Moncrief Corporation is a small business operating in a state where a tax on income is contrary to the state's constitution. In an effort to raise revenue, the state has imposed a tax on business receipts for services provided to customers (total revenues, whether collected during the period or not). The tax is equal to 1% of revenues in excess of $300,000.

Moncrief prepared its state tax return by adding up the total deposits to the company's bank account during the year. Total deposits were $1,240,000, and the company paid taxes of $9,400 (($1,240,000 - $300,000) X 1%).

Assume you are an auditor for the state, and Moncrief has been randomly selected for a routine review. You immediately find that the company does not maintain a typical journal/ledger system, and is fundamentally clueless about proper accounting procedures.

You have discovered the following limited information as part of your examination:

Fact 1 Total deposits included $150,000 that resulted from issuing shares to stockholders.

Fact 2 The total deposits included $25,000 of interest income on investments.

Fact 3 The total deposits included $900 that was the result of a bank error. The bank subsequently discovered the error, and removed the funds from Moncrief's account.

Fact 4 Moncrief provides some services for cash, and portions of that money are never deposited to a bank. The company maintains a cash receipts book, and you have determined that $24,700 was collected from customers but never deposited.

Fact 5 Bank deposits during the period included a $1,200 refund check from a vendor relating to an overpayment for supplies.

Fact 6 The company deposits included $14,000 that was the result of a refund of an overpayment of federal income taxes.

Fact 7 During the year, Moncrief collected a customer deposit toward a future contract. This $10,000 advance was deposited and subsequently refunded when both parties mutually agreed to cancel the contract.

Fact 8 Moncrief has many customers for which services are provided on account. As of the beginning of the year, the balance due from customers was $130,000. By the end of the year, accounts receivable had grown to $390,000. Moncrief has never experienced a problem with non-payment, and all customers pay their accounts in full within 90 days of a transaction.

(a) Prepare an analysis to determine the correct amount of revenue for purposes of computing the tax.

(b) Prepare journal entries for the "revenue" cycle, as well as the other cash items described.

(c) Prepare a general ledger account supporting the revenue calculation.