

# [Marion boats essay sample](https://assignbuster.com/marion-boats-essay-sample/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Two brothers Fred and Bill Cunningham have decided to start a business in Mississippi called Marion Boats. This summary provides an overview for the year 2005 – 2006. They start the company with a total of 2300 shares holding a cash value of $72000. The following financial statements summarize the current financial position of Marion Boats:

Journal Entries
Transaction Analysis
Balance Sheet
Income Statement
Stockholder’s Equity Statement
Cash Account Statement
Cash Flow – Direct Statement
Cash Flow – Indirect Statement
Journal Entries for Marion Boats
Date Transaction Debit Credit

1-Oct-05 Fred purchased 1, 800 shares of the company’s stock for $72, 000 and Bill purchased 500 shares for $20, 000. Total invested $92, 000 Cash 92, 000 Owners’ Equity 92000 1-Oct-05 Paid legal services fee 800$ divided between the two. Leaving initial investment to be $91, 200. Cash 800 Owners’ Equity 800 1-Nov-05 Bank loan of $40, 000 Accounts Payable 40000 Cash 40000 1-Nov-05 $72, 000 used to purchase property. This amount includes the Bank loan and $32, 000 of companies money) Cash 72000 Property 72000 1-Nov-05 Mr. Mahoney demolished the old building for $9, 000. Payment collection deferred until 31 May 2006. Property 9000 Accounts Payable 9000 31-Dec-05 Sport boats sent check of $40, 000 to Marion boats to start construction.

Cash 40000 Accounts Payable 40000 31-Dec-05 Construction company charges $140, 000. Completion by end of March 2006. Payments to be made as following: Jan end – $40, 000Feb end – $40, 000Mar end – $60, 000 Cash 140000 Property 140000 1 Jan 2006 – 30 Mar 2006 Fred sold 17 boats average cash cost of $9, 000. Nothing paid to Sport boats during this period. Sales of these 17 boats realized $183, 600, where $58, 000 represented trade-in allowances, $112, 000 in cash and the rest was outstanding ($13, 600) on 30th Mar. Fred sold all the trade-in boats for $54, 800 cash before 31st Mar. Cash 153000 Inventory 153000 Cash 112000 Accounts Receivable 13600 Inventory (from trade in) 58000 Cash (from trade in boats) 54800 Owners’ Equity 180400 Inventory (after sale of trade in boats) 58000

1 Jan 2006 – 30 Mar 2006 Fred gets $40 for every new boat sale. Cash: Compensation 680 Owners’ Equity 680 31-Mar-06 Additional charge for materials $2, 400. Paid on 31st Mar. Cash 2400 Property 2400 31-Mar-06 Architect’s bill for $2, 600. Cash 2600 Property 2600 30-Mar-06 Paid bank loan plus interest $40, 000 + $2, 000 by check. Cash 42000 Accounts Payable 40000 Owners’ Equity 2000 31-Mar-06 Salary payout for Fred for 5 months Cash 10000 Wages Payable 10000 Total 842880 842880

Marion Boats
Transaction Analysis – 31 March 2006
Assets Liabilities Owner’s Equity
Transaction Cash Accounts Receivable Inventory Property Accounts Payable Accrued Wages Payable Paid In Capital Retained Earnings Initial Investment Less Legal service fee 92000 92000 Legal service fee -800 -800 Salary payment for Fred 10000 -10000

Acquire property: Cash -32000 32000 Bank Loan 40000 40000 Acquire Property: Credit -40000 40000 Building demolition fee: Credit 9000 9000 Sport boats Loan 40000 40000 Acquire 17 boats 153000 153000 Cost for 17 boats -153000 -153000 Selling 17 boats 112000 13600 58000 183600

Compensation to Fred for selling 17 boats -680 -680
Sale of trade in boats 54800 -58000 -3200
Payment of 1st installment for Construction -40000 40000 Payment of 2nd installment for Construction -40000 40000 Payment of 3rd installment for Construction -60000 60000 Payment of additional charge for materials -2400 2400 Payment of architects bill -2600 2600 Payment of bank loan including interest -42000 -40000 -2000 Fred’s Salary -10000 -10000 Total 68320 13600 81000 145000 202000 0 92000 13920 Total Assets 307920 307920

Marion Boats
Balance Sheet as on 31 March 2006
Assets Liabilities and Stockholder’s Equity
Cash 68320 Liabilities: Accounts Receivable 13600 Account Payable 202000 Inventory 81000 Accrued Wages Payable 0
Property 145000 Stockholder’s Equity: Paid In Capital 92000
Retained Earnings 13920
Total 307920 Total 307920
Marion Boats
Income Statement Year ended 31 March 2006
Revenue 238, 400
Less: Trade in Allowance -58000
Net Sales 180400
Cost of Sales: Beginning Inventory 0
Goods Acquired 153000
Total Goods Available 153000
Total Cost of Goods sold 153000
Gross Profit 27400
Operating Expenses: Selling: Salaries 10000
Administrative Expenses: Legal Fees 800
Compensation Expense 680
Bank loan Interest 2000
Total Operating Expense 13480
Net Income Before Tax 13920
Tax on Income 0
Net Income 13920
Marion Boats
Statement of Stockholder’s Equity Year ended 31 March 2006
Fred Cunningham, capital 72000
Bill Cunningham, capital 20000
Investments and Withdrawals: Legal Fee -800
Salary Payout -10000
Boat Sales 183600
Cost Price of Boats -153000
Sales of Trade in Boats -3200
Compensation Expense -680
Interest on Loan -2000
Total Investments and Withdrawals 13920
Net Stockholder’s Equity Balance 105920
Marion Boats
Cash Account Statement year ended 31 March 2006
Cash Receipt Cash Disbursement
Initial Investment 92000 Legal Fee 800
Bank Loan 40000 Purchase Property: Cash 32000
Purchase Property: Credit 40000
Sport Boats Loan 40000 Salary Payout 10000
Cost Price of 17 Boats 153000
Sale of 17 Boats 112000 Sale of Trade in Boats 54800 Compensation 680 Additional cost for Materials 2400
Architect’s Bill 2600
Building Payment 140000
Loan Payback including interest 42000
Net Cash Flow 338800 423480
Marion Boats
Cash Flow – Direct Statement year ended 31 March 2006
Type of Transaction Operating Activities: Legal Fee -800
Cash from selling boats 166800
Compensation payment -680
Salary: Fred -10000
Interest on loan -2000
Total Cash from Operating Activities 153320
Investing Activities: Purchase of Property -72000
Building -142400
Architects Bill -2600
Total Cash from Investing Activities -217000
Financing Activities: Cash: Fred 72000
Cash: Bill 20000
Loan from Bank 40000
Loan from Sport Boats 40000
Bank Loan Repaid -40000
Total Cash from Financing Activities 132000
Net Increase in Cash 68320
Cash: Beginning 0
Cash: End 68320
Marion Boats
Cash Flow – Indirect Statement year ended 31 March 2006
Type of Transaction Operating Activities: Net Income 13920
Adjustments: Increase in Accounts Receivable -13600
Increase in Accounts Payable 153000
Total Cash from Operating Activities 153320
Investing Activities: Purchase of Property -72000
Building -142400
Architects Bill -2600
Total Cash from Investing Activities -217000
Financing Activities: Cash: Fred 72000
Cash: Bill 20000
Loan from Bank 40000
Loan from Sport Boats 40000
Bank Loan Repaid -40000
Total Cash from Financing Activities 132000