

## CASE STUDY: ALK SERVICES

*ALK SERVICES* completed the following transactions during March 2023, its first month of operations.

	Date	Transaction
1.	Mar. 1	<i>ALK SERVICES</i> issued common stock for € 70,000 provided in cash.
2.	Mar. 3	The business paid cash for land costing € 37,000. They plan to build office buildings on the land.
3.	Mar. 4	The business purchased supplies for € 24,000 on account.
4.	Mar. 5	The business opened officially.
5.	Mar. 11	Performed service for a client B totaling € 11,000 receiving cash for half the revenue earned.
6.	Mar. 12	The business paid the following cash expenses: salary € 1,300 and office rent € 1,000.
7.	Mar. 14	The business borrowed € 27,000, signing a note payable to the bank.
8.	Mar. 17	The business collected € 1,500 from the client B (transaction on the Mar. 11).
9.	Mar. 19	Used Supplies of € 400.
10.	Mar. 21	Paid € 1,600 on accounts payable.
11.	Mar. 24	Took up a short-term loan of € 10,000.

12.	Mar. 27	Purchased a car € 2,500 half on cash and half with a promissory note.
13.	Mar. 29	Prepaid the insurance for the car € 100 (the contract refers to the next 12 months i.e., Apr. 2023 – Mar. 2024).
14.	Mar. 31	Received a utility bill of € 700 that will be paid during April 2023.

- a. Record the above transactions in the journal.
- b. Post all transactions from the journal to the ledger.
- c. Prepare a trial balance.

## CASE STUDY: SAFIRA PLC

The unadjusted trial balance of *SAFIRA Plc*, a turnaround specialist, at July 31st, 20X2, and the necessary month-end adjustments follow. All prices are in Euros.

SAFIRA Plc Account title	Unadjusted Trial Balance	
Cash	5,600	
Accounts receivable	11,600	
Prepaid rent	6,000	
Supplies	800	
Furniture	36,000	
Accumulated depreciation - Furniture		3,500
Accounts payable		12,850
Common stock		26,200
Retained earnings		13,650
Dividends	4,000	
Service revenue		10,750
Salary expense	2,400	
Utilities expense	550	
<b>Total</b>	<b>66,950</b>	<b>66,950</b>

Adjustment information:

- Accrued service revenue at July 31<sup>st</sup> amounted to 400.
- Prepaid rent expired during the month. The unadjusted prepaid balance of 6,000 relates to the period July through December.
- Supplies used during July amounted to 700.

- d. Depreciation on furniture for the month. The estimated useful life of the furniture is 5 years.
- e. Accrued salary expense at July 31st for Monday and Tuesday. The 5-day weekly payroll of 1,750 will be paid on Friday, August 3rd.

Required:

1. Journalize the adjusting entries and prepare the adjusted trial balance of *SAFIRA Plc* at July 31st.
2. Prepare the income statement, the statement of retained earnings, and the (ending) balance sheet.

## CASE STUDY: MIDA PLC

*MIDA Plc* opened for business on June 1<sup>st</sup>, 2022. Its trial balance on August 31<sup>st</sup> is as follows:

<b><i>MIDA Plc</i> Trial Balance August 31st, 2022</b>		
	<b>DEBIT</b>	<b>CREDIT</b>
Cash	19.600	
Prepaid Insurance	4.500	
Supplies	2.600	
Land	30.000	
Buildings	120.000	
Equipment	16.000	
Accounts Payable		4.500
Unearned Revenue		4.600
Mortgage Payable		50.000
Share Capital—Ordinary		100.000
Retained Earnings		0

Dividends Payable		5.000
Sales Revenue		86.200
Salaries Expense	44.800	
Utilities Expense	9.200	
Maintanance and Repairs Expense	3.600	
	<b>250.300</b>	<b>250.300</b>

Additional data:

1. The balance in prepaid insurance is a 1-year premium paid on June 1, 2022.
2. An inventory count on August 31<sup>st</sup> shows 650 of supplies on hand.
3. Annual depreciation rates are: building (4%) and equipment (10%).
4. Unearned revenue of 3.800 should be recognized as revenue prior to August 31<sup>st</sup>.
5. Salaries and wages of 375 were unpaid at August 31<sup>st</sup>.
6. Rentals of 800 were due from tenants at August 31<sup>st</sup>.
7. The mortgage note is dated 1/6/2022. The mortgage interest rate is 8% per year.

1. Journalize the adjusting entries on August 31<sup>st</sup> for the 3-month period June 1<sup>st</sup> – August 31<sup>st</sup>.
2. Prepare an adjusted trial balance on August 31<sup>st</sup>.
3. Prepare the Income Statement and the Balance Sheet on August 31<sup>st</sup> assuming that the tax rate applicable is 26%.