



### Required information

*[The following information applies to the questions displayed below.]*

A company incurred the following transactions:

- a. Income tax expense of \$793 for the current period is accrued. Of the accrual, \$174 represents deferred tax liabilities.
- b. Bonds payable with a face amount of \$5,700 are issued at a price of 99.
- c. Of the proceeds from the bonds in part b, \$3,200 is used to purchase land for future expansion.
- d. Because of warranty claims, finished goods inventory costing \$112 is sent to customers to replace defective products.
- e. A three-month, 8% note payable with a face amount of \$26,500 was signed. The bank made the loan on a discount basis.
- f. The next installment of a long-term serial bond requiring an annual principal repayment of \$35,000 will become due within the current year.

### Required:

**a-1.** Show the effect, if any, of each transaction/adjustment on the appropriate balance sheet category or on net income by selecting for each category affected the account name and amount, and indicating whether it is an addition (+) or a subtraction (–). Items that affect net income should not also be shown as affecting shareholders' equity.