

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
	<u>121,000</u>	<u>121,000</u>

Summarized transactions for September were as follows:

- Acquisitions of merchandise inventory on account, \$41,000.
- Sales for cash, \$74,250.
- Payments to creditors, \$29,000.
- Sales on account, \$3,000.
- Advertising in newspapers, paid in cash, \$3,000.
- Cost of goods sold, \$45,000.
- Collections on account, \$6,000.
- Miscellaneous expenses paid in cash, \$8,000.
- Wages paid in cash, \$9,000.
- 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.)
- Depreciation of store equipment, \$250.

Required

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