

Marion boats essay sample

[Finance](#)



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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, 000 Feb end - \$40, 000 Mar 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

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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

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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

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Loan from Sport Boats 40000

Bank Loan Repaid -40000

Total Cash from Financing Activities 132000