- | --- |
| D | C |
| Clo. $12.030 |  |
| Clo. $3.250 | Clo. $26.950 |
|  | Bal. $11.670 |

Depreciation Expense

|  |  |
| --- | --- |
| D | C |
|  |  |
| Bal. $3.000 | Clo. $3.000 |

Fuel Expense

|  |  |
| --- | --- |
| D | C |
|  |  |
| Bal. $550 | Clo. $550 |

|  |  |
| --- | --- |
| D | C |
|  |  |
| Bal. $3.250 | Clo. $3.250 |

Rent Expense Dividends

|  |  |
| --- | --- |
| D | C |
|  |  |
| Bal. $2.500 | Clo. $2.500 |

1. Preparing post trial balance

**Murphy Delivery Service**

**Post-Closing Trial Balance**

**Dec.31, 2019**

|  |  |  |
| --- | --- | --- |
| ACCOUNT | Balance | |
|  | DEBIT | CREDIT |
| Cash | $36.530 |  |
| Account Receivable | $1.400 |  |
| Prepaid Insurance | $0 |  |
| Office Supplies | $340 |  |
| Truck | $14.500 |  |
| Accumulated Depreciation – Truck |  | $3.000 |
| Accounts Payable |  | $200 |
| Salaries Payable |  | $1.200 |
| Unearned Revenue |  | $2.200 |
| Common Stock |  | $34.500 |
| Retained Earnings |  | $11.670 |
|  |  |  |
| **TOTAL** | **$52.770** | **$52.770** |