**Cost Accounting : Project: Ice Cream**

**Systems**

**Lesson 5 Overview**

The goal of this graded project is to create the following financial statements for Ice Cream Systems (ICS):

Balance sheet

Income statement

Post-closing trial balance

The financial statements must be created in **one** Word document (.doc or

.docx file). Alternatively, an Excel workbook may be used (.xls or .xlsx file). A Rich Text Format (.rtf file) may be used by Mac users. The Word, Excel, or Rich Text Format file will be uploaded for grading.

# 5.1 Prepare a balance sheet, an income statement, and post-closing trial balance for Ice Cream Systems (ICS)

**Graded Project: Ice Cream Systems**

## READING ASSIGNMENT

Once you’ve completed the project and your **one file** is ready to be submitted, follow the instructions below. Be sure to check your work and to upload the correct file. Your project will be individually graded by your instructor and therefore may take up to five to seven days to grade. Be sure that each of your files contains the following information:

Your name

Your student ID number

The exam number

Your email address

To submit your graded project, follow these steps:

Log in to your student portal.

Click on **Take Exam** next to the lesson you’re working on.

Find the exam number for your project at the top of the Project Upload page.

Follow the instructions provided to complete your exam.

Be sure to keep a backup copy of any files you submit to the school!

# Project Goal

The goal of this graded project is to create the following financial statements for Ice Cream Systems (ICS):

Balance sheet

Income statement

Post-closing trial balance

The financial statements must be created in one Word document (.doc or

.docx file). Alternatively, an Excel workbook may be used (.xls or .xlsx file). A Rich Text Format (.rtf file) may be used by Mac users. The Word, Excel, or Rich Text Format file will be uploaded for grading.

# Project Information

Read the following information thoroughly before beginning your work.

This will help you become familiar with the project. The material you need to know to complete the project has been covered in the textbook and in the assigned exercises and problems. If you understood the chapters and completed the assigned homework problems, you should have no problem with the project.

The project is to be done by hand with a pencil and paper. Use the blank forms provided. (Make as many copies as needed.) At the end of the project, you’ll be given instructions for creating and uploading the financial statements in a Word, Excel, or Rich Text Format file for grading.

*Note:* It’s important to format financial statements properly. They must follow Generally Accepted Accounting Principles (GAAP), which create a uniformity of financial statements for analyzing. This allows for an easier comparison, as all businesses follow GAAP. Therefore, the financial statements you create should replicate those in the textbook. Failure to do so will result in a loss of points.

This project references “debits equaling credits.” This is a fundamental principle of accounting, and violation of this principle is not acceptable under any circumstance. If debits don’t equal credits, it suggests that someone has “cooked the books” or presented false information. It also allows for embezzlement. If debits don’t equal credits, the cause may be a lack of understanding of accounting principles or carelessness when making journal entries, posting to the general ledger accounts, or completing the math. Remember that instructors are available to help you! If your mistakes are careless, go back over the work slowly until the error is found.

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| **Chart of Accounts** | |
| **Assets (1000–1999)** | |
| 1100 | Cash |
| 1200 | Accounts Receivable |
| 1300 | Direct Materials |

The accounting equation must balance on the balance sheet. This is another fundamental principle of accounting that can’t be violated. Unbalanced equations are *completely unacceptable*. When the equation doesn’t balance, it’s easily detectable by someone who knows accounting, and it suggests the numbers have been “fudged.” If your debits equal your credits and you understand which general ledger accounts belong on which financial statements, then the accounting equation should balance. It’s really all about understanding the concepts and applying that understanding.

The following financial statements are provided for ICS:

1. Chart of Accounts
2. Post-Closing Trial Balance
3. Schedule of Accounts Receivable
4. Schedule of Accounts Payable
5. Schedule of Employer Payroll Taxes Allocation
6. Format for the Income Statement
7. Format for the Balance Sheet
8. Job Cost Record

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| 1350 |  | Indirect Materials and Factory Supplies |
| 1400 |  | Work in Process |
| 1500 |  | Finished Goods |
| 1600 |  | Prepaid Advertising |
| 1650 |  | Prepaid Insurance |
| 1700 |  | Office Supplies |
| 1800 |  | Factory Equipment |
| 1800.1 |  | Accumulated Depreciation—Factory  Equipment |
| 1850 |  | Office Equipment |
| 1850.1 |  | Accumulated Depreciation—Office  Equipment |
|  | **Liabilities (2000–2999)** | |
| 2100 |  | Accounts Payable |
| 2200 |  | Salaries Payable |
| 2300 |  | Federal Withholding Tax (FWT) Payable |
| 2325 |  | FICA Tax Payable |
| 2350 |  | FUTA Tax Payable |
| 2375 |  | SUTA Tax Payable |
| 2500 |  | Unearned Revenue |
|  | **Owner's Equity (3000–3999)** | |
| 3100 |  | Common Stock ($10 Par) |

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| 3150 |  | Paid-In Capital in Excess of Par—Common  Stock |
| 3700 |  | Retained Earnings |
| 3900 |  | Income Summary |
|  | **Revenues (4000–4999)** | |
| 4100 |  | Sales |
| 4200 |  | Sales Discounts |
|  | **Expenses (5000–5999)** | |
| 5100 |  | Cost of Goods Sold |
| 5150 |  | Factory Overhead |
| 5200 |  | Sales Salaries Expense |
| 5225 |  | Officers' Salaries Expense |
| 5250 |  | Office Salaries Expense |
| 5300 |  | Rent Expense |
| 5350 |  | Advertising Expense |
| 5400 |  | Utilities Expense |
| 5450 |  | Office Supplies Expense |
| 5500 |  | Postage Expense |
| 5550 |  | Telephone Expense |
| 5575 |  | Insurance Expense |
| 5600 |  | Depreciation Expense |
| 5700 |  | Payroll Tax Expense |

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| 5800 | | Bad Debt Expense | | | |
| 5900 | | Miscellaneous Expense | | | |
|  | **ICE CREAM SYSTEMS** | | |  |  |
|  | **Post-Closing Trial Balan** | | | **ce** |  |
|  | **January 1, 20—** | | |  |  |
| **ACCOUNT NUMBER** | **DESCRIPTION** | | | **DEBIT** | **CREDIT** |
| 1100 | Cash | | | $117,964.23 |  |
| 1200 | Accounts Receivable | | | 51,484.00 |  |
| 1300 | Direct Materials | | | 64,350.00 |  |
| 1350 | Indirect Materials &  Factory Supplies | | | 18,772.00 |  |
| 1400 | Work in Process | | | 142,695.00 |  |
| 1500 | Finished Goods | | | 27,696.00 |  |
| 1600 | Prepaid Advertising | | | — |  |
| 1650 | Prepaid Insurance | | | — |  |
| 1700 | Office Supplies | | | 342.25 |  |
| 1800 | Factory Equipment | | | 246,857.00 |  |
| 1800.1 | Accumulated Depreciation—  Factory Equipment | | |  | 99,653.35 |
| 1850 | Office Equipment | | | 38,567.00 |  |
| 1850.1 | Accumulated Depreciation—  Office Equipment | | |  | 18,845.66 |
| 2100 | Accounts Payable | | |  | 9,814.00 |
| 2200 | Salaries Payable | | |  | — |
| 2300 | FWT Payable | | |  | 1,613.11 |
| 2325 | FICA Tax Payable | | |  | 822.68 |
| 2350 | FUTA Tax Payable | | |  | 1,032.39 |
| 2375 | SUTA Tax Payable | | |  | 1,871.20 |
| 2500 | Unearned Revenue | | |  | — |
| 3100 | Common Stock ($10 Par) | | |  | 350,000.00 |
| 3150 | Paid-In Capital in Excess  of Par—Common | | |  | 32,500.00 |
| 3700 | Retained Earnings | | |  | 192,575.09 |
| **TOTALS** |  | | | **$708,727.48** | **$708,727.48** |
| **ICE CREAM SYSTEMS** | | | | | |
| **Schedule of Accounts Receivable** | | | | | |
| **January 1, 20—** | | | | | |
| **Name** | | | **Balance** | | |
| Horsfield Happy Ice Cream | | | $17,345.00 | | |
| Messina Missions | | | 9,458.00 | | |
| Ashman Alcove Designs | | | 24,681.00 | | |
| Day Dreamer's Ice Cream | | | 0.00 | | |
| **Total Accounts Receivable** | | | **$51,484.00** | | |

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| **ICE CREAM SYSTEMS** | |
| **Schedule of Accounts Payable** | |
| **January 1, 20—** | |
| **Name** | **Balance** |
| O-Ring Enterprises | $6,941.0 |
| Smith Synthetics | 0.00 |
| Rockaway Metal | 2,873.00 |
| OfficeMax | 0.00 |
| **Total Accounts Payable** | **$9,814.00** |

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|  | **ICE CREAM SYSTEMS** | | | | | |  |
|  | **Schedule of Employer Payroll Tax Allocation** | | | | | |  |
|  | **January 31, 20—** | | | | | |  |
|  | **Employer Payroll Taxes** | | | | | |  |
| **Job** | **Wages** | **FWT**  **(15%)** | **FICA**  **(7.65%)** | **FUTA**  **(0.8%)** | **SUTA**  **(1.45%)** | **Total**  **Employer**  **Taxes** | **Net Pay** |
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| **Direct**  **Labor**  **Totals** |  |  |  |  |  |  |  |
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| **Sales**  **Salaries** |  |  |  |  |  |  |  |
| **Officers'**  **Salaries** |  |  |  |  |  |  |  |
| **Office**  **Salaries** |  |  |  |  |  |  |  |
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| **Totals** |  |  |  |  |  |  |  |

To obtain the Schedule of Employer Payroll Tax Allocation, go to the

[Financial Accounting](https://pflibrary.pennfoster.edu/c.php?g=904823&p=6513373) (pflibrary.pennfoster.edu/c.php?g=904823&p=65133 73) section of the Penn Foster Library and select the Blank Forms tab.

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| **EXAMPLE COMPANY** | |  |
| **Income Statement** | |  |
| **For the Period Ending January 1, 20—** | |  |
| **Operating Revenue** |  |  |
| Sales | $ XX,XXX.XX |  |
| Less: Sales Discounts | XXX.XX |  |
| **Total Operating Revenue** |  | $ XX,XXX.XX |
| **Cost** |  |  |

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| COGS—Cost of Goods  Sold | XX,XXX.XX |  |
| **Total Cost** |  | XX,XXX.XX |
| **Gross Profit** |  | XX,XXX.XX |
| **Expenses** |  |  |
| Sales Salaries Expense | XX,XXX.XX |  |
| Officers' Salaries  Expense | XX,XXX.XX |  |
| Office Salaries Expense | XX,XXX.XX |  |
| Rent Expense | XX,XXX.XX |  |
| Advertising Expense | XX,XXX.XX |  |
| Utilities Expense | XX,XXX.XX |  |
| Office Supplies Expense | XX,XXX.XX |  |
| Postage Expense | XX,XXX.XX |  |
| Telephone Expense | XX,XXX.XX |  |
| Insurance Expense | XX,XXX.XX |  |
| Depreciation Expense | XX,XXX.XX |  |
| Payroll Tax Expense | XX,XXX.XX |  |
| Bad Debt Expense | XX,XXX.XX |  |
| Miscellaneous Expense | XX,XXX.XX |  |
| **Total Expenses** |  | XX,XXX.XX |
| **Net Profit/(Loss)** |  | **$XX,XXX.XX** |

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| **EXAMPLE COMPANY** | | |  |
| **Balance Sheet** | | |  |
| **For the Period Ending January 1, 20—** | | |  |
| **ASSETS** |  |  |  |
| **Current Assets** |  |  |  |
| Cash |  | $ XX,XXX.XX |  |
| Accounts Receivable |  | X,XXX.XX |  |
| Direct Materials |  | X,XXX.XX |  |
| Indirect Materials  and  Factory Supplies |  | X,XXX.XX |  |
| Work in Process |  | X,XXX.XX |  |
| Finished Goods |  | X,XXX.XX |  |
| Prepaid Advertising |  | X,XXX.XX |  |
| Prepaid Insurance |  | X,XXX.XX |  |
| Office Supplies |  | X,XXX.XX |  |
| **Total Current Assets** |  |  | $ XX,XXX.XX |
| **Property, Plant &**  **Equipment** |  |  |  |

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| Factory Equipment | $ XX,XXX.XX |  |  |
| Less: Accumulated  Depreciation— Factory Equipment | XX,XXX.XX |  |  |
| Office Equipment | X,XXX.XX |  |  |
| Less: Accumulated  Depreciation—  Office  Equipment | X,XXX.XX | X,XXX.XX |  |
| **Total Property, Plant**  **& Equipment** |  |  | X,XXX.XX |
| **TOTAL ASSETS** |  |  | $ XX,XXX.XX |
| **LIABILITIES** |  |  |  |
| Accounts Payable |  | $ X,XXX.XX |  |
| Salaries Payable |  | X,XXX.XX |  |
| FWT Payable |  | X,XXX.XX |  |
| FIXA Tax Payable |  | X,XXX.XX |  |
| FUTA Tax Payable |  | X,XXX.XX |  |
| SUTA Tax Payable |  | X,XXX.XX |  |
| Unearned Revenue |  | X,XXX.XX |  |
| **TOTAL LIABILITIES** |  |  | **$ XX,XXX.XX** |

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| **EXAMPLE COMPANY** | | | | | | | | | | |
| **Balance Sheet** | | | | | | | | | | |
| **As of January 31, 20—** | | | | | | | | | | |
| **STOCKHOLDERS' EQUITY** | | | | |  |  | | |  | |
| Common Stock ($10 par) | | | | |  | $ XXX,XXX.XX | | |  | |
| Paid-In Capital in Excess of Par—Common Stock | | | | |  | XXX,XXX.XX | | |  | |
| Retained Earnings | | | | |  | XXX,XXX.XX | | |  | |
| **TOTAL STOCKHOLDERS' EQUITY** | | | | |  |  | | | XXX,XXX.XX | |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |  |  | | | $ XXX,XXX.XX | |
| **JOB COST RECORD** | | | | | | | | | | |
| **Job Number:** |  | | **Date Promised:** | | | |  | | | |
| **Customer Name:** |  | | **Date Started:** | | | |  | | | |
| **Job Description:** |  | | **Date Completed:** | | | |  | | | |
| **Date** | **Materials (Direct & Indirect)** | | **Labor** | | | | **Factory Overhead** | | | |
| **Estimate** | **Actual** | **Estimate** | **Actual** | | | **Date** | **Estimate** | | **Actual** |
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|  |  |  |  | **Cost Summary** | | | | | | |
|  |  |  |  |  | | | | **Estimate** | | **Actual** |
|  |  |  |  | **Materials** | | | |  | |  |
|  |  |  |  | **Labor** | | | |  | |  |
|  |  |  |  | **Factory**  **Overhead** | | | |  | |  |
|  |  |  |  | **Total Job Cost** | | | |  | |  |

To obtain the Job Cost Record, go to the [Financial Accounting](https://pflibrary.pennfoster.edu/c.php?g=904823&p=6513373) (pflibrary.p ennfoster.edu/c.php?g=904823&p=6513373) section of the Penn Foster Library and select the Blank Forms tab.

The following is the background information necessary for completion of the accounting period as it relates to Ice Cream Systems Inc. (ICS):

1. ICS manufactures and sells ice cream machines, refrigeration systems, and parts for these systems. It manufactures all machines and parts in a single production department.
2. As the controller of the company, you’re responsible for daily accounting operations, adjusting and closing the monthly accounting periods, and preparation of financial statements.
3. ICS operates on a calendar-year basis from January 1 to December

31 with a monthly accounting period. It uses a job-order cost system.

1. Jobs that are in process are recorded on Job Cost Records. Records are maintained for each job. New jobs are assigned numbers sequentially. They contain the accumulated costs for direct material, direct labor, and factory overhead. (For the purposes of this project, it’s assumed that all jobs prior to the current accounting period are either in process or complete and all resulting entries have been made in the previous accounting period.)
2. ICS makes all journal entries in the General Journal. No special journals are used.
3. For purposes of this project, cash doesn’t need to be reconciled to a bank statement.
4. Information related to Payroll:

Payroll is paid monthly on the last day of each month. Therefore, there’s no accrual for payroll.

Gross pay for direct labor goes to Finished Goods or Work in Process if appropriate.

Salaries for non-factory workers go to the appropriate salary expense accounts.

The company’s salesperson works on 10% straight commission of sales during the month.

Federal Withholding Tax is 15% of gross pay for everyone and is recorded whenever gross pay is recorded. FWT is remitted

monthly for the previous month.

There are no deductions for state or local withholding tax. n FICA tax rate is 7.65% of gross pay. (FICA is Social Security and Medicare.) Since this is the first month of the new year, no one will reach the Social Security limit. FICA is remitted monthly for the previous month.

FUTA tax rate is 0.8% of gross wages with no limit. SUTA tax rate is 1.45% of gross wages with no limit. FUTA and SUTA are paid yearly in January (for the previous year).

There are no other miscellaneous deductions, such as union dues.

All employer payroll taxes (employer’s portion of FICA, FUTA, and SUTA) are recorded on the last day of the month. Employer payroll taxes related to factory workers go to Factory Overhead.

Employer payroll taxes related to all non-factory workers go to Payroll Tax Expense.

1. ICS has two material accounts:

Direct Materials

Indirect Materials and Factory Supplies

1. Factory Overhead is applied to each job at 25% of direct labor costs for that job.
2. Debits to Factory Overhead represent actual overhead, and credits represent applied overhead. The difference between actual and applied factory overhead is insignificant and should be closed out to Cost of Goods Sold as an adjusting entry at the end of each month.
3. Markups to determine the selling price of a job for ICS are 150% of estimated job costs. All sales are exempt from sales tax, as ICS sells locally to resellers.
4. Shipping isn’t a consideration for the purposes of this project.
5. ICS uses a perpetual inventory system. When a sale is made, debit

Cost of Goods Sold and credit Finished Goods for the cost of the job.

1. All sales are on account with terms of net 30 days. No discounts are given.
2. All cash/checks received are deposited in the Cash account.
3. No separate bank account is kept for payroll.
4. Direct materials, indirect materials, and factory supplies are purchased on account.
5. Terms from all vendors for expenses are net 30 days.
6. Factory Supplies are added to the Indirect Materials and Factory

Supplies general ledger account.

1. A periodic inventory system is used for office supplies with all purchases going to inventory.
2. All payments—referred to as cash or check—are made by check from the Cash Account. (For purposes of this project, no check register or checks will be given. No reconciliation of the cash account will be required. Assume that all checks are written.)

# Project Instructions

1. Set up the General Ledger accounts, Accounts Receivable, and Accounts Payable accounts. Use the following blank forms (make as many copies as necessary). Insert the beginning balances from the Trial Balance and Schedules of Accounts Receivable and Payable.

You can also obtain copies of the blank forms by going to the

[Financial Accounting](https://pflibrary.pennfoster.edu/c.php?g=904823&p=6513373) (pflibrary.pennfoster.edu/c.php?g=904823&p=6

513373) section of the Penn Foster Library and selecting the Blank Forms tab.

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|  | |  |  |  |  |  |
| **DATE** | **ITEM** | **POST REF.** | **DEBIT** | **CREDIT** | **BALANCE** | |
| **DEBIT** | **CREDIT** |
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1. Journalize the entries shown in the Narrative of Transactions for the month of January in the General Journal. Use the following blank forms (make as many copies as necessary) or print the forms from the [Financial Accounting](https://pflibrary.pennfoster.edu/c.php?g=904823&p=6513373) (pflibrary.pennfoster.edu/c.php?g=904823& p=6513373) section of the Penn Foster Library. When using the

Work in Process account, be sure to post to the appropriate Job Cost Record.

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| **DATE** | **ACCOUNTS** | **POST REF** | **DEBIT** | **CREDIT** |
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| **Narrative of Transactions** | | | | |
| January 2—Paid Mass Media $4,200.00 for prepaid advertising in local newspapers for the next 12 months. | | | | |
| January 2—Paid Pierce Properties $2,750.00 for January rent. Of this amount, 25% is for office facilities and 75% is for factory facilities. | | | | |
| January 2—Paid Owen’s Insurance $6,000.00 for prepaid insurance for the first quarter of the year | | | | |
| January 3—Received a check from Horsfield Happy Ice Cream as partial payment on account in the amount of $5,000.00. | | | | |
| January 3—Paid Rockaway Metal the balance of $2,873.00 on account. | | | | |
| January 4—Sold two ice cream systems to Day Dreamer’s Ice Cream. The estimated direct labor is $8,200.00. The estimated direct material is $3,350.00. The estimated indirect material is $350.00. Day Dreamer’s is to be billed in the amount of $20,925.00 on account. A check for $5,000.00 will be collected as a deposit against that sale. The start date will be January. The date promised will be January 23. Assign the contract to Job 74. | | | | |
| January 5—Mountain Swirl Ice Cream purchased and took delivery of one ice cream machine for $7,500.00. Record the sale and the cost of the sale. Markup is 150% of cost.  Transfer cost from Finished Goods to COGS. | | | | |
| January 6—Purchased indirect material on account from Electrical Systems Corp. in the amount of $3,643.00. Set up a new Accounts Payable account, and record the purchase. | | | | |
| January 6—Purchased factory supplies on account from Grommet Supplies in the amount of $847.21. Set up a new Accounts Payable account, and record the purchase. | | | | |

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| January 9—Assign the manufacture of one ice cream machine to Job 75. A direct material requisition shows $1,450.00 of direct materials, and an indirect materials requisition shows $170.00 of indirect materials. A time card shows $3,650.00 of direct labor for the completed job. Factory overhead is based on 25% of direct labor cost. Transfer the completed job from Direct Material and Indirect Material to the Finished Goods account. When making the journal entry for applying direct labor, debit Finished Goods for the gross pay and credit FWT Payable and FICA Tax Payable for the appropriate amounts with the net pay going to Salaries Payable. |
| January 10—Receive a check from Horsfield Happy Ice Cream as partial payment on account in the amount of $5,000.00. |
| January 10—Receive a phone bill in the amount of $1,402.22 from Unique Telephone Systems on account. |
| January 15—Paid Liberty Bank $2,435.79 for December payroll taxes payable for the amounts of FWT Payable, $1,613.11; FICA Tax Payable, $822.68. |
| January 15—Assign Job 76 to Cold Refrigeration for the purchase of a refrigeration system. The start date will be January 16. The completion date will be no later than February 28. The estimated direct material is $9,175.00. The estimated indirect material is $1,860.00. The estimated direct labor is $15,600.00. The contract amount is $45,800.00. A deposit of $10,000.00 was provided by Cold Refrigeration in signing the contract. The deposit is unearned revenue. Half of the contract will be billed upon 50% completion with the deposit applied against that billing with the remaining amount due immediately. A quarter of the contract will be billed upon 75% completion of the contract with the amount due immediately. The remaining amount of the contract is to be billed when the job is 100% complete and is payable within 30 days of the billing. |
| January 16—Purchased $4,441.00 of factory supplies from Johnston Equipment paid in cash. |
| January 16—Purchased $2,965.00 of direct materials from Smith Synthetics on account. |
| January 16—Purchased $427.50 of office supplies from OfficeMax on account. |
| January 19—Apply from direct materials requisition $2,800.00 of direct materials. Apply from indirect materials requisition $325.00 of indirect materials. Apply from time cards $7,950.00 of direct labor to Job 74 completing the job. Applied factory overhead is based on 25% of direct labor cost. Transfer the completed job to the COGS account from Direct Material and Indirect Material and Factory Overhead accounts. When making the journal entry for applying direct labor, debit COGS for the gross pay and credit FWT Payable and FICA Tax Payable for the appropriate amounts with the net pay going to Salaries Payable. |
| January 20. —Paid the electric bill from Susquehanna Electric in the amount of $2,356.21 for the month of December. Allocate 30% to Factory Overhead. |
| January 20—Paid the FUTA Tax Payable for the previous year. |
| January 20—Paid the SUTA Tax Payable for the previous year. |
| January 23—Ashman Alcove Designs paid the balance on account. |
| January 27—Paid O-Ring Enterprises the balance owed on account. |
| January 27—Paid post office $300.00 cash for postage added to postage meter. |
| January 28—Apply from direct materials requisition $4,600.00 of direct materials. Apply from indirect materials requisition $950.00 of indirect materials. Apply $8,000.00 (from time cards) of direct labor and factory overhead to Job 76, completing 50% of the job. Factory overhead is based on 25% of direct labor cost. Transfer the partially completed job from Direct Material and Indirect Material to WIP. When making the journal entry for applying direct labor, debit WIP for the gross pay and credit FWT Payable and FICA Tax Payable for the appropriate amounts with the net pay going to Salaries Payable. Set up the accounts receivable and bill Cold Refrigeration for 50% of the contract on account, applying the initial $10,000.00 deposit against the billing. |
| January 29—Received a check from Cold Refrigeration in the amount of $12,900.00 on account. |
| January 31—Received the following data for the monthly payroll:  Direct labor (already recorded) $19,600.00  Sales commission 5,132.50  Officers’ salaries 5,000.00  Office salaries 1,920.00 |
| Record the monthly payroll. Direct labor payroll has already been recorded, as it was incurred in January. Debit other salary expense accounts for the appropriate amounts; credit FWT Payable for 15% of gross pay; credit FICA Tax Payable for 7.65% of gross pay; and credit Salaries Payable for the net pay. Record the payroll taxes imposed on the employer for all personnel for the month of January. (Prepare the “Schedule of Employer Payroll  Taxes Allocation” using the appropriate tax rates.) |
| January 31—Received a check from Messina Missions for the balance on account. |
| January 31—Received a check from Horsfield Happy Ice Cream for the remaining balance on account. |
| January 31—Paid all employee wages earned in January. |

1. Post the general journal entries to the General Ledger, the Accounts

Receivable Ledger, and the Accounts Payable Ledger. Use the Post Ref. column to ensure that each line item of the journal entries is posted correctly to each general ledger account. Posting from the journal to the ledger is nothing more than rearranging the information; however, focus and concentrate because it’s easy to make a mistake.

1. Calculate the balances in the general ledger accounts. Use an Excel spreadsheet or a printing calculator to run the numbers several times. Don’t use a hand-held calculator, as it’s far too easy to make a mistake using it.
2. Prepare the Schedules of Accounts Receivable and Accounts Payable.
3. Prepare an Unadjusted Trial Balance using the balances from the general ledger accounts.

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1. Journalize the following adjusted entries in the general journal.

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| **Adjusting Entries** |
| January 31—Expense Prepaid Advertising for the month of January. |

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| January 31—Expense Prepaid Insurance for the month of January. |
| January 31—Office supplies physical inventory as of January 31 is $276.21. |
| January 31—Depreciation for the month of January for Factory Equipment is $2,987.12.  Depreciation for Office Equipment is $266.99. |
| January 31—Close out Factory Overhead of $190.24 to Cost of Goods Sold. |

1. Post the adjusting journal entries to their respective ledger accounts and calculate new balances for those accounts.
2. Prepare an Adjusted Trial Balance using the balances from the general ledger accounts. Use the blank form provided in step six. 10. Prepare an Income Statement following the formats shown in the Example Company Statements using the following blank form as a worksheet or by visiting the [Financial Accounting](https://pflibrary.pennfoster.edu/c.php?g=904823&p=6513373) (pflibrary.pennfoster

.edu/c.php?g=904823&p=6513373) section of the Penn Foster Library and downloading the forms:

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1. Journalize and post the closing journal entries in the general journal. Jan. 31— Prepare closing entries to close revenue and expense accounts to Income Summary and transfer the net income to Retained Earnings.
2. Post the closing journal entries to the respective ledger accounts and calculate new balances for those accounts.

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1. Prepare a Post-Closing Trial Balance using the balances from the general ledger accounts. Use the blank form that was provided in step six.
2. From the Post-Closing Trial Balance, create the Balance Sheet following the formats shown in the Example Company Statements using the following blank form as a worksheet or by visiting the [Financial Accounting](https://pflibrary.pennfoster.edu/c.php?g=904823&p=6513373) (pflibrary.pennfoster.edu/c.php?g=904823& p=6513373) section of the Penn Foster Library and downloading the form:

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After creating the balance sheet, income statement, and the post-closing trial balance on the blank forms provided, the financial statements must now be typed up in one Word document and saved as a .doc or .docx file. Excel can also be used, saving the file with the extension .xls or .xlsx. The financial statements can also be saved using the Rich Text Format (.rtf) file extension. Each statement should be on its own page (or worksheet). The name of the file should include your student ID number and the graded project exam number, such as “12345678\_061301.docx”.

Use tables in the Word document if you feel you need them to format the financial statements. Alternatively, you can space and tab in Word to format the statements correctly. Formatting is important; keep in mind that points will be deducted for incorrect capitalization, spelling, underlining, and double underlining. Deductions will also be made for improper headings, dates, indentations, and columns. Follow the examples provided in the Instructions section of the project.

Create all financial statements in **one file**. Submission of more than one file will result in the project being returned ungraded! Submission of only one file is important for tracking and grading purposes.

Images or scans of the financial statements inserted into a Word document will also result in the project being returned ungraded. This prevents the ability to “mark up” the file, and financial statements that are handwritten are generally considered unprofessional and unacceptable in

the business world.

*Only* the financial statements are required. Submitted journals, ledgers, or an unadjusted trial balance and adjusted trial balance will not be evaluated.

# Grading Criteria

The grading criteria for the project are as follows:

The *formatting* of the three financial statements is worth 12 points each, for a total of 36 points (3 × 12 = 36).

An out-of-balance accounting equation on the balance sheet will result in a loss of 13 points for the formatting of the balance sheet even though other formatting issues may be correct.

Debits not equaling credits on the post-closing trial balance will result in a loss of 13 points for the post-closing trial balance even though other formatting issues may be correct.

Also, not having made closing journal entries as reflected on the postclosing trial balance will result in a loss of 13 points for formatting of the post-closing trial balance even though other formatting issues may be correct.

Deductions for figures on the financial statements are based on the 42 balances from the general ledger accounts. Each balance is worth 1.5 points (1.5 × 42 = 63). The total deduction will be rounded up to the next whole number.

Thus, the formatting of the financial statements (worth 30 points) plus the figures used for the financial statements (worth 70 points in total) provide 100 points for the project.

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| Formatting | 36 points |
| Figures | 63 points |
| Adjustment (rounding) | 1 point |
| **Total Points** | **100 points** |

If a project receives a failing grade (less than 70 points), the project will have to be reworked and resubmitted for final grading. The highest grade that can be obtained on a retake is 70, which is passing. If the project receives a passing grade on its initial submission, no resubmission is allowed.