**Accounting Exercise**

This is a multi-part exercise designed to give students extra practice in introductory accounting. Enjoy!

**Part 1: Basic Transactions**

You and your friend Bob decide to go into business promoting concerts. You call your company Chengdu Productions. Here’s what happens in the first month of operations:



1. Prepare a journal entry for each transaction in August.
2. Post each transaction to a T account.
3. Prepare the company’s trial balance for the month of August.

The following transactions occur in the month of September:

|  |  |
| --- | --- |
| **Date** | **Event** |
| 1-Sep | The Metropolitan's manager calls. The bands are all booked and ticket sales have begun. He's handling all of that, but he wants to know if you have arranged for food and beverage vendors. Oops! |
| 2-Sep | You and Bob get on the phone with some food vendors. They will be able to set up, but you need to provide a food preparation permit and trash pickup. The permit costs $150, and you go to City Hall and pay cash for it. |
| 6-Sep | Bob selects a bid from a sanitation company to provide cleanup services for $3000, payable 2/10 net 30. |
| 7-Sep | The company cell phone bill arrives. Chengdu Productions owes $240, due on October 12. |
| 8-Sep | The Metropolitan's manager calls. He's worried about ticket sales. You call the local radio station and get a commercial made to air three times a day for the next 5 days. The total cost is $6000, payable 2/10 net 30. |
| 14-Sep | The day of the concert. It is a success! |
| 15-Sep | As promised, the check for the last $4000 arrives. |
| 20-Sep | After a few days off, you and Bob decide to pay all your bills. You spend the rest of the month brainstorming new marketing ideas, so you don't have any more revenue or expenses. |

1. Prepare a journal entry for each transaction in September.
2. Post each transaction to a T account.
3. Prepare the company’s trial balance for the month of September.

**Part II: Bank Reconciliation**

After finding the trial balance, Bob decides that it is time to balance the company checkbook. His records look like this:



The bank statement is as follows:



1. Reconcile the cash account and the checking account.
2. Prepare any adjusting journal entries.
3. Make any necessary adjusting T account postings.

**Part III: Revenue and Receivables**



1. Prepare the journal entries and T account postings for October, November, and December.
2. Prepare adjusting entries and a trial balance.
3. Prepare the income statement, balance sheet, and statement of cash flows.
4. Prepare the closing entries to get ready for next year.

**Part IV: Inventory and Cost of Goods Sold**



1. Prepare journal entries and T account postings for these activities.
2. Calculate the cost of goods sold under the LIFO, FIFO, and average cost methods.

**Part V: Depreciation**

In April, your father agrees to make another investment of $10,000 in the company. You use this money to pay off Bob’s father and buy $1000 worth of furniture with a 4-year expected life and no salvage value.

1. Draw up a depreciation schedule using straight-line depreciation.
2. Draw up a depreciation sched
3. ule using double declining balance depreciation.