

# Problem 6

Everything Electrical sales custom electrical fittings. Following is the corporation's income statement. Use this statement to prepare closing entries. No dividends were declared during the period.

<b>EVERYTHING ELECTRICAL INC.</b>			
<b>Income Statement</b>			
<b>For the Year Ending December 31, 20X4</b>			
<b>Revenues</b>			
Sales			\$ 1,775,308
Less: Sales discounts		\$ 9,334	
Sales returns and allowances		19,760	29,094
Net sales			\$ 1,746,214
<b>Cost of goods sold</b>			
Beginning inventory, Jan 1		\$ 364,686	
Add Purchases		\$ 1,186,712	
Freight-in		42,180	
		\$ 1,228,892	
Less: Purchase discounts	\$ 7,002		
Purchase returns & allowances	38,018	45,020	
Net purchases		1,183,872	
Goods available for sale		\$ 1,548,558	
Less: Ending inventory, Dec. 31		398,110	
Cost of goods sold			1,150,448
<b>Gross profit</b>			<b>\$ 595,766</b>
<b>Expenses</b>			
Salaries		\$ 376,000	
Insurance		18,304	
Utilities		15,520	
Freight-out		4,868	
Depreciation		27,546	442,238
<b>Net income</b>			<b>\$ 153,528</b>



## Solution 6

<b>GENERAL JOURNAL</b>			
<b>Date</b>	<b>Accounts</b>	<b>Debit</b>	<b>Credit</b>
Dec. 31	Sales	1,775,308	
	Purchase Discounts	7,002	
	Purchase Returns and Allowances	38,018	
	Inventory	398,110	
	Income Summary		2,218,438
	<i>To close income statement accounts with a credit balance, and establish ending inventory balance</i>		
Dec. 31	Income Summary	2,064,910	
	Sales Discounts		9,334
	Sales Returns and Allowances		19,760
	Purchases		1,186,712
	Freight-in		42,180
	Salaries Expense		376,000
	Insurance Expense		18,304
	Utilities Expense		15,520
	Freight-out		4,868
	Depreciation Expense		27,546
	Inventory		364,686
	<i>To close income statement accounts with a debit balance, and remove the beginning inventory balance</i>		
Dec. 31	Income Summary	153,528	
	Retained Earnings		153,528
	<i>To close Income Summary to retained earnings</i>		