Following are selected transactions or events of Amazon Company relating to its first month of operation.

1-May Amazon borrowed $100,000 via a note payable bearing interest at 1% per month. This note and all accrued interest is due at the end of July.

10-May Purchased $25,000 of inventory, terms 2/10, n/30. The purchase was initially recorded at the net amount. The obligation was not paid during May.

17-May The company adopted an employee health insurance plan. The total estimated cost is $100 per day. None of this cost was funded during May.

20-May Sold goods for $80,000 cash. Amazon offers a warranty on the goods, and anticipates that total warranty cost will be 2% of sales.

25-May Amazon was involved in an accident that resulted in damage to another person’s property. Amazon expects to be held responsible for an estimated $10,000 in damages.

31-May At month end, it was estimated that employees are owed for $13,000 in accrued wages. In addition, $400 was spent on warranty service work.

(a) Prepare any initial journal entries necessary to record the preceding transactions or events.

(b) Prepare month-end adjusting journal entries that are deemed appropriate related to the preceding transactions or events.

(c) Prepare the current liability section of the company’s balance sheet as of the end of the month. The only obligations are those related to the preceding transactions or events.