

THE UNIVERSITY OF THE SOUTH PACIFIC SCHOOL OF DISTANCE EDUCATION B.S. IN BUSINESS ADMINISTRATION FINANCIAL ACCOUNTING

QUESTION: The following information was taken from the financial statements of ABC Company for the year ended 31/12/2018:

Income Statement
Sales 1,000,000
Less: Sales Discounts 50,000
Net Sales 950,000
Less: Cost of Goods Sold 600,000
Gross Profit 350,000
Less: Selling Expenses 100,000
Less: Administrative Expenses 80,000
Less: Depreciation Expense 20,000
Less: Interest Expense 10,000
Less: Income Tax Expense 10,000
Net Income 130,000

Balance Sheet
Assets
Cash 50,000
Accounts Receivable 200,000
Inventory 100,000
Prepaid Expenses 20,000
Property, Plant, and Equipment 400,000
Less: Accumulated Depreciation 100,000
Total Assets 670,000
Liabilities and Equity
Accounts Payable 80,000
Notes Payable 120,000
Total Liabilities 200,000
Total Equity 470,000

QUESTION: (a) Prepare the journal entries for the following transactions:

1. Sales of 1,000 units at \$1,000 each, with sales discounts of 5% for early payment.
2. Cost of goods sold for the units sold is \$600,000.
3. Selling expenses of \$100,000 and administrative expenses of \$80,000 are incurred.
4. Depreciation expense of \$20,000 is recorded for property, plant, and equipment.
5. Interest expense of \$10,000 is recorded for notes payable.
6. Income tax expense of \$10,000 is recorded.

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