

Problem Sheet

JMM Company

12/31/2020

Listed below are the accounts and their respective balances for JMM Company (JMM) at December 31, 2019:

Cash			\$94,000
Inventory (300 Marks @ \$100 each)			30,000
Land			25,000
Security Deposit			3,000
Taxes Payable			5,600
Note payable			53,000
Common Stock	2000	\$15	30,000
Retained Earnings			63,400

During 2020 the following transactions occurred:

- Purchased 900 Marks at \$100 each
- Sold 1,000 Marks for \$250 each
- Paid 2019 taxes
- Paid cash for wages of \$65,000
- Paid twelve months' rent of \$24,000
- Paid \$18,000 for advertising for 2020
- Sold 700 shares of common stock for \$30.00 each on May 30, 2020
- Paid Utility bill for 2020 of \$17,000
- Paid payment on Note Payable of \$10,000 principal plus \$5,300 interest
- Paid a \$3,000 dividend to shareholders on December 31, 2020

Also, during the year, the company paid 50% of the 2020 taxes. The tax rate is 30%.
At December 31, 2020, the company owed \$3,000 in wages which had not yet been paid.

JMM Company
Income Statement
For the Year Ended 12/31/2020

Sales	\$ 250,000
Cost of Goods Sold	<u>100,000</u>
Gross Margin	150,000
Operating Expenses	
Wage Expense	\$ 68,000
Rent Expense	24,000
	-
Advertising Expense	18,000
Utility Expense	<u>17,000</u>
Total Operating Expenses	127,000
Income From Operations	<u>23,000</u>
Other Revenues & <Expenses>	
Interest Expense	< 5,300 >
Income Before Taxes	<u>17,700</u>
Tax Expense	<u>5,310</u>
Net Income	<u>\$ 12,390</u>

Earnings per Share	<u>\$ 5.14</u>	1/1-5/30	5	2000	833.33
		6/1-12/31	7	2700	1,575.00
				avg shares O/S	<u>2,408.33</u>

JMM Company
Balance Sheet
December 31, 2020

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash	\$ 124,445	Accounts Payable	\$ -
	-	Wages Payable	3,000
Inventory	20,000	Taxes Payable	2,655
	<u>144,445</u>		<u>0</u>
Total Current Assets		Total Current Liabilities	5,655
Property & Equipment		Long-term Liabilities	
Equipment	\$ 25,000	Note Payable- Net of Current Portion	<u>43,000</u>
	<u>-</u>	Total Liabilities	<u>48,655</u>
Net Property & Equipment	25,000	Owners' Equity	
Other Assets		Common Stock	\$ 51,000
Security Deposit	3,000	Retained Earnings	<u>72,790</u>
Total Assets	<u>\$ 172,445</u>	Total Owners' Equity	<u>123,790</u>
		Total Liabilities & Owners' Equity	<u>\$ 172,445</u>

JMM Company
Statement of Owners' Equity
For the Year Ended 12/31/2020

	Shares	Common Stock	Retained Earnings	Total
Beginning Balance, 12/31/2019	2000	\$30,000	\$63,400	\$93,400
Stock Issued	700	21,000		21,000
Earnings for the year			12,390	12,390
Less: Dividends Declared			(3,000)	(3,000)
Balance, 12/31/2020	<u>2700</u>	<u>\$51,000</u>	<u>\$ 72,790</u>	<u>\$123,790</u>

B & D, Inc.

31-Dec-20

Listed below are the accounts for B & D, Inc. at December 31, 2020 and their balances. The amounts listed for the Income Statement accounts are **before** the closing entry has been posted. The amounts for the Balance Sheet accounts are **after** the closing entry has been posted.

Advertising Expense	7,000	Office Expense	3,500
Building	150,000	Rent Expense	24,000
Cash	63,000	Retained Earnings	140,000
Common Stock	120,000	Sales	600,000
Cost of Goods Sold	360,000	Salaries Payable	4,000
Interest Expense	6,000	Salary Expense	120,000
Insurance Expense	2,400	Security Deposit	20,000
Inventory	57,000	Tax Expense	21,100
Land	40,000	Taxes Payable	6,000
Note Payable	60,000	Utilities Expense	8,000

B & D beginning balance (12/31/19) in Retained Earnings was \$100,000 and the beginning Common Stock balance was \$80,000.

The company had 8,000 shares of common stock outstanding at the beginning of the year.

During 2020 the company paid a dividend of ????

The corporation issued 4,000 shares of common stock on April 1, 2020

Use the information above to answer questions 25-35 on the exam.

Hint: you might want to draft the financial statements before answering the questions.

B & D, Inc.
Income Statement
For the Year Ended 12/31/2020

Sales		\$ 600,000
Cost of Goods Sold		360,000
Gross Margin		<u>240,000</u>
Operating Expenses		
Advertising Expense	7,000	
Depreciation Expense		
Insurance Expense	2,400	
Office Expense	3,500	
Rent Expense	24,000	
Salary Expense	\$ 120,000	
Utility Expense	<u>8,000</u>	
Total Operating Expenses		<u>164,900</u>
Income From Operations		75,100
Other Revenues & <Expenses>		
Interest Expense		<u>(6,000)</u>
Income Before Taxes		69,100
Tax Expense		<u>21,100</u>
Net Income		<u><u>\$ 48,000</u></u>
 Earnings per Share		
		<u><u>\$ 4.36</u></u>

8,000	1/4	2,000.00
12,000	3/4	<u>9,000.00</u>
weighted average		<u>11,000.00</u>

B & D, Inc.
Statement of Owners' Equity
For the Year Ended December 31, 2015

	Shares	Common Stock	Retained Earnings	Total
Beginning Balance, 12/31/19	8,000	\$80,000	\$100,000	\$180,000
Stock Issued 4/1/2020	4,000	40,000	.	40,000
Earnings for the year			48,000	48,000
Less: Dividends Declared			(8,000)	(8,000)
Balance 12/31/2020	<u>12,000</u>	<u>\$120,000</u>	<u>\$ 140,000</u>	<u>\$260,000</u>

B & D, Inc.
Balance Sheet
December 31, 2020

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash	\$ 63,000	Accounts Payable	
Inventory	57,000	Salaries Payable	4,000
		Taxes Payable	6,000
Total Current Assets	<u>120,000</u>	Total Current Liabilities	<u>10,000</u>
 Property & Equipment		 Long-term Liabilities	
Building	\$ 150,000	Note Payable- Net of Current Portion	60,000
Land	40,000	Total Liabilities	<u>70,000</u>
	<u>190,000</u>		
Less: Accumulated Depreciation		Owners' Equity	
Net Property & Equipment	<u>190,000</u>	Common Stock	\$120,000
		Retained Earnings	140,000
		Total Owners' Equity	<u>260,000</u>
Other Assets		Total Liabilities & Owners' Equity	<u>\$ 330,000</u>
Security Deposit	20,000		
Total Assets	<u><u>\$ 330,000</u></u>		
			\$ -