

# **Robe Case**

## **Overview**

The objectives of this case are to:

- Review Writing Journal Entries
- Review reading financial financial statements

## **Required:**

- Complete the three questions on the next page.

**Attached Find the Financial Statements of Robe. Review the Financial and the Footnotes.**

1. Write the Journal Entries for the following Income Statement Transactions:

- Sales of 16,768,409
- Sales Discounts of 160,060
- Markdown Allowances of 8,110
- Cost of Goods Sold of 12,186,934
- Selling and Shipping of 2,197,889
- General and Administrative of 1,220,425
- Interest Income of 13,522
- Sundry Income of 26,628
- Interest Expense of 432,778
- Provision For Taxes of 32,489 [make sure you find the current and deferred portion]

2. Also, write the Journal Entries for the following transactions:

- Depreciation and Amortization expense
  - Depreciation alone
  - Amortization alone
- Provision for Bad Debts
- Income Taxes Paid
- Interest Paid in Cash
- Rental Cost
- Inventory purchased during the year
- Pension Cost

**Check your answers with the solution notes at the end of the case**

**3. Bonus Question [no solution notes]**

**When are the following amounts due:**

- Notes Payable of 1,725,000
- Current Maturities of Long-Term Debt of 105,194
- Current Capital Lease Obligations of 18,380
- Long-Term Debt, Less Current Maturities of 447,901

# **HOROWITZ, COLEMAN, WALDMAN & COMPANY**

## **Accounts and Auditors**

1800 Northern Boulevard  
ROSLYN, NEW YORK 11576

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Robe Co., Inc.  
Northern Blvd.  
Long Island City, New York 11101

Gentlemen:

We have audited the accompanying balance sheet of Robe Co., Inc. (an S Corporation) as at December 31, 2003 and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We did not observe the physical inventory (stated at \$4,267,400) taken as of December 31, 2002, and the Company's records do not permit adequate retroactive tests of those inventory quantities. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statements of income, retained earnings, and cash flows for the year ended December 31, 2003.

In our opinion, the balance sheet referred to in the first paragraph presents fairly, in all material respects, the financial position of Robe Co., Inc. as of December 31, 2003, in conformity with generally accepted accounting principles.

HOROWITZ, COLEMAN, WALDMAN & CO .  
January 18, 2004

ROBE CO., INC.  
BALANCE SHEET  
DECEMBER 31, 2003

ASSETS

Current Assets:

Cash	\$	731,171
Accounts Receivable, Less Allowance For Doubtful Accounts of \$20,000		2,498,427
Inventory		4,299,200
Prepaid Expenses		62,471
Sundry Receivables		<u>32,200</u>
Total Current Assets		7,623,469
Plant and Equipment, Net		232,278

Other Assets:

Loan Receivable		34,337
Security Deposits		14,816
Cash Surrender Value - Officer's Life Insurance, Net		16,503
Sundry		8,319
Total Other Assets		<u>73,975</u>
Total Assets		\$7,929,722

See Accompanying Notes And Auditor's Opinion  
HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
BALANCE SHEET  
DECEMBER 31, 2003

LIABILITIES AND STOCKHOLDER'S EQUITIES

Current Liabilities:

Notes Payable	1,725,000
Current Maturities of Long-Term Debt	105,194
Current Capital Lease Obligations	18,380
Accounts Payable	1,770,199
Trade Acceptances Payable	1,078,244
Accrued Liabilities	<u>625,320</u>
Total Current Liabilities	5,322,337
Long-Term Debt, Less Current Maturities	447,901

Stockholder's Equity:

Capital Stock	77,342
Additional Paid In Capital	5,086
Retained Earnings	<u>2,792,056</u>
	2,874,484
Less: Treasury Stock -At Cost	( 715,000)
Total Stockholder's Equity	<u>2,159,484</u>
Total Liabilities and Stockholder's Equity	\$ 7,929,722

See Accompanying Notes And Auditor's Opinion  
HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2003

		Per Cent
Sales	\$16,768,409	101.0
Sales Discounts	160,060	
Markdown Allowances	<u>8,110</u>	
	168,170	1.0
Net Sales	16,600,239	100.0
Cost of Goods Sold	<u>12,186,934</u>	73.4
Gross Profit	4,413,305	26.6
Operating Expenses:		
Selling and Shipping	2,197,889	13.2
General and Administrative	<u>1,220,425</u>	7.4
Total Operating Expenses	3,418,314	20.6
Income From Operations	994,991	6.0
Other Income (Expense):		
Interest Income	13,522	.1
Sundry Income	<u>26,628</u>	.1
Interest Expense	( 432,778)	(2.6)
Total Other Income (Expense)	( 392,628)	(2.4)
Income Before Provision For Taxes	602,363	3.6
Provision For Taxes	<u>32,489</u>	.2
Net Income	\$ 569,874	3.4

See Accompanying Notes And Auditor's Opinion  
HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003

<b>Cash Flows From Operating Activities:</b>	
Net Income	\$ 569,874
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	84,461
Provision for Bad Debts	106,734
Deferred Tax Benefit	( 6,701)
Decrease in Accounts Receivable	303,399
Increase in Inventory	( 31,800)
Increase in Prepaid Expenses	( 5,070)
Increase in Sundry Receivables	( 813)
Increase in Accounts Payable	461,465
Decrease in Accrued Liabilities	( 186,169)
Decrease in Income Taxes Payable	( 24,047)
Total Adjustments	701,459
Net Cash Provided by Operating Activities	1,271,333

**Cash Flows From Investing Activities:**

Repayment of Loan	18,366
Acquisition of Plant and Equipment	( 22,942)
Net Cash Used in Investing Activities	( 4,576)

**Cash Flows From Financing Activities:**

Borrowings Under Line-of-Credit Agreement	1,713,653
Payments on Short-Term Debt	( 1,596,707)
Principal Payments Under Capital Lease Obligations	( 18,443)
Principal Payments on Long-Term Debt	( 104,884)
Stockholder Distributions	( 707,000)
Net Cash Used in Financing Activities	( 713,381)

Net Increase in Cash 553,376

Cash at Beginning of Year 177,795  
Cash at End of Year \$ 731,171

**Supplemental Disclosures of Cash Flow Information:**

Cash Paid During the Year For:	
Interest Expense	\$ 435,454
Income Taxes	\$ 63,916

See Accompanying Notes And Auditor's Opinion  
HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories- Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

Plant and Equipment -Plant and Equipment are carried at cost. Depreciation is computed using the Straight-Line method. Where assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Income Taxes -The Company has elected to be treated as a S Corporation under Section 1361 of the Internal Revenue Code. Under those provisions, the Company does not pay Federal corporate income taxes on its taxable income. Instead, the stockholder is liable for individual Federal income taxes on the Company's taxable income. Deferred income taxes arise from timing differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred income taxes are provided in amounts sufficient to give effect to timing differences principally related to the determination of taxable income, and where the state and local taxing authorities do not recognize this "S" corporation election.

HOROWITZ, COLEMAN, WALDMAN & CO .



ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B -INVENTORY

Merchandise inventories consisted of:

Piece Goods, Trimmings and Supplies	\$1,043,017
Work-In Process	413,741
Finished Goods	<u>2,842,442</u>
	\$4,299,200

NOTE C -LOAN RECEIVABLE

Loan receivable consists of:

Loan Receivable	\$ 54,079
Less: Current Maturities	19,742
Loan Receivable, Net	\$ 34,337

Loan to corporate officer is unsecured and being repaid in monthly installments of \$1,918. The 7.25% annual interest rate included in each repayment was in excess of the Applicable Federal Rate required for this type of loan. Interest income earned by the Company for the year ending December 31, 2003 was \$4,650.

NOTE D -PLANT AND EQUIPMENT

Plant and Equipment consists of the following:

Plant and Equipment	\$ 549,994
Leasehold Improvements	109,625
Furniture and Fixtures	162,397
Computer Software	86,291
	908,307
Less: Accumulated Depreciation and Amortization	693,843
	214,464
Property Under Capital Lease	84,410
Less: Accumulated Amortization	66,596
	17,814
Plant and Equipment, Net	\$ 232,278

Depreciation and amortization charged to income was \$84,461.

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ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE E -NOTES PAYABLE -BANK

At December 31, 2003 the Company had a financing agreement with a commercial bank under which the Company may borrow a maximum of \$5,200,000. Short-term notes are payable on demand, with interest computed at 3% over the banks current prime lending rate. The rate on trade acceptances is 4% above the banks current acceptance rate. The Company has assigned to the bank a security interest in all accounts receivable and imported inventory. No compensating balances are required.

December 31, 2003	Notes	Acceptances
Maximum Aggregate Borrowings -Monthly	\$2,825,000	\$1,308,217
Average Borrowings -Yearly	2,404,167	507,709

The weighted interest rate on short-term borrowings was 8.0%.

NOTE F -LONG-TERM DEBT

Equipment Notes	\$ 43,365
Treasury Stock Obligations	<u>506,694</u>
	550,059
Less: Current Maturities	105,194
	444,865
Property Under Capital Leases	21,416
Less: Current Maturities	18,380
	3,036
Long-Term Debt, Net	\$447,901

HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE F -LONG-TERM DEBT - (continued)

Equipment Notes - Debt consists of a series of notes, payable in monthly principal installments of \$3,728, with interest computed at 1.25% over the banks current prime lending rate. The notes are collateralized by equipment having an approximate book value of \$83,462, and have maturity dates extending through 2003.

Maturities of the equipment notes in the next two years are as follows:

2004	\$ 39,440
2003	\$ 3,925

Treasury Stock Obligations -The Corporation is obligated under two stock purchase agreements whereby common capital stock has been redeemed. The notes, payable in monthly installments of \$9,058, include interest at an annual rate of 9.0% with maturity dates extending through 2010.

The following is a schedule of future payments to be made under these agreements as of December 31, 2003:

Year Ending December 31,	
2004	\$108,692
2003	108,692
2004	108,692
2005	99,448
2006	53,204
	478,728
Subsequent Years	212,816
Total Payments Due	691,544
Less: Amounts Representing Interest	<u>184,850</u>
Present Value of Obligations	\$506,694

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ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE F -LONG-TERM DEBT -(continued)

The Corporation is obligated under several noncancellable equipment leases. The following is a schedule of future minimum lease payments for the capital leases as of December 31, 2003:

2004	\$ 21,742
2003	1,628
2004	1,628
2005	814
Total Minimum Lease Payments	25,812
Less: Amount Representing Executory Costs	1,967
Net Minimum Lease Payments	23,845
Less: Amount Representing Interest	2,429
Present Value of Net Minimum Lease Payments	\$ 21,416

NOTE G -ACCRUED LIABILITIES

Accrued expenses consisted of :	
Payroll and Other Sundry Taxes	\$ 19,806
Payroll	69,351
Purchases	46,186
Royalties	134,533
Pension	135,093
Sundry	220,351
Total Accrued Liabilities	\$625,320

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ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE H -OPERATING LEASES

The Corporation is obligated under several long-term agreements in connection with the leasing of its manufacturing plant and sales showroom facilities in New York City, New York and Los Angeles, California.

The approximate minimum rental commitments under the various leases are summarized as follows:

Manufacturing Facility

2004	\$	335,500
2003		335,500
2004		335,500
2005		335,500
2006		<u>358,375</u>
		1,700,375
Later years		1,647,000
		\$3,347,375

Sale Showrooms

2004	\$	110,823
2003		111,391
2004		119,181
2005		103,596
2006		<u>103,596</u>
		548,587
Later Years		86,330
		\$ 634,917

Rental expense has been charged to operations as follows:

Factory Overhead	\$	333,976
Selling Expenses		<u>103,903</u>
Total Rental Expense	\$	437,879

HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE I -PENSION AND PROFIT SHARING PLANS

Pension Plan

The Company sponsors a Defined Benefit Plan that covers all employees who satisfy the plan's eligibility requirements except employees covered by a Good Faith Collecting Bargaining Agreement. The Company utilizes the Frozen Initial Liability Funding Method for tax purposes, and the Projected Unit Credit Method under changes required by FASB Statement No.87, Employers' Accounting For Pensions. Accumulated benefit information, as estimated by consulting actuaries, and net assets available for benefits are as follows:

A. Pension Benefit Obligation

Accumulated Benefit Obligation	
Vested	\$ 901,173
Non-Vested	5,547
Total	906,720
Effect of Future Salary Progression	33,204
Pension Benefit Obligation	\$ 939,924

B Pension Cost Components

Service Cost	\$ 97,061
Interest Cost	70,170
Actual Return on Plan Assets	( 126,665)
Amortization of Unrecognized Prior Service Costs	12,209
Net Amortization and Deferral	64,565
Amortization of Transition Asset	( 8,491)
	\$ 108,849

HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE I -PENSION AND PROFIT SHARING PLANS -(continued)

C. Reconciliation of Funded Status

Pension Benefit Obligation	(\$939,924)
Plan Assets	833,000
Funded Status	( 100,324)
Unrealized Prior Service Costs	242,480
Unrecognized Net Gain	( 110,849)
Unrecognized Net Transitional Obligation	( 100,400)
Accrued Pension Cost	(\$135,093)

The assumptions used in the computation of net pension expense for the year ended December 31, 2003 are:

Long-Term Rate of Return	8.0%
Discount (Settlement Rate)	8.0%
Salary Progression Rate	5.0%

Pension costs charged to operations during 2003 were \$108,849.

Profit Sharing Plan -The Company provides a profit sharing plan for its non-union employees, and makes contributions at the discretion of the Board of Directors. The combined contributions of both Company plans do not exceed the limitations established by Section 401(a) of the Internal Revenue Code. For the year ended December 31, 2003, no profit sharing contribution was made.

NOTE J -INCOME TAXES:

The components of income tax expense are:

Currently Payable	\$ 39,190
Deferred Taxes Due to Timing Differences	( 6,701)
Total Income Tax Expense	\$ 32,489

NOTE K -COMMITMENTS AND CONTINGENCIES

(1) In connection with the Company's financing agreement, the Bank has issued on behalf of the Company several letters of It credit totaling \$338,373 at December 31, 2003.

HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE K -COMMITMENTS AND CONTINGENCIES - (continued)

{2) The corporation has an exclusive licensing contract with provisions for subsequent renewals in connection with the manufacture and sale of robes and swim-wear under the trade name "Polo by Ralph Lauren". The corporation is required to pay royalties of 7-1/2% of the net price on all licensed products sold. Minimum royalty payments are \$18,750 per quarter. Total royalty payments charged to income for the year ended December 31, 2003 were \$510,557 on licensed sales of \$7,660,399.

NOTE L -MAJOR CUSTOMER

The Company had sales of approximately \$5,667,000 (34.1%) with three customers during the year ended December 31, 2003.

NOTE M -MAJOR SUPPLIERS

During the year ended December 31, 2003, the Company purchased approximately \$5,435,000 of finished goods merchandise from a Brazilian supplier. Although no formal contract exists, the Company acts as the suppliers exclusive North American distributor for this type of product.

HOROWITZ, COLEMAN, WALDMAN & CO .



# **HOROWITZ, COLEMAN, WALDMAN & COMPANY**

## **Accounts and Auditors**

1800 Northern Boulevard  
ROSLYN, NEW YORK 11576

(516) 721-5050  
FAX (516) 784-1245

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Robe Co., Inc.  
Northern Blvd.  
Long Island City, New York 11101

Gentlemen:

Our audit of the basic financial statements of Robe Co., Inc. for the year ended December 31, 2003 presented in the preceding section of this report was made for the purpose of forming an opinion on such financial statements taken as a whole. The accompanying information shown on pages 16 through 19 is presented for purposes of additional, analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. For reasons as stated in our Auditor's Report, page one (1), we are unable to express an opinion on the information contained on the following pages.

HOROWITZ, COLEMAN, WALDMAN & CO.  
January 18, 2004  
Roslyn, New York

ROBE CO., INC.  
SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31 , 2003

<b>Cost of Goods Sold:</b>	
Inventory - Beginning	\$ 4,267,400
Purchases	9,403,105
Freight-In	45,864
Direct Labor	1,156,008
Fringe Benefits	513,640
Contract Labor	288,119
Factory Overhead	811,918
	16,486,134
Inventory -Ending	4,299,200
<b>Total Cost of Goods Sold</b>	<b>\$12,186,934</b>
<b>Purchases:</b>	
Finished Goods	\$ 7,177,788
Piece Goods	1,974,829
Trimmings	144,515
Buttons and Labels	64,516
Boxes and Bags	41,457
<b>Total Purchases</b>	<b>\$ 9,403,105</b>
<b>Fringe Benefits:</b>	
Union, Health and Welfare	\$ 224,768
Holiday and Vacation	142,131
Payroll Taxes	146,741
<b>Total Fringe Benefits</b>	<b>\$ 513,640</b>

HOROWITZ, COLEMAN, WALDMAN & CO .

ROBE CO., INC.  
SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31 , 2003  
SCHEDULE OF FACTORY OVERHEAD

		Per Cent
Rent	\$333,976	2.0
Utilities	57,567	.4
Protection	3,813	
Insurance	115,945	.7
Factory Supplies and Expenses	117,707	.7
Pattern Makers Salaries and Expenses	34,110	.2
Foreman Salaries	53,438	.3
Sample Makers Salaries	16,809	.1
Rubbish Removal	17,784	.1
Machine Rental	6,017	.1
Depreciation- Plant and Equipment	40,121	.2
Amortization -Leasehold Improvements	14,631	.1
<b>Total Factory Overhead</b>	<b>\$811,918</b>	<b>4.9</b>

HOROWITZ, COLEMAN, WALDMAN & CO.

ROBE CO., INC.  
SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31 , 2003  
SCHEDULE OF SELLING AND SHIPPING EXPENSES

		Per Cent
Officer's Salary	\$ 100,877	.6
Travel and Entertainment	90,803	.5
Sales Commissions	515,248	3.1
Royalties	510,557	3.1
Advertising	111,860	.7
Photos and Swatches	22,967	.1
Sales Salaries	191,000	1.1
Freight-Out	129,047	.8
Auto Expenses	27,623	.2
Shipping Supplies	35,041	.2
Shipping Salaries	164,925	1.0
Customer Service Salaries	44,700	.3
Receiving Salaries	90,674	.5
	2,035,322	12.2
 Show-Room Expenses:		
Rent	103,903	.6
Show-Room Salaries	23,231	.1
Telephone	14,021	.1
Utilities	10,859	.1
Sundry Expenses	10,553	.1
Total Showroom Expenses	162,567	1.0
 Total Selling and Shipping Expenses	 \$2,197,889	 13.2

HOROWITZ, COLEMAN, WALDMAN & CO.

ROBE CO., INC.  
SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31 , 2003  
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

		Per Cent
Officer's Salary	\$ 100,877	.6
General Supervisor's Salary	79,079	.5
Data Processing Salaries	105,725	.6
Office Salaries	139,301	.8
Credit and Collection Salary	31,200	.2
Purchasing Salaries	55,840	.3
Production Salary	20,800	.1
Employee Welfare	73,968	.4
Telephone	25,954	.2
Data Processing	26,180	.2
Professional Fees	55,241	.3
Pension Contribution	108,849	.7
Insurance	35,207	.2
Office	38,950	.2
Stationery, Printing and Postage	31,081	.2
Provision For Doubtful Accounts	106,734	.6
Collection Expenses	7,955	.1
Payroll Taxes	100,314	.6
Other Taxes	26,528	.2
Check Cashing Fees	8,752	.1
Sundry Expenses	12,181	.1
Depreciation and Amortization-Other	12,827	.1
Amortization of Capital Leases	16,882	.1
Total General and Administrative Expenses	 \$1,220,425	 7.4

HOROWITZ, COLEMAN, WALDMAN & CO.

## Solution Notes - Robe

Dr. Accounts Receivable Gross	16,768,409	
Cr. Sales Revenue		16,768,409

Dr. Sales Revenue	160,060	
Cr. Allowance for Receivables		160,060

Dr. Sales Revenue	8,110	
Cr. Allowance for Receivables		8,110

Dr. Cost of Goods Sold	12,186,934	
Cr. Inventory		12,186,934

Dr. Selling and Shipping Expense	2,197,889	
Cr. Accruals		2,197,889

Dr. General and Administrative Expense	1,220,425	
Cr. Accruals		1,220,425

Dr. Other Receivables or cash	13,522	
Cr. Interest Income		13,522

Dr. Other Receivables or cash	26,628	
Cr. Other Income		26,628

Dr. Interest Expense	432,778	
Cr. Interest Payable		432,778

Dr. Tax Expense	32,489	
Cr. Tax Payable		39,190
Dr. Deferred Tax	6,701	

Dr. Dep & Am Expense [G&A]	29,709	
Cr. Accumulated Dep		29,709
Dr. Dep & Am [Factory OH] [WIP inventory]	54,752	
Cr. Accumulated Dep		54,752
Total D&A	84,461	

Dr. Dep & Amortization Expense	12,827	
Dr. Amortization of Cap Lease	16,882	
Cr. Accumulated Dep		29,709
Dr. Depreciation [Factory Overhead] [W.I.P. inventory]	40,121	
Dr. Amortization of Leashold Improvement [OH] [WIP]	14,631	
Cr. Accumulated Dep		54,752
Total D&A	84,461	

Dr. Bad Debt Expense [provision]	106,734	
Cr. Allowance for Doubtful Accts		106,734

Dr. Income Tax Payable	63,916	
Cr. Cash		63,916

Dr. Interest payable	435,454	
Cr. Cash		435,454

Dr. Rent - Factory Overhead [WIP Inventory]	333,976	
Dr. Rent Expense - Selling	103,903	
Cr. Rent Payable		437,879

Dr. Raw Material [Inventory]	9,403,105	
Cr. Accounts Payable		9,403,105

Dr. Pension Expense - G & A	108,849	
Cr. Pension Payable		108,849