

FL3				
1	Accounts Payable	27,000		
	Cash		27,000	
	To record payment of accounts payable			
2	Cash	42,000		
	Accounts Receivable		42,000	
	To record collection of accounts receivable			
3	Inventory	44,000		
	Cash		17,600	
	Accounts Payable		26,400	
	To record purchase of 11 Fluffs @ \$4,000 each (40%down)			
4	Cash	52,000		
	Accounts Receivable	52,000		
	Sales		104,000	
	To record sale of 13 Fluffs @ \$8,000 each (50% down)			
5	Cost of Goods Sold	46,000		
	Inventory		46,000	
	To record cost of inventory sold (6 @ 3,000) + (7 @ 4,000)			
6	Furniture & Fixtures	45,000		
	Cash		15,000	
	Note Payable - Furniture and Fixtures		30,000	
	To record purchase of furniture			
7	Wages Payable	1,000		OR
	Wage Expense	9,000		
	Cash		8,000	
	Wages Payable		2,000	
	To record payment of wages			
9	Rent Expense	12,000		
	Prepaid Rent	1,000		
	Cash		13,000	
	To record payment of rent			
10	Retained Earnings	5,000		
	Cash		5,000	
	To record dividend paid to shareholders.			
11	Cash	3,000		
	Common Stock		3,000	
	issue stock			
12	Interest Expense	1,000		
	Cash		1,000	
	To record payment of interest to Uncle Mike			
13	Depreciation Expense	4,000		
	Accumulated Depreciation-Furniture & Fixtures		4,000	
	To record depreciation expense for year (45,000 - 5,000)/10			
14	Interest Expense	3,000		
	Note Payable	10,000		
	Cash		13,000	
	To record payment of note			
15	Taxes Payable	2,100		
	Cash		2,100	
	To record payment of last years taxes			
16	Tax Expense	8,700		
	Taxes Payable		8,700	
	To record current year taxes			
17	Sales	104,000		
	Cost of Goods Sold		46,000	
	Rent Expense		12,000	
	Wage Expense		9,000	
	Interest Expense		4,000	
	Depreciation Expense		4,000	

Fluff Year 3

<u>Assets</u>		=	<u>Liabilities</u>		+	<u>Owners' Equity</u>		+	(<u>Revenues</u>		-	<u>Expenses</u>)	
<u>Cash</u>			<u>Accounts Payable</u>			<u>Common Stock</u>				<u>Sales</u>			<u>Cost of Goods Sold</u>	
BB	16,800	27,000	1	1	27,000	27,000	BB					4	5	46,000
2	42,000	17,600	3			26,400	3							46,000
4	52,000	15,000	6											
11	3,000	0	0											
		8,000	7											
		13,000	9	15	2,100	2,100	BB	10	5,000	6,700	BB		9	12,000
		5,000	10							20,300	17			12,000
		1,000	12							5,000	27,000			
		2,100	15								22,000			
		13,000	14											
	113,800	101,700		7	1,000	1,000	BB						7	9,000
	12,100						7							9,000
<u>Accounts Receivable</u>														
BB	42,000	42,000	2											
4	52,000													
<u>Inventory</u>														
BB	18,000													
3	44,000	46,000	5											
	62,000	46,000												
	16,000													
<u>Prepaid Rent</u>														
BB	0													
9	1,000													
<u>Furniture & Fixtures</u>														
BB	0													
6	45,000													
<u>Accumulated Depreciation- Furniture & Fixtures</u>														
		0	BB											
		4,000	13											
<u>Land</u>														
BB	40,000													
<u>Security Deposit</u>														
BB	2,000													
	164,100					67,100				97,000				
						164,100								

<u>Rent Expense</u>	
9	12,000
	12,000

<u>Wage Expense</u>	
7	9,000
	9,000

<u>Interest Expense</u>	
12	1,000
14	3,000
	4,000

<u>Depreciation Expense</u>	
13	4000
	4,000

<u>Tax Expense</u>	
16	8,700
	8,700

Current	10,000
LTL	10,000

<u>Note Payable- F & F</u>	
14	10,000
	30,000
	20,000

<u>Note Payable- Mike</u>	
	10,000

Fluff, Inc.
Income Statement
For the Year Ended December 31, 20X3

Sales		\$ 104,000
Cost of Goods Sold		46,000
Gross Margin		<u>58,000</u>
Operating Expenses		
Rent Expense	\$ 12,000	
Wage Expense	9,000	
Depreciation Expense	4,000	
Total Operating Expenses		<u>25,000</u>
Income From Operations		33,000
Other Revenues & <Expenses>		
Interest Expense		<u>(4,000)</u>
Income before taxes		29,000
Tax Expense		8,700
Net Income		<u><u>\$ 20,300</u></u>
Earnings Per Share		<u><u>\$ 57.59</u></u>

$$\mathbf{\$20,300 / (350 \times 9/12) + (360 \times 3/12)}$$

Fluff, Inc
Statement of Changes in Owners' Equity
For the Year Ended December 31, 20X3

	Shares	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Beginning Balance	350	\$72,000	\$6,700	\$78,700
Issuance of Stock	10	3,000		3,000
Net Income			20,300	20,300
Dividends Declared			(5,000)	(5,000)
Ending Balance	<u>360</u>	<u>\$75,000</u>	<u>\$22,000</u>	<u>\$97,000</u>

Fluff, Inc.
Balance Sheet
December 31, 20X3

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash	\$ 12,100	Accounts Payable	\$ 26,400
Accounts Receivable	52,000	Taxes Payable	8,700
Inventory	16,000	Wages Payable	2,000
Prepaid Rent	1,000	Note Payable - F & F	10,000 Or
		Note Payable- Mike	10,000
	81,100	Total Current Liabilities	57,100
Fixed Assets		Long-Term Debt	
Office Equipment	\$ 45,000	Note Payable - F & F	10,000
Less: Accumulated Depreciation	(4,000)	Total Liabilities	67,100
Subtotal	41,000		
Land	40,000	Owners' Equity	
Net Fixed Assets	81,000	Common Stock	\$ 75,000
Other Assets		Retained Earnings	22,000
Security Deposit	2,000	Total Owners' Equity	97,000
Total Assets	\$ 164,100	Total Liabilities and Owners' Equity	\$ 164,100

Inventory Turn

$$\frac{46000}{\frac{18,000 + 16,000}{2}}$$

2.71 Times

**Days Sales in
Inventory**

$$\frac{365}{2.71}$$

134.69 Days