

# Problem 7

Hagen Corporation opened the year 20X6, with the following trial balance information:

	Debits	Credits
Cash	\$ 100,000	\$ 0
Accounts Receivable	300,000	0
Land	600,000	0
Accounts Payable	-	\$ 240,000
Loan Payable	-	120,000
Capital Stock	-	200,000
Retained Earnings	-	440,000
Dividends	-	-
Revenues	-	-
Salaries Expense	-	-
Rent Expense	-	-
Supplies Expense	-	-
Interest Expense	-	-
	\$ 1,000,000	\$ 1,000,000

**January's transactions are listed below:**

- Jan. 2            Collected \$40,000 on an open account receivable.
- Jan. 3            Purchased additional tract of land for \$80,000 cash.
- Jan. 5            Provided services on account to a customer for \$60,000.
- Jan. 7            Borrowed \$48,000 on a term loan payable.
- Jan. 11           Paid salaries of \$12,000.
- Jan. 12           Provided services to customers for cash, \$44,000.
- Jan. 15           Purchased (and used) office supplies on account, \$8,000.
- Jan. 17           The company paid shareholders a \$10,000 dividend.
- Jan. 20           Paid rent of \$6,800.
- Jan. 23           Paid salaries of \$16,000.
- Jan. 24           Paid \$64,000 on the open accounts payable.
- Jan. 29           Collected \$200,000 on accounts receivable.
- Jan. 31           Repaid loans of \$88,000.
- Jan. 31           Paid interest on loans of \$2,400.



ACCOUNTS PAYABLE				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	240,000

LOAN PAYABLE				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	120,000

CAPITAL STOCK				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	200,000

RETAINED EARNINGS				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	440,000

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DIVIDENDS				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-

REVENUES				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-

SALARIES EXPENSE				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-

SUPPLIES EXPENSE				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-

RENT EXPENSE				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-

INTEREST EXPENSE				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-

Worksheet (b)

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
Jan. 2			
Jan. 3			
Jan. 5			
Jan. 7			
Jan. 11			
Jan. 12			
Jan. 15			
Jan. 17			

Jan. 20			
Jan. 23			
Jan. 24			
Jan. 29			
Jan. 31			
Jan. 31			

Worksheet 7 (d)

<b>HAGEN CORPORATION</b>		
<b>Trial Balance</b>		
<b>January 31, 20X6</b>		
	<b>Debits</b>	<b>Credits</b>
Cash	\$ -	\$ -
Accounts Receivable		
Land		
Accounts Payable		
Loan Payable		
Capital Stock		
Retained Earnings		
Revenues		104,000
Salaries Expense	28,000	
Supplies Expense	8,000	
Rent Expense	6,800	
Interest Expense	2,400	
Dividends	10,000	-
	<b>\$ 55,200</b>	<b>\$ 104,000</b>

Worksheet 7 (e)

<b>HAGEN CORPORATION</b>	
<b>Income Statement</b>	
<b>For the Month Ending January 31, 20X6</b>	
<b>Revenues</b>	
Services to customers	
<b>Expenses</b>	
Salaries	
Supplies	
Rent	
Interest	
<b>Net income</b>	

<b>HAGEN CORPORATION</b>	
<b>Statement of Retained Earnings</b>	
<b>For the Month Ending January 31, 20X6</b>	
Beginning retained earnings	
Plus: Net income	<hr/>
Less: Dividends	<hr/>
Ending retained earnings	<hr/> <hr/>

<b>HAGEN CORPORATION</b>	
<b>Balance Sheet</b>	
<b>January 31, 20X6</b>	
<b>Assets</b>	
Cash	
Accounts receivable	
Land	
Total assets	<hr/> <hr/>
<b>Liabilities</b>	
Accounts payable	
Loan payable	<hr/>
Total liabilities	
<b>Stockholders' equity</b>	
Capital stock	
Retained earnings	<hr/>
Total stockholders' equity	<hr/>
Total liabilities and equity	<hr/> <hr/>



Solution 7 (a)

CASH				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	100,000
Jan. 2	Journal Page 1	40,000	-	140,000
Jan. 3	Journal Page 1	-	80,000	60,000
Jan. 7	Journal Page 1	48,000	-	108,000
Jan. 11	Journal Page 1	-	12,000	96,000
Jan. 12	Journal Page 1	44,000	-	140,000
Jan. 17	Journal Page 2	-	10,000	130,000
Jan. 20	Journal Page 2	-	6,800	123,200
Jan. 23	Journal Page 2	-	16,000	107,200
Jan. 24	Journal Page 2	-	64,000	43,200
Jan. 29	Journal Page 2	200,000	-	243,200
Jan. 31	Journal Page 3	-	88,000	155,200
Jan. 31	Journal Page 3	-	2,400	152,800

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ACCOUNTS RECEIVABLE				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	300,000
Jan. 2	Journal Page 1	-	40,000	260,000
Jan. 5	Journal Page 1	60,000	-	320,000
Jan. 29	Journal Page 2	-	200,000	120,000

LAND				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	600,000
Jan. 3	Journal Page 1	80,000	-	680,000

ACCOUNTS PAYABLE				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	240,000
Jan. 15	Journal Page 2	-	8,000	248,000
Jan. 24	Journal Page 2	64,000	-	184,000

LOAN PAYABLE				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	120,000
Jan. 7	Journal Page 1	-	48,000	168,000
Jan. 31	Journal Page 3	88,000	-	80,000

CAPITAL STOCK				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	200,000

RETAINED EARNINGS				
Date	Description	Debit	Credit	Balance
Jan. 1	Balance forward	-	-	440,000

DIVIDENDS				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-
Jan. 17	Journal Page 2	10,000	-	10,000

REVENUES				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-
Jan. 5	Journal Page 1	-	60,000	60,000
Jan. 12	Journal Page 1	-	44,000	104,000

SALARIES EXPENSE				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-
Jan. 11	Journal Page 1	12,000	-	12,000
Jan. 23	Journal Page 2	16,000	-	28,000

SUPPLIES EXPENSE				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-
Jan. 15	Journal Page 2	8,000	-	8,000

RENT EXPENSE				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-
Jan. 20	Journal Page 2	6,800	-	6,800

INTEREST EXPENSE				
Date	Description	Debit	Credit	Balance
Jan. 1		-	-	-
Jan. 31	Journal Page 3	2,400	-	2,400

## Solution 7 (b)

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
Jan. 2	Cash ✓	40,000	
	Accounts Receivable ✓		40,000
	<i>Collected \$40,000 on an open account receivable.</i>		
Jan. 3	Land ✓	80,000	
	Cash ✓		80,000
	<i>Purchased additional tract of land for \$80,000 cash.</i>		
Jan. 5	Accounts Receivable ✓	60,000	
	Revenues ✓		60,000
	<i>Provided services on account to a customer for \$60,000.</i>		
Jan. 7	Cash ✓	48,000	
	Loan Payable ✓		48,000
	<i>Borrowed \$48,000 on a term loan payable.</i>		
Jan. 11	Salaries Expense ✓	12,000	
	Cash ✓		12,000
	<i>Paid salaries of \$12,000.</i>		
Jan. 12	Cash ✓	44,000	
	Revenues ✓		44,000
	<i>Provided services to customers for cash, \$44,000.</i>		
Jan. 15	Supplies Expense ✓	8,000	
	Accounts Payable ✓		8,000
	<i>Purchased (and used) office supplies on account, \$8,000.</i>		
Jan. 17	Dividends ✓	10,000	
	Cash ✓		10,000
	<i>The company paid shareholders a \$10,000 dividend.</i>		

Jan. 20	Rent Expense	√	6,800	
	Cash	√		6,800
	<i>Paid rent of \$6,800.</i>			
Jan. 23	Salaries Expense	√	16,000	
	Cash	√		16,000
	<i>Paid salaries of \$16,000.</i>			
Jan. 24	Accounts Payable	√	64,000	
	Cash	√		64,000
	<i>Paid \$64,000 on the open accounts payable.</i>			
Jan. 29	Cash	√	200,000	
	Accounts Receivable	√		200,000
	<i>Collected \$200,000 on accounts receivable.</i>			
Jan. 31	Loan Payable	√	88,000	
	Cash	√		88,000
	<i>Repaid loans of \$88,000.</i>			
Jan. 31	Interest Expense	√	2,400	
	Cash	√		2,400
	<i>Paid interest on loans of \$2,400.</i>			

Solution 7 (d)

HAGEN CORPORATION			
Trial Balance			
January 31, 20X6			
	Debits		Credits
Cash	\$	152,800	\$ -
Accounts Receivable		120,000	-
Land		680,000	-
Accounts Payable		-	184,000
Loan Payable			80,000
Capital Stock		-	200,000
Retained Earnings			440,000
Revenues		-	104,000
Salaries Expense		28,000	-
Supplies Expense		8,000	-
Rent Expense		6,800	-
Interest Expense		2,400	-
Dividends		10,000	-
	\$	1,008,000	\$ 1,008,000

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## Solution 7 (e)

<b>HAGEN CORPORATION</b>		
<b>Income Statement</b>		
<b>For the Month Ending January 31, 20X6</b>		
<b>Revenues</b>		
Services to customers		\$ 104,000
<b>Expenses</b>		
Salaries	\$ 28,000	
Supplies	8,000	
Rent	6,800	
Interest	2,400	45,200
<b>Net income</b>		<u><u>\$ 58,800</u></u>

<b>HAGEN CORPORATION</b>	
<b>Statement of Retained Earnings</b>	
<b>For the Month Ending January 31, 20X6</b>	
Beginning retained earnings	\$ 440,000
Plus: Net income	58,800
	<u>\$ 498,800</u>
Less: Dividends	10,000
Ending retained earnings	<u><u>\$ 488,800</u></u>

<b>HAGEN CORPORATION</b>			
<b>Balance Sheet</b>			
<b>January 31, 20X6</b>			
<b>Assets</b>			
Cash		\$	152,800
Accounts receivable			120,000
Land			680,000
Total assets		\$	952,800
<b>Liabilities</b>			
Accounts payable	\$	184,000	
Loan payable		80,000	
Total liabilities		\$	264,000
<b>Stockholders' equity</b>			
Capital stock	\$	200,000	
Retained earnings		488,800	
Total stockholders' equity			688,800
Total liabilities and equity		\$	952,800

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