Lightning Fitness Equipment

800 Coco Drive, Coconut Grove, FL 33133

DESCRIPTION OF THE COMPANY

Lightning Fitness Equipment is mainly a wholesaler of fitness equipment and apparel, strategically located in Coconut Grove, Fl. The clientele of Lightning Fitness Equipment consists primarily of local gyms, wellness centers, retail outlets of sports equipment and apparel, and the general public. Lightning Fitness Equipment is owned and operated by Jordi Puyol.

You are employed to maintain the accounts and prepare financial statements for Lightning Fitness Equipment. This practice set includes the transactions completed during April, which are intended to illustrate general principles of accounting rather than the techniques of the accounting system of a particular business. You are to analyze, record, and post these transactions for April. You will then journalize entries for accounts requiring adjustment, prepare month-end financial reports, and complete the closing process.

The information below contains a description of the contents of the practice set and instructions for completing the project manually. The practice set can also be completed utilizing Klooster & Allen General Ledger software, which is included with your practice set. Additional instructions for using the general ledger software are provided within the application and can be accessed during installation of the software.

BOOKS OF ACCOUNT

Journals

The following journals are included in this booklet:

1. General Journal
2. Sales Journal
3. Purchases Journal
4. Cash Receipts Journal
5. Cash Payments Journal

Ledgers

The following ledgers are included in Booklet 2:

1. General Ledger
2. Accounts Receivable Ledger
3. Accounts Payable Ledger

A complete chart of accounts and a complete list of all customers and creditors are provided on the inside front cover of Booklet 2.

In the general ledger, all accounts have been opened and the account balances as of April 1, the beginning of a new fiscal period, have been entered. In the accounts receivable ledger and the accounts payable ledger, all accounts have been opened and all amounts due or owed are shown.

INSTRUCTIONS

This practice set is designed to be used with the business forms and/or with the Narrative of Transactions, both of which may be found in Booklet 3.

Journalizing Transactions

The business forms are the source of information regarding the transactions and are the basis for the journal entries. Open Booklet 3 and follow the instructions contained in it.

Using the business forms and/or the narrative, begin journalizing the transactions. (*Note:* Post daily to the subsidiary ledgers.)

Posting to the General Ledger

1. Total each column of the various special journals. Ensure that total debits equal total credits in each journal.
2. Post all items that need to be posted individually to the general ledger. The general ledger account balances do not need to be determined until the posting is completed. Use the printed page numbers in your posting references.
3. Post the appropriate totals in the special journals to their respective accounts in the general ledger. Determine the balance of each account. The cash balance on April 30 should be $212,714.01.

Month-End Processing

Since the proprietor, Jordi Puyol, considers each month to be a separate fiscal period, you must now complete month-end processing.

Ruled forms are provided for the trial balance, schedules, and the financial statements. A work sheet is provided and its use is optional. The heading, with the exception of the date line, is printed on each form. Also, all general ledger account titles are printed on the work sheet.

1. Prepare schedules of accounts receivable and accounts payable, and compare the totals with the balances of the controlling accounts in the general ledger.
2. Prepare a trial balance at April 30. (Completing the work sheet is optional.)
3. Make necessary adjustments. Record adjusting entries on page 2 of the general journal. Adjustment data are as follows:

a) Merchandise Inventory per physical count, April 30	$319,177.50
b) Office supplies on hand at April 30	1,600.00
c) Store supplies on hand at April 30	3,330.00
d) Prepaid Insurance, April 30	6,160.00
Depreciation for the month:	
e) Equipment	1,250.00
f) Building	2,475.00
g) Interest earned on note receivable	30.00
h) Accrued salaries at April 30:	
Sales salaries	1,200.00
Office salaries	500.00
i) Unearned rent, April 30	5,270.00

4. Prepare an income statement, a statement of owner's equity, and a balance sheet.
5. Journalize the adjusting entries and post to the general ledger.
6. Journalize the closing entries on page 3 of the general journal. Post to the general ledger, indicating closed accounts by inserting a horizontal line in both balance columns.
7. Prepare a post-closing trial balance.