

# BEACON LUMBER PRACTICE SET

An Active Learning Introduction to the  
Accounting Cycle

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# Beacon Lumber

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## Instructor and Solution Manual

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### **About the Author**

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Prior to completing Ph D and MBA degrees at Union College, Howe worked in the construction industry in New York City, managing commercial buildouts, and in Albany as a real estate broker, specializing in the valuation and sale of income properties. He joined the Geneseo faculty in 1995. Howe holds a BA from Brown University.

Howe is an active member of the local FEI and NYSSCPA chapters, and has served in a variety of board capacities. He serves on the steering committee of the Northeast Region of the AAA and will assume responsibility for its 2009 annual meeting. He has two sons – Benjamin, a 2<sup>nd</sup> Lieutenant in the USMC and and Noah, an architecture and political science student. His wife, Lauren, is an artist.

### **Author's Note**

I received help and classroom feedback in developing this project from several colleagues on the accounting faculty at SUNY Geneseo, including Mark Mitschow, Wanda Spruill and, especially, Barbara J. Howard. Geneseo's commitment to teaching excellence has been an important influence on me and I am grateful for the ways in which this has helped me to grow. Paul Kimmel, Lee Cannell and Dick Wasson have each provided careful and thoughtful editorial comments. I am also grateful for the help of Blake Penrod of Scitran Prepress for his careful help in composing the pages of Beacon Lumber. I also thank Jim Emig, Villanova University; Jill Misuraca, Central Connecticut State University; Yvonne Phang, Borough of Manhattan Community College; Dick Wasson, Southwestern College; and Bernie Weinrich, Lindenwood University for their help in accuracy checking the content. Finally, a very special thanks to my wife, Lauren, and to my sons Benjamin and Noah.



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*I have had a lot of fun using Beacon, and I would enjoy hearing about your classroom experiences with it. I can be reached at*

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# ***BEACON LUMBER***

## **An Active Learning Introduction to Financial Accounting**

### **INTRODUCTION**

*Beacon Lumber* combines an active learning / classroom-discussion–style introduction to financial accounting with a multi-period practice set. *Beacon* presents all of the accounting topics and study objectives from the first few chapters of virtually any introductory financial accounting textbook. *Beacon* is designed so that the instructor can promote student involvement by assigning roles and using this simulated “business experience” to overcome some of the problems that result from limited or nonexistent business experience. By encouraging students to imagine themselves as owners, customers, suppliers, etc. of a business it is easier for many of them to appreciate the relationship between business activity and recording treatments.

*Beacon* follows the creation and first three months’ operations of a building supply company. The lesson plans contain over 20 student roles, and these can provide a natural springboard for discussion about the business significance of various transactions and events. The instructor’s manual contains solution material and teaching notes that suggest classroom activity that illustrates the essential link between accounting and business in an enjoyable and informal manner.

### **PEDAGOGICAL STRATEGY**

*Beacon* is based on the observation that for many students the hardest part of an introductory course occurs in the introduction to the essentials of the accounting model. The student has to absorb a great deal of new vocabulary, many abstract concepts, and the mechanics of a detail-oriented recording procedure. Having for the most part little or nothing in the way of practical business experience, he or she will not always be certain about all the basic facts of a business transaction, such as the relationship between receivables/payables and buyer /seller. This type of uncertainty creates many opportunities for the student to generate additional levels of confusion, such as wondering if the rules applied to one company or situation should be applied in a second.

*Beacon Lumber* uses a number of techniques that can help students to master accounting fundamentals. These include:

**1. *Beacon introduces active learning techniques in an amusing and non-threatening manner.*** The material encourages students to playact their way through many of the transactions. The students will have many answers and resources readily available, and this reduces the normal fear of producing a wrong answer. Some of the roles and situations lend themselves to light-hearted banter — a lawyer wastes no time in submitting a bill for legal services on the day of incorporation, some lumber inventory is lost as a result of a Girl Scout campfire, etc. All of these strategies promote classroom involvement.

**2. *Beacon takes students through multiple accounting cycles.*** Students get extensive exposure to the differences between real and nominal accounts through exercises that include journalizing and posting closing entries, and transferring balance sheet account balances from a T-account worksheet to the formal General Ledger. The idea of permanent and temporary accounts doesn't "sink in" for most undergraduates until the student has gone through two or more complete accounting cycles.

**3. *Beacon promotes an intuitive understanding of business forms and transactions.*** Assigning various commercial roles to students creates a natural context for directed discussion of the events and circumstances in the transaction sets. The instructors' notes include sample questions and discussion ideas. For example, when discussing the incorporation and issue of stock for *Beacon*, the instructor can ask a student to imagine himself or herself with a house and some other personal assets, and then discuss the pros and cons of creating a partnership or a corporation. Why would limited liability appeal to you? How would your domestic partner feel about the possibility of losing your house to satisfy partnership obligations? Would you like to have a hundred partners help you make decisions and manage the business? The business events in the transaction sets are simple, and many of them provide an opportunity for the instructor to engage the student's interest by referring questions and issues to their own experience.

**4. *Beacon provides a complementary perspective on the material in Chapters 1-5.*** *Beacon* allows the instructor to cover virtually all of the basic accounting and recording techniques from the first five chapters of the text in an active learning format. The first

transaction set (November) introduces the basic accounting model, and some of the uses and users of accounting information. The second transaction set (December) introduces adjusting and closing entries while the last set (January) develops the students' awareness of accounts required by a merchandising company.

**5. *Beacon uses technical mastery as a foundation for understanding.*** The essence of *Beacon* is to involve the students in the *process* of accounting as quickly as possible, providing them with experience, which they can use in order to *understand concepts*. The study objectives for each chapter are presented in a series of overhead masters, many of which refer to specific *Beacon* events or transactions.

**6. *Beacon introduces uses of accounting information at the beginning of the course.*** Some of the *Beacon* events require students to compute ratios or calculate amounts in order to support a credit decision. These simple exercises reinforce the idea that accounting information will be **useful** in a variety of decision contexts.

**7. *Beacon presents basic accounting concepts and techniques in a unified and comprehensive setting.*** *Beacon* presents all aspects of the accounting cycle in terms of the creation and progress of a single company. This reduces some of the confusion which students can create for themselves when they have to apply a set of principles to a number of different fact patterns.

**8. *Beacon introduces standard journal format at the beginning of the course.*** The journal worksheet for the first set of entries has debit and credit columns, and a column for indicating whether the transaction increases or decreases a particular account. This helps students to memorize the rules for normal balances. After discussing each transaction the instructor can confirm the correct journal entry and tell the students which account(s) should be debited or credited. All students will end up having their own reference source for analyzing debit and credit rules.

**9. *Beacon provides an introduction to other practice sets.*** For those instructors who use a practice set that includes special journals and subsidiary ledgers (*which are not a part of Beacon*), the basic accounting work will seem like a natural extension of very familiar activity.

**10. *Beacon uses a perpetual inventory system.*** This aligns *Beacon* with contemporary practice and eliminates the complications arising from a periodic system.

**11.** *Beacon provides several accounting non-events.* These non-events reinforce the concept that only those events that have a measurable effect on the accounts of a business are journalized.

**12.** *The instructor's manual makes it easy to use Beacon as a series of lesson plans.*

Instructors who wish to use *Beacon* in class will find a great deal of material that helps to direct and facilitate class participation. The instructor's version of the transaction sets includes teaching notes that support a discussion-oriented presentation of basic accounting. These notes include sample questions and remarks; supporting computations; the code numbers of all accounts affected by the transaction (bolded); and the generic names of all student role players (boxed). Notes are integrated with the transaction text to make it easy for the instructor to refer to them as he or she goes from one event to the next.

**13.** *The second and third month of Beacon contain some "new" and some "old" material.* The first month takes students through the entire accounting cycle, and it can be completed entirely in the classroom as a way of introducing basic accounting. In the second month there is some "old" material — regular entries to be journalized and posted, and financial statements to prepare — as well as "new" material: adjusting entries and a ten column worksheet. The instructor can choose to cover the new material in class and assign the old material as homework, or to use additional class time for *Beacon* in order to reinforce the basic accounting, and to help students understand the accounts used in December that were not used in November (such as prepaids, unearned revenues, gains and losses). The January material introduces the special accounts used by a retailer, and the instructor may want to go over these in class. The rest of the month's accounting cycle work, from adjusting entries through closing the books, could be assigned as a comprehensive review problem.

**14.** *Beacon uses realistic business documents to illustrate many transactions.* The *Beacon* material includes some business documents that can be used to reinforce the experiential learning aspects of *Beacon*.

## ROLES

Active student learning through the use of assigned roles is at the heart of the *Beacon Lumber* exercise. These roles encourage students to imagine themselves in real business circumstances and to reflect on their “experience.” For instance, most students in a business curriculum initially view Accounts Receivable with skepticism: they do not believe that the account is an asset in the same way that cash is an asset. Play acting a credit sale between two peers and then following that up with questions such as “Do you think John is a good business person? Is he likely to complete his building project? Will he get paid for it? Will he pay his bills? Is there any reason why Sarah (the office manager for *Beacon*) shouldn’t record his promise to pay as an asset?” These kinds of questions give students an immediate frame of reference for understanding the nature of Accounts Receivable.

The following chart summarizes the various roles created in *Beacon*, which are listed in the approximate order in which they come up in the transaction sets. The column headed with a #sign indicates that more than one student can be assigned to a particular role. For example, if the instructor wanted to motivate a discussion about the reasons for investing in a new startup company he or she might want to assign four students the roles of investor (see chart below).

<b>Role</b>	<b>#</b>	<b>Comment</b>
Investors	4	Three investors purchase stock for cash and one invests a parcel of land. One investor sells shares to a sister, motivating discussion of the economic entity assumption.
Lawyer	1	The lawyer's prompt submission of a bill for incorporating the new business can highlight the nature of an "artificial person" or provide a context for some genial lawyer-bashing.
Directors	3	Their appointment is not a financial event. Directors will declare dividends in the month of December.
Secretary	1	Beacon needs a corporate secretary to keep track of student role assignments and the number of shares issued (in order to calculate the amount of a cash dividend).
BWLC Credit Manager	1	The Big Wholesale Lumber Company (BWLC) credit manager uses accounting information to process an application from Beacon for trade credit.
Office Manager	1	The office manager can be consulted on a range of issues.
Yard workers (employees)	2	Beacon employees will accrue wages at the end of December and January and can also support a discussion of internal control procedures.
Contractors (trade accounts)	3	Three students will be purchasing representatives of the Strong, Solid and Reliable Construction companies. Corny names underline the tangibility of A/R.
Cash account commercial customer	4	The fourth contractor — Nocturnal Departures Co. — initially appears to meet credit requirements but, on closer inspection, it becomes apparent that their books are not kept in accordance with GAAP. The office manager should decide NOT to trust this real fly-by-night contractor with a trade account. Nocturnal will pay cash for all its needs.
Retail cash customer	1	John Q. Homeowner does not receive a trade discount, and does not have a sales tax resale certificate. This determines pricing policies and the sales tax liability.
Tax commissioner	1	If needed, a student can be assigned the role of Tax Commissioner and asked to comment on the accounting nature of the 8.25% sales tax collected by Beacon for the JQH sale.
Commercial contractor	1	A commercial builder is engaged to build a warehouse for Beacon, but the executory contract is not an accounting event.
Insurance agent	1	Beacon purchases a one-year general liability insurance policy in December. This could motivate discussions about prepaids and / or insurance.
Sister of Investor #2	1	If needed to support discussion of the economic entity assumption, a student can be assigned to purchase shares from one of the original investors.
Sculptor	1	Mark Peltz, a local sculptor, rents some outdoor space in order to have a place to complete a large commission. The transaction creates an Unearned Rent liability in December and accruals for rent revenue in December and January.

## CONCLUDING REMARKS

Students have had a positive reaction to *Beacon Lumber*. Almost ninety percent of the students surveyed in our introductory financial accounting course agreed or strongly agreed with the statement that “*Beacon* helped me to understand the connection between accounting and the business world.” The transaction material supports a playful and interactive teaching style that has a very serious underlying intent. In that same survey less than twenty percent of the students felt that “the instructors should spend more time lecturing.”

# Beacon Lumber

## Instructor Annotated Solutions Transaction Set

This manual contains the transaction detail for the months of November, December and January, along with teaching notes for most events. The material is designed around a sequence of using the classroom to introduce material in one month and then requiring the student to complete similar work in a following month. The instructor can guide the class through all the regular and closing entries for the month of November, and illustrate the preparation of financial statements. Using the overhead projector and a transparency of the General Journal page works well, and provides an opportunity to reinforce debit and credit rules. The regular entries for December can be assigned as homework or done in class, and the instructor then illustrates adjusting entries. The preparation of financial statements (and, optionally, a 10-column worksheet) can be assigned as homework. The regular entries for the month of January include all of the commonly used accounts to adjust sales and purchases for a merchandising company. I have found it convenient to use classroom time for this part of *Beacon*.

The following types of teaching notes and suggestions are included with many of the entries:

**Student role** Assigning roles to individual students and then directing questions or comments to that particular student is an effective way of involving students with the material.

Chart of accounts reference numbers

**101 / 301**

The instructor's manual contains a complete General Journal and General Ledger.

### **Realistic business documentation**

*The instructor's manual contains sample business documents. These and other readily-created documents could be used as classroom props to facilitate a discussion of business and accounting topics, and to familiarize students with some common business practices. For instance, the invoice submitted by the law firm which incorporates Beacon could motivate a discussion about liabilities, the fact that a payable for Beacon is simultaneously a receivable for the law firm, and the differences between cash and accrual accounting.*

*Suggested comments or questions for classroom discussion — this material is intended to draw the students into classroom discussion and to help them think about the underlying business activity for each event. I intend the notes to be suggestive and to illustrate some of the linkages that are built into the Beacon transaction material, while allowing the instructor freedom to improvise his or her own approach to the material.*



## BEACON LUMBER, MONTH OF NOVEMBER

Nov 4

On this day an entrepreneur (Investor #1) created the Beacon Lumber corporation and purchased 20,000 shares of its common stock for \$20,000. The corporation will operate a lumberyard and building materials business in a medium sized city not far from your school. The business will prepare financial statements on a monthly basis.

Investor #1

101 / 311

Nov 4

Later in the day two other investors purchase shares. Investor #2 purchases 2,000 shares for \$2,000 and investor #3 purchases 3,000 shares for \$3,000.

Investors #2 & 3

101 / 311

*The instructor can endorse and hand out stock certificates to the first three shareholders, and perhaps remind investor #1 to bring \$20,000 to the next class. The decision to incorporate Beacon can lead to a discussion about the benefits of the corporate form and the potential for unlimited personal liability in partnerships.*

Nov 4

Later that afternoon the lawyer who performed the incorporation submits a bill for \$500 fee and \$37.18 in expenses.

Lawyer

745 / 201

Invoice for services

*The prompt submission of a bill creates an opportunity for some cheerful lawyer bashing. The instructor may want to remark on the need for an information system that will help to manage the flow of information created by a set of accounts.*

Nov 6

The investors (and, at present, the sole owners) of the Beacon Lumber Corporation appoint three prominent businesspersons to the company's Board of Directors. The board will meet once every quarter to review operations and set overall policy for the company, but it will not be involved in the day to day operations. The company's founder is appointed CEO of the corporation. The board appoints a clerk-secretary.

Board members & Secretary

Investor #1 / CEO

No journal entry

*Here is an opportunity to discuss the corporate form, and especially the split between owners and managers. It also provides an opportunity to note that many important events in the life of a company are not reflected in its accounting records. The instructor may want to assign the directors the job of reviewing the results of Beacon's operations at a later time.*

Nov 15

An investor supplies 20 acres of land in exchange for stock and a mortgage note. The land has been appraised at \$70,000 and the investor receives 15,000 shares of stock and a note with a face value of \$55,000. The note requires Beacon to pay interest at the rate of 10% per year and the principal (face amount) is due in 5 years.

Investor #4

140 / 268 & 311

**Promissory note**

Nov 15

Investor #2 sells 500 shares of Beacon stock to a younger sister for \$500.

Investor #2

Sister

**No journal entry**

*This non-event can be used to discuss the economic entity concept and/or investing in privately held businesses.*

Nov 17

Beacon agrees to rent a trailer which it will use as a temporary office. The rental cost, as determined by AZCO, the lessor, will be \$200 per month. AZCO will prorate this month's rent, using a Nov 18<sup>th</sup> start date. Beacon pays the rent. In the future, rent will be due the first of the month.

AZCO

729 / 101

*The prorated rent ( $86.67 = (13/30) * 200$ ) will be based on 13/30 of a full month's rent. All the time calculations in Beacon are based on a 30/360 convention, which the instructor may want to mention at this time. The instructor could also emphasize the use of the word "pay" and its affect on the cash account.*

Nov 17

Beacon applies for credit to the Big Wholesale Lumber Company (BWLC). Since Beacon is a brand new business and has no history of operations the credit manager for the BWLC is at first reluctant to approve the request. Eventually, after heated discussions, she agrees to a \$10,000 limit, provided that the company's ratio of Debt to Total Assets does not rise above .70, and that its Current Ratio does not fall below 2.45.

BWLC credit manager

**No journal entry**

*Students should calculate these ratios before AND after the purchase transaction (next entry), noting the effect of the purchase on both ratios. (See the worksheet included in the solution material.) The need to review the general journal in order to find amounts for these calculations emphasizes the need for a general ledger. The instructor may want to draw attention to how close Beacon comes to the loan requirements. Also, although not an asset, trade credit is a very important resource.*

Nov 17

Beacon purchases 20,000 board feet (bd. ft.) of framing lumber from BWLC at a cost of \$.90/bd. ft., (ninety cents per board foot). After reaching its credit limit and it paid cash for the balance of the purchase.

BWLC credit manager

120 / 101 & 201

Nov 17

Beacon hires an Office Manager and two yard personnel. The yard personnel will each earn \$12.00 per hour and the manager will earn \$17.00 per hour. All employees will work an eight-hour day.

Office manager

Yard personnel

**No journal entry**

*Many important events in the life of a company are not reflected in its accounting records.*

Nov 18

The Solid Construction Company purchases 3,000 bd. ft. of lumber on account for \$4,800. (Hint: remember to make an entry for Cost of Goods Sold (COGS) — 3,000 board feet at \$.90 per board foot. COGS is an expense, so you will debit this account and credit inventory, an asset.)

Solid

Office manager

112 / 401

505 / 120

*Beacon's first sale is a good opportunity to emphasize the factors that make accounts receivable an asset. Asking "Solid" if he will pay the bill on time gives the instructor a chance to make this point with some humor. The perpetual inventory system used in Beacon introduces students to the idea of an expense as a using up of assets. The instructor should draw attention to the \$1.60 per board foot selling price and the \$.90 per board foot COGS. These values will be used for all transactions EXCEPT the Nov 22 sale to the homeowner.*

Nov 18

The Strong Construction Company purchases 6,000 bd. ft. of lumber on account for \$9,600.

Strong

Office manager

112 / 401

505 / 120

Nov 18

The Reliable Construction Company purchases 4,000 bd. ft. of lumber on account for \$6,400.

Reliable
Office manager

**112 / 401**  
**505 / 120**

Nov 20

The Nocturnal Departures Home Improvement Co. applies for a trade credit account. Nocturnal provides the following financial information in its credit application:

Cash	12,000	Short-term Liabilities	2,000
Total Assets	15,500	Total Liabilities	5,000

Based upon the preceding,

- What is the ratio of cash to short-term liabilities? **(6.00) (12,000 / 2,000)**
- What is the ratio of Assets to Total Liabilities? **(3.10) (15,500 / 5,000)**
- Using the same credit standards that BWLC applied to Beacon, does it appear that Nocturnal meets Beacon's standards for trade credit? **(Yes.)**

Before approving credit the office manager calls the bank reference provided by Nocturnal, and learns that the company currently has a cash balance of \$200. When she asks Nocturnal about the \$11,800 discrepancy Nocturnal explains that the financial information includes the anticipated (but as yet unrealized) profit of \$11,800 on a job under bid. Nocturnal's accountant explains that the company keeps its books according to Contingent Reality Accounting Principles (CRAP).

The office manager reviews financial statements for the company adjusted to GAAP:

Cash	200	Short-term Liabilities	2,000
Total Assets	3,700	Total Liabilities	5,000

What is the ratio of cash to short-term liabilities? **(.10) (200 / 2,000)**  
What is the ratio of Debt to Total Assets? **(1.35) (5,000 / 3,700)**  
Does it still appear that Nocturnal meets Beacon's standards for trade credit? **(No.)**

What would stockholders' equity be? **(-1,300) (3,700 = 5,000 - 1,300)**  
Do lenders or owners appear to have greater interest in the assets of Nocturnal? (Lenders)

*This episode can tie in to a discussion about the history of GAAP and/or the ethical concept of informed consent and the role of accounting in providing business people with useful economic information. Some discussion of IFRS might also be appropriate, perhaps mentioning that even high-quality accounting principles can create difficulties of interpretation and reconciliation.*

Nov 20

The Nocturnal Departures Home Improvement Co. purchases 1,000 bd. ft. of lumber for \$1,600, paying cash.

Nocturnal
Office manager
Yard personnel

**101 / 401**  
**505 / 120**

*The office manager can instruct the yardworkers to carefully check this fly-by-night builder and make sure that the invoice is paid before Nocturnal leaves the yard. This could motivate a discussion about the importance of internal controls to the operation of a business.*

Nov 22

John Q. Homeowner purchases 2,000 bd. ft. of lumber for \$3,500, paying cash. He does not have a sales tax exemption certificate. By law, Beacon must collect 8.25% sales tax and remit this to the state at the end of each quarter. (Hint: your entry should include a credit to Sales Taxes Payable of \$288.75. ( $\$3,500 \times .0825$ ))

Nocturnal
Office manager
Yard personnel

**101 / 401 & 227**  
**505 / 120**

*The instructor can note that the selling price is \$1.75 per board foot, or approximately 10% higher than the selling price to trade customers.*

Nov 26

The Solid, Strong & Reliable Construction Companies all send checks totaling \$18,000 for payment on account.

Solid, Strong & Reliable
Office manager

**101 / 112**

*Since there is no detail about which company paid what amount on its account, this entry can be used as an "advance organizer" to introduce the importance of special journals and subsidiary ledgers. It can also be useful to reinforce the idea of a balance sheet transaction as an event that does NOT affect revenues or expenses. The instructor may want to say "thanks for the check" to the students representing Solid, Strong & Reliable as a way of reinforcing the relationship between A/R and cash.*

Nov 26

Beacon writes a check for \$10,000 to the Big Wholesale Lumber Company for payment on account.

**201 / 101**

**Company check**

Nov 30

Beacon pays a total wage expense of \$3,608 to its workers for the month of November. (Debit the store wages expense account when you make this entry.)

**628 / 101**

**Company check**

**END OF THE MONTH OF NOVEMBER. DO THE FOLLOWING:**

- 1) If you have not already done so, make all required journal entries for the month of November.
- 2) Post all journal entries to ledger accounts.
- 3) Prepare a trial balance.
- 4) Prepare an Income Statement, Retained Earnings Statement, and a Balance Sheet. For November, there is a worksheet to assist you with good form.
- 5) Prepare and post closing entries for the month of November. Pay special attention to the difference between permanent (balance sheet) accounts and temporary (income statement) accounts.

***Note to the instructor: This instructor's manual contains a T-account solution for the month of November. Requiring students to use the general ledger reinforces the distinction between temporary and permanent accounts.***

## BEACON LUMBER, MONTH OF DECEMBER

Dec 1

Beacon purchases a general liability insurance policy for \$1,200, paying cash. The term of the policy is one year, from Dec 1, 2009 through Nov 30, 2010.

Insurance agent

**130 / 101**

Dec 1

Beacon purchases a forklift for \$10,000, paying half in cash and half with a 5 year, 12% note. The forklift is a well made American Machine & Foundry product, and it is expected to last for 10 years.

**157 / 101 & 268**

Dec 1

Beacon purchases office equipment for \$2,000, paying cash. The equipment has an expected life of 5 years.

**157 / 101**

Dec 3

Beacon purchases 30,000 bd. ft. of lumber from BWLC for \$27,000. Again, after reaching its credit limit it paid cash for the remaining amount.

**120 / 101 & 201**

*This also can be used to illustrate the importance of trade credit and the sometimes precarious financial state of young companies.*

Dec 3

On this day Beacon sent a check to pay for December's rent for the office trailer.

**729 / 101**

***Monthly rent is \$200 a month, per rental agreement signed on Nov. 17.***

Dec 6

Beacon signs a contract with SCORE Construction to have a warehouse built on its property. The warehouse will cost \$20,000. Beacon will pay SCORE by issuing \$10,000 worth of stock, paying \$5,000 in cash and issuing a note for the balance.

SCORE

**No journal entry**

***If the students have trouble understanding why there is no entry in Beacon's books it can be useful to examine this agreement from SCORE's point of view. SCORE is a reputable and competent contractor, and the instructor can compare its GAAP-compliant accounting with Nocturnal's informal approach to recordkeeping.***

Dec 6

Beacon pays \$300 for three months of advertising on a web site. The ad will run from Dec 15, 2009 through March 15, 2010.

**123 / 101**

Dec 6

The sister of investor #2 purchases the balance of investor #2's Beacon stock for \$3,000 (see General Journal, Nov 15).

**No journal entry**

*This can be used to illustrate the economic entity concept.*

Dec 7

Beacon pays the lawyer's bill received on Nov 4.

**201 / 101**

Dec 15

Mark Peltz, a local sculptor, agrees to rent 1 acre of land at the rear of Beacon's lot to use as an outdoor studio. He pays \$600 for 4 months rent. The lease will start on Dec 15.

**Sculptor**

**101 / 208**

Dec 15

On this day Beacon sells 3 acres of land for \$15,000. It receives \$5,000 in cash and a mortgage note for the rest. The note carries interest at 10% and the principal amount is due in 8 years. Assume that all the land had a uniform cost per acre when it was purchased by Beacon.

**Investor #4**

**101 & 115 / 140 & 813**

*Students need to calculate the per-acre cost of the land —  $\$70,000 / 20 \text{ acres} = \$3,500$ . Book value is then  $\$3,500 \times 3 = \$10,500$ . Gain on sale of land is  $\$15,000 - \$10,500 = \$4,500$ .*

Dec 18

The office manager purchases \$250 worth of office supplies. Use account #728 (Office Supplies Expense) to record the purchase. Beacon pays cash.

**728 / 101**

*This entry will be used to illustrate the recording of assets initially as an expense, and later reduced by an adjusting entry. This will (a) illustrate an approach that is encountered in practice and (b) provide an opportunity for account analysis at the end of the month.*

Dec 29

Girl Scouts sneak into the lot Friday night and start a campfire. The fire gets out of control and destroys \$1,800 worth of inventory. (In order to avoid embarrassment to the Girl Scouts, the company does not file charges with the police or make an insurance claim. Instead it asks the Girl Scouts to perform 200 hours of community service.)

**916 / 120**



Dec 29

The Board of Directors declares a cash dividend of \$.05 per share, payable in January. (Hint: Use the dividends and dividends payable accounts.) Verify that the amount of the dividends (the product of the number of shares issued and the amount per share) equals \$2,000.

**332 / 252**

*This entry can motivate a discussion about the many kinds of financial records that a company needs to maintain — e.g. a current count of the shares issued and outstanding. (40,000 shares as of this date, 25,000 issued on the day the corporation was formed and 15,000 issued in connection with the land acquisition.)*

Dec 30

This is the last payday for the month of December. The next payday will occur in January. Payroll checks for the month of December total \$5,248. (For the time being you can ignore taxes. We will examine this topic later in the course.)

**628 / 101**

Dec 31

Total sales on account for the month of December were \$45,600. Beacon sold all merchandise at a uniform selling price of \$1.60 per board foot. (Hint: you should be able to use this information to calculate the COGS entry.)

**112 / 401**

**505 / 120**

*Calculation:*

*Board feet sold =  $\$45,600 \div \$1.60 = 28,500 \text{ bd ft}$ .  $\text{COGS} = 28,500 \text{ bd ft} \times \$0.90 = \$25,650$ .*

Dec 31

By the end of the month Beacon had collected cash payments from its account holders of \$36,700.

**101 / 112**

*These summary entries reinforce the need for special journals, a topic usually covered later on in the accounting course.*

**END OF THE MONTH OF DECEMBER. DO THE FOLLOWING:**

- 1) Before posting any journal entries for December make sure that the General Ledger includes all information from November.
- 2) When you have completed step (1) post journal entries for the month of December. Prepare a trial balance, using the first two columns of the worksheet for December.
- 3) Complete steps (1) and (2) above **before** journalizing and posting adjusting entries (see below). When you have prepared adjusting journal entries for all the items listed below, proceed to step (4).

- 4) Recall from your classroom discussions and your study of the textbook that a 10-column worksheet is an **optional workpaper** that accountants sometimes find to be a useful aid in the preparation of financial statements. Your instructor may require you to complete a worksheet in addition to preparing financial statements. There are blank worksheets at the end of this booklet.
- 5) Prepare, in good form, an income statement, statement of retained earnings, and a balance sheet for the month of December. This book does NOT contain workpapers for these financial statements – by now, you should be familiar with the form and content of these statements, and be able to prepare them on your own
- 6) Prepare and post closing entries for the month of December.

### ***Required Adjusting Entries for December***

- A1** The two yard personnel and the office manager worked on Dec. 29, 30 and 31. On December 30th they were paid for work through the 28th. The yard personnel are paid \$12.00 per hour and the office manager receives \$17.00 per hour. All employees work an eight-hour day.

**628 / 213**

**Calculation:**  $(12 + 12 + 17) * 8 * 3 = 984$

### **A2**

A review of the office supplies locker shows that \$180 worth of supplies are on hand.

**125 / 728**

***T-accounts for the office supplies and office supplies expense accounts will demonstrate the appropriate account analysis.***

### **A3**

Compute and record the insurance expense for the month of December. Assume that the insurance coverage expires at an even rate throughout the year. Refer to the general journal for Dec 1 and verify that the expense should equal \$100.

**722 / 130**

**Calculation:**  $\$1,200 \div 12 = \$100$

### **A4**

Compute and record depreciation on the forklift acquired on 12/1. Assume that usage will occur at an even rate over the life of the machine, so that 1/120<sup>th</sup> of its original cost will be depreciated each month.

**711 / 158**

***For simplicity, the depreciation calculation for the forklift and the office equipment is based on straight-line with no salvage value ( $\$10,000 \div 120 = \$83.33$ ). The instructor can mention that other procedures will be used later in the course.***

## A5

Compute and record depreciation on the office equipment acquired on Dec 1. Use the same method for this equipment as you did for the forklift. How will the shorter life (five years for the office equipment as opposed to ten years for the forklift) affect your calculations?

**711 / 158**

**Calculation:**  $\$2,000 \div 60 = \$33.33$

## A6

Compute and record the advertising expense for the month of December. As always, pay careful attention to all dates.

**610 / 123**

*Although purchased earlier in the month, the advertising program starts at the middle of the month. Use ½ month for A6, A7 & A8. Advertising expense =  $(\$300 \div 3) \times .5 = \$50$ .*

## A7

Compute and record the rental revenue from sculptor Mark Peltz.

**208 / 429**

**Calculation:**  $(\$600 \div 4) \times .5 = \$75$

## A8

Compute and record the accrued interest revenue on the note received as partial payment for the 3 acres of land sold earlier in the month.

**118 / 820**

**Calculation:**  $\$10,000 \times .10 \times (.5 \div 12) = \$41.67$

## A9

Compute and record all the accrued interest expense on (a) the note given to the investor who supplied 20 acres of land on Nov. 15 and (b) the forklift. Use a 360-day year, and verify a total of \$737.50 for both notes.

**718 / 230**

*An alert student may point out that recording 45 days of interest expense violates the matching principle. The instructor can respond (a) that the class wasn't ready for adjusting entries in Beacon's month of November, (b) that the amount may not be material and/or (c) that the student will have a chance to learn about prior period adjustments in Intermediate.*

**Land interest:**  $\$55,000 \times .10 \times (45 \div 360) = \$687.50$

**Forklift interest:**  $\$5,000 \times .12 \times (30 \div 360) = 50.00$

**Total interest:** \$737.50

## CX

The office manager realizes that the check written for office supplies was made for \$200, and not \$250 as initially recorded. The cash account and supplies expense account should be corrected to show their proper amounts.

**101 / 728**

## BEACON LUMBER, MONTH OF JANUARY

Jan 3

Strong Construction purchases 2,000 bd. ft. on account for \$3,200.

**112 / 401**

**505 / 120**

Jan 4

The manager pays the BWLC for December 3 purchases.

**201 / 101**

*The instructor can note that this payment will reach the supplier within 30 days of the purchase.*

Jan 4

Beacon personnel are broke after the holidays. The manager pays salaries accrued as of December 31.

**212 / 101**

Office manager

Employees

*The instructor could point out the internal control issues implied by having an employee write his/her own paycheck.*

Jan 4

A large person driving an AZCO tow truck drives up to the office. The office manager hastily writes out a check for January's rent.

**729 / 101**

Jan 4

Joe Strong of Strong Construction calls to complain that 600 bd. ft. of framing lumber shipped in a recent order were defective. The office manager investigates the problem and agrees to grant a Sales Allowance of \$200.

**412 / 112**

*It's important for students to appreciate the transaction detail provided by this account, even though a debit to Sales would accomplish the same objective of reporting net sales.*

Jan 4

John Q. Homeowner has realized that he miscalculated the amount of lumber he needed for his home improvement project and asks the store manager if he can return 200 bd. ft. of framing lumber. Beacon accepts the return.

John Q. Homeowner

**412 & 227 / 101**

**120 / 505**

*Processing this sales return demonstrates the principle that some classes of customer can be more expensive to service than others. The instructor might mention restocking fees (which aren't used in Beacon). The instructor can get "permission" from the office manager for this transaction. Sales price per bd. ft. =  $\$3,500 \div 2,000 \text{ bd. ft.} = \$1.75/\text{bd. ft.}$  Sales return amount =  $\$1.75 \times 200 = \$350$ . Sales tax refund amount =  $\$350 \times .0825 = \$28.88$ . COGS =  $200 \times .90 = \$180$ .*

Jan 4

Beacon announces a revision to its credit policies. All account holders will be allowed a 2% discount if they pay their bills within 10 days. Other balances will continue to be due in 30 days.

**No journal entry**

Jan 10

Beacon receives a check from Strong for full payment of the Jan 3 purchase.

**101 & 414 / 112**

**Calculation:**  $(\$3,200 - \$200) \times .02 = \$60$

Jan 10

Beacon has recently negotiated a \$10,000 increase in its credit limit with BWLC and purchases 20,000 board feet of inventory, for \$18,000. It pays \$4,000 cash and charges the remaining \$14,000. BWLC will grant a 2% discount for bills paid within 10 days.

**120 / 101 & 201**

**BWLC**

Jan 10

Solid Construction has recently been awarded a large new job and its purchasing agent negotiates a volume discount on the purchase of 20,000 bd. ft. Solid will pay \$1.50 / bd. ft. Solid charges the amount to its account.

**112 / 401**

**505 / 120**

**Solid**

*The instructor should emphasize the difference between volume discounts and a discount provided for timely payment. It may be interesting to explore the opportunities to manipulate revenue that would be available if trade discounts were recognized.*

Jan 17

Beacon receives a check from Solid in full payment of its Jan 10 purchase.

**101 & 414 / 112**

**Solid**

Jan 17

The Beacon Office Manager meets with a representative of the BWLC to discuss the defective lumber which Beacon had purchased from BWLC and sold to Strong Construction. BWLC agrees to a Purchase Return and Allowance of \$112.50. BWLC will allow Beacon to apply this to purchases made in January.

**201 / 120**

**Office manager**

**BWLC rep**

Jan 17

Beacon mails a check to BWLC to pay the balance due on its purchase of 20,000 bd. ft.

**201 / 101 & 120**

**Calculation:** *Accounts Payable balance* =  $\$14,000 - \$112.50 = \$13,887.50$ .

**Discount applied to inventory** =  $\$13,887.50 \times .02 = \$277.75$ .

Jan 20

Beacon purchases 100 bd. ft. of Purple Heart, an exotic rainforest hardwood. Beacon's cost is \$6.00 bd. ft. and, in addition, it pays a \$35 shipping charge. Beacon writes two checks for this purchase.

**120 / 101**

**120 / 101**

Jan 21

Beacon ships 100 bd. ft. of Purple Heart to the Cool Construction Co., a new account. Beacon invoices Cool \$1,019.40 for the sale, which includes \$1,000 for the lumber and \$19.40 for a UPS charge that Beacon pays at the time the order is picked up at its warehouse.

**112 / 401**

**505 / 120**

**644 / 101**

Jan 25

Dividends declared in December were paid on this day.

**252 / 101**

Jan 26

Beacon purchases 30,000 board feet of inventory at \$.90/bd. ft. paying \$14,000 in cash and charging the balance of the purchase amount to its BWLC account.

**120 / 101 & 201**

Jan 31

During the month of January Beacon pays wage expense of \$6,232.

**628 / 101**

Jan 31

Beacon remits the sales tax it collected.

**227 / 101**

## ***ADJUSTING ENTRIES AND STATEMENT PREPARATION***

**A1**

A physical inventory of office supplies showed that \$70 worth of office supplies remained on hand.

**728 / 125**

**A2**

Compute and record monthly insurance expense.

**722 / 130**

**A3**

Compute and record monthly depreciation expense for the forklift.

**711 / 158**

**A4**

Compute and record monthly depreciation expense for the office equipment.

**711 / 158**

**A5**

Compute and record monthly advertising expense.

**610 / 123**

**A6**

Compute and record the monthly rental income from Mark Peltz.

**208 / 429**

**A7**

Compute and record the monthly interest revenue from the note received in connection with the sale of 3 acres of land on December 15.

**118 / 820**

**A8**

Compute and record the monthly interest expense on the note given in connection with the acquisition of land in November 15, and the forklift acquired Dec 1.

**718 / 230**

*Calculation:*    *Land interest:*  $\$55,000 \times .10 (30 \div 360) = \$458.33$   
                      *Forklift interest:*  $\$5,000 \times .12 (30 \div 360) = \underline{50.00}$   
                      *Total interest:*  $\underline{\$508.33}$

**A9**

There are two days of accrued salary expense for the month of January.

**628 / 213**

*Calculation:*     $(\$12 + 12 + 17) \times 8 \times 2 = \$656$

#### **REQUIRED WORK TO COMPLETE BEACON'S MONTH OF JANUARY:**

- 1) Post all journal entries for the month of January.
- 2) Prepare an Adjusted Trial Balance, Income Statement, a Balance Sheet and a Retained Earnings Statement.
- 3) Journalize and post closing entries.
- 4) Calculate Return on Assets (ROA) and on Equity (ROE) for December and January, and Debt to Equity for all three months. Write a short memo to the board of directors commenting on Beacon's financial performance during the first three months of its life.

## **Beacon Lumber – Chart of Accounts**

101	CASH
112	ACCOUNTS RECEIVABLE
113	ALLOWANCE FOR DOUBTFUL ACCOUNTS
115	NOTES RECEIVABLE
118	INTEREST RECEIVABLE
120	MERCHANDISE INVENTORY
123	PREPAID ADVERTISING
125	OFFICE SUPPLIES
130	PREPAID INSURANCE
140	LAND
145	BUILDINGS
146	ACCUMULATED DEPRECIATION - BUILDINGS
157	EQUIPMENT
158	ACCUMULATED DEPRECIATION - EQUIPMENT
201	ACCOUNTS PAYABLE
208	UNEARNED RENT REVENUE
213	SALARIES AND WAGES PAYABLE
227	SALES TAXES PAYABLE
230	INTEREST PAYABLE
252	DIVIDENDS PAYABLE - COMMON STOCK
268	NOTES PAYABLE
311	COMMON STOCK
320	RETAINED EARNINGS
332	DIVIDENDS
350	INCOME SUMMARY
401	SALES
412	SALES RETURNS & ALLOWANCES
414	SALES DISCOUNTS
429	RENT REVENUE
505	COST OF GOODS SOLD
610	ADVERTISING EXPENSES
628	STORE WAGES EXPENSE
644	FREIGHT OUT
711	DEPRECIATION EXPENSE
718	INTEREST EXPENSE
722	INSURANCE EXPENSE
728	OFFICE SUPPLIES EXPENSE
729	RENT EXPENSE
732	UTILITIES EXPENSE
745	LEGAL SERVICES EXPENSE
813	GAIN ON SALE OF LAND
820	INTEREST REVENUE
916	LOSSES



GENERAL JOURNAL

	Date	C	T	A/C	Account Title	Description	Debit					Credit					
1	4 Nov	1	R	101	Cash	Issue Stock for cash	2	0	0	0	0						1
2	4 Nov	1	R	311	C/S	Issue Stock for cash						2	0	0	0	0	2
3	4 Nov	2	R	101	Cash	Issue Stock for cash	5	0	0	0							3
4	4 Nov	2	R	311	C/S	Issue Stock for cash						5	0	0	0		4
5	4 Nov	3	R	745	Legal Svc Exp	Legal expense - incorporation		5	3	7	18						5
6	4 Nov	3	R	201	A/P	Legal expense - incorporation							5	3	7	18	6
7	15 Nov	1	R	140	Land	Issue stock & note for land	7	0	0	0	0						7
8	15 Nov	1	R	268	Notes Pay	Issue stock & note for land						5	5	0	0	0	8
9	15 Nov	1	R	311	C/S	Issue stock & note for land						1	5	0	0	0	9
10	17 Nov	1	R	729	Rent Exp	Pay rent on office trailer			8	6	67						10
11	17 Nov	1	R	101	Cash	Pay rent on office trailer							8	6	67		11
12	17 Nov	2	R	120	Merch. Inv.	Purchase of lumber inventory	1	8	0	0	0						12
13	17 Nov	2	R	101	Cash	Purchase of lumber inventory						8	0	0	0		13
14	17 Nov	2	R	201	A/P	Purchase of lumber inventory						1	0	0	0	0	14
15	18 Nov	1	R	112	A/R	Sales to Solid	4	8	0	0							15
16	18 Nov	1	R	401	Sales	Sales to Solid						4	8	0	0		16
17	18 Nov	2	R	505	CoGS	CoGS for sales to Solid	2	7	0	0							17
18	18 Nov	2	R	120	Merch. Inv.	CoGS for sales to Solid						2	7	0	0		18
19	18 Nov	3	R	112	A/R	Sales to Strong	9	6	0	0							19
20	18 Nov	3	R	401	Sales	Sales to Strong						9	6	0	0		20
21	18 Nov	4	R	505	CoGS	CoGS for sales to Strong	5	4	0	0							21
22	18 Nov	4	R	120	Merch. Inv.	CoGS for sales to Strong						5	4	0	0		22
23	18 Nov	5	R	112	A/R	Sale to Reliable	6	4	0	0							23
24	18 Nov	5	R	401	Sales	Sale to Reliable						6	4	0	0		24
25	18 Nov	6	R	505	CoGS	CoGS for sale to Reliable	3	6	0	0							25
26	18 Nov	6	R	120	Merch. Inv.	CoGS for sale to Reliable						3	6	0	0		26
27	20 Nov	1	R	101	Cash	Sale to Nocturnal	1	6	0	0							27
28	20 Nov	1	R	401	Sales	Sale to Nocturnal						1	6	0	0		28
29	20 Nov	2	R	505	CoGS	CoGS for sale to Nocturnal		9	0	0							29
30	20 Nov	2	R	120	Merch. Inv.	CoGS for sale to Nocturnal						9	0	0			30
31	22 Nov	1	R	101	Cash	Sale to JQH	3	7	8	8	75						31
32	22 Nov	1	R	401	Sales	Sale to JQH						3	5	0	0		32
33	22 Nov	1	R	227	Sales Tax/P	Sale to JQH						2	8	8	75		33
34	22 Nov	2	R	505	CoGS	CoGS for sale to JQH	1	8	0	0							34
35	22 Nov	2	R	120	Merch. Inv.	CoGS for sale to JQH						1	8	0	0		35
36	26 Nov	1	R	101	Cash	Receive payments on account	1	8	0	0	0						36
37	26 Nov	1	R	112	A/R	Receive payments on account						1	8	0	0	0	37
38	26 Nov	2	R	201	A/P	Beacon pays BWLC	1	0	0	0	0						38
39	26 Nov	2	R	101	Cash	Beacon pays BWLC						1	0	0	0	0	39
40	30 Nov	1	R	628	St Wage Exp	Beacon pays wages	3	6	0	8							40
41	30 Nov	1	R	101	Cash	Beacon pays wages						3	6	0	8		41
42	30 Nov	1	C	401	Sales	Closing entry - sales	2	5	9	0	0						42
43	30 Nov	1	C	350	Income Sum	Closing entry - sales						2	5	9	0	0	43
44	30 Nov	2	C	350	Income Sum	Closing entry - expenses	1	8	6	3	1	85					44
45	30 Nov	2	C	505	CoGS	Closing entry - expenses						1	4	4	0	0	45
46	30 Nov	2	C	628	St Wage Exp	Closing entry - expenses						3	6	0	8		46
47	30 Nov	2	C	729	Rent Exp	Closing entry - expenses							8	6	67		47
48	30 Nov	2	C	745	Legal Svc Exp	Closing entry - expenses							5	3	7	18	48

GENERAL JOURNAL

	Date	C	T	A/C	Account Title	Description	Debit					Credit					
1	30 Nov	3	C	350	Income Sum	Closing entry - close I/S to RE	7	2	6	8	15						1
2	30 Nov	3	C	320	RE	Closing entry - close I/S to RE						7	2	6	8	15	2
3	1 Dec	1	R	130	PPd Ins.	Purchase 1 year insurance policy	1	2	0	0							3
4	1 Dec	1	R	101	Cash	Purchase 1 year insurance policy						1	2	0	0		4
5	1 Dec	2	R	157	Equipment	Purchase forklift	1	0	0	0	0						5
6	1 Dec	2	R	268	Notes Pay	Purchase forklift						5	0	0	0		6
7	1 Dec	2	R	101	Cash	Purchase forklift						5	0	0	0		7
8	1 Dec	3	R	157	Equipment	Purchase office equipment	2	0	0	0							8
9	1 Dec	3	R	101	Cash	Purchase office equipment						2	0	0	0		9
10	3 Dec	1	R	120	Merch. Inv.	Purchase lumber inventory	2	7	0	0	0						10
11	3 Dec	1	R	201	A/P	Purchase lumber inventory						1	0	0	0	0	11
12	3 Dec	1	R	101	Cash	Purchase lumber inventory						1	7	0	0	0	12
13	3 Dec	2	R	729	Rent Exp	Paid Dec. rent		2	0	0							13
14	3 Dec	2	R	101	Cash	Paid Dec. rent						2	0	0			14
15	6 Dec	1	R	123	PPd Advrt	Paid in advance for web site		3	0	0							15
16	6 Dec	1	R	101	Cash	Paid in advance for web site						3	0	0			16
17	7 Dec	1	R	201	A/P	Pay legal bill		5	3	7	18						17
18	7 Dec	1	R	101	Cash	Pay legal bill						5	3	7	18		18
19	15 Dec	1	R	101	Cash	Received cash for short term rental		6	0	0							19
20	15 Dec	1	R	208	Unearned Rent	Received cash for short term rental						6	0	0			20
21	15 Dec	2	R	101	Cash	Sale of 3 acre parcel	5	0	0	0							21
22	15 Dec	2	R	115	Notes Rec	Sale of 3 acre parcel	1	0	0	0	0						22
23	15 Dec	2	R	140	Land	Sale of 3 acre parcel						1	0	5	0	0	23
24	15 Dec	2	R	813	Gains (land)	Sale of 3 acre parcel						4	5	0	0		24
25	18 Dec	1	R	728	Off Sup Exp	Purchase office supplies		2	5	0							25
26	18 Dec	1	R	101	Cash	Purchase office supplies						2	5	0			26
27	29 Dec	1	R	916	Losses	Loss - Girl Scout Fire	1	8	0	0							27
28	29 Dec	1	R	120	Merch. Inv.	Loss - Girl Scout Fire						1	8	0	0		28
29	29 Dec	2	R	332	Dividends	Dividends declared	2	0	0	0							29
30	29 Dec	2	R	252	Div. Pay, C.S.	Dividends declared						2	0	0	0		30
31	30 Dec	1	R	628	St Wage Exp	Pay wages for December	5	2	4	8							31
32	30 Dec	1	R	101	Cash	Pay wages for December						5	2	4	8		32
33	31 Dec	3	R	112	A/R	December Sales	4	5	6	0	0						33
34	31 Dec	3	R	401	Sales	December Sales						4	5	6	0	0	34
35	31 Dec	4	R	505	CoGS	December CoGS	2	5	6	5	0						35
36	31 Dec	4	R	120	Merch. Inv.	December CoGS						2	5	6	5	0	36
37	31 Dec	5	R	101	Cash	December collections	3	6	7	0	0						37
38	31 Dec	5	R	112	A/R	December collections						3	6	7	0	0	38
39	31 Dec	1	A	628	St Wage Exp	December accrued wages		9	8	4							39
40	31 Dec	1	A	213	Sal & Wage Pay	December accrued wages						9	8	4			40
41	31 Dec	2	A	125	Off Supplies	Office supplies expense		1	8	0							41
42	31 Dec	2	A	728	Off Sup Exp	Office supplies expense						1	8	0			42
43	31 Dec	3	A	722	Insurance Exp	Insurance expenses		1	0	0							43
44	31 Dec	3	A	130	PPd Ins.	Insurance expenses						1	0	0			44
45	31 Dec	4	A	711	Depr. Exp	Depreciation - forklift		8	3	33							45
46	31 Dec	4	A	158	A/D Equip	Depreciation - forklift						8	3	33			46
47	31 Dec	5	A	711	Depr. Exp	Depreciation - office equipment		3	3	33							47
48	31 Dec	5	A	158	A/D Equip	Depreciation - office equipment						3	3	33			48

GENERAL JOURNAL

	Date	C	T	A/C	Account Title	Description	Debit				Credit								
1	31 Dec	6	A	610	Advert Exp	Advertising expense			5	0						1			
2	31 Dec	6	A	123	PPd Advrt	Advertising expense							5	0		2			
3	31 Dec	7	A	208	Unearned Rent	Rental income			7	5						3			
4	31 Dec	7	A	429	Rent Revenue	Rental income							7	5		4			
5	31 Dec	8	A	118	Int. Rec	Interest on note (sale of land)			4	1	67					5			
6	31 Dec	8	A	820	Int. Revenue	Interest on note (sale of land)							4	1	67	6			
7	31 Dec	9	A	718	Interest Exp	Interest expense (land and forklift)			7	3	7	50				7			
8	31 Dec	9	A	230	Int. Pay	Interest expense (land and forklift)							7	3	7	50	8		
9	31 Dec	1	CX	101	Cash	Correction of error			5	0						9			
10	31 Dec	1	CX	728	Off Sup Exp	Correction of error								5	0	10			
11	31 Dec	1	C	401	Sales	Closing entry - revenues & gains	4	5	6	0	0					11			
12	31 Dec	1	C	429	Rent Revenue	Closing entry - revenues & gains			7	5						12			
13	31 Dec	1	C	813	Gains (land)	Closing entry - revenues & gains		4	5	0	0					13			
14	31 Dec	1	C	820	Inter Revenue	Closing entry - revenues & gains			4	1	67					14			
15	31 Dec	1	C	350	Income Sum	Closing entry - revenues & gains						5	0	2	1	6	67	15	
16	31 Dec	2	C	350	Income Sum	Closing entry - expenses & losses	3	4	9	0	6	16					16		
17	31 Dec	2	C	505	CoGS	Closing entry - expenses & losses							2	5	6	5	0	17	
18	31 Dec	2	C	610	Advert Exp	Closing entry - expenses & losses								5	0		18		
19	31 Dec	2	C	711	Depr Exp	Closing entry - expenses & losses								1	1	6	66	19	
20	31 Dec	2	C	718	Interest Exp	Closing entry - expenses & losses								7	3	7	50	20	
21	31 Dec	2	C	722	Insurance Exp	Closing entry - expenses & losses								1	0	0	21		
22	31 Dec	2	C	628	St Wage Exp	Closing entry - expenses & losses							6	2	3	2	22		
23	31 Dec	2	C	728	Supplies Exp	Closing entry - expenses & losses								2	0		23		
24	31 Dec	2	C	729	Rent Exp	Closing entry - expenses & losses								2	0	0	24		
25	31 Dec	2	C	916	Losses	Closing entry - expenses & losses								1	8	0	0	25	
26	31 Dec	3	C	350	Income Sum	Closing entry - close I/S to RE	1	5	3	1	0	51					26		
27	31 Dec	3	C	320	RE	Closing entry - close I/S to RE							1	5	3	1	0	51	27
28	31 Dec	4	C	320	RE	Closing entry - close DIV to RE		2	0	0	0							28	
29	31 Dec	4	C	332	Dividends	Closing entry - close DIV to RE							2	0	0	0		29	
30	3 Jan	1	R	112	A/R	Sales to Strong (2,000 bf)		3	2	0	0							30	
31	3 Jan	1	R	401	Sales	Sales to Strong (2,000 bf)								3	2	0	0	31	
32	4 Jan	2	R	505	CoGS	CoGS for sale to Strong (2,000 bf)		1	8	0	0							32	
33	4 Jan	2	R	120	Merch. Inv.	CoGS for sale to Strong (2,000 bf)								1	8	0	0	33	
34	4 Jan	1	R	201	A/P	Pay lumber wholesaler (30 days)		1	0	0	0	0						34	
35	4 Jan	1	R	101	Cash	Pay lumber wholesaler (30 days)								1	0	0	0	0	35
36	4 Jan	1	R	213	Sal. & Wage Pay	Pay accrued wages			9	8	4							36	
37	4 Jan	1	R	101	Cash	Pay accrued wages								9	8	4		37	
38	4 Jan	2	R	729	Rent Exp	Pay rent			2	0	0							38	
39	4 Jan	2	R	101	Cash	Pay rent								2	0	0		39	
40	4 Jan	3	R	412	Sales R&A	Sales allowance granted to Strong			2	0	0							40	
41	4 Jan	3	R	112	A/R	Sales allowance granted to Strong								2	0	0		41	
42	4 Jan	1	R	412	Sales R&A	Sales return to JQH			3	5	0							42	
43	4 Jan	1	R	227	Sales Tax/P	Sales return to JQH			2	8	88							43	
44	4 Jan	1	R	101	Cash	Sales return to JQH								3	7	8	88	44	
45	4 Jan	2	R	120	Merch. Inv.	JQH sales return			1	8	0							45	
46	4 Jan	2	R	505	CoGS	JQH sales return								1	8	0		46	
47	10 Jan	1	R	101	Cash	Receive pmt: Strong 3-Jan		2	9	4	0							47	
48	10 Jan	1	R	414	Sales Discount	Receive pmt: Strong 3-Jan			6	0								48	

GENERAL JOURNAL

	Date	C	T	A/C	Account Title	Description	Debit				Credit				
1	10 Jan	1	R	112	A/R	Receive pmt: Strong 3-Jan					3	0	0	0	1
2	10 Jan	2	R	120	Merch. Inv.	Purchase 20,000 bd. ft.	1	8	0	0	0				2
3	10 Jan	2	R	101	Cash	Purchase 20,000 bd. ft.					4	0	0	0	3
4	10 Jan	2	R	201	A/P	Purchase 20,000 bd. ft.					1	4	0	0	4
5	10 Jan	3	R	112	A/R	Sale to Solid (special)	3	0	0	0	0				5
6	10 Jan	3	R	401	Sales	Sale to Solid (special)					3	0	0	0	6
7	10 Jan	4	R	505	CoGS	CoGS for sale to Solid	1	8	0	0	0				7
8	10 Jan	4	R	120	Merch. Inv.	CoGS for sale to Solid					1	8	0	0	8
9	17 Jan	1	R	101	Cash	Received payment for Solid 1/1	2	9	4	0	0				9
10	17 Jan	1	R	414	Sales discount	Received payment for Solid 1/10 purchase		6	0	0					10
11	17 Jan	1	R	112	A/R	Received payment for Solid 1/10 purchase					3	0	0	0	11
12	17 Jan	2	R	201	A/P	Purchase allowance from BWLC		1	1	2	50				12
13	17 Jan	2	R	120	Merch. Inv.	Purchase allowance from BWLC					1	1	2	50	13
14	17 Jan	3	R	201	A/P	Payment to BWLC for 1/10 purchase	1	3	8	8	7	50			14
15	17 Jan	3	R	120	Merch. Inv.	Payment to BWLC for 1/10 purchase					2	7	7	75	15
16	17 Jan	3	R	101	Cash	Payment to BWLC for 1/10 purchase					1	3	6	0	16
17	20 Jan	1	R	120	Merch. Inv.	PurpleHeart (special order)		6	0	0					17
18	20 Jan	1	R	120	Merch. Inv.	Freight-in for PurpleHeart		3	5						18
19	20 Jan	1	R	101	Cash	PurpleHeart (special order)					6	3	5		19
20	21 Jan	1	R	112	A/R	Sale of Purpleheart	1	0	1	9	40				20
21	21 Jan	1	R	401	Sales	Sale of Purpleheart					1	0	1	9	21
22	21 Jan	2	R	505	CoGS	CoGS for sale of Purpleheart		6	3	5					22
23	21 Jan	2	R	120	Merch. Inv.	CoGS for sale of Purpleheart					6	3	5		23
24	21 Jan	3	R	644	Freight out	Delivery (Purple Heart sale)		1	9	40					24
25	21 Jan	3	R	101	Cash	Delivery (Purple Heart sale)					1	9	40		25
26	25 Jan	1	R	252	Div Pay-C.S.	Pay dividends declared 12/29	2	0	0	0					26
27	25 Jan	1	R	101	Cash	Pay dividends declared 12/29					2	0	0	0	27
28	26 Jan	1	R	120	Merch. Inv.	Purchase additional inventory	2	7	0	0	0				28
29	26 Jan	1	R	101	Cash	Purchase additional inventory					1	4	0	0	29
30	26 Jan	1	R	201	A/P	Purchase additional inventory					1	3	0	0	30
31	31 Jan	1	R	628	St Wage Exp	January Wage Expense	6	2	3	2					31
32	31 Jan	1	R	101	Cash	January Wage Expense					6	2	3	2	32
33	31 Jan	2	R	227	Sales Tax Pay	Remit sales tax to NYS		2	5	9	87				33
34	31 Jan	2	R	101	Cash	Remit sales tax to NYS					2	5	9	87	34
35	31 Jan	1	A	728	Supplies Exp	Office Supplies Usage - Jan		1	1	0					35
36	31 Jan	1	A	125	Supplies	Office Supplies Usage - Jan					1	1	0		36
37	31 Jan	2	A	722	Insurance Exp	Insurance - Jan		1	0	0					37
38	31 Jan	2	A	130	PPd Ins.	Insurance - Jan					1	0	0		38
39	31 Jan	3	A	711	Depr Exp	Depreciation - Forklift		8	3	33					39
40	31 Jan	3	A	158	A/D Equip	Depreciation - Forklift					8	3	33		40
41	31 Jan	4	A	711	Depr Exp	Depreciation - Office Equipment		3	3	33					41
42	31 Jan	4	A	158	A/D Equip	Depreciation - Office Equipment					3	3	33		42
43	31 Jan	5	A	610	Advert Exp	Advertising expense		1	0	0					43
44	31 Jan	5	A	123	PPd Advert	Advertising expense					1	0	0		44
45	31 Jan	6	A	208	Unearned Rent	Peltz - short term rental		1	5	0					45
46	31 Jan	6	A	429	Rent Revenue	Peltz - short term rental					1	5	0		46
47	31 Jan	7	A	118	Int. Rec	Interest on note (sale of land)		8	3	33					47
48	31 Jan	7	A	820	Interest Rev	Interest on note (sale of land)					8	3	33		48

# GENERAL JOURNAL

	Date	C	T	A/C	Account Title	Description	Debit					Credit							
1	31 Jan	8	A	718	Interest Exp	Interest on note/P (land & equipment)			5	0	8	33						1	
2	31 Jan	8	A	230	Int Pay	Interest on note/P (land & equipment)								5	0	8	33	2	
3	31 Jan	9	A	628	St Wage Exp	Accrued wages (2 days)			6	5	6							3	
4	31 Jan	9	A	213	Sal & Wage Pay	Accrued wages (2 days)								6	5	6		4	
5	31 Jan	1	C	401	Sales	Closing entry - revenues & gains	3	4	2	1	9	40						5	
6	31 Jan	1	C	429	Rent Revenue	Closing entry - revenues & gains			1	5	0							6	
7	31 Jan	1	C	820	Interest Rev	Closing entry - revenues & gains				8	3	33						7	
8	31 Jan	1	C	350	Income Sum	Closing entry - revenues & gains							3	4	4	5	2	73	8
9	31 Jan	2	C	350	Income Sum	Closing entry - expenses & losses	2	9	5	0	7	39							9
10	31 Jan	2	C	412	Sales R&A	Closing entry - expenses & losses								5	5	0			10
11	31 Jan	2	C	414	Sales Dis	Closing entry - expenses & losses								6	6	0			11
12	31 Jan	2	C	505	CoGS	Closing entry - expenses & losses							2	0	2	5	5		12
13	31 Jan	2	C	610	Advert Exp	Closing entry - expenses & losses								1	0	0			13
14	31 Jan	2	C	644	Freight Out	Closing entry - expenses & losses									1	9	40		14
15	31 Jan	2	C	711	Depr Exp	Closing entry - expenses & losses								1	1	6	66		15
16	31 Jan	2	C	718	Interest Exp	Closing entry - expenses & losses								5	0	8	33		16
17	31 Jan	2	C	722	Insurance Exp	Closing entry - expenses & losses								1	0	0			17
18	31 Jan	2	C	628	St Wage Exp	Closing entry - expenses & losses								6	8	8	8		18
19	31 Jan	2	C	728	Supplies Exp	Closing entry - expenses & losses								1	1	0			19
20	31 Jan	2	C	729	Rent Exp	Closing entry - expenses & losses								2	0	0			20
21	31 Jan	3	C	350	Income Sum	Closing entry - close I/S to RE			4	9	4	5	34						21
22	31 Jan	3	C	320	RE	Closing entry - close I/S to RE								4	9	4	5	34	22
23							76	0	0	7	7	28	76	0	0	7	7	28	23
24																			24
25																			25

## NOTES:

C Code (journal entry number; Date + C produces unique ID number)

T Type of entry

R Regular

A Adjusting

C Closing

CX Correcting

A/C Account number (referenced to chart of accounts)

## Account No. 101

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance							
4 Nov	Issue stock for cash		2	0	0	0	0						2	0	0	0	0					
4 Nov	Issue stock for cash		5	0	0	0	0						2	5	0	0	0					
17 Nov	Pay rent on office trailer									8	6	67	2	4	9	1	3	33				
17 Nov	Purchase of lumber inventory								8	0	0	0	1	6	9	1	3	33				
20 Nov	Sales Nocturnal		1	6	0	0	0						1	8	5	1	3	33				
22 Nov	Sale to JQH		3	7	8	8	75						2	2	3	0	2	08				
26 Nov	Receive payments on account		1	8	0	0	0						4	0	3	0	2	08				
26 Nov	Beacon pays BWLC								1	0	0	0	0	3	0	3	0	2	08			
30 Nov	Beacon pays wages								3	6	0	8	2	6	6	9	4	08				
1 Dec	Purchase 1 year insurance policy								1	2	0	0	2	5	4	9	4	08				
1 Dec	Purchase forklift								5	0	0	0	2	0	4	9	4	08				
1 Dec	Purchase office equipment								2	0	0	0	1	8	4	9	4	08				
3 Dec	Purchase of lumber inventory								1	7	0	0	0	1	4	9	4	08				
3 Dec	Paid December rent									2	0	0	1	2	9	4	08					
6 Dec	Paid in advance for web site									3	0	0			9	9	4	08				
7 Dec	Pay legal bill									5	3	7	18		4	5	6	90				
15 Dec	Receive cash for short term rent			6	0	0	0						1	0	5	6	90					
15 Dec	Sale of 3 acre parcel		5	0	0	0	0						6	0	5	6	90					
18 Dec	Purchase office supplies									2	5	0		5	8	0	6	90				
30 Dec	Pay wages for December								5	2	4	8			5	5	8	90				
31 Dec	December collections		3	6	7	0	0						3	7	2	5	8	90				
31 Dec	Correction of error				5	0							3	7	3	0	8	90				
4 Jan	Pay lumber wholesaler (30 days)								1	0	0	0	0	2	7	3	0	8	90			
4 Jan	Pay accrued wages									9	8	4		2	6	3	2	4	90			
4 Jan	Pay rent									2	0	0		2	6	1	2	4	90			
4 Jan	Sales return to JQH									3	7	8	88	2	5	7	4	6	02			
10 Jan	Receive pmt: Strong 3 Jan		2	9	4	0							2	8	6	8	6	02				
10 Jan	Purchase 20000 bd. ft.								4	0	0	0		2	4	6	8	6	02			
17 Jan	Receive pmt for Solid (1/1)		2	9	4	0	0						5	4	0	8	6	02				
17 Jan	Payment to BWLC for 1/8 purchase								1	3	6	0	9	75	4	0	4	7	6	27		
20 Jan	PurpleHeart (special order)									6	3	5		3	9	8	4	1	27			
21 Jan	Delivery (Purple Heart sale)									1	9	40		3	9	8	2	1	87			
25 Jan	Pay dividends declared 12/29								2	0	0	0		3	7	8	2	1	87			
26 Jan	Purchase additional inventory								1	4	0	0	0		2	3	8	2	1	87		
31 Jan	January wage expense								6	2	3	2		1	7	5	8	9	87			
31 Jan	Remit sales tax to NYS									2	5	9	87	1	7	3	3	0				

# ACCOUNTS RECEIVABLE

Account No. 112

Date	Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
18 Nov	Sales to Solid		4 8 0 0		4 8 0 0	
18 Nov	Sales to Strong		9 6 0 0		1 4 4 0 0	
18 Nov	Sales to Reliable		6 4 0 0		2 0 8 0 0	
26 Nov	Receive payments on account			1 8 0 0 0	2 8 0 0	
31 Dec	December sales		4 5 6 0 0		4 8 4 0 0	
31 Dec	December collections			3 6 7 0 0	1 1 7 0 0	
3 Jan	Sale to Strong (2,000 bf)		3 2 0 0		1 4 9 0 0	
4 Jan	Sales allowance granted to Strong 3 Jan			2 0 0	1 4 7 0 0	
10 Jan	Receive pmt: Strong 3 Jan			3 0 0 0	1 1 7 0 0	
10 Jan	Sale to Solid (special)		3 0 0 0 0		4 1 7 0 0	
17 Jan	Receive pmt for Solid (1/1)			3 0 0 0 0	1 1 7 0 0	
21 Jan	Sale of Purpleheart		1 0 1 9 40		1 2 7 1 9 40	

# NOTES RECEIVABLE

Account No. 115

Date	Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
15 Dec	Sales of 3 acre parcel		1 0 0 0 0		1 0 0 0 0	

# INTEREST RECEIVABLE

Account No. 118

Date	Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
31 Dec	Interest on note (sale of land)		4 1 67		4 1 67	
31 Jan	Interest on note (sale of land)		8 3 33		1 2 5	

# MERCHANDISE INVENTORY

Account No. 120

Date	Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
17 Nov	Purchase of lumber inventory		1 8 0 0 0		1 8 0 0 0	
18 Nov	CoGS for sale to Solid			2 7 0 0	1 5 3 0 0	
18 Nov	CoGS for sale to Strong			5 4 0 0	9 9 0 0	
18 Nov	CoGS for sale to Reliable			3 6 0 0	6 3 0 0	
20 Nov	CoGS for sale to Nocturnal			9 0 0	5 4 0 0	
22 Nov	CoGS for sale to JQH			1 8 0 0	3 6 0 0	
3 Dec	Purchase of lumber inventory		2 7 0 0 0		3 0 6 0 0	
29 Dec	Loss - Girl Scout Fire			1 8 0 0	2 8 8 0 0	
31 Dec	December CoGS			2 5 6 5 0	3 1 5 0	
3 Jan	CoGS for sale to Strong (2,000 bf)			1 8 0 0	1 3 5 0	
4 Jan	JQH sales return		1 8 0		1 5 3 0	

MERCHANDISE INVENTORY - CONTINUED

Account No. 120

Date	Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
10 Jan	Purchase 20,000 bd. ft.		1 8 0 0 0		1 9 5 3 0	
10 Jan	CoGS for sale to Solid			1 8 0 0 0	1 5 3 0	
17 Jan	Purchase allowance from BWLC			1 1 2 50	1 4 1 7 50	
17 Jan	Payment to BWLC for 1/8 purchase			2 7 7 75	1 1 3 9 75	
20 Jan	PurpleHeart (special order)		6 0 0		1 7 3 9 75	
20 Jan	Freight-in for PurpleHeart		3 5		1 7 7 4 75	
21 Jan	CoGS for sale of PurpleHeart			6 3 5	1 1 3 9 75	
26 Jan	Purchase additional inventory		2 7 0 0 0		2 8 1 3 9 75	

PREPAID ADVERTISING

Account No. 123

Date	Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
6 Dec	Paid in advance for web site		3 0 0		3 0 0	
31 Dec	Advertising expense			5 0	2 5 0	
31 Jan	Advertising expense			1 0 0	1 5 0	

OFFICE SUPPLIES

Account No. 125

Date	Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
31 Dec	Office Supplies expense		1 8 0		1 8 0	
31 Jan	Office Supplies Usage - Jan			1 1 0	7 0	

PREPAID INSURANCE

Account No. 130

Date	Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
1 Dec	Purchase 1 year insurance policy		1 2 0 0		1 2 0 0	
31 Dec	Insurance expense			1 0 0	1 1 0 0	
31 Jan	Insurance - Jan			1 0 0	1 0 0 0	

LAND

Account No. 140

Date	Account Title & Explanation	Ref.	Debit	Credit	Debit Balance	Credit Balance
15 Nov	Issue stock & note for land		7 0 0 0 0		7 0 0 0 0	
15 Dec	Sale of 3 acre parcel			1 0 5 0 0	5 9 5 0 0	



## EQUIPMENT

Account No. 157

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
1 Dec	Purchase forklift		1	0	0	0					1	0	0	0				
1 Dec	Purchase office equipment		2	0	0	0					1	2	0	0				

## ACCUMULATED DEPRECIATION - EQUIPMENT

Account No. 158

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
31 Dec	Depreciation - forklift							8	3	33						8	3	33
31 Dec	Depreciation - office equipment							3	3	33						1	1	66
31 Jan	Depreciation - forklift							8	3	33						1	9	99
31 Jan	Depreciation - office equipment							3	3	33						2	3	32

## ACCOUNTS PAYABLE

Account No. 201

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
4 Nov	Legal expense - incorporation							5	3	7 18						5	3	7 18
17 Nov	Purchase of lumber inventory						1	0	0	0					1	0	5	3 7 18
26 Nov	Beacon pays BWLC		1	0	0	0										5	3	7 18
3 Dec	Purchase of lumber inventory						1	0	0	0					1	0	5	3 7 18
7 Dec	Pay legal bill			5	3	7 18									1	0	0	0
4 Jan	Pay lumber wholesaler (30 days)		1	0	0	0												0
10 Jan	Purchase 20,000 bd. ft.						1	4	0	0					1	4	0	0
17 Jan	Purchase allowance from BWLC			1	1	2 50									1	3	8	7 50
17 Jan	Payment to BWLC for 1/8 purchase		1	3	8	8 7 50												0
26 Jan	Purchase additional inventory						1	3	0	0					1	3	0	0

## UNEARNED RENT REVENUE

Account No. 208

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
15 Dec	Received cash for short term rental							6	0	0						6	0	0
31 Dec	Rental income			7	5											5	2	5
31 Jan	Peltz - short term rental			1	5	0										3	7	5

## SALARIES AND WAGES PAYABLE

Account No. 213

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
31 Dec	December accrued wages						9	8	4							9	8	4
4 Jan	Pay accrued wages			9	8	4												0
31 Jan	Accrued wages (2 days)							6	5	6						6	5	6

## SALES TAXES PAYABLE

Account No. 227

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
22 Nov	Sale to JQH						2	8	8	75					2	8	8	75
4 Jan	Sales return to JQH				2	8	88								2	5	9	87
31 Jan	Remit sales tax to NYS				2	5	9	87									0	

## INTEREST PAYABLE

Account No. 230

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
31 Dec	Interest expense (land and forklift)						7	3	7	50					7	3	7	50
31 Jan	Interest on notes / P (land & forklift)						5	0	8	33					1	2	4	5

## DIVIDENDS PAYABLE-COMMON STOCK

Account No. 252

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
29 Dec	Dividends declared						2	0	0	0					2	0	0	0
25 Jan	Pay dividends declared		2	0	0	0											0	

## NOTES PAYABLE

Account No. 268

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
15 Nov	Issue stock & note for land						5	5	0	0	0				5	5	0	0
1 Dec	Purchase forklift						5	0	0	0					6	0	0	0

## COMMON STOCK

Account No. 311

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
4 Nov	Issue Stock for cash						2	0	0	0					2	0	0	0
4 Nov	Issue Stock for cash						5	0	0	0					2	5	0	0
15 Nov	Issue stock & note for land						1	5	0	0	0				4	0	0	0

## RETAINED EARNINGS

Account No. 320

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
30 Nov	Closing entry - close I/S to RE						7	2	6	8	15				7	2	6	8
31 Dec	Closing entry - close I/S to RE						1	5	3	1	0	51			2	2	5	7
31 Dec	Closing entry - closing DIV to Re		2	0	0	0									2	0	5	7
31 Jan	Closing entry - close I/S to RE						4	9	4	5	34				2	5	5	2

## DIVIDENDS

Account No. 332

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
29 Dec	Dividends declared		2	0	0	0					2	0	0	0				
31 Dec	Closing entry - close DIV to RE						2	0	0	0				0				

# INCOME SUMMARY

Account No. 350

Date	Explanation	Ref.	Debit					Credit					Debit Balance					Credit Balance						
30 Nov	Closing entry sales							2	5	9	0	0						2	5	9	0	0		
30 Nov	Closing entry - expenses		1	8	6	3	1	85											7	2	6	8	15	
30 Nov	Closing entry close I/S to RE			7	2	6	8	15														0		
31 Dec	Closing entry - revenues & gains							5	0	2	1	6	67						5	0	2	1	6	67
31 Dec	Closing entry - expenses & losses		3	4	9	0	6	16											1	5	3	1	0	51
31 Dec	Closing entry - close I/S to RE		1	5	3	1	0	51														0		
31 Jan	Closing entry - revenues & gains							3	4	4	5	2	73						3	4	4	5	2	73
31 Jan	Closing entry - expenses & losses		2	9	5	0	7	39											4	9	4	5	34	
31 Jan	Closing entry - close I/S to RE			4	9	4	5	34														0		

# SALES

Account No. 401

Date	Explanation	Ref.	Debit					Credit					Debit Balance					Credit Balance					
18 Nov	Sales to Solid							4	8	0	0							4	8	0	0		
18 Nov	Sales to Strong							9	6	0	0							1	4	4	0	0	
18 Nov	Sales to Reliable							6	4	0	0							2	0	8	0	0	
20 Nov	Sale to Nocturnal							1	6	0	0							2	2	4	0	0	
22 Nov	Sale to JQH							3	5	0	0							2	5	9	0	0	
30 Nov	Closing entry - sales		2	5	9	0	0														0		
31 Dec	December sales							4	5	6	0	0						4	5	6	0	0	
31 Dec	Closing entry - revenues & gains		4	5	6	0	0														0		
3 Jan	Sales to Strong (2,000 bf)							3	2	0	0								3	2	0	0	
10 Jan	Sale to Solid (special)							3	0	0	0	0						3	3	2	0	0	
21 Jan	Sale of Purple Heart							1	0	1	9	40						3	4	2	1	9	40
31 Jan	Closing entry - revenues & gains		3	4	2	1	9	40													0		

# SALES RETURNS & ALLOWANCES

Account No. 412

Date	Explanation	Ref.	Debit					Credit					Debit Balance					Credit Balance				
4 Jan	Sales allowance granted to Strong			2	0	0								2	0	0						
4 Jan	Sales return to JQH			3	5	0								5	5	0						
31 Jan	Closing entry - expenses & losses							5	5	0					0							

# SALES DISCOUNTS

Account No. 414

Date	Explanation	Ref.	Debit					Credit					Debit Balance					Credit Balance				
10 Jan	Receive pmt: Strong 03 Jan				6	0									6	0						
17 Jan	Receive pmt for Solid (1/1)				6	0	0								6	6	0					
31 Jan	Closing entry - expenses & losses							6	6	0						0						

# RENT REVENUE

Account No. 429

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance				
31 Dec	Rental income								7	5							7	5	
31 Dec	Closing entry - revenues & gains				7	5												0	
31 Jan	Peltz - short term rental							1	5	0							1	5	0
31 Jan	Closing entry - revenues & gains				1	5	0												0

# COST OF GOODS SOLD

Account No. 505

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
18 Nov	CoGS for sale to Solid		2	7	0	0					2	7	0	0				
18 Nov	CoGS for sale to Strong		5	4	0	0					8	1	0	0				
18 Nov	CoGS for sale to Reliable		3	6	0	0					1	1	7	0				
20 Nov	CoGS for sale to Nocturnal			9	0	0					1	2	6	0				
22 Nov	CoGS for sale to JQH		1	8	0	0					1	4	4	0				
30 Nov	Closing entry - expenses						1	4	4	0				0				
31 Dec	December CoGS		2	5	6	5	0				2	5	6	5	0			
31 Dec	Closing entry - expenses & losses						2	5	6	5				0				
3 Jan	CoGS for sale to Strong (2000 bf)		1	8	0	0					1	8	0	0				
4 Jan	JQH sales return							1	8	0				1	6	2	0	
10 Jan	CoGS for sale to Solid		1	8	0	0	0				1	9	6	2	0			
21 Jan	CoGS for sale of PurpleHeart			6	3	5					2	0	2	5	5			
31 Jan	Closing entry - expenses & losses						2	0	2	5				0				

# ADVERTISING EXPENSE

Account No. 610

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
31 Dec	Advertising expense				5	0							5	0				
31 Dec	Closing entry - expenses & losses							5	0					0				
31 Jan	Advertising expense			1	0	0							1	0	0			
31 Jan	Closing entry - expenses & losses							1	0	0				0				

# STORE WAGES EXPENSE

Account No. 628

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
30 Nov	Beacon pays wages		3	6	0	8					3	6	0	8				
30 Nov	Closing entry - expenses						3	6	0	8				0				
30 Dec	Pay wages for December		5	2	4	8					5	2	4	8				
31 Dec	December accrued wages			9	8	4							6	2	3	2		
31 Dec	Closing entry - expenses & losses						6	2	3	2				0				
31 Jan	January wages Expense		6	2	3	2					6	2	3	2				
31 Jan	Accrued wages (2 days)			6	5	6							6	8	8	8		
31 Jan	Closing entry - expenses & losses						6	8	8	8				0				

# FREIGHT OUT

Account No. 644

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
21 Jan	Delivery (Purple Heart sale)				1	9	40						1	9	40			
31 Jan	Closing entry expenses & losses							1	9	40				0				

# DEPRECIATION EXPENSE

Account No. 711

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
31 Dec	Depreciation - forklift				8	3	33						8	3	33			
31 Dec	Depreciation - office equipment				3	3	33						1	1	6	66		
31 Dec	Closing entry - expenses & losses							1	1	6	66			0				
31 Jan	Depreciation - forklift				8	3	33						8	3	33			
31 Jan	Depreciation - office equipment				3	3	33						1	1	6	66		
31 Jan	Closing entry - expenses & losses							1	1	6	66			0				

# INTEREST EXPENSE

Account No. 718

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
31 Dec	Interest expense (land and forklift)				7	3	7	50					7	3	7	50		
31 Dec	Closing entry - expenses & losses							7	3	7	50			0				
31 Jan	Interest on notes / P (land & equipment)				5	0	8	33					5	0	8	33		
31 Jan	Closing entry - expenses & losses							5	0	8	33			0				

# INSURANCE EXPENSE

Account No. 722

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
31 Dec	Insurance expense				1	0	0						1	0	0			
31 Dec	Closing entry - expenses & losses							1	0	0				0				
31 Jan	Insurance - Jan				1	0	0						1	0	0			
31 Jan	Closing entry - expenses & losses							1	0	0				0				

# OFFICE SUPPLIES EXPENSE

Account No. 728

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
18 Dec	Purchase office supplies				2	5	0						2	5	0			
31 Dec	Office Supplies expense							1	8	0				7	0			
31 Dec	Correction of error							5	0					2	0			
31 Dec	Closing entry - expenses & losses							2	0					0				
31 Jan	Office supplies Usage - Jan				1	1	0						1	1	0			
31 Jan	Closing entry - expenses & losses							1	1	0				0				

# RENT EXPENSE

Account No. 729

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
17 Nov	Pay rent on office trailer				8	6	67							8	6	67		
30 Nov	Closing entry - expenses							8	6	67				0				
3 Dec	Paid Dec Rent				2	0	0							2	0	0		
31 Dec	Closing entry - expenses & losses							2	0	0				0				
4 Jan	Pay rent				2	0	0							2	0	0		
31 Jan	Closing entry - expenses & losses							2	0	0				0				

# LEGAL SERVICES EXPENSE

Account No. 745

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
4 Nov	Legal expense - incorporation				5	3	7	18						5	3	7	18	
30 Nov	Closing entry - expenses							5	3	7	18			0				

# GAIN ON SALE OF LAND

Account No. 813

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
15 Dec	Sale of 3 acre parcel						4	5	0	0					4	5	0	0
31 Dec	Closing entry - revenues & gains				4	5	0	0									0	

# INTEREST REVENUE

Account No. 820

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
31 Dec	Interest on note (sale of land)						4	1	67							4	1	67
31 Dec	Closing entry - revenues & gains				4	1	67									0		
31 Jan	Interest on note (sale of land)						8	3	33							8	3	33
31 Jan	Closing entry - revenues & gains				8	3	33									0		

# LOSSES

Account No. 916

Date	Explanation	Ref.	Debit				Credit				Debit Balance				Credit Balance			
29 Dec	Loss - Girl Scout Fire				1	8	0	0						1	8	0	0	
31 Dec	Closing entry - expenses & losses							1	8	0	0					0		

# Beacon - November

Cash			
11/4	20,000.00	86.67	11/17
11/4	5,000.00	8,000.00	11/17
11/20	1,600.00	10,000.00	11/26
11/22	3,788.75	3,608.00	11/30
11/26	18,000.00		
	<b>26,694.08</b>		

A/R			
11/18	4,800.00	18,000.00	11/26
11/18	9,600.00		
11/18	6,400.00		
	<b>2,800.00</b>		

Merchandise Inventory			
11/17	18,000.00	2,700.00	11/18
		5,400.00	11/18
		3,600.00	11/18
		900.00	11/20
		1,800.00	11/22
	<b>3,600.00</b>		

Land	
11/15	70,000.00
	<b>70,000.00</b>

A / P			
11/26	10,000.00	537.18	11/4
		10,000.00	11/17
		<b>537.18</b>	

Sales Taxes / P	
	288.75
	<b>288.75</b>

Notes Pay		
	55,000.00	11/15
	<b>55,000.00</b>	

Common Stock			
	20,000.00	11/4	
	5,000.00	11/4	
	15,000.00	11/15	
	<b>40,000.00</b>		

Sales		
	4,800.00	11/18
	9,600.00	11/18
	6,400.00	11/18
	1,600.00	11/20
	3,500.00	11/22
	<b>25,900.00</b>	

Cost of Goods Sold	
11/18	2,700.00
11/18	5,400.00
11/18	3,600.00
11/20	900.00
11/22	1,800.00
	<b>14,400.00</b>

Store Wages Expense	
11/30	3,608.00
	<b>3,608.00</b>

Rent Expense	
11/17	86.67
	<b>86.67</b>

Legal Services Expense	
11/4	537.18
	<b>537.18</b>

Beacon Lumber

Trial Balance

November 30, 2009

Acct. No.	Account Title.	Trial Balance							
		Debit				Credit			
1	101 Cash	\$	2	6	6	9	4	08	1
2	112 Accounts Receivable		2	8	0	0	00		2
3	120 Merchandise Inventory		3	6	0	0	00		3
4	140 Land		7	0	0	0	00		4
5	201 Accounts Payable					\$	5	3	5
6	227 Sales Taxes Payable						2	8	6
7	268 Notes Payable					5	5	0	7
8	311 Common Stock					4	0	0	8
9	401 Sales					2	5	9	9
10	505 Cost of Goods Sold		1	4	4	0	0	00	10
11	628 Store Wages Expense		3	6	0	8	00		11
12	729 Rent Expense			8	6	67			12
13	745 Legal Services Expense			5	3	7	18		13
14		\$	12	1	7	2	5	93	14
15									15
16									16
17									17
18									18
19									19
20									20
21									21
22									22
23									23
24									24
25									25
26									26
27									27
28									28
29									29
30									30
31									31
32									32
33									33
34									34
35									35
36									36
37									37
38									38
39									39
40									40



## Income Statement

For the Month of November 30, 2009

[illegible]

[illegible]

## Beacon Lumber

## Balance Sheet

November 30, 2009

		November 30, 2009												
Assets														
1	Current Assets												1	
2	Cash	\$2	6	6	9	4	08						2	
3	Accounts Receivable		2	8	0	0	00						3	
4	Merchandise Inventory		3	6	0	0	00						4	
5	Total Current Assets							\$3	3	0	9	4	08	5
6	Property, Plants, and Equipment												6	
7	Land							7	0	0	0	0	00	7
8	Total Assets							\$10	3	0	9	4	08	8
9													9	
10	Liabilities and Stockholders' Equity												10	
11	Current Liabilities												11	
12	Accounts Payable		\$	5	3	7	18						12	
13	Sales Taxes Payable			2	8	8	75						13	
14	Total Current Liabilities								\$	8	2	5	93	14
15	Long-term Liabilities												15	
16	Notes payable							5	5	0	0	0	00	16
17	Total Liabilities							5	5	8	2	5	93	17
18													18	
19	Stockholders' Equity												19	
20	Common Stock		4	0	0	0	00						20	
21	Retained Earnings		7	2	6	8	15						21	
22	Total Stockholders' Equity							4	7	2	6	8	15	22
23	Total Liabilities and Stockholders' Equity							\$10	3	0	9	4	08	23
24													24	
25													25	
26													26	
27													27	
28													28	
29													29	
30													30	
31													31	
32													32	
33													33	
34													34	
35													35	
36													36	
37													37	
38													38	
39													39	
40													40	

## Beacon Lumber

## 10 Column Worksheet

December 2009

December 2009														
	Acct. No.	Account Title	Trial Balance											
			Debit					Credit						
1	101	Cash		3	7	2	5	8	9				1	
2	112	Accounts Receivable		1	1	7	0	0					2	
3	115	Notes Receivable		1	0	0	0	0					3	
4	118	Interest Receivable											4	
5	120	Merchandise Inventory		3	1	5	0						5	
6	123	Prepaid Advertising		3	0	0							6	
7	125	Office Supplies											7	
8	130	Prepaid Insurance		1	2	0	0						8	
9	140	Land		5	9	5	0	0					9	
10	157	Equipment		1	2	0	0	0					10	
11	158	Accumulated Depreciation - Equipment											11	
12	201	Accounts Payable						1	0	0	0		12	
13	208	Unearned Rent Revenue						6	0	0			13	
14	213	Salaries and Wages Payable											14	
15	227	Sales Taxes Payable						2	8	8	7	5	15	
16	230	Interest Payable											16	
17	252	Dividends Payable						2	0	0			17	
18	268	Notes Payable						6	0	0	0		18	
19	311	Common Stock						4	0	0	0		19	
20	320	Retained Earnings						7	2	6	8	1	20	
21	332	Dividends		2	0	0							21	
22	401	Sales						4	5	6	0	0	22	
23	429	Rent Revenue											23	
24	505	Cost of Goods Sold		2	5	6	5	0					24	
25	610	Advertising Expense											25	
26	628	Store Wages Expense		5	2	4	8						26	
27	711	Depreciation Expense											27	
28	718	Interest Expense											28	
29	722	Insurance Expense											29	
30	728	Office Supplies Expense		2	5	0							30	
31	729	Rent Expense		2	0	0							31	
32	813	Gain on Sale of Land						4	5	0	0		32	
33	820	Interest Revenue											33	
34	916	Losses		1	8	0	0						34	
35													35	
36		Net Income											36	
37		Totals		1	7	0	2	5	6	9	0	1	7	37
38													38	
39													39	
40													40	

	Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet		
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	
1	50	(CX)	3730890				3730890		1
2			11700				11700		2
3			10000				10000		3
4	4167	(A8)	4167				4167		4
5			3150				3150		5
6	(A6)	50	250				250		6
7	180	(A2)	180				180		7
8	(A3)	100	1100				1100		8
9			59500				59500		9
10			12000				12000		10
11	(A4, A5)	11666		11666				11666	11
12				10000				10000	12
13	75	(A7)		525				525	13
14	(A1)	984		984				984	14
15				28875				28875	15
16	(A9)	73750		73750				73750	16
17				2000				2000	17
18				60000				60000	18
19				40000				40000	19
20				726815				726815	20
21			2000				2000		21
22				45600		45600			22
23	(A7)	75		75		75			23
24			25650		25650				24
25	50	(A6)	50		50				25
26	984	(A1)	6232		6232				26
27	11666	(A4,A5)	11666		11666				27
28	73750	(A9)	73750		73750				28
29	100	(A3)	100		100				29
30	(A2, CX)	230	20		20				30
31			200		200				31
32				4500		4500			32
33	(A8)	4167		4167		4167			33
34			1800		1800				34
35					3490616	5021667	13723057	12192006	35
36					1531051			1531051	36
37	233483	233483	17213673	17213673	5021667	5021667	13723057	13723057	37
38									38
39									39
40									40

## Income Statement

[illegible]

[illegible]

## Beacon Lumber

## Balance Sheet

December 31, 2009

Assets																			
1	<b>Current Assets</b>										1								
2	Cash										2	\$3 7 3 0 8 90							
3	Accounts Receivable										3	1 1 7 0 0							
4	Notes Receivable										4	1 0 0 0 0							
5	Interest Receivable										5	4 1 67							
6	Merchandise Inventory										6	3 1 5 0							
7	Office Supplies										7	1 8 0							
8	Prepaid Insurance										8	1 1 0 0							
9	Prepaid Advertising										9	2 5 0							
10	<b>Total Current Assets</b>										10	\$6 3 7 3 0 57							
11	<b>Property, Plant and Equipment</b>										11								
12	Land										12	5 9 5 0 0							
13	Equipment										13	\$1 2 0 0 0							
14	A/D - Equipment										14	1 1 6 66							
15	Equipment - Net										15	1 1 8 8 3 34							
16	<b>Total Property, Plant and Equipment</b>										16	7 1 3 8 3 34							
17	<b>Total Assets</b>										17	\$13 5 1 1 3 91							
18											18								
19	Liabilities and Stockholder's Equity										19								
20	<b>Current Liabilities</b>										20								
21	Accounts Payable										21	\$1 0 0 0 0							
22	Unearned Rent Revenue										22	5 2 5							
23	Salaries and Wages Payable										23	9 8 4							
24	Sales Tax Payable										24	2 8 8 75							
25	Interest Payable										25	7 3 7 50							
26	Dividends Payable										26	2 0 0 0							
27	<b>Total Current Liabilities</b>										27	\$1 4 5 3 5 25							
28	<b>Long-term Liabilities</b>										28								
29	Notes Payable										29	6 0 0 0 0							
30	<b>Total Liabilities</b>										30	7 4 5 3 5 25							
31											31								
32	<b>Stockholders' Equity</b>										32								
33	Common Stock										33	4 0 0 0 0							
34	Retained Earnings										34	2 0 5 7 8 66							
35	<b>Total Stockholders' Equity</b>										35	6 0 5 7 8 66							
36	<b>Total Liabilities and Stockholders' Equity</b>										36	\$13 5 1 1 3 91							
37											37								
38											38								
39											39								
40											40								



Beacon Lumber  
Adjusted Trial Balance  
January, 2010

	Acct. No.	Account Title.	Debit						Credit						
1	101	Cash	\$1	7	3	3	0								1
2	112	Accounts Receivable	1	2	7	1	9	40							2
3	115	Notes Receivable	1	0	0	0	0								3
4	118	Interest Receivable			1	2	5								4
5	120	Merchandise Inventory	2	8	1	3	9	75							5
6	123	Prepaid Advertising			1	5	0								6
7	125	Office Supplies				7	0								7
8	130	Prepaid Insurance		1	0	0	0								8
9	140	Land	5	9	5	0	0								9
10	157	Equipment	1	2	0	0	0								10
11	158	A/D - Equipment							\$	2	3	3	32		11
12	201	Accounts Payable							1	3	0	0	0		12
13	208	Unearned Rent Revenue								3	7	5			13
14	213	Salaries and Wages Payable								6	5	6			14
15	227	Sales Taxes Payable													15
16	230	Interest Payable							1	2	4	5	83		16
17	268	Notes Payable							6	0	0	0	0		17
18	311	Common Stock							4	0	0	0	0		18
19	320	Retained Earnings							2	0	5	7	8	66	19
20	332	Dividends													20
21	401	Sales							3	4	2	1	9	40	21
22	412	Sales Returns and Allowances			5	5	0								22
23	414	Sales Discounts			6	6	0								23
24	429	Rent Revenue								1	5	0			24
25	505	Cost of Goods Sold	2	0	2	5	5								25
26	610	Advertising Expense			1	0	0								26
27	628	Store Wages Expense		6	8	8	8								27
28	644	Freight Out				1	9	40							28
29	711	Depreciation Expense			1	1	6	66							29
30	718	Interest Expense			5	0	8	33							30
31	722	Insurance Expense			1	0	0								31
32	728	Office Supplies Expense			1	1	0								32
33	729	Rent Expense			2	0	0								33
34	820	Interest Revenue									8	3	33		34
35			\$17	0	5	4	1	54	\$17	0	5	4	1	54	35
36															36
37															37
38															38
39															39
40															40



[illegible]

## Beacon Lumber

## Balance Sheet

January 31, 2010

Assets																										
1	<b>Current Assets</b>																				1					
2	Cash														\$1	7	3	3	0			2				
3	Accounts Receivable														1	2	7	1	9	40		3				
4	Notes Receivable														1	0	0	0	0			4				
5	Interest Receivable															1	2	5				5				
6	Merchandise Inventory														2	8	1	3	9	75		6				
7	Prepaid Advertising															1	5	0				7				
8	Office Supplies																7	0				8				
9	Prepaid Insurance														1	0	0	0				9				
10	<b>Total Current Assets</b>																		\$6	9	5	3	4	15	10	
11	<b>Property, Plant and Equipment</b>																							11		
12	Land														5	9	5	0	0					12		
13	Equipment										\$1	2	0	0	0									13		
14	Accumulated Depreciation - Equipment												2	3	3	32		1	1	7	6	6	68		14	
15	<b>Total Property, Plant and Equipment</b>																			7	1	2	6	6	68	15
16	<b>Total Assets</b>																			\$14	0	8	0	0	83	16
17																									17	
18																									18	
19	Liabilities and Stockholders' Equity																								19	
20	<b>Current Liabilities</b>																								20	
21	Accounts Payable														\$1	3	0	0	0						21	
22	Unearned Rent Revenue															3	7	5							22	
23	Salaries and Wages Payable															6	5	6							23	
24	Interest Payable														1	2	4	5	83						24	
25	<b>Total Current Liabilities</b>																			\$1	5	2	7	6	83	25
26																									26	
27	<b>Long-term Liabilities</b>																								27	
28	Notes Payable																			6	0	0	0	0		28
29	<b>Total Liabilities</b>																			7	5	2	7	6	83	29
30																										30
31	<b>Stockholders' Equity</b>																									31
32	Common Stock														4	0	0	0	0							32
33	Retained Earnings														2	5	5	2	4							33
34	<b>Total Stockholders' Equity</b>																			6	5	5	2	4		34
35	<b>Total Liabilities and Stockholders' Equity</b>																			\$14	0	8	0	0	83	35
36																										36
37																										37
38																										38
39																										39
40																										40

## Beacon Lumber - Financial Ratios

	Nov	Dec	Jan
Current Assets	\$ 33,094.08	\$ 63,730.57	\$ 69,534.15
Total Assets	103,094.08	135,113.91	140,800.83
Current Liabilities	825.93	14,535.25	15,276.83
Long Term Debt	55,000.00	60,000.00	60,000.00
Shareholders' Equity	47,268.15	60,578.66	65,524.00
Net Sales	25,900.00	45,600.00	33,009.40
Gross Profit	11,500.00	19,950.00	12,754.40
Net Income	7,268.15	15,310.51	4,945.34
Current Ratio	40.07	4.38	4.55
Debt to Equity	1.18	1.23	1.15
Gross Profit Margin	44.40%	43.75%	38.64%
Return on Sales	28.06%	33.58%	14.98%

## **BEACON LUMBER**

### **Financial Ratio Teaching Notes**

The first part of this assignment provides some experience in using the financial statements. The instructions for the student omit the formulas for calculating each ratio. The student will find this material in virtually any introductory financial accounting textbook.

In reviewing this assignment, the instructor may wish to bring out some of the following points:

- It is difficult to draw any serious conclusions on the basis of only three months of operation — particularly for a lumberyard in what is most likely an off season for the building trades. That, and the newness of the business, help to explain the high level of variability in the ratios.
- The decline in the current ratio seems quite reasonable — from an artificially high 40 down to something around 4 or 5. A comparison with industry averages would make this number more meaningful.
- The gross profit margin shows the impact of sales made at premium prices (the sale to J.Q.Homeowner in November) and at discount prices (the “special order” sale and the sales discounts in January).
- The decline in Beacon’s debt to equity ratio is probably a good trend, particularly for a business that is likely to have seasonal ups and downs.

# AUCHINCLOSS, GRISHAM & TUROW, LLP

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Nov. 4, 2009

Beacon Lumber, Inc.  
23 Hall St. Extension  
Norque, NY 13611

For services rendered,	
Incorporation of new business	\$500.00
Expenses	<u>37.18</u>
Total due	<u>\$537.18</u>

## Promissory Note

Principal amount \$55,000.00

Date: Nov. 15, 2009

FOR VALUE RECEIVED, the undersigned hereby promises to pay to

the order of                                  the sum of                                  Dollars,

together with interest thereon at the rate of 10% per annum on the unpaid balance. Said sum shall be paid in one payment of the entire principal amount (\$55,000.00) five years from the issue date and in five payments of interest (\$5,500.00) at each anniversary of this note.

This note shall at the option of any holder hereof be immediately due and payable upon the occurrence of any of the bad things you will learn about in the legal environment of business course. In the event this note shall be in default and placed for collection, then the undersigned agree to pay all reasonable attorney fees and other costs of collections. No modification or indulgence by any holder hereof shall be binding unless in writing. There are lots of other terms and conditions in a promissory note that aren't supposed to be explained in an introductory accounting course.

Witness

acting for the  
Beacon Lumber Corp.,  
Borrower