FINAL GROUP PROJECT
ACCTG 3600
SUMMER 2012
VERSION A

INSTRUCTIONS

- Form groups of 2 people to complete this project; alternatively, you can complete the project individually.

- Name your company and pick the products and services that you sell

- Complete each of the requirements listed below in Part I and Part II

PART I Record Entries and Build the Financial Statements

1. **Company Introduction and Overview**
   Give me quick overview of your company. What is your company's name? What products and services do you sell?

2. **Journal Entry List**
   Record entries from the transaction and event list provided below in proper journal entry format. ***NOTE***: *You are recording entries for the fiscal year 2011 (Jan 1 – Dec 31). This list must be organized. Make sure that I can easily identify the journal entry with the related transaction/event. Show your work if the entry requires you to make a calculation (i.e. depreciation, interest expense, etc.).*

3. **Chart of T-Accounts**
   Create a chart of T-Accounts and post each journal entry to the appropriate accounts.

4. **Financial Statements**
   Build an income statement and balance sheet for the year ending December 31, 2011. Create a statement of cash flows for 2011.

PART II Analyze the Company

5. **Ratio Analysis**
   Compute the following using the information from the financial statements you have produced for 2011. ***Show your work***. Explain to me what every calculation means (i.e. explain the answer to me in non-book language).
   - Earnings Per Share
   - Price-earnings ratio
   - Return on Equity
   - Working Capital
   - Current Ratio
   - Quick Ratio
   - AR Turnover
   - Inventory Turnover
   - Gross Profit
   - Gross Profit Ratio
   - Operating Income
   - Operating Margin
   - Debt-to-equity ratio
   - Book value per share

6. **Business Analysis**
   Perform an analysis of your business using your results from the required calculations listed above and any other trend information you deem to be relevant. Use these calculations to determine how the company is doing overall. ***Hint:*** *Consider creating graphs/tables to support your conclusions* ***NOTE****: Before you prepare your response to this question, you need to come up to me and ask from which "point of view" you are to analyze the company. You will either be a banker, an investor (stockholder), or the CEO of this company. This is not for you to choose. I will assign this (once you ask).*

7. **Projected Income Statement for 2012**
   Build a projected income statement for next year based on forecasted sales that equal $3,250,000. Use the results of the analysis you performed in the preceding question and any other information you deem to be relevant to build this income statement. Provide a brief explanation of the method(s) your group used to determine the projected numbers.

8. **Actual vs. Predicted Earnings Per Share Evaluation**
   Analysts predicted earnings per share (EPS) for your company to be $0.12 at the close of 2011. How does this compare to actual EPS for 2011? If actual EPS is higher than the analysts' prediction, what factors contributed to the success? If actual EPS is lower than the prediction, how will you explain the shortfall to your investors? Is there anything you could have done to meet the prediction? ***NOTE:*** *Assume that you are the CEO of the company when preparing your response to this question.*

SUBMIT THE FOLLOWING

- The package you submit must be in the following order:

    1. Company Introduction and Overview
    2. Financial Statements *in the following order*:
        - Income Statement
        - Balance Sheet
        - Statement of Cash Flows for 2011
    3. Ratio Analysis
    4. Business Analysis
    5. Projected Income Statement for 2012 - *Remember to include a discussion of the methods used by your group to create this income statement*
    6. Actual vs. Predicted Earnings Per Share Evaluation
    7. Journal Entry List
    8. Chart of T-Accounts

I expect the package that you turn in to be professional in every way.
Your project will be compared to your classmate's projects.
Good Luck!
-Melissa

COMPANY INFORMATION

- Your company began operations on January 1, 2009.
- Your company's stock is traded on the NYSE with 4,000,000 common shares outstanding.
- At the close of December 31, 2011, your company's stock was trading at $5 per share. At the end of 2010 and 2009, the value of your stock was $3.80 and $2.90 per share, respectively.

BALANCE SHEET

December 31,		2010	2009
Assets			
Cash		$ 785,000	$ 675,000
Marketable securities		75,000	15,000
Accounts receivable		455,000	525,000
Allowance for Bad Debt		(25,000)	(105,000)
Prepaid Insurance		-	-
Prepaid Rent		-	-
Office supplies		-	-
Inventory		975,000	775,000
	Current Assets	2,265,000	1,885,000
Office furniture		-	-
Equipment		5,000,000	5,000,000
Accumulated depreciation		(2,000,000)	(1,500,000)
Long-term notes receivable		285,000	-
Land		1,450,000	1,450,000
Patent		-	-
	Non-current Assets	4,735,000	4,950,000
	Total Assets	**$ 7,000,000**	**$ 6,835,000**
Liabilities			
Accounts payable		$ 450,000	$ 570,000
Wages payable		150,000	185,000
Interest Payable		-	-
Short-term Note Payable		-	-
Deferred Revenue		-	-
Dividends payable		155,000	135,000
	Current Liabilities	755,000	890,000
Long-term notes payable		1,250,000	1,250,000
	Total Liabilities	2,005,000	2,140,000
Stockholders' Equity			
Contributed capital		3,000,000	3,000,000
Retained earnings		1,995,000	1,695,000
	Total Liabilities and SE	**$ 7,000,000**	**$ 6,835,000**

Prior Income Statement Account Balances		
	2010	2009
Sales, net	$ 2,435,000	$ 2,500,000
Cost of goods sold	850,000	780,000
Wages expense	565,000	785,000
Interest income	52,000	56,000
Interest expense	56,250	56,250
Bad debt expense	60,750	45,000
Depreciation expense	500,000	500,000

2011 TRANSACTION AND EVENT LIST VERSION A

*HINT: Before booking an entry, remember to evaluate the substance of each transaction/event. Do accounting standards require the event or transaction to be booked into your company's accounting records? **NOTE**: All interest rates included in the transaction list are stated at an **annual** rate.*

1. You purchased additional inventory at a cost of $350,000. You paid half in cash and purchased the remainder on account.

2. Wage expenses for the year, through Dec. 15th were $550,000. Pay this in full, but don't forget about your beg balance in wages payable. Pay your wages payable.

3. Wages earned between Dec. 15th and Dec 31st were $70,000. You won't pay this until Jan 7th.

4. You collect $250,000 of account payments from customers.

5. You pay $315,000 cash toward your accounts payable.

6. Your company issued 1,000, 2 % bonds (face value of each bond is $1,000) at 95.4 on July 1, 2011. The bonds are due on July 1, 2015, with interest payable each January 1 and July 1. The market rate at the time of the bond issuance was 3 percent. Use the effective-interest method to calculate both the interest expense and the amortization of the bond discount when each interest payment is made.
   [Adjusting Entry Required]

7. You calculate and book a $500,000 depreciation expense for the year for equipment purchased before January 1, 2011.

8. A customer pays you $1,250,000 for work that you will perform in January of 2012.

9. On May 1, 2011, you pay the dividends that you owe to your owners.

10. Your customers bought some of your product (you decide what your company sells). The total sale amount was $3,000,000. This cost of this product, to you, was $1,250,000. Customers paid you 45% in cash and the remainder was on account.

11. A piece of land that was originally purchased for $1,450,000 was sold for $1,000,000 cash.

12. You receive interest income based on your average cash balance. For fiscal year 2011, you earn and receive $33,400 of interest revenue.

13. On December 31, 2011, you declare dividends of $.25 per share to be paid at a later date.

14. Purchased $20,000 of office supplies from Super Office Supplies with cash.

15. Purchased a parcel of land on March 1, 2011 for $1,000,000 by paying $400,000 in cash and signing a short-term note payable with the seller for $600,000. You must repay the $600,000 in exactly one year on March 1, 2012. You agree to pay the seller 6 percent interest (annual rate) on a quarterly basis (June 1, September 1, December 1, 2011, and March 1, 2012).
[Adjusting Entry Required]

16. Purchased a filing cabinet for $10,000 on account with California Furniture on January 1, 2011. The new filing cabinet will be depreciated over a ten year period on a straight-line basis. The cabinet has an estimated salvage value of $0.
[Adjusting Entry Required]

17. Purchased a two-year building insurance policy on November 1st 2011 for $120,000 cash.
[Adjusting Entry Required]

18. Purchased a truck for $200,000 cash on January 1, 2011. The truck will be depreciated over an 8 year period. You decide to use the declining-balance depreciation method because it is determined that the truck will be more productive when it is newer. The truck has an estimated salvage value of $20,000.
[Adjusting Entry Required]

19. Leased additional warehouse space for two years on June 1, 2011. $48,000 cash was paid on this date which covers the full rental fee for the two years.
[Adjusting Entry Required]

20. Your top sales officer met with a new customer to discuss a potential future contract. She informs you that the customer is considering signing the $200,000 deal, which would become effective next June.

21. On January 1, 2011, a 5 year, 5 percent $500,000 long-term note payable was taken from a local bank. Interest is payable annually on December 31st.

22. At the end of the year, $150,000 cash was paid to the local bank for the long-term note payable taken out on January 1, 2011. Accrued interest was paid and the remaining amount was applied towards principle.

23. $50,000 cash was paid for an investment in Company X's marketable securities on November 1, 2011.

24. On December 31, 2011, the marketable (trading) securities you purchased in the preceding transaction had a fair market value of $60,000.

25. You contributed $30,000 of your own cash to the company.

26. On March 8, 2011, you received a payment of $60,000 for 600 hours of service to be performed in the future.

27. By December 31, 2011, 200 of the service hours in the preceding transaction were completed.

28. Paid cash for $20,000 worth of radio advertising on February 1st, 2011. This gives you radio advertising space for the remainder of 2011.

29. Purchased $200,000 of inventory for a new project. The purchase was made on account.

30. On December 31, 2011, the utility bill was paid for the year. The amount was $50,000 and you paid in cash.

31. A piece of equipment was sold for $750,000 cash. The equipment was originally purchased for $600,000. At the time of the sale, it had been depreciated by $50,000.

32. Received a $20,000 cash payment from a customer paying on their account.

33. Paid your supplier $15,000 cash for an inventory purchase made on account two months ago.

34. An employment contract is signed with a new regional manager. You have offered him $150,000 per year. He will not begin working for the company until March 2012.

35. A count of office supplies indicated that $3,000 of office supplies had been used by December 31, 2011.

36. Purchased and used $800 worth of fuel for the delivery truck during the month of December.

37. Purchased a Patent (Intangible Asset) for $30,000 on August 1, 2011. The patent will be amortized over a 10 year period on a straight-line basis.
    [Adjusting Entry Required]

38. A customer that previously bought your product on account has filed for bankruptcy. He owed you $22,000. You expect to collect $0.

39. You believe that the historical rate used to estimate bad debt expense is way too low. After careful analyses, you determine that the company usually only collects 80% of outstanding accounts receivable. Based on this information, adjust your allowance for bad debt account. ***NOTE:*** Use your 2011 ending accounts receivable balance to make this calculation.