

On January 1, 20X7, Jacqueline Fernandez formed a corporation to purchase wheat harvesting equipment and provide contract support services to farmers throughout the Midwest. Information about the first year of operation follows:

- Jan. 1 Investors provided \$2,500,000 of cash in exchange for stock of Fernandez Corporation
- Jan. 1 Purchased combines and trucks in exchange for \$1,000,000 cash and a \$3,000,000 note payable
- Feb. 7 Purchased \$40,000 of supplies on account that will be needed during the upcoming harvest
- Mar. 3 Paid wages of \$65,400
- Apr. 1 Billed customers for services in the amount of \$230,000
- Apr. 11 Paid \$30,000 toward the purchase of February 7
- May 1 Purchased a \$24,000 insurance policy, recorded as prepaid insurance
- June 6 Collected \$210,000 on accounts receivable
- June 9 Paid wages of \$130,600
- June 15 Paid \$30,200 for fuel costs
- June 20 Paid \$12,500 for lodging costs incurred by crew
- June 30 Paid \$120,000 of interest and \$80,000 to reduce the balance of the note payable
- Aug. 1 Billed customers for services provided in the amount of \$812,000
- Sept. 3 Collected \$715,000 on accounts receivable
- Sept. 16 Purchased \$25,000 of supplies on account
- Sept. 25 Paid \$61,200 for fuel costs
- Oct. 20 Paid \$8,100 for lodging costs incurred by crew
- Nov. 3 Paid wages of \$125,900
- Dec. 15 Collected \$100,000 as deposits from customers who contracted for 20X8 harvesting services
- Dec. 31 Declared and paid a \$25,000 dividend to shareholders

Fernandez Corporation uses the following accounts:

Cash	Retained Earnings
Accounts Receivable	Dividends
Supplies	Revenues
Prepaid Insurance	Wage Expense
Equipment	Fuel Expense
Accumulated Depreciation	Lodging Expense
Accounts Payable	Insurance Expense
Interest Payable	Supplies Expense
Unearned Revenue	Interest Expense
Notes Payable	Depreciation Expense
Capital Stock	Income Summary

- (a) Journalize the listed transactions.
- (b) Post the transactions to the appropriate general ledger accounts.
- (c) Prepare a trial balance as of December 31.
- (d) Journalize and post adjusting entries based on the following additional information.

The equipment had 25-year life, with no salvage value.

Supplies on hand at year end amount to \$20,000.

At year end, \$115,000 of additional interest is due on the note payable.

The insurance policy covered a 12-month period commencing on May 1.

At year end, Fernandez had provided \$30,000 of unbilled services to customers. These services will be billed in early 20X8.

- (e) Prepare an adjusted trial balance as of December 31.
- (f) Prepare an income statement and statement of retained earnings for 20X7, and a classified balance sheet as of the end of the year.
- (g) Journalize and post closing entries.
- (h) Prepare a post-closing trial balance as of December 31.