

E4-1 Presented below are changes in all the account balances of Fritz Reiner Furniture CO. during the current year, except for retained earnings.

	Increase (Decrease)		Increase (Decrease)
Cash	79000	Accounts Payable	(51000)
Accounts Receivable (net)	45000	Bonds Payable	82000
Paid in Capital in Excess of Par- Common stock	13000	Common Stock	125000
Inventory	127000	Investments	(47000)

Compute the net income for the current year, assuming that there were no entries in the Retained Earnings account except for net income and a dividend declaration of \$19000 which was paid in the current year.

Assets		Liabilities		Stockholders' equity	
Cash	79000	Accounts payable	(51000)	Paid in excess	13000
Accounts receivable	45000	Bonds payable	82000	Common stock	125000
Inventory	127000				
Investments	(47000)				
<u>Changes</u>	<u>204000</u>		<u>31000</u>		

Accounting Equation

Assets= Liabilities + Stockholders' equity

Increase 204000 = Increase 31000+ ??? so Stockholders' equity should be increased by \$173000

Changes in stockholders' equity accounted for as follows:

Net increase		\$173000
Increase in common stock	\$125000	
Increase in paid-in capital in excess of par	\$13000	
Decrease in retained earnings due to dividend declaration	(19000)	
Net increase accounted for		(119000)
Increase in retained earnings due to net income		\$54000

E4-2 Presented below is information related to Viel Company at December 31, 2014, the end of its first year of operations

Sales revenue	310000
Cost of goods sold	140000
Selling and administrative expenses	50000
Gain on sale of plant assets	30000
Interest expense	6000
Loss on discontinued operations	12000
Dividends declared and paid	5000

Compute the following: (a) income from operations, and (b) retained earning balance at December 31,

Sales revenue	\$310,000
-Cost of goods sold	<u>(140,000)</u>
Gross profit	170,000
Selling administrative expenses	<u>50,000</u>
Operating income	120,000 (a)
<u>+Other revenues and gains</u>	
Gain on sale of plant assets	30,000
<u>-other losses and expenses</u>	
Interest expense	<u>(6,000)</u>
Income from continuing operations before income tax.....	<u>144,000</u>
<u>Discontinued operations, net of tax</u>	
Loss on discontinued operations	<u>(12,000)</u>
Net Income	132,000(b)
-Dividends	<u>(5,000)</u>
12/31/ Retained earnings	<u>\$127,000 (b)</u>

E4-3 (Income Statement Items) Presented below are certain account balances of Paczki Products Co.

Rent revenue	6500	Sales discounts	7800
Interest expense	12700	Selling expense	99400
Beginning retained earnings	114000	Sales revenue	390000
Ending retained earnings	134000	Income tax expense	31000
Dividends revenue	71000	Cost of goods sold	184400
Sales returns and allowances	12400	Administrative expenses	82500

- Requirements:**
1. Prepare multi-step income statement
 2. Prepare single step income statement
 3. Prepare retained earnings to calculate dividends declared and paid

Net Sales revenue		
Sales revenue	390000	
- Sales returns and allowances	(12400)	
- Sales discounts	(7800)	
Net sales revenues		369800
-Cost of goods sold		<u>(184,400)</u>
Gross profit		185,400
- Operating expenses		
Selling expenses	99,400	
administrative expenses	82,500	<u>(181900)</u>
Operating income		3500
+Other revenues and gains		
Rent revenue	6,500	
Dividends revenue	71,000	77,500
-other losses and expenses		
Interest expense	<u>(12,700)</u>	<u>(12,700)</u>
Income from continuing operations before income tax		<u>68,300</u>
- Income tax expense		<u>(31000)</u>
Net income		<u>37300</u>

Single step Income statement

<u>Total net revenue:</u>		
Sales revenue		\$390,000
Less: Sales discounts	\$ 7,800	
Sales returns	<u>12,400</u>	<u>20,200</u>
Net sales		369,800
Dividend revenue		71,000
Rent revenue		<u>6,500</u>
Total net revenue		<u>\$447,300</u>
<u>-Expenses:</u>		
Cost of goods sold		184,400
Selling expenses		99,400
Administrative expenses		82,500
Interest expense		12,700
Income tax		31,000
Total Expenses		<u>(410000)</u>
Net income		<u>\$ 37,300</u>

Retained Earnings Statement

Beginning retained earnings		114,400
+Net increase		37,300
Less: Dividends declared (151700-134000)		<u>\$ 17,700</u>
Ending retained earnings		\$134,000