

An aerial photograph of a stunning turquoise bay. The water is crystal clear, revealing a white sandy beach on the left. Several small boats are scattered across the water, and a larger white boat is visible in the lower center. The bay is surrounded by high, rugged, brownish-grey cliffs.

Horngren's Accounting

Adjusted Trial Balance

Lecture Eight
Lisa, Li



Learning Objectives – Chapter 3

1. Cash Basis vs Accrual Basis Accounting
2. Apply the time period concept, revenue recognition, and matching principles
3. Explain the purpose of and journalize and post **adjusting entries**
4. Prepare an **adjusted trial balance**
5. Identify the impact of adjusting entries on the financial statements
6. use a **worksheet** to prepare the adjusted trial balance

Adjusting Journal Entries

Adjusting Journal Entries (AJE's) can be divided into two basic categories:

Prepays

- .Prepaid Expenses
- .Unearned Revenues

Accruals

- 1.Accrued revenues
- 2.Accrued expenses



Accrual: Accrued Expenses

1. Prepaid Expenses – A

- Prepaid expenses are assets until used

2. Unearned Revenue – L

- received cash before it does the work

3. Accrued Expenses – L

- Incurred expenses before paying for them. It always create a related liability.
- Eg. Employee's salaries, interest expense on note payable.

Salaries Expense	XXX	
Salaries Payable		XXX
<i>Accrual for expense incurred first.</i>		

4. Accrued Revenues – A

- Earned revenue for which cash hasn't been collected for yet

3. Accrued Interest Expenses- Example

- On December 1, the company purchased of \$60,000 building for a note payable with the bank. In contract, interest on this note,\$1200, is payable one year later, on December 1,2020.
- The company must record the amount of interest expense that has been incurred by December 31,2019.

Date	Accounts and Explanation	Debit	Credit
Dec. 1	Building	60,000	
	Note Payable		60,000
	<i>purchase of building with note</i>		
Date	Accounts and Explanation	Debit	Credit
Dec. 31	Interest Expense	100	
	Interest Payable		100
	<i>To accrue interest expense.</i> Accounting		

3. Accrued Interest Expenses- Example

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Interest Expense	100	
	Interest Payable		100
	<i>To accrue interest expense.</i>		

Notice that the adjusting entry records a credit to the liability, Interest Payable. This is because the interest payment will not be made until next year; therefore, Smart Touch Learning owes interest to the bank. Had the adjusting entry not been recorded, liabilities and expenses would have been understated. After posting, Interest Expense and Interest Payable now have the following correct balances:

Interest Payable			Interest Expense	
100	Dec. 31	←→	Dec. 31	100
100	Bal.		Bal.	100

3. Accrued Expenses

> Ethics

When should accrued expenses be recorded?

Evan is in the process of recording the adjusting entries for Green Landscaping Services. Bob Green, the owner, has asked Evan to record all of the adjusting entries except for accrued expenses. Bob has a meeting with the banker on Monday to apply for a business loan. Bob knows that the banker will review his balance sheet and income statement. Bob is concerned that by recording the accrued expenses, his liabilities will be significantly higher on the balance sheet and a net loss will be reported on the income statement (due to higher expenses). Bob has instructed Evan to delay recording the accrued expenses until after his meeting with the banker. What should Evan do?

3. Accrued Expenses

> Ethics When should accrued expenses be recorded?

Evan is in the process of recording the adjusting entries for Green Landscaping Services. Bob Green, the owner, has asked Evan to record all of the adjusting entries except for accrued expenses. Bob has a meeting with the banker on Monday to apply for a business loan. Bob knows that the banker will review his balance sheet and income statement. Bob is concerned that by recording the accrued expenses, his liabilities will be significantly higher on the balance sheet and a net loss will be reported on the income statement (due to higher expenses). Bob has instructed Evan to delay recording the accrued expenses until after his meeting with the banker. What should Evan do?

Solution

Failing to record the adjusting entries for accrued expenses violates the matching principle. Recording the expenses now (before Monday) accurately matches the occurrence of the expenses with the revenues that were created during that period. If Evan does not record the adjusting entries, the financial statements will not accurately represent the financial position or operating performance of the business. The banker could be tricked into lending the company money. Then, if the business could not repay the loan, the bank would lose—all because the banker relied on incorrect accounting information supplied by the company.



Accrual: Accrued Revenue

1. Prepaid Expenses – A

- Prepaid expenses are assets until used

2. Unearned Revenue – L

- received cash before it does the work

3. Accrued Expenses – L

- Incurred expenses before paying for them. It always create a related liability.

4. Accrued Revenues – A

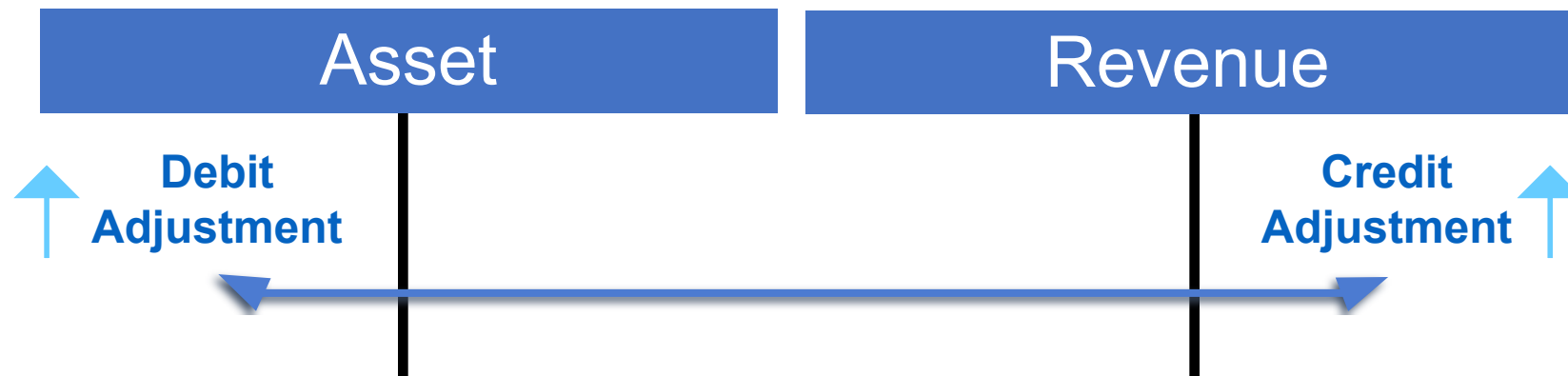
- Earned revenue before we receive the cash.
- Recognize R and A

Accounts Receivable	XXX	
Service Revenue		XXX
<i>Accrual for revenue earned first.</i>		

4. Accrued Revenue

Revenues earned in a period that are both unrecorded and not yet received.

Yes, I've completed your consulting job, but have not had time to bill you yet.



4. Accrued Revenue

On December 15, 2019, Smart Touch Learning agrees to perform e-learning services for \$1,600 per month (Jan 15). Under the agreement, the business will receive payment on Jan15, 2020.

By the end of December, they have earned ½ of the monthly fee for Dec.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Accounts Receivable	800	
	Service Revenue		800
	<i>To accrue service revenue.</i>		

Accounts Receivable				Service Revenue			
Nov. 10	3,000	2,000	Nov. 22	5,500	Nov. 8		
Dec. 31	800			3,000	Nov. 10		
Bal.	1,800			8,000	Dec. 28		
				200	Dec. 31		
				800	Dec. 31		
				17,500	Bal.		

4. Future Receipt of Accrued Revenue

When the company received the payment from client on January 15, 2020.

The business will record the following entry:

The table shows a journal entry for January 15, 2020. The debit side shows Cash for 1,600. The credit side shows Service Revenue for 800 and Accounts Receivable for 800. A callout box labeled 'Revenue for Jan. 1–Jan. 15' points to the 800 credit to Service Revenue. Another callout box labeled 'Accounts Receivable created from the adjusting entry.' points to the 800 credit to Accounts Receivable.

Date	Accounts and Explanation	Debit	Credit
Jan. 15	Cash	1,600	
	Service Revenue		800
	Accounts Receivable		800
	<i>Performed services and received cash.</i>		

Exhibit 3-3 Summarize Prepaid and Accrual Adjustments

	ORIGINAL ENTRY			ADJUSTING ENTRY		
PREPAIDS—Cash receipt or Cash payment occurs first.						
Prepaid Expenses	Prepaid Rent	XXX		Rent Expense	XXX	
	Cash		XXX	Prepaid Rent		XXX
	<i>Pay for rent in advance and record an asset first.</i>			<i>Adjust for rent used later.</i>		
<hr/>						
Depreciation	Furniture	XXX		Depreciation Expense—Furniture	XXX	
	Cash		XXX	Accumulated Depreciation—Furniture		XXX
	<i>Pay for furniture in advance and record an asset first.</i>			<i>Adjust for depreciation (use) of asset later.</i>		
<hr/>						
Unearned Revenues	Cash	XXX		Unearned Revenue	XXX	
	Unearned Revenue		XXX	Service Revenue		XXX
	<i>Receive cash in advance and record a liability first.</i>			<i>Adjust for revenue earned later.</i>		
<hr/>						
ACCRUALS—Cash receipt or Cash payment occurs later.						
Accrued Expenses	Salaries Expense	XXX		Salaries Expense	XXX	
	Salaries Payable		XXX	Salaries Payable		XXX
	<i>Accrual for expense incurred first.</i>			<i>Accrual for expense incurred first.</i>		
<hr/>						
Accrued Revenues	Accounts Receivable	XXX		Accounts Receivable	XXX	
	Service Revenue		XXX	Service Revenue		XXX
	<i>Accrual for revenue earned first.</i>			<i>Accrual for revenue earned first.</i>		

Two rules to remember about adjusting entries:

- 1. Adjusting entries never involve the Cash account.*
- 2. Adjusting entries either*
 - a. Increase a revenue account (credit revenue) or*
 - b. Increase an expense account (debit expense).*

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Try it Question

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SS Services had the following adjustments as of the end of the year.

- a. Equipment depreciation was \$1,500.
- b. \$700 of advertising expense was incurred but not paid. (use advertising payable)
- c. Office supplies on hand at the end of the year totaled \$250. the beginning balance of office supplies was \$600.
- d. \$1,200 of rent revenue was earned but not recorded or received.
- e. Unearned revenue of \$3,000 has been earned.

1. For each situation, indicate which category of adjustment is described.

2. Journalize the adjustment entry needed.



Try it Question Answers

- a. prepaid expense
- b. accrual expense
- c. prepaid expense
- d. accrual revenue
- e. unearned revenue

Date	Accounts and Explanation	Debit	Credit
(a)	Depreciation Expense—Equipment	1,500	
	Accumulated Depreciation—Equipment		1,500
	<i>To record depreciation on equipment.</i>		
(b)	Advertising Expense	700	
	Advertising Payable		700
	<i>To accrue advertising expense.</i>		
(c)	Supplies Expense	350	
	Office Supplies		350
	<i>To record office supplies used. (\$600–\$250)</i>		
(d)	Accounts Receivable	1,200	
	Rent Revenue		1,200
	<i>To accrue rent revenue.</i>		
(e)	Unearned Revenue	3,000	
	Service Revenue		3,000
	<i>To record service revenue earned that was collected in advance.</i>		



The adjusting entries and account balances after posting for Smart Touch Learning at December 31 are shown in Exhibit 3-4.

- Panel A gives the data for each adjustment.
- Panel B shows the adjusting entries.
- Panel C shows the T-accounts and balances after posting.

Panel A: Information for Adjustments

- a.** Prepaid rent expired, \$1,000.
- b.** Supplies used, \$400.
- c.** Depreciation on furniture, \$300.
- d.** Depreciation on building, \$250.
- e.** Service revenue that was collected in advance and now has been earned, \$200.
- f.** Accrued salaries expense, \$1,200.
- g.** Accrued interest on note, \$100.
- h.** Accrued service revenue, \$800.



Panel B: Adjusting Entries

Date	Accounts and Explanation	Debit	Credit
(a) Dec. 31	Rent Expense	1,000	
	Prepaid Rent		1,000
	<i>To record rent expense.</i>		
(b) 31	Supplies Expense	400	
	Office Supplies		400
	<i>To record office supplies used.</i>		
(c) 31	Depreciation Expense—Furniture	300	
	Accumulated Depreciation—Furniture		300
	<i>To record depreciation on furniture.</i>		
(d) 31	Depreciation Expense—Building	250	
	Accumulated Depreciation—Building		250
	<i>To record depreciation on building.</i>		
(e) 31	Unearned Revenue	200	
	Service Revenue		200
	<i>To record service revenue earned that was collected in advance.</i>		
(f) 31	Salaries Expense	1,200	
	Salaries Payable		1,200
	<i>To accrue salaries expense.</i>		
(g) 31	Interest Expense	100	
	Interest Payable		100
	<i>To accrue interest expense.</i>		
(h) 31	Accounts Receivable	800	
	Service Revenue		800
	<i>To accrue service revenue.</i>		

Accounting

Panel A: Information for Adjustments

- a. Prepaid rent expired, \$1,000.
- b. Supplies used, \$400.
- c. Depreciation on furniture, \$300.
- d. Depreciation on building, \$250.
- e. Service revenue that was collected in advance and now has been earned, \$200.
- f. Accrued salaries expense, \$1,200.
- g. Accrued interest on note, \$100.
- h. Accrued service revenue, \$800.



Panel C: Account Balances After Posting

Assets				=	Liabilities				+	Equity										
Cash				=	Accounts Payable				+	Bright, Capital		-	Bright, Withdrawals		+	Service Revenue		-	Rent Expense	
Nov. 1	30,000	20,000	Nov. 2	Nov. 21	300	500	Nov. 3			30,000	Nov. 1	Nov. 25	5,000			5,500	Nov. 8	Nov. 15	2,000	
Nov. 8	5,500	3,200	Nov. 15			200	Bal.			18,000	Dec. 2	Bal.	5,000			3,000	Nov. 10	Dec. 31	1,000	
Nov. 22	2,000	300	Nov. 21	Utilities Payable						48,000	Bal.					8,000	Dec. 28	Bal.	3,000	
Dec. 21	600	5,000	Nov. 25	Salaries Payable												200	Dec. 31	Salaries Expense		
Dec. 28	8,000	3,000	Dec. 1			100	Dec. 15									800	Dec. 31	Nov. 15	1,200	
		1,200	Dec. 1	Interest Payable														Dec. 1	1,200	
		1,200	Dec. 15	Unearned Revenue														Dec. 15	1,200	
Bal.	12,200			Notes Payable														Dec. 31	1,200	
Accounts Receivable						1,200	Dec. 31											Bal.	4,800	
Nov. 10	3,000	2,000	Nov. 22	Supplies Payable														Supplies Expense		
Dec. 31	800					100	Dec. 31											Dec. 31	400	
Bal.	1,800			Accrued Interest Payable														Bal.	400	
Office Supplies						100	Bal.											Utilities Expense		
Nov. 3	500	400	Dec. 31	Prepaid Rent														Dec. 15	100	
Bal.	100			Accrued Unearned Revenue														Bal.	100	
Prepaid Rent						200	Dec. 21											Depreciation Expense—Furniture		
Dec. 1	3,000	1,000	Dec. 31	Accrued Notes Payable														Dec. 31	300	
Bal.	2,000					60,000	Dec. 1											Bal.	300	
Furniture						60,000	Bal.											Depreciation Expense—Building		
Dec. 2	18,000			Accrued Depreciation—Furniture														Dec. 31	250	
Bal.	18,000					300	Dec. 31											Bal.	250	
Accumulated Depreciation—Furniture						300	Bal.											Interest Expense		
		300	Dec. 31	Accrued Depreciation—Building														Dec. 31	100	
		300	Bal.			250	Bal.											Bal.	100	
Building						250	Bal.													
Dec. 1	60,000			Land																
Bal.	60,000			Nov. 2				20,000												
Accumulated Depreciation—Building						20,000	Bal.													
		250	Dec. 31			20,000	Bal.													
		250	Bal.																	
Land																				
Nov. 2	20,000																			
Bal.	20,000																			
\$113,550				=	\$62,000				+	\$51,550										

Panel A: Information for Adjustments

- a. Prepaid rent expired, \$1,000.
- b. Supplies used, \$400.
- c. Depreciation on furniture, \$300.
- d. Depreciation on building, \$250.
- e. Service revenue that was collected in advance and now has been earned, \$200.
- f. Accrued salaries expense, \$1,200.
- g. Accrued interest on note, \$100.
- h. Accrued service revenue, \$800.

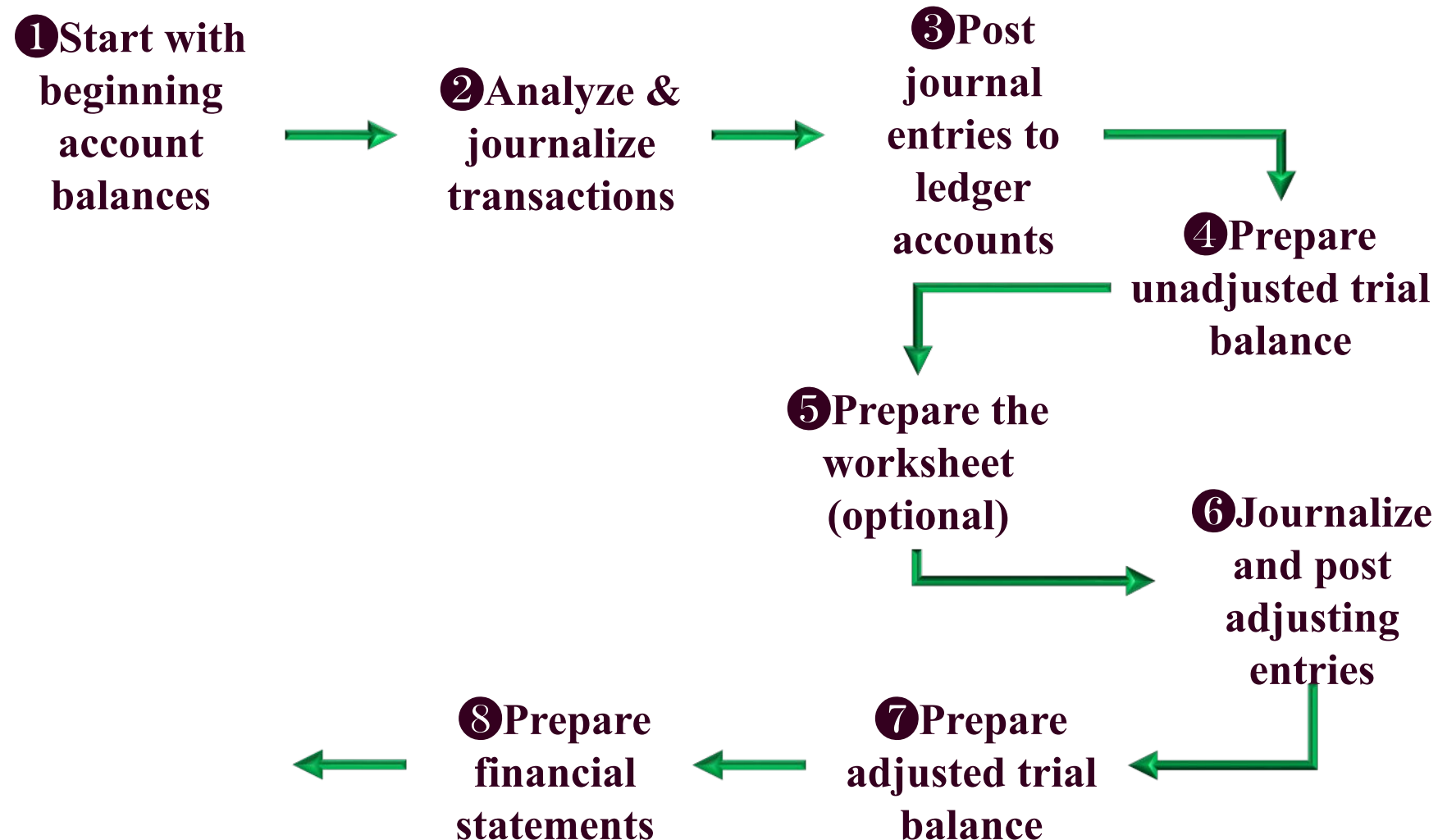


Learning Objective 4

**Explain the purpose of and
prepare an adjusted trial
balance**



Summary of the Accounting Cycle



The Adjusted Trial Balance



- After journalizing and posting all the adjusting journal entries at the end of the fiscal period, a new **adjusted trial balance** is prepared.
 - List all accounts
 - List debit balances in the debit column
 - List credit balance in the credit column
- If it **balances**, financial statements can be prepared.

Exhibit 3-1 | Unadjusted Trial Balance

SMART TOUCH LEARNING Unadjusted Trial Balance December 31, 2014		
Account Title	Balance	
	Debit	Credit
Cash	\$ 12,200	
Accounts Receivable	1,000	
Office Supplies	500	
Prepaid Rent	3,000	
Furniture	18,000	
Building	60,000	
Land	20,000	
Accounts Payable		\$ 200
Utilities Payable		100
Unearned Revenue		600
Notes Payable		60,000
Bright, Capital		48,000
Bright, Withdrawals	5,000	
Service Revenue		16,500
Rent Expense	2,000	
Salaries Expense	3,600	
Utilities Expense	100	
Total	\$ 125,400	\$ 125,400

Exhibit 3-5 | Smart Touch Learning Adjusted Trial Balance

SMART TOUCH LEARNING Adjusted Trial Balance December 31, 2014		
Account Title	Balance	
	Debit	Credit
Cash	\$ 12,200	
Accounts Receivable	1,800	
Office Supplies	100	
Prepaid Rent	2,000	
Furniture	18,000	
Accumulated Depreciation—Furniture		\$ 300
Building	60,000	
Accumulated Depreciation—Building		250
Land	20,000	
Accounts Payable		200
Utilities Payable		100
Salaries Payable		1,200
Interest Payable		100
Unearned Revenue		400
Notes Payable		60,000
Bright, Capital		48,000
Bright, Withdrawals	5,000	
Service Revenue		17,500
Rent Expense	3,000	
Salaries Expense	4,800	
Supplies Expense	400	
Utilities Expense	100	
Depreciation Expense—Furniture	300	
Depreciation Expense—Building	250	
Interest Expense	100	
Total	\$128,050	\$128,050

There are so many differences between two of the statements.

Can you find them all?



Learning Objective 5



**Identify the impact of
adjusting entries on the
financial statements**



Exhibit 3-6 | Impact of Adjusting Entries on Financial Statements

Type of Adjusting Entry	Description	Adjusting Entry	Impact on Financial Statement if Adjusting Entries Are Not Made	
Prepaid Expenses	Advance payments of expenses.	Expense Asset*	DR CR	Income Statement: expenses understated net income overstated Balance Sheet: assets overstated equity overstated
Unearned Revenues	Advance receipts of revenues.	Liability Revenue	DR CR	Balance Sheet: liabilities overstated equity understated Income Statement: revenues understated net income understated
Accrued Expenses	An expense that has been incurred but not paid.	Expense Liability	DR CR	Income Statement: expenses understated net income overstated Balance Sheet: liabilities understated equity overstated
Accrued Revenues	A revenue that has been earned but cash has not yet been collected.	Asset Revenue	DR CR	Balance Sheet: assets understated equity understated Income Statement: revenues understated net income understated

* If recording depreciation: the contra asset, Accumulated Depreciation, is credited.



Try it Question

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- Identify the impact on the income statement and balance sheet if following adjusting entries were not recorded.
 - a. Office supplies used , \$800.
 - b. Accrued service revenue,\$4,000
 - c. Depreciation on building,\$3,500.
 - d. Prepaid insurance expired,\$650.
 - e. Accrued salaries expense,\$2,750
 - f. Service revenue that was collected in advance has now been earned,\$130.



Try it Question Answers

- a. income statement: Supplies Expense understated, Net income overstated; balance sheet: Office Supplies overstated, Equity overstated
- b. income statement: Service Revenue understated, Net income understated; balance sheet: Accounts Receivable understated, Equity understated
- c. income statement: Depreciation Expense understated, Net income overstated; balance sheet: Accumulated Depreciation understated making total assets overstated, Equity overstated
- d. income statement: Insurance Expense understated, Net income overstated; balance sheet: Prepaid Insurance overstated, Equity overstated
- e. income statement: Salaries Expense understated, Net income overstated; balance sheet: Salaries Payable understated, equity overstated
- f. income statement: Service Revenue understated, Net income understated; balance sheet: Unearned Revenue overstated, Equity understated

Multiple Choices (more than one correct answers) 4 mins

\$1200 of rent revenue was earned but not recorded or received. Identify the impact on the financial statement if adjusting entries for this situation were not record.

- A. Net income understated
- B. Revenue overstated
- C. Assets understated
- D. Equity overstated



Learning Objective 6



Explain the worksheet and use it to prepare adjusting entries and the adjusted trial balance

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Account Names	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	6,500					
Accounts Receivable	800					
Office Supplies	250					
Prepaid Rent	1,000					
Delivery Van	23,000					
Accumulated Depreciation - Delivery Van						
Equipment	15,000					
Accumulated Depreciation - Equipment						
Accounts Payable		800				
Utilities Payable		230				
Salaries Payable						
Unearned Revenue		400				
Sam, Capital		37,800				
Sam, Withdrawals	8,000					
Delivery Revenue		23,000				
Rent Expense	3,000					
Salaries Expense	4,500					
Supplies Expense						
Utilities Expense	180					
Depreciation Expense - Delivery Van						
Depreciation Expense - Equipment						
Total	62,230	62,230				

First, enter the information from the unadjusted trial balance into the first two columns of the worksheet.

Account Names	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	6,500					
Accounts Receivable	800		(e) 225			
Office Supplies	250			(a) 80		
Prepaid Rent	1,000			(b) 800		
Delivery Van	23,000					
Accumulated Depreciation - Delivery Van				(c) 750		
Equipment	15,000					
Accumulated Depreciation - Equipment				(d) 300		
Accounts Payable		800				
Utilities Payable		230				
Salaries Payable				(f) 875		
Unearned Revenue		400	(g) 130			
Sam Capital		37,800				
Sam Withdrawals	8,000					
Delivery Revenue		23,000		(e, g) 355		
Rent Expense	3,000		(b) 800			
Salaries Expense	4,500		(f) 875			
Supplies Expense			(a) 80			
Utilities Expense	180					
Depreciation Expense - Delivery Van			(c) 750			
Depreciation Expense - Equipment			(d) 300			
Total	62,230	62,230	-	-		

Second, enter the information for the adjusting journal entries into the Adjustments columns.

Account Names	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	6,500				6,500	
Accounts Receivable	800		225		1,025	
Office Supplies	250			80	170	
Prepaid Rent	1,000			800	200	
Delivery Van	23,000				23,000	
Accumulated Depreciation - Delivery Van				750		750
Equipment	15,000				15,000	
Accumulated Depreciation - Equipment				300		300
Accounts Payable		800				800
Utilities Payable		230				230
Salaries Payable				875		875
Unearned Revenue		400	130			270
Sam, Capital		37,800				37,800
Sam, Withdrawals	8,000				8,000	
Delivery Revenue		23,000		355		23,355
Rent Expense	3,000		800		3,800	
Salaries Expense	4,500		875		5,375	
Supplies Expense			80		80	
Utilities Expense	180				180	
Depreciation Expense - Delivery Van			750		750	
Depreciation Expense - Equipment			300		300	
Total	62,230	62,230	3,160	3,160	64,380	64,380

Third, cross-foot the numbers across the spreadsheet to the Adjusted Trial Balance columns.



Practice: adjusted trial balance

SAM'S DELIVERY SERVICE								
Worksheet								
December 31, 2014								
Account Names	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance			
	Debit	Credit	Debit	Credit	Debit	Credit		
Cash	\$ 6,500							
Accounts Receivable	800		(g) \$ 225					
Office Supplies	250			\$ 80 (b)				
Prepaid Rent	1,000			800 (a)				
Delivery Van	23,000							
Accumulated Depreciation—Delivery Van					750 (c)			
Equipment	15,000							
Accumulated Depreciation—Equipment					300 (d)			
Accounts Payable		\$ 800						
Utilities Payable		230						
Salaries Payable					875 (f)			
Unearned Revenue		400 (e)	130					
Sam, Capital		37,800						
Sam, Withdrawals	8,000							
Delivery Revenue		23,000			355 (e,g)			
Rent Expense	3,000		(a) 800					
Salaries Expense	4,500		(f) 875					
Supplies Expense			(b) 80					
Utilities Expense	180							
Depreciation Expense—Delivery Van			(c) 750					
Depreciation Expense—Equipment			(d) 300					
Total	\$ 62,230	\$ 62,230	\$ 3,160	\$ 3,160				

SAM'S DELIVERY SERVICE								
Worksheet								
December 31, 2014								
Account Names	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance			
	Debit	Credit	Debit	Credit	Debit	Credit		
Cash	\$ 6,500				\$ 6,500			
Accounts Receivable	800		(g) \$ 225		1,025			
Office Supplies	250			\$ 80 (b)	170			
Prepaid Rent	1,000			800 (a)	200			
Delivery Van	23,000				23,000			
Accumulated Depreciation—Delivery Van				750 (c)		\$ 750		
Equipment	15,000				15,000			
Accumulated Depreciation—Equipment				300 (d)			300	
Accounts Payable		\$ 800					800	
Utilities Payable		230					230	
Salaries Payable				875 (f)			875	
Unearned Revenue		400 (e)	130				270	
Sam, Capital		37,800					37,800	
Sam, Withdrawals	8,000					8,000		
Delivery Revenue		23,000			355 (e, g)		23,355	
Rent Expense	3,000		(a) 800			3,800		
Salaries Expense	4,500		(f) 875			5,375		
Supplies Expense			(b) 80			80		
Utilities Expense	180					180		
Depreciation Expense—Delivery Van			(c) 750			750		
Depreciation Expense—Equipment			(d) 300			300		
Total	\$ 62,230	\$ 62,230	\$ 3,160	\$ 3,160	\$ 64,380	\$ 64,380		

Multiple Choices

2mins

An internal document that helps summarize data for the preparation of financial statements is called a:

- A. ledger.
- B. journal.
- C. worksheet.
- D. chart of accounts.



Multiple Choices

2mins

An internal document that helps summarize data for the preparation of financial statements is called a:

- A. ledger.
- B. journal.
- C. worksheet.**
- D. chart of accounts.



Multiple Choices

2mins

The adjusted trial balance shows:

- A. amounts that are out of balance and ways to rectify them.
- B. amounts that are to be used to prepare the financial statements.
- C. amounts of assets and liabilities only.
- D. amounts of revenues and expenses only.



Multiple Choices

2mins

The adjusted trial balance shows:

- A. amounts that are out of balance and ways to rectify them.
- B. amounts that are to be used to prepare the financial statements.
- C. amounts of assets and liabilities only.
- D. amounts of revenues and expenses only.



S3-14 Determining the effects on financial statements

In recording adjusting entries, Reagan Financial Advisors failed to record the adjusting entries for the following situations.

- a. Office supplies on hand, \$100.
- b. Accrued revenues, \$5,000.
- c. Accrued interest expense, \$250.
- d. Depreciation, \$800.
- e. Unearned revenue that has been earned, \$550.

Determine the effects on the income statement and balance sheet by identifying whether assets, liabilities, equity, revenue, and expenses are either overstated or understated. Use the following table. Adjustment *a* has been provided as an example.

Adjustment	Balance Sheet			Income Statement	
	Assets	Liabilities	Equity	Revenue	Expenses
(a)	Overstated		Overstated		Understated

S 3-14 Q

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Adjustment	Balance Sheet			Income Statement	
	Assets	Liabilities	Equity	Revenue	Expenses
Not Recorded					
a.	Overstated		Overstated		Understated
b.	Understated		Understated	Understated	
c.		Understated	Overstated		Understated
d.	Overstated		Overstated		Understated
e.		Overstated	Understated	Understated	



Unit Assessment Task

- **Homework** **30%**
 - three times, each time account for 10%
- **Final Individual Assignment** **70%**
 - accounting cases

More than 60% of total marks will pass



Marked Homework : Summary Problem Q

Summary Problem 3-1

The unadjusted trial balance as of December 31, 2014, the end of the annual accounting period for Super Employment Services, follows:

SUPER EMPLOYMENT SERVICES Unadjusted Trial Balance December 31, 2014		
Account Title	Balance	
	Debit	Credit
Cash	\$ 6,000	
Accounts Receivable	5,000	
Office Supplies	1,000	
Furniture	10,000	
Accumulated Depreciation—Furniture		\$ 4,000
Building	40,000	
Accumulated Depreciation—Building		30,000
Land	10,000	
Accounts Payable		2,000
Salaries Payable		
Unearned Revenue		8,000
Mudge, Capital		12,000
Mudge, Withdrawals	25,000	
Service Revenue		60,000
Salaries Expense	16,000	
Supplies Expense		
Depreciation Expense—Furniture		
Depreciation Expense—Building		
Advertising Expense	3,000	
Total	<u>\$ 116,000</u>	<u>\$ 116,000</u>

Data needed for the adjusting entries include the following:

- Office Supplies on hand at year-end, \$200.
- Depreciation on furniture, \$2,000.
- Depreciation on building, \$1,000.
- Salaries owed but not yet paid, \$500.
- Accrued service revenue, \$1,300.
- \$3,000 of the unearned revenue has been earned.

Requirements

- Open the ledger accounts in T-account form with their unadjusted balances as shown on the unadjusted trial balance.
- Journalize Super's adjusting entries at December 31, 2014. Use the letter (a, b, and so on) as the date.
- Post the adjusting entries to T-accounts. Determine the ending balances in the T-accounts on December 31, 2014.
- Prepare an adjusted trial balance.
- Prepare a partial worksheet including the account names, unadjusted trial balance, adjustments, and adjusted trial balance.



An aerial photograph of a tropical beach with clear turquoise water and a white boat. The text is overlaid on a white, cloud-like shape.

**Enjoy your
Spring Break !
See you
on May 12th !**