The balance sheet of KLM Inc. on 31/12/20X2 is:

Balance Sheet KLM Inc. 31/12/20X2			
ASSETS		**LIABILITIES**	
Current Assets		**Current liabilities**	
Cash	10.000	Short-term loan	2.000
Accounts receivable	5.000	Accounts payable	10.000
Notes receivable	2.000	Notes payable	9.800
Prepaid insurance	2.000	**Long-term liabilities**	
Office supplies	800	Long-term loan	60.000
Non-Current Assets		**SHAREHOLDERS' EQUITY**	
Buildings	150.000	Capital stock	80.000
Office furniture	2.000	Retained earnings	10.000
Total	**171.800**	**Total**	**171.800**

Journalize the following accounting events that took place during 20X3:

5/1: Purchased merchandise on account for €5.000.

25/2: Paid €1.500 in cash for repair and maintenance expenses.

15/3: Sold to Johnson Inc. merchandises for €15.000; €10.000 in cash and the rest on account. The cost of the merchandise was €4.000.

5/5: Collected revenues from rent of €4.000.

10/6: Signed a €5.000 note to Johnson Inc. in settlement of its account balance.

31/12: Ending office supplies on hand: €300

31/12: Prepaid insurance expired during the period: €1.000

31/12: Depreciation expense on furniture: €700 and on buildings: €10.000

31/12: Salaries owed but not yet paid: €1.200.

31/12: The income tax rate is 24%; the income tax expense is estimated to €24.

05/01: Purchased merchandise on account for €5.000.

05.01	Inventory	5.000	
	Accounts Payable		5.000
	Inventory purchase		

25/02: Paid €1.500 in cash for repair and maintenance expenses.

25.02	Repair & Maintenance expense	1.500	
	Cash		1.500
	Payment of expenses		

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<u>15/03:</u> Sold to Johnson Inc. merchandises for €15.000; €10.000 in cash and the rest on account. The cost of the merchandise was €4.000.

15.03	Cash	10.000	
	Accounts receivable	5.000	
	Sales revenue		15.000
	Sale of inventory		
15.03	Cost of Goods Sold	4.000	
	Inventory		4.000
	Cost of sale		

05/05: Collected revenues from rent of €4.000.

05.05	Cash	4.000	
	Rent revenue		4.000
	Rental revenues		

10/06: Signed a €5.000 note to Johnson Inc. in settlement of its account balance

10.06	Note receivable	5.000	
	Accounts receivable		5.000
	Issued note receivable		

<u>31/12:</u> Ending office supplies on hand: €300

31.12	Supplies-expense	500	
	Supplies		500
	Supplies expensed		

31/12: Prepaid insurance expired during the period: €1.000.

31.12	Insurance expense	1.000	
	Prepaid Insurance		1.000
	Prepaid insurance expiration		

31/12: Depreciation expense on furniture €700 and on buildings: €10.000

31.12	Depreciation-Buildings	10.000	
	Accumulated depreciation-Buildings		10.000
	To record depreciation		
31.12	Depreciation-Furniture	700	
	Accumulated depreciation-Furniture		700
	To record depreciation		

31/12: Salaries owed but not yet paid: €1.200.

31.12	Salaries Expense	1.200	
	Salaries Payable		1.200
	Salaries accrued to be paid		

31/12: Income tax rate 24%

31.12	Income Tax Expense	24	
	Income Tax Payable		24
	Record income taxes payable		

KLM Inc. Adjusted Trial balance - 31.12.20X3		
Cash	22.500	
Inventory	1.000	
Accounts receivable	5.000	
Notes receivable	7.000	
Prepaid insurance	1.000	
Office supplies	300	
Buildings	150.000	
Accumulated depreciation-Buildings		10.000
Office furniture	2.000	
Accumulated depreciation-Furniture		700
Short-term loan		2.000
Accounts payable		15.000
Notes payable		9.800
Salaries payable		1.200
Income Tax payable		24
Long-term loan		60.000
Capital stock		80.000
Retained earnings		10.000
Sales revenue		15.000
Rent revenue		4.000
COGS	4.000	
Repair and maintenance expenses	1.500	
Supplies expense	500	
Insurance	1.000	
Depreciation	10.700	
Salaries	1.200	
Income Tax	24	
Total	**207.724**	**207.724**

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- With the use of the adjusted trial balance, prepare the Income Statement, the Statement of Retained Earnings and the Balance Sheet.
- Prepare the Closing entries and the Post-Closing Trial Balance

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Income Statement

KLM, Inc. Income Statement For the period ended 31/12/X3	
Sales Revenue	15.000
- Cost of Sales Sold	*(4.000)*
Gross Profit	**11.000**
+ Rent Revenue	4.000
- Salaries	*(1.200)*
- Depreciation	*(10.700)*
- Repair and maintenance expenses	*(1.500)*
- Supplies expense	*(500)*
- Insurance	*(1.000)*
Operating Profit	**100**
Income before Taxes	**100**
- Income Taxes (30%)	*(24)*
Net Income	**76**

Statement of Retained Earnings

KLM, Inc. Statement of Retained Earnings For the period ended 31/12/X3	
Retained Earnings, beginning	10.000
+ Net Income	76
Retained Earnings, ending balance	**10.076**

Balance Sheet

KLM Inc. Balance Sheet 31.12.20X3			
Assets		**Liabilities**	
Current Assets		**Current Liabilities**	
Cash	22.500	Accounts payable	15.000
Accounts receivable	5.000	Short-term loan	2.000
Note receivable	7.000	Salaries Payable	1.200
Inventory	1.000	Notes Payable	9.800
Prepaid insurance	1.000	Income Taxes Payable	24
Office suplies	300		
Non-Current Assets		**Non-Current Liabilites**	
Buildings 150.000 (Acc. depreciation) (10.000) Buildings, net	140.000	Long-term loan	60.000
Furniture 2.000 (Accumulated depreciation) *(700)* Furniture, net	1.300	**Shareholders' Equity**	
		Capital	80.000
		Retained earnings	10.076
Total Assets	**178.100**	**Total Liabilities &Equity**	**178.100**

Closing (1/2)

- Close the Revenues

31.12	Sales Revenue	15.000	
	Rent Revenue	4.000	
	Retained Earnings		19.000
	Closing revenues		

Closing (2/2)

- Close the Expenses

31.12	Retained Earnings	18.924	
	Cost of Sales		4.000
	Salaries		1.200
	Depreciation		10.700
	Supplies Expense		500
	Repair and maintenance expense		1.500
	Insurance Expense		1.000
	Income Tax Expense		24
	Closing expenses		

Post-Closing Trial Balance

KLM Inc. Post Closing Trial balance - 31.12.20X3		
Cash	22.500	
Inventory	1.000	
Accounts receivable	5.000	
Notes receivable	7.000	
Prepaid insurance	1.000	
Office supplies	300	
Buildings	150.000	
Accumulated depreciation-Buildings		10.000
Office furniture	2.000	
Accumulated depreciation-Furniture		700
Short-term loan		2.000
Accounts payable		15.000
Notes payable		9.800
Salaries payable		1.200
Income Tax payable		24
Long-term loan		60.000
Capital stock		80.000
Retained earnings		10.076
Total	188.800	188.800