

Adjusting Information

Most adjusting entries are recorded at the end of the year, with the exception of the monthly payroll accruals. Note: You MUST provide supporting documentation for all calculations in a neat, logical manner. Regardless, all adjusting entries must include an explanation when they are recorded in the general journal.

1. Payroll for December (payment date will be January 10, 2008):

Salaries & Wages Expense	\$31,089
FICA taxes withheld from employees	(2,332)
Federal and State taxes withheld from employees	(559)
Union dues withheld from employees	(100)
Salaries & Wages Payable	<u>\$28,098</u>

Notes: Union dues, income taxes withheld, and FICA taxes withheld are remitted to the appropriate agent or governmental unit on the 15th of the following month. Employees are paid on the 10th of the month following the month of work.

2. Based on past experience as well as a review of the current accounts receivable detail, the credit department has determined that the following collectibility estimates are reasonable and should be used to adjust the Allowance for Doubtful Accounts at 12/31/07:

<u>Invoice classification</u> <u>By month of sale</u>	<u>Estimated %</u> <u>Uncollectible</u>
12/07	1%
11/07	5%
10/07	12%
prior	60%

3. A physical count of store supplies shows the amount of \$2,987 on hand at 12/31/07

4. The 12/31/07 balance in the prepaid insurance account is composed of the following policies:

<u>Coverage</u> <u>Period</u>	<u>Amount</u>
1/1/07-12/31/08	\$8,368
4/1/07-9/31/08	4,800
12/1/07-5/31/08	3,600

5. Building, equipment, and delivery trucks are depreciated using the straight-line method. Depreciation on additions and disposals is calculated to the nearest whole month:

	<u>12/31/07</u> <u>Cost</u>	<u>Salvage</u> <u>Value</u>	<u>Estimated</u> <u>Life</u>
Building	\$476,895	\$50,000	25 yrs
Office & Store Equipment	170,941		10 yrs
Delivery Trucks	234,132	12,000	6 yrs

6. Employer payroll taxes for December:

FICA taxes	\$2,332
Unemployment taxes	<u>507</u>
	\$2,839

Note: FICA and unemployment taxes are remitted to the appropriate agent or governmental unit on the 15th of the following month.

7. The accrued expense and liability for electricity for December 26 through December 31 is estimated to be \$3,086.

8. Accrue the interest expense for the mortgage payable at December 31. Gone in a Flash has not recorded any interest expense since the principal and interest payment on February 28, 2007 (interest rate on the mortgage payable is 5%).

9a. In the Investment Securities-Available for Sale account, the market value of the 600 shares of Bantern Co. Common Stock is still \$20 per share at the end of December 2007 (i.e., there has been no change in market value since the date of purchase).

9b. The 5 year Treasury Note is currently (at 12/31/07) selling at par. Remember to accrue any investment income that Gone in a Flash is entitled to at 12/31/07 (the interest rate on the 5-year Treasury Note is 4%, due every January 31).

10. The ending inventory balance (at 12/31/07) is \$449,812.