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)

Cash15,000	Sales Tax Payable1,500	Purchases Discount500
Petty Cash100	Unemployment Tax Payable – Fed 200	Purch. Returns and Allowances200
Accounts Receivable12,000	Unemployment Tax Payable – State800	Advertising Expense1,000
Allow. For Uncoll. Accts500	Health Insurance Premiums Payable500	Cash Over and Short50
Merchandise Inventory15,000	Dividends Payable2,000	Depr. Expense – Equipment0
Supplies	Capital Stock30,000	Insurance Expense0
Prepaid Insurance8,000	Retained Earnings9,500	Misc. Expense 300
Equipment15,000	Dividends4,150	Payroll Tax Expense2,200
Acc. Depr. – Equip		Rent Expense1,800
Accounts Payable9,000	Income Summary 0	Salary Expense3,900
Federal Income Tax Payable0	Sales37,000	Supplies Expense 0
Employee Income Tax Payable600	Sales Discount1,100	Uncollectible Accounts Expense0
Social Security Tax Payable1,200	Sales Returns and Allowances600	Utilities Expense1,300
Medicare Tax Payable300	Purchases 8,300	Federal Income Tax Expense2,000

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

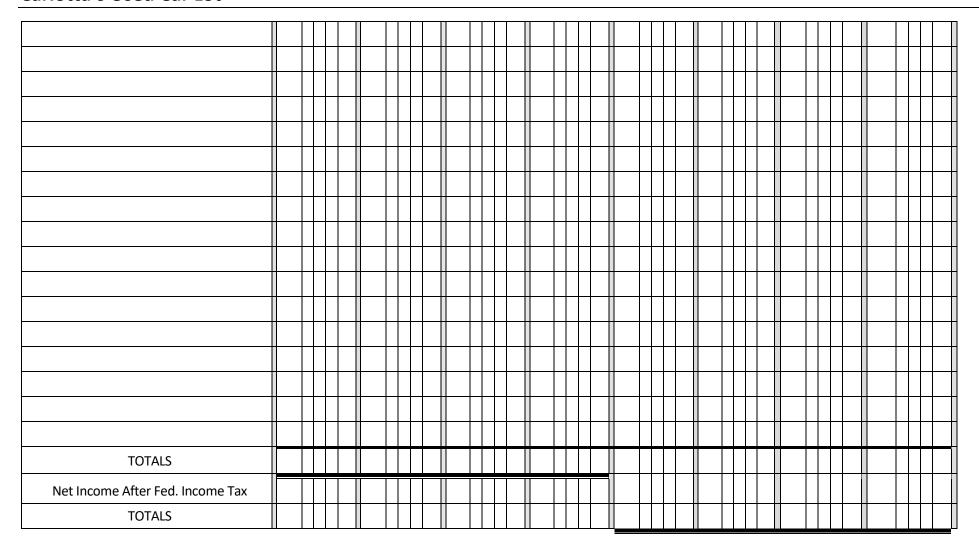
- Dec. 31 Completed inventory and found that the amount of supplies on hand at the end of year was \$1,000, meaning that \$2,000 of office supplies had been used during the period. M1. (Supplies Expense / Supplies)
 - 31 Recorded the adjusting entry for the insurance policy, \$4,000, that has been used 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)

Carlotta's Used Car Lot

TRIAL BALANCE (as of December 31, 2018)

ACCOUNT TITLE		Tria	l Bala	1				Income Statement							Balance Sheet												
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NOTE: THIS INFORMATION WILL BE USED LATER IN THE WEEK TO COMPLETE AN INCOME STATEMENT, STATEMENT OF STOCKHOLDERS' EQUITY, AND BALANCE SHEET FOR THIS BUSINESS.