

Carlotta's Used Car Lot

Carlotta's Used Car Lot is a car dealership organized as a corporation. The business sells a broad range of high-quality used cars. Use the info below to complete a worksheet for Carlotta's Used Car Lot, including a trial balance, adjustments, and adjusted trial balance.



INSTRUCTIONS

(USE CHAPTER 14 IN THE TEXT FOR EXAMPLES AND GUIDANCE)

1. Complete the trial balance on the next two pages using the accounts and balances listed below. All accounts have normal balances. You can leave zero balances blank in the numbers columns. Add the debits and credits to make sure they balance.
2. Enter the adjusting entries into the adjustments columns.
3. Add across each row and place the totals in the net income and balance sheet columns. Add the debits and credits to make sure they balance. Remember that the difference between the debit and credit columns for the income statement and balance sheet should be the same (and represent net income).

TRIAL BALANCE DATA (as of December 31, 2018)

Cash	15,000	Sales Tax Payable.....	1,500	Purchases Discount	500
Petty Cash	100	Unemployment Tax Payable – Fed.	200	Purch. Returns and Allowances.....	200
Accounts Receivable	12,000	Unemployment Tax Payable – State.....	800	Advertising Expense	1,000
Allow. For Uncoll. Accts.....	500	Health Insurance Premiums Payable	500	Cash Over and Short.....	50
Merchandise Inventory.....	15,000	Dividends Payable	2,000	Depr. Expense – Equipment	0
Supplies	3,000	Capital Stock	30,000	Insurance Expense.....	0
Prepaid Insurance.....	8,000	Retained Earnings.....	9,500	Misc. Expense	300
Equipment.....	15,000	Dividends.....	4,150	Payroll Tax Expense	2,200
Acc. Depr. – Equip.	1,000	Income Summary	0	Rent Expense	1,800
Accounts Payable	9,000	Sales.....	37,000	Salary Expense	3,900
Federal Income Tax Payable.....	0	Sales Discount.....	1,100	Supplies Expense	0
Employee Income Tax Payable.....	600	Sales Returns and Allowances.....	600	Uncollectible Accounts Expense	0
Social Security Tax Payable.....	1,200	Purchases.....	8,300	Utilities Expense	1,300
Medicare Tax Payable	300			Federal Income Tax Expense	2,000

ADJUSTING ENTRIES (for the year ended December 31, 2018)

- Dec. 31 Completed inventory and found that the amount of supplies on hand at the end of year was \$1,000, meaning that \$2,000 of office supplies had been used during the period. M1. (*Supplies Expense / Supplies*)
- 31 Recorded the adjusting entry for the insurance policy, \$4,000, that has been used in 2018. M2. (*Insurance Expense / Prepaid Insurance*)
- 31 Recorded the adjusting entry for equipment depreciation for 2018, \$1,200. M3. (*Depr. Expense – Equip. / Acc. Depr. – Equip*)
- 31 Merchandise inventory balance at the beginning of the year was \$15,000. From a physical count of merchandise inventory, the December 31 balance is determined to be \$10,000. Record the adjusting entry for merchandise inventory. M4. (*Income Summary / Merchandise Inventory*)
- 31 Uncollectible accounts expense is estimated as 1% of its total sales on account. During 2018, sales on account were \$21,000. M5. (*Uncollectible Accounts Expense / Allow. For Uncoll. Accts.*)
- 31 Record federal income tax expense adjustment of \$2,550 for the year. M6. (*Federal Income Tax Expense / Federal Income Tax Payable*)

