Exercise 3.40 Journal, Ledger, and Trial Balance

Robert Kapela owned and managed a franchise of Ithaca Espresso, Incorporated. The company’s balance sheet accounts had the following balances on September 1, 20X0, the beginning of a fiscal year:

### Ithaca Espresso

**Balance Sheet Accounts, September 1, 20X0**

- Cash 13,000
- Accounts receivable 5,200
- Merchandise inventory 77,800
- Prepaid rent 4,000
- Store equipment 21,000
- Accumulated depreciation, store equipment 6,150
- Accounts payable 40,000
- Paid-in capital 30,000
- Retained earnings 44,850

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Summarized transactions for September were as follows:

a. Acquisitions of merchandise inventory on account, $41,000.
b. Sales for cash, $74,250.
c. Payments to creditors, $29,000.
d. Sales on account, $3,000.
e. Advertising in newspapers, paid in cash, $3,000.
f. Cost of goods sold, $45,000.
g. Collections on account, $6,000.
h. Miscellaneous expenses paid in cash, $8,000.
i. Wages paid in cash, $9,000.
j. Entry for rent expense. (Rent was paid quarterly in advance, $6,000 per quarter. Payments were due on February 1, May 1, August 1, and November 1.)
k. Depreciation of store equipment, $250.

**Required**

1. Enter the September 1 balances in T-accounts in a general ledger.
2. Prepare journal entries for each transaction.
3. Post the journal entries to the ledger. Key your postings by transaction letter.
4. Prepare the trial balance, then an income statement for September and a balance sheet as of September 30, 20X0.