

GENERAL INSTRUCTIONS

Keystone Furniture is a sole proprietorship located in Uniontown, PA, that specializes in home furnishings and accessories. It is owned by Hart Lee. It has a mortgage on a one-half city-block three-story building. The 25 year mortgage has 20 years remaining and is due the first day of each month.

The furniture showroom is located on the first floor along with the business offices. The second floor houses the accessories and mattress departments. The third floor has recently been renovated into six student apartments that are rented to students attending the local business school. Rent is paid at the beginning of the semester and treated as Unearned Rent Revenue when received.

Store hours are Monday through Saturday 11–7. We are closed Sundays so employees can spend time with their families.

You have been hired effective August 16 to begin training to replace Mrs. Rose Markovich, Assistant Manager, who has accepted a position at the local university. Your duties include maintaining the accounting records and preparing financial statements. You also assist in sales. You will take over the books on September 1.

The office staff consists of yourself and Pamela Schmotzer. The sales staff includes Logan Fields, Ann Kelley, Edward Stephens, and Lori Gudel.

Find the general file and label the guide tabs as (1) Incoming Checks, (2) Petty Cash Vouchers, (3) Paid Invoices, (4) Miscellaneous Papers, (5) Outgoing Papers, (6) Unpaid Invoices, and (7) Sales Tickets.

Before your first payroll check can be prepared, accurate information must be declared. Remove the Form W-4 (Form No. 1) from page 3 of the Business Papers and Checks booklet (henceforth referred to as the Forms Booklet). Complete the form (claim zero allowances with a single marital status), and store it in the general file behind guide File No. 4—Miscellaneous Papers.

Only Mr. Lee (the owner and manager) and you (the assistant manager) are authorized to endorse checks for deposit and to sign checks drawn on the general

checking account at Uniontown Savings Bank. Remove the signature card (Form No. 2). Copy the date (September 1) and sign your name on the line below Mr. Lee's signature. Store the card in the general file behind guide File No. 5—Outgoing Papers.

This practice set can be solved using special journals or exclusively using the general journal. Consult your instructor to see what journal method you are to use.

This narrative is set up to inform you on how to prepare for working out the practice set. The information that follows is set up for both special journal users and general journal users. Information has been specifically labeled for special journals and general journal use. Use care in reading over the following information to use the information needed to work it out for special journals or the general journal. Unless otherwise directed by your instructor, general journal users should omit explanations.

SPECIAL JOURNALS ACCOUNTING RECORDS

This section applies to special journal users only.

Keystone Furniture operates on an accrual basis, with the fiscal year ending September 30. Financial transactions are recorded in five books of original entry—cash payments journal, cash receipts journal, purchases journal, sales journal, and general journal.

Cash Payments Journal. All transactions involving the disbursement of cash are entered in this journal. It contains three debit columns (Accounts Payable, Purchases, and General) and three credit columns (Cash, Purchases Discounts, General).

Cash Receipts Journal. All transactions involving the receipt of cash are entered in this journal. It contains three debit columns (Cash, Bank Credit Card Expense, Cash Short and Over) and three credit columns (Accounts Receivable, Sales, Sales Tax Payable).