

### Problem 14-23

Zamboanga Company began operations on January 1, 2018. During the year ended December 31, 2019, the accounting records have been maintained on a double entry basis but the cash basis of accounting has been employed.

The trial balance prepared from these records on December 31, 2019 appeared as follows:

Cash	1,500,000	
Sales		4,000,000
Purchases	2,000,000	
Expenses	1,500,000	
Equipment	200,000	
Share Capital		2,000,000
Land	800,000	
Building	1,500,000	
Mortgage payable		200,000
Retained earnings		600,000
	<b>7,500,000</b>	<b>7,500,000</b>

The entity decided to convert the accounting period on the accrual basis on December 31, 2019.

#### **Additional Information**

1. Accounts receivable

December 31, 2018	200,000
December 31, 2019	250,000

2. The sales of 2018 included P40,000 deposited by a customer for merchandise to be delivered in 2019.

3. Accounts payable

December 31, 2018	350,000
December 31, 2019	280,000

4. Accrued expenses

December 31, 2018	70,000
December 31, 2019	100,000

5. Merchandise inventory

December 31, 2018	150,000
December 31, 2019	210,000

6. The purchase included P100,000 cash advance to a supplier for merchandise to be delivered in 202.

7. The equipment was acquired on July 1, 2018. The estimated life is 10 years.
8. The land and building were acquired on January 1, 2018. The life of the building is 5 years.
9. It is estimated that 10% of the outstanding accounts receivable on December 31, 2019 may prove uncollectible.
10. The mortgage was on the land and building and was obtained on September 1, 2019.

The interest rate is 12% per annum payable semiannually on September 1 and March 1. The mortgage will mature after 4 years.

**Required:**

1. Prepare adjusting entries on December 31, 2019.
2. Prepare an income statement for the year ended December 31, 2019.
3. Prepare a statement of financial position on December 31, 2019.

## Problem 14-24

Evelyn Company recorded transactions on a cash basis but prepared adjustments at the end of accounting period to conform with accrual basis.

The entity provided the following account balances for the year ended December 31, 2019:

Cash	200,000
Accounts receivable	250,000
Inventory	150,000
Land	300,000
Building	1,000,000
Accumulated Depreciation	200,000
Equipment	400,000
Accumulated Depreciation	40,000
Accounts payable	100,000
Share capital	1,500,000
Retained earnings	345,000
Sales	2,000,000
Purchases	1,200,000
Office expenses	255,000
Rent	240,000
Insurance	50,000
Supplies expense	140,000

### Additional information

1. Inventory on December 31, 2019 amounted to P230,000

2. Accounts receivable

December 31, 2019	290,000
December 31, 2018	250,000

3. It is estimated that P150,000 of the outstanding accounts receivable on December 31, 2019 may prove uncollectible.

4. Depreciation rate

Building	5%
Equipment	10%

5. Accounts payable

December 31, 2019	130,000
December 31, 2018	100,000

6. Accrued rent on December 31, 2018 was unrecorded in the amount of P5,000

7. Accrued rent on December 31, 2019 amounted to P10,000

8. Prepaid insurance on December 31, 2018 in the amount of P7,000 was not recognized.

9. Prepaid insurance on December 31, 2019 amounted to P12,000

**Required:**

- a. Prepare adjusting entries on December 31, 2019.
- b. Prepare an income statement
- c. Prepare a statement of financial position.

Problem 14-25

Civic Company began business operations on January 1, 2019. During the year the accounting records are kept on a double entry system out on \_\_\_\_\_ basis of accounting. The entity decided to use the accrual basis. On December 31, 2019, the account balances are;

Cash	840,000
Purchases	4,200,000
Expenses	560,000
Notes payable	200,000
Sales	4,400,000
Share capital	1,000,000

1. Merchandise inventory on December 31, at cost, P500,000.
2. On December 31, accounts receivables amounted to P100,000 and accounts payable totaled P80,000
3. Accrued expenses on December 31, P20,000
4. The purchases included merchandise in the amount of P10,000 bought for the president. The president had not reimbursed the entity.
5. The sales included P25,000 deposit given by a customer for merchandise to be delivered in 2020.
6. It is estimated that 5% of the outstanding accounts receivable on December 31 may turn out to be uncollectible.
7. Expenses included the following:
  - a. P25,000 for office supplies of which P5,000 is unused as of December 31.
  - b. P100,000 for the purchase of equipment on July 1, 2019. It was estimated that this property would have an estimated useful life of 10 years without residual value.
  - c. P20,000 for a one-year insurance premium on a fire insurance policy dated October 1, 2019.
8. The notes payable comprised a noninterest-bearing note of P100,000, dated August 1, 2019, due on February 1, 2020 and a one-year note of P100,000, dated September 1, 2019, bearing an interest of 12% payable at maturity.

**Required:**

Prepare adjusting entries, an income statement and a statement of financial position.