

Hanna Sports is a retailer that specializes in athletic equipment. The corporate strategy is to focus on towns with a population of less than 25,000 people, thereby avoiding head-to-head competition with large retail chains. Following is Hanna's adjusted trial balance for the year 20X7. Hanna's ending inventory is \$525,525.

HANNA SPORTS CORPORATION		
Adjusted Trial Balance		
As of December 31, 20X7		
	Debits	Credits
Cash	\$ 644,909	
Accounts receivable	333,654	
Inventory, Jan. 1	433,477	
Equipment	488,765	
Accumulated depreciation		\$144,895
Accounts payable		111,888
Loan payable		500,900
Capital stock		250,000
Retained earnings, Jan. 1		322,433
Dividends	25,000	
Sales		3,665,667
Sales discounts	23,112	
Sales returns and allowances	144,367	
Purchases	2,198,560	
Purchase discounts		114,432
Purchase returns and allowances		26,341
Freight-in	73,091	
Selling expenses	185,312	
Rent expense	262,000	
Interest expense	60,400	
Salaries expense	200,700	
Depreciation expense	63,209	
	<u>\$5,136,556</u>	<u>\$5,136,556</u>

- (a) Prepare a comprehensive income statement.
- (b) Prepare closing entries.