

Problem 3

The CEO of newly formed TrueTarget printed a copy of the company's general ledger prior to a recent plane flight. She settled into seat 5A next to where you were sitting. Once airborne, she removed the printed "GL" from her brief case and began examining the report. Unfortunately, she realized that her printer had run out of ink on the very last page. She is frustrated because she is not able to determine the company's exact profitability to date, and is on her way to a shareholder meeting where she is to issue a report on the company's progress. She happened to note that you were studying an accounting book, and asked if you might help her.

Prepare a trial balance from the general ledger, determine the missing amount for salaries expense, and determine the company's profit for its first month.

CASH				
Date	Description	Debit	Credit	Balance
02-Jan-08	Balance forward	-	-	-
03-Jan-08	Journal Page 1	750,000	-	750,000
10-Jan-08	Journal Page 1	-	225,000	525,000
14-Jan-08	Journal Page 1	-	45,000	480,000
18-Jan-08	Journal Page 2	120,000	-	600,000
21-Jan-08	Journal Page 2	-	12,000	588,000
26-Jan-08	Journal Page 2	-	9,000	579,000
31-Jan-08	Journal Page 2	78,000	-	657,000

ACCOUNTS RECEIVABLE				
Date	Description	Debit	Credit	Balance
02-Jan-08	Balance forward	-	-	-
06-Jan-08	Journal Page 1	165,000	-	165,000
18-Jan-08	Journal Page 2	-	120,000	45,000

LAND				
Date	Description	Debit	Credit	Balance
02-Jan-08	Balance forward	-	-	-
10-Jan-08	Journal Page 1	225,000	-	225,000

SALARIES PAYABLE				
Date	Description	Debit	Credit	Balance
02-Jan-08	Balance forward	-	-	-
31-Jan-08	Journal Page 2	-	54,000	54,000

CAPITAL STOCK				
Date	Description	Debit	Credit	Balance
02-Jan-08	Balance forward	-	-	-
03-Jan-08	Journal Page 1	-	750,000	750,000

REVENUES				
Date	Description	Debit	Credit	Balance
02-Jan-08		-	-	-
06-Jan-08	Journal Page 1	-	165,000	165,000
31-Jan-08	Journal Page 2	-	78,000	243,000

SUPPLIES EXPENSE				
Date	Description	Debit	Credit	Balance
02-Jan-08		-	-	-
26-Jan-08	Journal Page 2	9,000	-	9,000

UTILITIES EXPENSE				
Date	Description	Debit	Credit	Balance
02-Jan-08		-	-	-
21-Jan-08	Journal Page 2	12,000	-	12,000

SALARIES EXPENSE				
Date	Description	Debit	Credit	Balance
02-Jan-08		-	-	-
14-Jan-08	Journal Page 1	45,000		
31-Jan-08	Journal Page 2			

Worksheet 3

	Debits	Credits
Cash	\$ 657,000	
Accounts receivable		
Land		
Salaries payable		
Capital stock		
Revenues		
Supplies expense		
Utilities expense		
Salaries expense		
	\$ 657,000	\$ -

Solution 3

	Debits	Credits
Cash	\$ 657,000	
Accounts receivable	45,000	
Land	225,000	
Salaries payable		\$ 54,000
Capital stock		750,000
Revenues		243,000
Supplies expense	9,000	
Utilities expense	12,000	
Salaries expense	99,000	
	\$ 1,047,000	\$ 1,047,000

The total salaries expense is \$99,000 – the amount necessary to bring the trial balance into balance. TrueTarget was profitable, because revenues (\$243,000) exceeded expenses (\$9,000 + \$12,000 + \$99,000 = \$40,000).