

Chapter 6

THE ACCOUNTING CYCLE: STATEMENTS AND CLOSING ENTRIES

LEARNING OUTCOMES

- ① Prepare financial statements using the adjusted trial balance
- ② Prepare closing journal entries and post them to the general ledger
- ③ Prepare the post-closing trial balance to complete the accounting cycle
- ④ Distinguish between current and long-term assets and liabilities
- ⑤ Prepare the classified balance sheet
- ⑥ Calculate working capital, the current ratio and the quick ratio
- ⑦ Describe the benefits of a computerized accounting system over a manual system
- ⑧ Prepare a 10-column worksheet

Appendix



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Assessment Questions

AS-1 (①)

What does the income statement report?

The income statement reports the revenue and expenses and shows the net income or loss for the accounting period.

AS-2 (①)

Which statement is prepared after the income statement but before the balance sheet?

The statement of owner's equity is prepared after the income statement.

AS-3 (①)

What does the statement of owner's equity report?

The statement of owner's equity reports the changes in equity during the reporting period.

AS-4 (1)

What two items cause owner's equity to increase and what two items cause owner's equity to decrease?

Owner's equity will increase if there is a net income or if the owner makes an additional investment into the company. Owner's equity will decrease if there is a net loss or if the owner makes a withdrawal for personal use.

AS-5 (1)

Which categories of accounts are reported on the balance sheet?

The balance sheet reports on assets, liabilities and owner's equity.

AS-6 (1)

How does accumulated depreciation affect the value of property, plant and equipment?

Accumulated depreciation is subtracted from property, plant and equipment and reduces the book value.

AS-7 (2)

What does it mean to close the books?

Closing the books updates the capital accounts with net income and withdrawals and starts a new income statement for the next accounting period.

AS-8(2)

What are the three steps to close directly to owner's capital?

First, revenue is closed to owner's capital. Second, expenses are closed to owner's capital.

Third, owner's drawings is closed to owner's capital.

AS-9 (2)

What are the four steps to close the accounts using the income summary?

First, revenue is closed to the income summary account. Second, expenses are closed to the income summary account. Third, the income summary account is closed to the owner's capital. Fourth, the owner's drawings account is closed to owner's capital.

AS-10 (2)

If a company has a net income for the period and closes its books using the income summary account, will the income summary account have a debit or credit balance before it is closed to the capital account?

The income summary will have a credit balance.

AS-11 (3)

Which categories of accounts appear on the post-closing trial balance?

The post-closing trial balance only shows assets, liabilities and the capital account.

AS-12 (7)

Identify two benefits of a computerized accounting system.

One benefit of a computerized accounting system is the ability to create reports automatically. Another benefit is that the system will automatically post journal entries to the general ledger.

AS-13 (4)

Define current assets.

Current assets are assets that are likely to be converted into cash or used up within the next 12 months through the day-to-day operations of the business.

AS-14 (4)

Define long-term assets.

Long-term assets are assets that are used to operate a business and are not expected to turn into cash or be used up within the next 12 months unless they are sold for reasons other than the day-to-day operations of the business.

AS-15 (4)

What are current liabilities? Provide two examples of current liabilities.

Current liabilities are amounts due to be paid within the next 12 months. Accounts payable and interest payable are examples of current liabilities.

AS-16 (4)

What are long-term liabilities? Provide two examples of long-term liabilities.

Long-term liabilities are amounts due to be paid after 12 months. Examples of long-term liabilities include bank loans (long-term portion) and mortgages.

AS-17 (5)

What is one difference between a non-classified balance sheet and a classified balance sheet?

The classified balance sheet groups assets and liabilities into current and long-term items. A non-classified balance sheet does not have this grouping.

AS-18 (6)

How do you calculate the current ratio and what does it measure?

The current ratio is equal to current assets divided by current liabilities. The current ratio measures a company's ability to pay off short-term debt.

Application Questions Group A

AP-1A (1)

Floating Speed Boat has completed all its journal entries and adjusting entries for the month of September 2016. The adjusted trial balance is shown below.

Note: During the month of September, the owner of Floating Speed Boat invested \$6,900 into the business.

Floating Speed Boat Adjusted Trial Balance September 30, 2016		
Account Titles	DR	CR
Cash	\$8,800	
Accounts Receivable	7,900	
Prepaid Insurance	1,150	
Equipment	64,000	
Accumulated Depreciation		\$1,260
Accounts Payable		9,900
Interest Payable		150
Unearned Revenue		5,930
Bank Loan		15,400
Murray, Capital		49,000
Murray, Drawings	1,200	
Service Revenue		3,970
Advertising Expense	430	
Depreciation Expense	390	
Insurance Expense	250	
Interest Expense	150	
Rent Expense	1,340	
Total	\$85,610	\$85,610

Required

Prepare the income statement, statement of owner's equity and the balance sheet from the adjusted trial balance.

Floating Speed Boat		
Income Statement		
For the Month Ended September 30, 2016		
Service Revenue		\$3,970
Expenses		
Advertising Expense	\$430	
Depreciation Expense	390	
Insurance Expense	250	
Interest Expense	150	
Rent Expense	<u>1,340</u>	
Total Expense		<u>2,560</u>
Net Income		<u>\$1,410</u>

Floating Speed Boat		
Statement of Owner's Equity		
For the Month Ended September 30, 2016		
Murray, Capital at September 1, 2016		\$42,100
Add:		
Net Income	\$1,410	
Investments	<u>6,900</u>	<u>8,310</u>
Subtotal		50,410
Less: Murray, Drawings		<u>1,200</u>
Murray, Capital at September 30, 2016		<u>\$49,210</u>

Floating Speed Boat		
Balance Sheet		
As at September 30, 2016		
Assets		
Cash		\$8,800
Accounts Receivable		7,900
Prepaid Insurance		1,150
Equipment	\$64,000	
Less: Accumulated Depreciation	<u>(1,260)</u>	62,740
Total Assets		<u>\$80,590</u>
Liabilities		
Accounts Payable	\$9,900	
Interest Payable	150	
Unearned Revenue	5,930	
Bank Loan	<u>15,400</u>	
Total Liabilities		<u>\$31,380</u>
Owner's Equity		
Murray, Capital		<u>49,210</u>
Total Liabilities and Owner's Equity		<u>\$80,590</u>

AP-2A (1 2 3)

Regina Consulting has completed all its journal entries and adjusting entries for the month of October 2016. The adjusted trial balance is shown below.

Regina Consulting Adjusted Trial Balance October 31, 2016		
Account Titles	DR	CR
Cash	\$32,000	
Accounts Receivable	9,500	
Prepaid Rent	4,680	
Equipment	15,000	
Accumulated Depreciation		\$1,290
Accounts Payable		27,800
Unearned Revenue		4,470
Bank Loan		1,600
Regina, Capital		9,330
Service Revenue		31,330
Depreciation Expense	340	
Insurance Expense	570	
Interest Expense	150	
Rent Expense	720	
Salaries Expense	6,400	
Supplies Expense	360	
Utilities Expense	6,100	
Total	\$75,820	\$75,820

Required

- a) Prepare the income statement, statement of owner's equity and the balance sheet from the adjusted trial balance.
- b) Create the closing entries using the income summary account.
- c) Prepare the post-closing trial balance.

a) Prepare the financial statements.

Regina Consulting		
Income Statement		
For the Month Ended October 31, 2016		
Service Revenue		\$31,330
Expenses		
Depreciation Expense	\$340	
Insurance Expense	570	
Interest Expense	150	
Rent Expense	720	
Salaries Expense	6,400	
Supplies Expense	360	
Utilities Expense	<u>6,100</u>	
Total Expenses		<u>14,640</u>
Net Income		<u>\$16,690</u>

Regina Consulting		
Statement of Owner's Equity		
For the Month Ended October 31, 2016		
Regina, Capital at October 1		\$9,330
Add:		
Net Income (Loss)		<u>16,690</u>
Regina, Capital at October 31		<u>\$26,020</u>

Regina Consulting		
Balance Sheet		
As at October 31, 2016		
Assets		
Cash		\$32,000
Accounts Receivable		9,500
Prepaid Rent		4,680
Equipment	\$15,000	
Less: Accumulated Depreciation	<u>1,290</u>	<u>\$13,710</u>
Total Assets		<u>\$59,890</u>
Liabilities		
Accounts Payable	\$27,800	
Unearned Revenue	4,470	
Bank Loan	<u>1,600</u>	
Total Liabilities		\$33,870
Owner's Equity		
Regina, Capital		<u>26,020</u>
Total Liabilities and Owner's Equity		<u>\$59,890</u>

b) Prepare the closing entries.

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Oct 31	Service Revenue		31,330	
	Income Summary			31,330
	<i>Close revenue accounts</i>			
Oct 31	Income Summary		14,640	
	Depreciation Expense			340
	Insurance Expense			570
	Interest Expense			150
	Rent Expense			720
	Salaries Expense			6,400
	Supplies Expense			360
	Utilities Expense			6,100
	<i>Close expense accounts</i>			
Oct 31	Income Summary		16,690	
	Regina, Capital			16,690
	<i>Close income summary account</i>			

c) Prepare the post-closing trial balance.

Regina Consulting		
Post-Closing Trial Balance		
October 31, 2016		
Account Titles	DR	CR
Cash	\$32,000	
Accounts Receivable	9,500	
Prepaid Rent	4,680	
Equipment	15,000	
Accumulated Depreciation		\$1,290
Accounts Payable		27,800
Unearned Revenue		4,470
Bank Loan		1,600
Regina, Capital		26,020
Total	\$61,180	\$61,180

AP-3A (2 3)

Keynote Consulting has journalized its adjusting entries and prepared its adjusted trial balance.

Keynote Consulting Adjusted Trial Balance August 31, 2016		
Account Titles	DR	CR
Cash	\$6,200	
Accounts Receivable	1,750	
Prepaid Insurance	1,650	
Office Supplies	1,150	
Equipment	10,650	
Accumulated Depreciation		\$320
Accounts Payable		1,640
Interest Payable		50
Unearned Revenue		1,420
Bank Loan		3,000
Nichols, Capital		14,290
Nichols, Drawings	2,000	
Service Revenue		4,100
Depreciation Expense	150	
Insurance Expense	170	
Interest Expense	50	
Rent Expense	800	
Telephone Expense	250	
Total	<u>\$24,820</u>	<u>\$24,820</u>

Required

- a) Prepare the closing entries using the income summary account for the month of August.
- b) Prepare the post-closing trial balance.

a) Closing entries

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Aug 31	Service Revenue		4,100	
	Income Summary			4,100
	<i>Close revenue accounts</i>			
Aug 31	Income Summary		1,420	
	Depreciation Expense			150
	Insurance Expense			170
	Interest Expense			50
	Rent Expense			800
	Telephone Expense			250
	<i>Close expense accounts</i>			
Aug 31	Income Summary		2,680	
	Nichols, Capital			2,680
	<i>Close income summary account</i>			
Aug 31	Nichols, Capital		2,000	
	Nichols, Drawings			2,000
	<i>Close owner's drawings</i>			

b) Post-closing trial balance

Keynote Consulting		
Post-Closing Trial Balance		
August 31, 2016		
Account Titles	DR	CR
Cash	\$6,200	
Accounts Receivable	1,750	
Prepaid Insurance	1,650	
Office Supplies	1,150	
Equipment	10,650	
Accumulated Depreciation		\$320
Accounts Payable		1,640
Interest Payable		50
Unearned Revenue		1,420
Bank Loan		3,000
Nichols, Capital		14,970
Total	\$21,400	\$21,400

AP-4A (2 3)

Frank's Custom Framing has journalized its adjusting entries and prepared its adjusted trial balance.

Frank's Custom Framing Adjusted Trial Balance October 31, 2016		
Account Titles	DR	CR
Cash	\$8,620	
Accounts Receivable	2,340	
Prepaid Insurance	2,650	
Office Supplies	1,840	
Equipment	23,400	
Accumulated Depreciation		\$1,640
Accounts Payable		3,540
Interest Payable		120
Unearned Revenue		2,110
Bank Loan		5,500
Frank, Capital		24,080
Frank, Drawings	3,200	
Service Revenue		8,750
Depreciation Expense	260	
Insurance Expense	185	
Interest Expense	120	
Rent Expense	1,200	
Telephone Expense	275	
Salaries Expense	1,650	
Total	<u>\$45,740</u>	<u>\$45,740</u>

Required

- a) Prepare the closing entries using the income summary account for the month of October.
- b) Prepare the post-closing trial balance.

a) Closing entries

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Oct 31	Service Revenue		8,750	
	Income Summary			8,750
	<i>Close revenue accounts</i>			
Oct 31	Income Summary		3,690	
	Depreciation Expense			260
	Insurance Expense			185
	Interest Expense			120
	Rent Expense			1,200
	Telephone Expense			275
	Salaries Expense			1,650
	<i>Close expense accounts</i>			
Oct 31	Income Summary		5,060	
	Frank, Capital			5,060
	<i>Close income summary account</i>			
Oct 31	Frank, Capital		3,200	
	Frank, Drawings			3,200
	<i>Close owner's drawings</i>			

b) Post-closing trial balance

Frank's Custom Framing		
Post-Closing Trial Balance		
October 31, 2016		
Account Titles	DR	CR
Cash	\$8,620	
Accounts Receivable	2,340	
Prepaid Insurance	2,650	
Office Supplies	1,840	
Equipment	23,400	
Accumulated Depreciation		\$1,640
Accounts Payable		3,540
Interest Payable		120
Unearned Revenue		2,110
Bank Loan		5,500
Frank, Capital		25,940
Total	<u>\$38,850</u>	<u>\$38,850</u>

AP-5A (2 3)

Home Protector has journalized its adjusting entries and prepared its adjusted trial balance.

Home Protector Adjusted Trial Balance December 31, 2016		
Account Titles	DR	CR
Cash	\$12,650	
Accounts Receivable	5,420	
Prepaid Insurance	2,820	
Office Supplies	2,240	
Equipment	25,600	
Accumulated Depreciation		\$2,340
Accounts Payable		6,250
Salaries Payable		650
Unearned Revenue		4,250
Bank Loan		7,500
Holmes, Capital		21,645
Holmes, Drawings	4,300	
Service Revenue		16,875
Depreciation Expense	320	
Insurance Expense	220	
Interest Expense	160	
Rent Expense	1,890	
Telephone Expense	350	
Salaries Expense	3,540	
Total	<u>\$59,510</u>	<u>\$59,510</u>

Required

- a) Prepare the closing entries directly to owner's capital for the month of December.
- b) Prepare the post-closing trial balance.

a) Closing entries

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Dec 31	Service Revenue		16,875	
	Holmes, Capital			16,875
	<i>Close revenue accounts</i>			
Dec 31	Holmes, Capital		6,480	
	Depreciation Expense			320
	Insurance Expense			220
	Interest Expense			160
	Rent Expense			1,890
	Telephone Expense			350
	Salaries Expense			3,540
	<i>Close expense accounts</i>			
Dec 31	Holmes, Capital		4,300	
	Holmes, Drawings			4,300
	<i>Close owner's drawings</i>			

b) Post-closing trial balance

Home Protector		
Post-Closing Trial Balance		
December 31, 2016		
Account Titles	DR	CR
Cash	\$12,650	
Accounts Receivable	5,420	
Prepaid Insurance	2,820	
Office Supplies	2,240	
Equipment	25,600	
Accumulated Depreciation		\$2,340
Accounts Payable		6,250
Salaries Payable		650
Unearned Revenue		4,250
Bank Loan		7,500
Holmes, Capital		27,740
Total	<u>\$48,730</u>	<u>\$48,730</u>

AP-6A (2 3)

Luminary Electric has journalized its adjusting entries and prepared its adjusted trial balance.

Luminary Electric Adjusted Trial Balance March 31, 2016		
Account Titles	DR	CR
Cash	\$10,420	
Accounts Receivable	6,350	
Prepaid Insurance	2,350	
Office Supplies	1,860	
Equipment	32,500	
Accumulated Depreciation		\$5,480
Accounts Payable		4,870
Salaries Payable		840
Unearned Revenue		5,340
Bank Loan		9,000
Watts, Capital		23,745
Watts, Drawings	5,200	
Service Revenue		17,850
Depreciation Expense	410	
Insurance Expense	195	
Interest Expense	210	
Office Supplies Expense	670	
Rent Expense	2,150	
Telephone Expense	450	
Salaries Expense	4,360	
Total	<u>\$67,125</u>	<u>\$67,125</u>

Required

- a) Prepare the closing entries directly to owner's capital for the month of March.
- b) Prepare the post-closing trial balance.

a) Closing entries

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Mar 31	Service Revenue		17,850	
	Watts, Capital			17,850
	<i>Close revenue accounts</i>			
Mar 31	Watts, Capital		8,445	
	Depreciation Expense			410
	Insurance Expense			195
	Interest Expense			210
	Office Supplies Expense			670
	Rent Expense			2,150
	Telephone Expense			450
	Salaries Expense			4,360
	<i>Close expense accounts</i>			
Mar 31	Watts, Capital		5,200	
	Watts, Drawings			5,200
	<i>Close owner's drawings</i>			

b) Post-closing trial balance

Luminary Electric		
Post-Closing Trial Balance		
March 31, 2016		
Account Titles	DR	CR
Cash	\$10,420	
Accounts Receivable	6,350	
Prepaid Insurance	2,350	
Office Supplies	1,860	
Equipment	32,500	
Accumulated Depreciation		\$5,480
Accounts Payable		4,870
Salaries Payable		840
Unearned Revenue		5,340
Bank Loan		9,000
Watts, Capital		27,950
Total	<u>\$53,480</u>	<u>\$53,480</u>

AP-7A (1 2 3)

Thomas Topology has completed all its journal entries and adjusting entries for the month of April 2016. The chart of accounts and adjusted trial balance are shown below.

Account Description	Account #	Account Description	Account #
ASSETS		REVENUE	
Cash	101	Service Revenue	400
Accounts Receivable	105	EXPENSES	
Prepaid Insurance	110	Depreciation Expense	510
Equipment	120	Insurance Expense	515
Accumulated Depreciation	125	Interest Expense	520
LIABILITIES		Rent Expense	540
Accounts Payable	200	Salaries Expense	545
Unearned Revenue	210	Telephone Expense	550
Bank Loan	215	Travel Expense	555
OWNER'S EQUITY			
Thompson, Capital	300		
Thompson, Drawings	310		
Income Summary	315		

Thomas Topology Adjusted Trial Balance April 30, 2016		
Account Titles	DR	CR
Cash	\$32,050	
Accounts Receivable	9,000	
Prepaid Insurance	1,100	
Equipment	15,000	
Accumulated Depreciation		\$120
Accounts Payable		25,550
Unearned Revenue		3,200
Bank Loan		1,500
Thompson, Capital		18,000
Service Revenue		26,300
Depreciation Expense	120	
Insurance Expense	100	
Interest Expense	50	
Rent Expense	1,000	
Salaries Expense	8,000	
Telephone Expense	250	
Travel Expense	8,000	
Total	\$74,670	\$74,670

Required

- Prepare the income statement, statement of owner's equity and the balance sheet.
- Create the closing entries using the income summary account and post the closing entries to the ledger accounts. The ledger accounts are presented at the end of this question.
- Prepare the post-closing trial balance.

Note: The daily transactions and adjustments for the month of April have already been posted in the general ledger. You are only responsible for posting the closing entries.

- Prepare the financial statements.

Thomas Topology		
Income Statement		
For the Month Ended April 30, 2016		
Service Revenue		\$26,300
Expenses		
Depreciation Expense	120	
Insurance Expense	100	
Interest Expense	50	
Rent Expense	1,000	
Salaries Expense	8,000	
Telephone Expense	250	
Travel Expense	<u>8,000</u>	
Total Expenses		<u>17,520</u>
Net Income		<u>\$8,780</u>

Thomas Topology		
Statement of Owner's Equity		
For the Month Ended April 30, 2016		
Thompson, Capital at April 1		\$18,000
Add:		
Net Income		<u>8,780</u>
Thompson, Capital at April 30		<u>\$26,780</u>

Thomas Topology		
Balance Sheet		
As at April 30, 2016		
Assets		
Cash		\$32,050
Accounts Receivable		9,000
Prepaid Insurance		1,100
Equipment	\$15,000	
Accumulated Depreciation	(120)	14,880
Total Assets		<u>\$57,030</u>
Liabilities		
Accounts Payable	\$25,550	
Unearned Revenue	3,200	
Bank Loan	1,500	
Total Liabilities		\$30,250
Owner's Equity		
Thompson, Capital		26,780
Total Liabilities and Owner's Equity		<u>\$57,030</u>

b) Prepare the closing entries.

JOURNAL			Page 3	
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Apr 30	Service Revenue	400	26,300	
	Income Summary	315		26,300
	<i>Close revenue accounts</i>			
Apr 30	Income Summary	315	17,520	
	Depreciation Expense	510		120
	Insurance Expense	515		100
	Interest Expense	520		50
	Rent Expense	540		1,000
	Salaries Expense	545		8,000
	Telephone Expense	550		250
	Travel Expense	555		8,000
	<i>Close expense accounts</i>			
Apr 30	Income Summary	315	8,780	
	Thompson, Capital	300		8,780
	<i>Close income summary account</i>			

c) Prepare the post-closing trial balance.

Thomas Topology		
Post-Closing Trial Balance		
April 30, 2016		
Account Titles	DR	CR
Cash	\$32,050	
Accounts Receivable	9,000	
Prepaid Insurance	1,100	
Equipment	15,000	
Accumulated Depreciation		\$120
Accounts Payable		25,550
Unearned Revenue		3,200
Bank Loan		1,500
Thompson, Capital		26,780
Total	\$57,150	\$57,150

GENERAL LEDGER

Account: Cash					GL. No: 101	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 1	Opening Balance				22,000	DR
Apr 2		J1	25,000		47,000	DR
Apr 3		J1		1,000	46,000	DR
Apr 4		J1		1,200	44,800	DR
Apr 10		J1		200	44,600	DR
Apr 14		J1		8,000	36,600	DR
Apr 20		J1		50	36,550	DR
Apr 30		J1		4,500	32,050	DR

Account: Accounts Receivable					GL No: 105	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 1	Opening Balance				9,000	DR

Account: Prepaid Insurance					GL No: 110	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 1	Opening Balance				0	DR
Apr 4		J1	1,200		1,200	DR
Apr 30	Adjustment	J2		100	1,100	DR

Account: Equipment					GL No: 120	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 1	Opening Balance				8,000	DR
Apr 1		J1	7,000		15,000	DR

Account: Accumulated Depreciation					GL No: 125	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 30	Adjustment	J2		120	120	CR

Account: Accounts Payable					GL No: 200	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 1	Opening Balance				10,500	CR
Apr 1		J1		7,000	17,500	CR
Apr 10		J1	200		17,300	CR
Apr 22		J1		250	17,550	CR
Apr 24		J1		8,000	25,550	CR

Account: Unearned Revenue					GL No: 210	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 1	Opening Balance				4,500	CR
Apr 30	Adjustment	J2	1,300		3,200	CR

Account: Bank Loan					GL No: 215	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 1	Opening Balance				6,000	CR
Apr 30		J1	4,500		1,500	CR

Account: Thompson, Capital					GL No: 300	
Date	Description	PR	DR	CR	Balance	
2016						
Apr 1	Opening Balance				18,000	CR
Apr 30	Closing Entry	J3		8,780	26,780	CR

Account: Thompson, Drawings					GL No: 310	
Date	Description	PR	DR	CR	Balance	

Account: Income Summary						GL No: 315	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 30	Closing Entry	J3		26,300	26,300	CR	
Apr 30	Closing Entry	J3	17,520		8,780	CR	
Apr 30	Closing Entry	J3	8,780		0	CR	

Account: Service Revenue						GL No: 400	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 2		J1		25,000	25,000	CR	
Apr 30	Adjustment	J2		1,300	26,300	CR	
Apr 30	Closing Entry	J3	26,300		0	CR	

Account: Depreciation Expense						GL No: 510	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 30	Adjustment	J2	120		120	DR	
Apr 30	Closing Entry	J3		120	0	DR	

Account: Insurance Expense						GL No: 515	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 30	Adjustment	J2	100		100	DR	
Apr 30	Closing Entry	J3		100	0	DR	

Account: Interest Expense						GL No: 520	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 20		J1	50		50	DR	
Apr 30	Closing Entry	J3		50	0	DR	

Account: Rent Expense						GL No: 540	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 3		J1	1,000		1,000	DR	
Apr 30	Closing Entry	J3		1,000	0	DR	

Account: Salaries Expense						GL No: 545	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 14		J1	8,000		8,000	DR	
Apr 30	Closing Entry	J3		8,000	0	DR	

Account: Telephone Expense						GL No: 550	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 22		J1	250		250	DR	
Apr 30	Closing Entry	J3		250	0	DR	

Account: Travel Expense						GL No: 555	
Date	Description	PR	DR	CR	Balance		
2016							
Apr 24		J1	8,000		8,000	DR	
Apr 30	Closing Entry	J3		8,000	0	DR	

AP-8A (1 2 3)

Space Jam Storage offers storage space and transportation services for customers. Space Jam Storage has already completed most of the transactions for the month and posted them to the general ledger. The following transactions during December 2016 have not yet been prepared.

- Dec 2 Prepaid \$12,000 for one year of insurance in advance.
- Dec 5 Paid \$1,400 cash for regular maintenance on delivery vehicles.
- Dec 12 The owner, Stephen Bugs, withdrew \$3,500 cash from the business for personal use.
- Dec 18 Received \$2,200 cash payment from a customer for future storage services.
- Dec 23 Paid \$1,000 to reduce the bank loan, of which \$870 was principal and the rest was interest.
- Dec 28 Received \$450 cash from a customer who owed money for previous services.

Required

a) Prepare the journal entries for the above transactions.

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Dec 2	Prepaid Insurance	110	12,000	
	Cash	101		12,000
	<i>Purchased insurance policy for upcoming year</i>			
Dec 5	Maintenance Expense	500	1,400	
	Cash	101		1,400
	<i>Regular maintenance on delivery vehicles</i>			
Dec 12	Bugs, Drawings	310	3,500	
	Cash	101		3,500
	<i>Owner withdrew cash from the business</i>			
Dec 18	Cash	101	2,200	
	Unearned Revenue	220		2,200
	<i>Received cash from customer for future services</i>			
Dec 23	Bank Loan	250	870	
	Interest Expense	540	130	
	Cash	101		1,000
	<i>Bank loan payment</i>			
Dec 28	Cash	101	450	
	Accounts Receivable	105		450
	<i>Collected payment for previous services rendered</i>			

- b) Post the above journal entries to the general ledger. The chart of accounts is shown below for your reference.

Account Description	Account #
ASSETS	
Cash	101
Accounts Receivable	105
Prepaid Insurance	110
Equipment	120
Accumulated Depreciation	125
LIABILITIES	
Accounts Payable	200
Salaries Payable	210
Unearned Revenue	220
Bank Loan	250

Account Description	Account #
OWNER'S EQUITY	
Bugs, Capital	300
Bugs, Drawings	310
Income Summary	315
REVENUE	
Service Revenue	400
EXPENSES	
Maintenance Expense	500
Depreciation Expense	520
Interest Expense	540
Insurance Expense	560
Salaries Expense	570

GENERAL LEDGER

Account: Cash							GL No: 101
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				18,500	DR	
Dec 2		J1		12,000	6,500	DR	
Dec 5		J1		1,400	5,100	DR	
Dec 12		J1		3,500	1,600	DR	
Dec 18		J1	2,200		3,800	DR	
Dec 23		J1		1,000	2,800	DR	
Dec 28		J1	450		3,250	DR	

Account: Accounts Receivable							GL No: 105
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				3,200	DR	
Dec 28		J1		450	2,750	DR	

Account: Prepaid Insurance							GL No: 110
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				1,000	DR	
Dec 2		J1	12,000		13,000	DR	
Dec 31	Adjustment	J2		1,000	12,000	DR	

Account: Equipment							GL No: 120
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				285,000	DR	

Account: Accumulated Depreciation						GL No: 125	
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				45,000	CR	
Dec 31	Adjustment	J2		500	45,500	CR	

Account: Accounts Payable						GL No: 200	
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				5,500	CR	

Account: Salaries Payable						GL No: 210	
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				0	CR	
Dec 31	Adjustment	J2		3,370	3,370	CR	

Account: Unearned Revenue						GL No: 220	
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				1,400	CR	
Dec 18		J1		2,200	3,600	CR	
Dec 31	Adjustment	J2	1,500		2,100	CR	

Account: Bank Loan						GL No: 250	
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				192,550	CR	
Dec 23		J1	870		191,680	CR	

Account: Bugs, Capital						GL No: 300	
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				46,200	CR	
Dec 31	Closing Entry	J2		22,150	68,350	CR	
Dec 31	Closing Entry	J2	13,500		54,850	CR	

Account: Bugs, Drawings						GL No: 310	
Date	Description	PR	DR	CR	Balance (DR or CR)		
2016	Opening Balance				10,000	DR	
Dec 12		J1	3,500		13,500	DR	
Dec 31	Closing Entry	J2		13,500	0	DR	

Account: Income Summary		GL No: 315				
Date	Description	PR	DR	CR	Balance (DR or CR)	
2016	Opening Balance				0	CR
Dec 31	Closing Entry	J2		79,500	79,500	CR
Dec 31	Closing Entry	J2	57,350		22,150	CR
Dec 31	Closing Entry	J2	22,150		0	CR

Account: Service Revenue		GL No: 400				
Date	Description	PR	DR	CR	Balance (DR or CR)	
2016	Opening Balance				78,000	CR
Dec 31	Adjustment	J2		1,500	79,500	CR
Dec 31	Closing Entry	J2	79,500		0	CR

Account: Maintenance Expense		GL No: 500				
Date	Description	PR	DR	CR	Balance (DR or CR)	
2016	Opening Balance				3,800	DR
Dec 5		J1	1,400		5,200	DR
Dec 31	Closing Entry	J2		5,200	0	DR

Account: Depreciation Expense		GL No: 520				
Date	Description	PR	DR	CR	Balance (DR or CR)	
2016	Opening Balance				4,000	DR
Dec 31	Adjustment	J2	500		4,500	DR
Dec 31	Closing Entry	J2		4,500	0	DR

Account: Interest Expense		GL No: 540				
Date	Description	PR	DR	CR	Balance (DR or CR)	
2016	Opening Balance				1,150	DR
Dec 23		J1	130		1,280	DR
Dec 31	Closing Entry	J2		1,280	0	DR

Account: Insurance Expense		GL No: 560				
Date	Description	PR	DR	CR	Balance (DR or CR)	
2016	Opening Balance				11,000	DR
Dec 31	Adjustment	J2	1,000		12,000	DR
Dec 31	Closing Entry	J2		12,000	0	DR

Account: Salaries Expense		GL No: 570				
Date	Description	PR	DR	CR	Balance (DR or CR)	
2016	Opening Balance				31,000	DR
Dec 31	Adjustment	J2	3,370		34,370	DR
Dec 31	Closing Entry	J2		34,370	0	DR

- c) Prepare a six-column worksheet, starting with the account balances from the general ledger above. Space Jam Storage had the following year-end adjustments.

- Dec 31 Provided \$1,500 worth of services to customer who paid in advance.
 Dec 31 One month of insurance worth \$1,000 has been used.
 Dec 31 One month of depreciation is \$500.
 Dec 31 Accrued salaries owed to employees worth \$3,370.

Space Jam Storage						
Worksheet						
December 31, 2016						
Account Titles	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
	DR	CR	DR	CR	DR	CR
Cash	\$3,250				\$3,250	
Accounts Receivable	2,750				2,750	
Prepaid Insurance	13,000			\$1,000	12,000	
Equipment	285,000				285,000	
Accumulated Depreciation		\$45,000		500		\$45,500
Accounts Payable		5,500				5,500
Salaries Payable		0		3,370		3,370
Unearned Revenue		3,600	\$1,500			2,100
Bank Loan		191,680				191,680
Bugs, Capital		46,200				46,200
Bugs, Drawings	13,500				13,500	
Service Revenue		78,000		1,500		79,500
Maintenance Expense	5,200				5,200	
Depreciation Expense	4,000		500		4,500	
Interest Expense	1,280				1,280	
Insurance Expense	11,000		1,000		12,000	
Salaries Expense	31,000		3,370		34,370	
Total	\$369,980	\$369,980	\$6,370	\$6,370	\$373,850	\$373,850

d) Prepare the financial statements for Space Jam Storage.

Space Jam Storage		
Income Statement		
For the Month Ended December 31, 2016		
Service Revenue		\$79,500
Expenses		
Maintenance Expense	\$5,200	
Depreciation Expense	4,500	
Interest Expense	1,280	
Insurance Expense	12,000	
Salaries Expense	<u>34,370</u>	
Total Expenses		<u>57,350</u>
Net Income (Loss)		<u>\$22,150</u>

Space Jam Storage		
Statement of Owner's Equity		
For the Month Ended December 31, 2016		
Bugs, Capital at December 1, 2016		\$46,200
Add:		
Additional Investments	\$0	
Net Income (Loss)	<u>22,150</u>	<u>22,150</u>
Subtotal		68,350
Less:		
Bugs, Drawings		<u>13,500</u>
Bugs, Capital at December 31, 2016		<u>\$54,850</u>

Space Jam Storage		
Balance Sheet		
As at December 31, 2016		
Assets		
Cash		\$3,250
Accounts Receivable		2,750
Prepaid Insurance		12,000
Equipment	\$285,000	
Accumulated Depreciation	(45,500)	239,500
Total Assets		<u>\$257,500</u>
Liabilities		
Accounts Payable	\$5,500	
Salaries Payable	3,370	
Unearned Revenue	2,100	
Bank Loan	191,680	
Total Liabilities		\$202,650
Owner's Equity		
Bugs, Capital		54,850
Liabilities and Owner's Equity		<u>\$257,500</u>

- e) Record the journal entries for the adjusting and closing transactions. Use the income summary method. Post these entries in the general ledger above from part (b).

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Date	Account Title and Explanation	PR	Debit	Credit
2016				
Dec 31	Unearned Revenue	220	1,500	
	Service Revenue	400		1,500
	<i>Purchased insurance policy for upcoming year</i>			
Dec 31	Insurance Expense	560	1,000	
	Prepaid Insurance	110		1,000
	<i>Regular maintenance on delivery vehicles</i>			
Dec 31	Depreciation Expense	520	500	
	Accumulated Depreciation	125		500
	<i>Owner withdrew cash from the business</i>			
Dec 31	Salaries Expense	570	3,370	
	Salaries Payable	210		3,370
	<i>Received cash from customer for future services</i>			
Dec 31	Service Revenue	400	79,500	
	Income Summary	315		79,500
	<i>Close the revenue account</i>			
Dec 31	Income Summary	315	57,350	
	Maintenance Expense	500		5,200
	Depreciation Expense	520		4,500
	Interest Expense	540		1,280
	Insurance Expense	560		12,000
	Salaries Expense	570		34,370
	<i>Close the expense accounts</i>			
Dec 31	Income Summary	315	22,150	
	Bugs, Capital	300		22,150
	<i>Close the income summary account</i>			
Dec 31	Bugs, Capital	300	13,500	
	Bugs, Drawings	310		13,500
	<i>Close the owner's drawings account</i>			

f) Prepare the post-closing trial balance for Space Jam Storage.

Space Jam Storage		
Post-Closing Trial Balance		
December 31, 2016		
Account Titles	DR	CR
Cash	\$3,250	
Accounts Receivable	2,750	
Prepaid Insurance	12,000	
Equipment	285,000	
Accumulated Depreciation		\$45,500
Accounts Payable		5,500
Salaries Payable		3,370
Unearned Revenue		2,100
Bank Loan		191,680
Bugs, Capital		54,850
Total	<u>\$303,000</u>	<u>\$303,000</u>

Analysis

The accountant for Space Jam Storage found that a journal entry back in November had been entered incorrectly. The account that should have been debited was credited and vice versa. Why wasn't this error detected during the preparation of trial balances and financial statements?

The accounting cycle does not contain controls for this type of error. It can catch errors in which the debit and credit totals for a transaction did not match, or a number was posted incorrectly from the journal to the ledger. Companies must implement additional controls to catch other types of errors. The company could verify certain account balances with different methods periodically and compare to the accounting records.

AP-9A (4)

The following information is taken from the records of Ginger Consulting.

Accounts Payable	\$19,000
Short-Term Investment	12,000
Land	52,000
Cash	23,000
Factory Equipment	29,000
Loans Payable	30,000
Office Furniture	18,000
Prepaid Expense	9,000
Unearned Revenue	6,000

Required

a) Calculate total current assets.

Cash	\$23,000
Short-Term Investment	12,000
Prepaid Expense	9,000
Total Current Assets	\$44,000

b) Calculate total long-term assets.

Office Furniture	\$18,000
Factory Equipment	29,000
Land	52,000
Total Long-Term Assets	\$99,000

c) Calculate total assets.

Total Current Assets	\$44,000
Total Long-Term Assets	99,000
Total Assets	\$143,000

AP-10A (4)

Suppose a business has a \$400,000 long-term bank loan on December 31, 2016. The borrowing arrangement requires the business to pay \$100,000 of this debt by September 2017. Show how the business will report both current and long-term liabilities on its December 31, 2016 balance sheet.

Current Liabilities:	
Current portion of bank loan	\$100,000
Long-Term Liabilities:	
Long-term portion of bank loan	\$300,000

AP-11A (4)

Pelican Accounting borrowed a \$1,000,000 interest-free bank loan on January 1, 2016. Payment is agreed to be made in four years in four equal annual installments. Calculate the current and long-term liabilities as at December 31 for the following years.

	As at December 31			
	2016	2017	2018	2019
Current portion of loan payable	\$250,000	\$250,000	\$250,000	\$250,000
Long-term loan payable	\$750,000	\$500,000	\$250,000	\$0

AP-12A (4)

Renegade Landscaping's general ledger includes the following account balances on December 31, 2016.

Accounts Payable	\$12,000
Interest Payable	3,000
Salaries Payable	2,000
Bank Loan	
Current Portion	10,000
Long-Term Portion	20,000

Required

a) Calculate current liabilities.

Accounts Payable	\$12,000
Interest Payable	3,000
Salaries Payable	2,000
Current Portion of Bank Loan	10,000
Total Current Liabilities	\$27,000

b) Calculate long-term liabilities.

Long-term portion of bank loan	\$20,000
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AP-13A (4)

For the following independent transactions, determine the amount of current and long-term liabilities.

	Transaction	Current Liability	Long-Term Liability
1.	On December 31, 2016, Frankie Flowershop borrowed \$300,000 from the bank. The entire amount is due on December 30, 2017.	\$300,000	\$0
2.	KLM Company purchased a small building at a cost of \$190,000. The down payment is \$100,000. The remaining balance is payable in three years with an annual payment of \$30,000, starting next year.	30,000	60,000
3.	During June 2016, a business owner obtained an interest-free loan from a financing company. The loan amount was \$60,000. The agreed terms of payment is four annual installments of \$15,000.	15,000	45,000
4.	A business owner borrowed \$20,000 from his close friend for a business expansion. They both signed an agreement that the payment will be made after two years.	0	20,000

AP-14A (4 5 6)

Empowered Solutions has the following balances as at May 31, 2016.

Cash	\$22,000
Accounts Receivable	15,000
Inventory	12,000
Equipment	73,000
Accounts Payable	13,000
Unearned Revenue	8,000
Current Portion of Bank Loan	10,000
Long-Term Portion of Bank Loan	20,000
Powers, Capital	71,000

b) Calculate the working capital for Empowered Solutions.

$$\$49,000 - \$31,000 = \$18,000$$

c) Calculate the current ratio for Empowered Solutions.

$$\$49,000 \div \$31,000 = 1.58$$

d) Calculate the quick ratio for Empowered Solutions.

$$(\$22,000 + \$15,000) \div \$31,000 = 1.19$$

AP-15A (4 5 6)

Below is Preston Services' financial accounting information for the year ending September 30, 2016. Assume all accounts have a normal balance.

Cash	\$7,500
Accounts Receivable	2,400
Inventory	6,000
Prepaid Insurance	1,800
Equipment	35,000
Accumulated Depreciation	800
Accounts Payable	5,100
Unearned Revenue	1,100
Bank Loan	18,000
Presto, Capital	27,700

The bank loan is payable over 3 years and \$6,000 will be paid by September 30, 2017.

Required

a) Prepare a classified balance sheet.

Preston Services		
Classified Balance Sheet		
As at September 30, 2016		
Assets		
Current Assets		
Cash	\$7,500	
Accounts Receivable	2,400	
Inventory	6,000	
Prepaid Insurance	<u>1,800</u>	
Total Current Assets		\$17,700
Property, Plant & Equipment		
Equipment	\$35,000	
Less Accumulated Depreciation	<u>(800)</u>	
Total Property, Plant & Equipment		<u>34,200</u>
Total Assets		<u>\$51,900</u>
Liabilities		
Current Liabilities		
Accounts Payable	\$5,100	
Unearned Revenue	1,100	
Bank Loan—Current Portion	<u>6,000</u>	
Total Current Liabilities		\$12,200
Long-Term Liabilities		
Bank Loan—Long-Term Portion	<u>12,000</u>	
Total Long-Term Liabilities		<u>12,000</u>
Total Liabilities		24,200
Owner's Equity		
Presto, Capital	<u>27,700</u>	
Total Owner's Equity		<u>27,700</u>
Total Liabilities and Owner's Equity		<u>\$51,900</u>

b) Calculate the working capital for Preston Services.

$$\$17,700 - \$12,200 = \$5,500$$

c) Calculate the current ratio for Preston Services.

$$\$17,700 \div \$12,200 = 1.45$$

d) Calculate the quick ratio for Preston Services.

$$(\$7,500 + \$2,400) \div \$12,200 = 0.81$$

AP-16A (8)

Below, is Coleson Services' unadjusted trial balance at the end of December 2016. Adjusting entries have not yet been made. Use the trial balance and the information below to complete the worksheet.

- Dec 31 A physical count showed that \$320 of supplies is still on hand.
- Dec 31 The equipment was purchased at the beginning of the year and is expected to last four years and no residual value.
- Dec 31 Of the balance of unearned revenue, \$600 has been earned.
- Dec 31 The amount in prepaid insurance is for an annual policy that was paid on September 1, 2016.

Coleson Services Worksheet December 31, 2016										
Account Titles	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
Cash	\$1,500				\$1,500				\$1,500	
Accounts Receivable	3,000				3,000				3,000	
Prepaid Insurance	1,800			\$600	1,200				1,200	
Office Supplies	800			480	320				320	
Equipment	6,000				6,000				6,000	
Accumulated Depreciation		\$0		1,500		\$1,500				\$1,500
Accounts Payable		4,000				4,000				4,000
Unearned Revenue		1,000	\$600			400				400
Bank Loan		2,500				2,500				2,500
Coleson, Capital		2,850				2,850				2,850
Coleson, Drawings	1,200				1,200				1,200	
Service Revenue		8,000		600		8,600		\$8,600		
Depreciation Expense	0		1,500		1,500		\$1,500			
Insurance Expense	0		600		600		600			
Interest Expense	0				0		0			
Maintenance Expense	900				900		900			
Supplies Expense	0		480		480		480			
Rent Expense	1,900				1,900		1,900			
Salaries Expense	150				150		150			
Telephone Expense	700				700		700			
Travel Expense	400				400		400			
Total	\$18,350	\$18,350	\$3,180	\$3,180	\$19,850	\$19,850	6,630	8,600	13,220	11,250
Net Income							1,970			1,970
Total							\$8,600	\$8,600	\$13,220	\$13,220

Application Questions Group B

AP-1B (1)

Below is Caprio Services' adjusted trial balance for the year ending December 31, 2016. Using this information, prepare the income statement, statement of owner's equity and then the balance sheet for the end of December 31, 2016.

Caprio Services Adjusted Trial Balance December 31, 2016		
Account Titles	DR	CR
Cash	\$90,200	
Accounts Receivable	47,800	
Prepaid Insurance	32,000	
Equipment	415,000	
Accumulated Depreciation		\$145,000
Accounts Payable		26,000
Unearned Revenue		15,800
Bank Loan		260,000
Caprio, Capital		108,200
Caprio, Drawings	40,000	
Service Revenue		545,000
Advertising Expense	100,000	
Insurance Expense	40,000	
Maintenance Expense	5,900	
Rent Expense	78,000	
Salaries Expense	228,500	
Telephone Expense	3,200	
Travel Expense	19,400	
Total	<u>\$1,100,000</u>	<u>\$1,100,000</u>

Note: During the year, the owner contributed \$20,000 to the business. This has been included in Caprio, Capital already.

Caprio Services Income Statement For the Year Ended December 31, 2016		
Service Revenue		\$545,000
Expenses		
Advertising Expense	\$100,000	
Insurance Expense	40,000	
Maintenance Expense	5,900	
Rent Expense	78,000	
Salaries Expense	228,500	
Telephone Expense	3,200	
Travel Expense	19,400	
Total Expenses		<u>475,000</u>
Net Income (Loss)		<u>\$70,000</u>

Caprio Services		
Statement of Owner's Equity		
For the Year Ended December 31, 2016		
Caprio, Capital at January 1, 2016		\$88,200
Add:		
Additional Investments	\$20,000	
Net Income (Loss)	<u>70,000</u>	<u>90,000</u>
Subtotal		178,200
Less:		
Caprio, Drawings		<u>40,000</u>
Caprio, Capital at December 31, 2016		<u>\$138,200</u>

Caprio Services		
Balance Sheet		
As at December 31, 2016		
Assets		
Cash		\$90,200
Accounts Receivable		47,800
Prepaid Insurance		32,000
Equipment	\$415,000	
Accumulated Depreciation	<u>(145,000)</u>	<u>270,000</u>
Total Assets		<u>\$440,000</u>
Liabilities		
Accounts Payable	\$26,000	
Unearned Revenue	15,800	
Bank Loan	<u>260,000</u>	
Total Liabilities		\$301,800
Owner's Equity		
Caprio, Capital		<u>138,200</u>
Liabilities and Owner's Equity		<u>\$440,000</u>

AP-2B (1)

Counterpoint Studios has completed all the entries for the fiscal year ending November 30, 2016, except the month of November's adjusting entries. The following information is available to make the adjustments.

- Annual depreciation on property, plant, and equipment totals \$9,000.
- Interest accrued on the bank loan is \$500.
- Office supplies on hand are valued at \$2,300.
- The annual insurance policy was purchased December 1, 2015 for \$21,900.
- The balance of owner's equity at the beginning of the year was \$86,750.

Required

- a) Complete the six-column worksheet for Counterpoint Studios.

Counterpoint Studios Worksheet November 30, 2016						
Account Titles	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
	DR	CR	DR	CR	DR	CR
Cash	\$52,250				\$52,250	
Accounts Receivable	24,800				24,800	
Office Supplies	10,400			\$8,100	2,300	
Prepaid Insurance	1,825			1,825	0	
Equipment	295,400				295,400	
Accumulated Depreciation		\$107,250		750		\$108,000
Accounts Payable		31,500				31,500
Bank Loan		140,000				140,000
Wu, Capital		96,750				96,750
Wu, Drawings	60,000				60,000	
Service Revenue		382,500				382,500
Advertising Expense	100,000				100,000	
Salaries Expense	185,000				185,000	
Insurance Expense	20,075		1,825		21,900	
Depreciation Expense	8,250		750		9,000	
Interest Payable				500		500
Interest Expense			500		500	
Supplies Expense			8,100		8,100	
Total	<u>\$758,000</u>	<u>\$758,000</u>	<u>\$11,175</u>	<u>\$11,175</u>	<u>\$759,250</u>	<u>\$759,250</u>

- b) Prepare the income statement, statement of owner's equity and balance sheet for the year ended November 30, 2016.

Counterpoint Studios		
Income Statement		
For the Year Ended November 30, 2016		
Service Revenue		\$382,500
Expenses		
Advertising Expense	\$100,000	
Salaries Expense	185,000	
Insurance Expense	21,900	
Depreciation Expense	9,000	
Interest Expense	500	
Supplies Expense	<u>8,100</u>	
Total Expenses		<u>324,500</u>
Net Income (Loss)		<u>\$58,000</u>

Counterpoint Studios		
Statement of Owner's Equity		
For the Year Ended November 30, 2016		
Wu, Capital at December 1, 2015		\$86,750
Add		
Additional Investments	\$10,000	
Net Income (Loss)	<u>58,000</u>	<u>68,000</u>
Subtotal		154,750
Less		
Wu, Drawings		<u>60,000</u>
Wu, Capital at November 30, 2016		<u>\$94,750</u>

Counterpoint Studios		
Balance Sheet		
As at November 30, 2016		
Assets		
Cash		\$52,250
Accounts Receivable		24,800
Office Supplies		2,300
Prepaid Insurance		0
Equipment	\$295,400	
Accumulated Depreciation	(108,000)	187,400
Total Assets		<u>\$266,750</u>
Liabilities		
Accounts Payable	\$31,500	
Interest Payable	500	
Bank Loan	<u>140,000</u>	
Total Liabilities		\$172,000
Owner's Capital		
Wu, Capital		<u>94,750</u>
Liabilities and Owner's Equity		<u>\$266,750</u>

AP-3B (2 3)

Jim's Custom Painting has journalized its adjusting entries and prepared its adjusted trial balance.

Jim's Custom Painting Adjusted Trial Balance August 31, 2016		
Account Titles	DR	CR
Cash	\$8,400	
Accounts Receivable	2,900	
Prepaid Rent	2,100	
Office Supplies	2,400	
Equipment	20,700	
Accumulated Depreciation		\$2,700
Accounts Payable		3,200
Interest Payable		300
Unearned Revenue		2,900
Mortgage Payable		5,400
Gordon, Capital		22,360
Gordon, Drawings	4,000	
Service Revenue		7,600
Depreciation Expense	150	
Insurance Expense	240	
Interest Expense	300	
Rent Expense	1,420	
Supplies Expense	350	
Travel Expense	1,500	
Total	<u>\$44,460</u>	<u>\$44,460</u>

Required

- a) Prepare the closing entries using the income summary account for the month of August.
- b) Prepare the post-closing trial balance.

a) Closing entries

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Aug 31	Service Revenue		7,600	
	Income Summary			7,600
	<i>Close revenue accounts</i>			
Aug 31	Income Summary		3,960	
	Depreciation Expense			150
	Insurance Expense			240
	Interest Expense			300
	Rent Expense			1,420
	Supplies Expense			350
	Travel Expense			1,500
	<i>Close expense accounts</i>			
Aug 31	Income Summary		3,640	
	Gordon, Capital			3,640
	<i>Close income summary account</i>			
Aug 31	Gordon, Capital		4,000	
	Gordon, Drawings			4,000
	<i>Close owner's drawings</i>			

b) Post-closing trial balance

Jim's Custom Painting		
Post-Closing Trial Balance		
August 31, 2016		
Account Titles	DR	CR
Cash	\$8,400	
Accounts Receivable	2,900	
Prepaid Rent	2,100	
Office Supplies	2,400	
Equipment	20,700	
Accumulated Depreciation		\$2,700
Accounts Payable		3,200
Interest Payable		300
Unearned Revenue		2,900
Mortgage Payable		5,400
Gordon, Capital		22,000
Total	<u>\$36,500</u>	<u>\$36,500</u>

AP-4B (2)

Portal Delivery Services has prepared its income statement and statement of owner's equity.

Portal Delivery Services		
Income Statement		
For the Year Ended October 31, 2016		
Service Revenue		\$500,000
Expenses		
Transportation Expense	\$95,000	
Salaries Expense	240,000	
Maintenance Expense	70,000	
Depreciation Expense	<u>45,000</u>	
Total Expenses		<u>450,000</u>
Net Income (Loss)		<u>\$50,000</u>

Portal Delivery Services Statement of Owner's Equity For the Year Ended October 31, 2016		
Jones, Capital at November 1, 2015		\$120,000
Add		
Additional Investments	\$30,000	
Net Income (Loss)	<u>50,000</u>	<u>80,000</u>
Subtotal		200,000
Less		
Jones, Drawings		<u>100,000</u>
Jones, Capital at October 31, 2016		<u>\$100,000</u>

Required

Prepare the closing entries using the income summary method for Portal Delivery Services.

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Oct 31	Service Revenue		500,000	
	Income Summary			500,000
	<i>To close revenue account</i>			
Oct 31	Income Summary		450,000	
	Transportation Expense			95,000
	Salaries Expense			240,000
	Maintenance Expense			70,000
	Depreciation Expense			45,000
	<i>To close expense accounts</i>			
Oct 31	Income Summary		50,000	
	Jones, Capital			50,000
	<i>To close the income summary account</i>			
Oct 31	Jones, Capital		100,000	
	Jones, Drawings			100,000
	<i>To close the owner's drawings account</i>			

Analysis

What is the purpose of preparing closing entries at the end of each period? Explain.

The income statement accounts are closed after each period so that the revenues, expenses, and changes in equity can be compared and analyzed each period to make financial and operating decisions. Each period must begin with revenue and expense accounts with a zero balance for consistency. Investors also compare the periodic results between companies over time to make investment decisions.

AP-5B (2 3)

Home Protector has journalized its adjusting entries and prepared its adjusted trial balance.

Home Protector Adjusted Trial Balance January 31, 2016		
Account Titles	DR	CR
Cash	\$14,200	
Accounts Receivable	6,900	
Prepaid Services	4,000	
Office Supplies	2,000	
Equipment	37,700	
Accumulated Depreciation		\$5,700
Accounts Payable		4,800
Salaries Payable		950
Unearned Revenue		4,800
Mortgage Payable		8,800
Sherlock, Capital		32,750
Sherlock, Drawings	4,900	
Service Revenue		18,200
Depreciation Expense	350	
Insurance Expense	290	
Maintenance Expense	470	
Rent Expense	1,500	
Telephone Expense	490	
Utilities Expense	3,200	
Total	<u>\$76,000</u>	<u>\$76,000</u>

Required

- Prepare the closing entries directly to owner's capital for the month of January.
- Prepare the post-closing trial balance.

a) Closing entries

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Jan 31	Service Revenue		18,200	
	Sherlock, Capital			18,200
	<i>Close revenue accounts</i>			
Jan 31	Sherlock, Capital		6,300	
	Depreciation Expense			350
	Insurance Expense			290
	Maintenance Expense			470
	Rent Expense			1,500
	Telephone Expense			490
	Utilities Expense			3,200
	<i>Close expense accounts</i>			
Jan 31	Sherlock, Capital		4,900	
	Sherlock, Drawings			4,900
	<i>Close owner's drawings</i>			

b) Post-closing trial balance

Home Protector		
Post-Closing Trial Balance		
January 31, 2016		
Account Titles	DR	CR
Cash	\$14,200	
Accounts Receivable	6,900	
Prepaid Services	4,000	
Office Supplies	2,000	
Equipment	37,700	
Accumulated Depreciation		\$5,700
Accounts Payable		4,800
Salaries Payable		950
Unearned Revenue		4,800
Mortgage Payable		8,800
Sherlock, Capital		39,750
Total	<u>\$64,800</u>	<u>\$64,800</u>

AP-6B (2 3)

Health Foods has journalized its adjusting entries and prepared its adjusted trial balance.

Health Foods Adjusted Trial Balance May 31, 2016		
Account Titles	DR	CR
Cash	\$14,800	
Accounts Receivable	7,600	
Prepaid Rent	3,300	
Office Supplies	2,300	
Equipment	39,300	
Accumulated Depreciation		\$5,200
Accounts Payable		4,200
Salaries Payable		980
Unearned Revenue		4,800
Mortgage Payable		11,000
Schmitt, Capital		34,820
Schmitt, Drawings	4,400	
Service Revenue		17,000
Depreciation Expense	140	
Insurance Expense	140	
Maintenance Expense	160	
Office Supplies Expense	880	
Rent Expense	1,400	
Telephone Expense	280	
Utilities Expense	3,300	
Total	<u>\$78,000</u>	<u>\$78,000</u>

Required

- a) Prepare the closing entries directly to owner's capital for the month of May.
- b) Prepare the post-closing trial balance.

a) Closing entries

JOURNAL				Page 1
Date	Account Title and Explanation	PR	Debit	Credit
2016				
May 31	Service Revenue		17,000	
	Schmitt, Capital			17,000
	<i>Close revenue accounts</i>			
May 31	Schmitt, Capital		6,300	
	Depreciation Expense			140
	Insurance Expense			140
	Maintenance Expense			160
	Office Supplies Expense			880
	Rent Expense			1,400
	Telephone Expense			280
	Utilities Expense			3,300
	<i>Close expense accounts</i>			
May 31	Schmitt, Capital		4,400	
	Schmitt, Drawings			4,400
	<i>Close owner's drawings</i>			

b) Post-closing trial balance

Health Foods		
Post-Closing Trial Balance		
May 31, 2016		
Account Titles	DR	CR
Cash	\$14,800	
Accounts Receivable	7,600	
Prepaid Rent	3,300	
Office Supplies	2,300	
Equipment	39,300	
Accumulated Depreciation		\$5,200
Accounts Payable		4,200
Salaries Payable		980
Unearned Revenue		4,800
Mortgage Payable		11,000
Schmitt, Capital		41,120
Total	<u>\$67,300</u>	<u>\$67,300</u>

AP-7B (1 2 3)

High Flying Biplane has completed all its journal entries and adjusting entries for the month of June 2016. The chart of accounts and adjusted trial balance are shown below.

Account Description	Account #	Account Description	Account #
ASSETS		REVENUE	
Cash	101	Service Revenue	400
Accounts Receivable	105	EXPENSES	
Prepaid Insurance	110	Advertising Expense	500
Equipment	120	Depreciation Expense	510
Accumulated Depreciation	125	Insurance Expense	515
LIABILITIES		Interest Expense	520
Accounts Payable	200	Telephone Expense	550
Interest Payable	205	OWNER'S EQUITY	
Unearned Revenue	210	Singh, Capital	300
Bank Loan	215	Singh, Drawings	310
		Income Summary	315

High Flying Biplane Adjusted Trial Balance June 30, 2016		
Account Titles	DR	CR
Cash	\$8,800	
Accounts Receivable	6,800	
Prepaid Insurance	1,100	
Equipment	64,000	
Accumulated Depreciation		\$450
Accounts Payable		7,700
Interest Payable		75
Unearned Revenue		4,080
Bank Loan		19,000
Singh, Capital		48,800
Singh, Drawings	1,200	
Service Revenue		3,020
Advertising Expense	400	
Depreciation Expense	450	
Insurance Expense	100	
Interest Expense	75	
Telephone Expense	200	
Total	\$83,125	\$83,125

Required

- Prepare the income statement, statement of owner's equity and the balance sheet.
- Create the closing entries using the income summary account and post the closing entries to the ledger accounts.
- Prepare the post-closing trial balance.

Note: The daily transactions and adjustments for the month of June have already been posted in the general ledger. You are only responsible for posting the closing entries.

- Prepare financial statements.

High Flying Biplane		
Income Statement		
For the Month Ended June 30, 2016		
Service Revenue		\$3,020
Expenses		
Advertising Expense	\$400	
Depreciation Expense	450	
Insurance Expense	100	
Interest Expense	75	
Telephone Expense	<u>200</u>	
Total Expenses		<u>1,225</u>
Net Income		<u>\$1,795</u>

High Flying Biplane		
Statement of Owner's Equity		
For the Month Ended June 30, 2016		
Singh, Capital at June 1		\$43,800
Add: Net Income	\$1,795	
Investments	<u>5,000</u>	<u>6,795</u>
Subtotal		50,595
Less: Singh, Drawings		<u>1,200</u>
Singh, Capital at June 30		<u>\$49,395</u>

High Flying Biplane		
Balance Sheet		
As at June 30, 2016		
Assets		
Cash		\$8,800
Accounts Receivable		6,800
Prepaid Insurance		1,100
Equipment	\$64,000	
Accumulated Depreciation	(450)	63,550
Total Assets		<u>\$80,250</u>
Liabilities		
Accounts Payable	\$7,700	
Interest Payable	75	
Unearned Revenue	4,080	
Bank Loan	19,000	
Total Liabilities		\$30,855
Owner's Equity		
Singh, Capital		<u>49,395</u>
Total Liabilities and Owner's Equity		<u>\$80,250</u>

b) Prepare the closing entries.

JOURNAL				Page 3
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Jun 30	Service Revenue	400	3,020	
	Income Summary	315		3,020
	<i>Close revenue accounts</i>			
Jun 30	Income Summary	315	1,225	
	Advertising Expense	500		400
	Depreciation Expense	510		450
	Insurance Expense	515		100
	Interest Expense	520		75
	Telephone Expense	550		200
	<i>Close expense accounts</i>			
Jun 30	Income Summary	315	1,795	
	Singh, Capital	300		1,795
	<i>Close income summary account</i>			
Jun 30	Singh, Capital	300	1,200	
	Singh, Drawings	310		1,200
	<i>Close owner's drawings</i>			

c) Prepare the post-closing trial balance.

High Flying Biplane		
Post-Closing Trial Balance		
June 30, 2016		
Account Titles	DR	CR
Cash	\$8,800	
Accounts Receivable	6,800	
Prepaid Insurance	1,100	
Equipment	64,000	
Accumulated Depreciation		\$450
Accounts Payable		7,700
Interest Payable		75
Unearned Revenue		4,080
Bank Loan		19,000
Singh, Capital		49,395
Total	\$80,700	\$80,700

GENERAL LEDGER

Account: Cash					GL. No: 101	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 1	Opening Balance				8,000	DR
Jun 1		J1	5,000		13,000	DR
Jun 2		J1	1,500		14,500	DR
Jun 4		J1		200	14,300	DR
Jun 14		J1		4,000	10,300	DR
Jun 20		J1	1,600		11,900	DR
Jun 22		J1		900	11,000	DR
Jun 24		J1		1,000	10,000	DR
Jun 30		J1		1,200	8,800	DR

Account: Accounts Receivable					GL No: 105	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 1	Opening Balance				6,000	DR
Jun 10		J1	2,400		8,400	DR
Jun 20		J1		1,600	6,800	DR

Account: Prepaid Insurance					GL No: 110	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 1	Opening Balance				1,200	DR
Jun 30	Adjustment	J2		100	1,100	DR

Account: Equipment					GL No: 120	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 1	Opening Balance				60,000	DR
Jun 14		J1	4,000		64,000	DR

Account: Accumulated Depreciation					GL No: 125	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 30	Adjustment	J2		450	450	CR

Account: Accounts Payable					GL No: 200	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 1	Opening Balance				8,200	CR
Jun 3		J1		400	8,600	CR
Jun 22		J1	900		7,700	CR

Account: Interest Payable					GL No: 205	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 30	Adjustment	J2		75	75	CR

Account: Unearned Revenue					GL No: 210	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 1	Opening Balance				3,200	CR
Jun 2		J1		1,500	4,700	CR
Jun 30	Adjustment	J2	620		4,080	CR

Account: Bank Loan					GL No: 215	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 1	Opening Balance				20,000	CR
Jun 24		J1	1,000		19,000	CR

Account: Singh, Capital					GL No: 300	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 1	Opening Balance				43,800	CR
Jun 1		J1		5,000	48,800	CR
Jun 30	Closing Entry	J3		1,795	50,595	CR
Jun 30	Closing Entry	J3	1,200		49,395	CR

Account: Singh, Drawings						GL No: 310	
Date	Description	PR	DR	CR	Balance		
2016							
Jun 30		J1	1,200		1,200	DR	
Jun 30	Closing Entry	J3		1,200	0	DR	

Account: Income Summary						GL No: 315	
Date	Description	PR	DR	CR	Balance		
2016							
Jun 30	Closing Entry	J3		3,020	3,020	CR	
Jun 30	Closing Entry	J3	1,225		1,795	CR	
Jun 30	Closing Entry	J3	1,795		0	CR	

Account: Service Revenue						GL No: 400	
Date	Description	PR	DR	CR	Balance		
2016							
Jun 10		J1		2,400	2,400	CR	
Jun 30	Adjustment	J2		620	3,020	CR	
Jun 30	Closing Entry	J3	3,020		0	CR	

Account: Advertising Expense						GL No: 500	
Date	Description	PR	DR	CR	Balance		
2016							
Jun 3		J1	400		400	DR	
Jun 30	Closing Entry	J3		400	0	DR	

Account: Depreciation Expense						GL No: 510	
Date	Description	PR	DR	CR	Balance		
2016							
Jun 30	Adjustment	J2	450		450	DR	
Jun 30	Closing Entry	J3		450	0	DR	

Account: Insurance Expense						GL No: 515	
Date	Description	PR	DR	CR	Balance		
2016							
Jun 30	Adjustment	J2	100		100	DR	
Jun 30	Closing Entry	J3		100	0	DR	

Account: Interest Expense					GL No: 520	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 30	Adjustment	J2	75		75	DR
Jun 30	Closing Entry	J3		75	0	DR

Account: Telephone Expense					GL No: 550	
Date	Description	PR	DR	CR	Balance	
2016						
Jun 4		J1	200		200	DR
Jun 30	Closing Entry	J3		200	0	DR

AP-8B (1 2 3)

Limbo Lower has completed all its journal entries and adjusting entries for the month of September 2016. The chart of accounts and adjusted trial balance are shown below.

Account Description	Account #	Account Description	Account #
ASSETS		REVENUE	
Cash	101	Service Revenue	400
Accounts Receivable	105	EXPENSES	
Prepaid Insurance	110	Depreciation Expense	510
Office Supplies	115	Insurance Expense	515
Equipment	120	Interest Expense	520
Accumulated Depreciation	125	Office Supplies Expense	530
LIABILITIES		Rent Expense	540
Accounts Payable	200		
Unearned Revenue	210		
Bank Loan	215		
OWNER'S EQUITY			
Patel, Capital	300		
Patel, Drawings	310		
Income Summary	315		

Limbo Lower Adjusted Trial Balance September 30, 2016		
Account Titles	DR	CR
Cash	\$5,800	
Accounts Receivable	1,450	
Prepaid Insurance	1,650	
Office Supplies	650	
Equipment	9,300	
Accumulated Depreciation		\$120
Accounts Payable		3,050
Unearned Revenue		1,040
Bank Loan		4,640
Patel, Capital		11,450
Patel, Drawings	1,600	
Service Revenue		2,260
Depreciation Expense	120	
Insurance Expense	150	
Interest Expense	40	
Office Supplies Expense	450	
Rent Expense	1,350	
Total	\$22,560	\$22,560

Required

- a) Prepare the income statement, statement of owner's equity and the balance sheet.
- b) Create the closing entries using the income summary account and post the closing entries to the ledger accounts.
- c) Prepare the post-closing trial balance.

Note: The daily transactions and adjustments for the month of September have already been posted in the general ledger. You are only responsible for posting the closing entries.

a) Prepare the financial statements.

Limbo Lower		
Income Statement		
For the Month Ended September 30, 2016		
Service Revenue		\$2,260
Less Expenses		
Depreciation Expense	\$120	
Insurance Expense	150	
Interest Expense	40	
Office Supplies Expense	450	
Rent Expense	<u>1,350</u>	
Total Expense		<u>2,110</u>
Net Income		<u>\$150</u>

Limbo Lower		
Statement of Owner's Equity		
For the Month Ended September 30, 2016		
Patel, Capital at September 1		\$11,450
Add:		
Net Income		<u>150</u>
Subtotal		11,600
Less: Patel, Drawings		<u>1,600</u>
Patel, Capital at September 30		<u>\$10,000</u>

Limbo Lower		
Balance Sheet		
As at September 30, 2016		
Assets		
Cash		\$5,800
Accounts Receivable		1,450
Prepaid Insurance		1,650
Office Supplies		650
Equipment	\$9,300	
Accumulated Depreciation	<u>(120)</u>	<u>9,180</u>
Total Assets		<u>\$18,730</u>
Liabilities		
Accounts Payable	\$3,050	
Unearned Revenue	1,040	
Bank Loan	<u>4,640</u>	
Total Liabilities		\$8,730
Owner's Equity		
Patel, Capital		<u>10,000</u>
Total Liabilities and Owner's Equity		<u>\$18,730</u>

b) Prepare the closing entries.

JOURNAL				Page 3
Date	Account Title and Explanation	PR	Debit	Credit
2016				
Sep 30	Service Revenue	400	2,260	
	Income Summary	315		2,260
	<i>Close revenue accounts</i>			
Sep 30	Income Summary	315	2,110	
	Depreciation Expense	510		120
	Insurance Expense	515		150
	Interest Expense	520		40
	Office Supplies Expense	530		450
	Rent Expense	540		1,350
	<i>Close expense accounts</i>			
Sep 30	Income Summary	315	150	
	Patel, Capital	300		150
	<i>Close income summary account</i>			
Sep 30	Patel, Capital	300	1,600	
	Patel, Drawings	310		1,600
	<i>Close owner's drawings</i>			

c) Prepare the post-closing trial balance.

Limbo Lower		
Post-Closing Trial Balance		
September 30, 2016		
Account Titles	DR	CR
Cash	\$5,800	
Accounts Receivable	1,450	
Prepaid Insurance	1,650	
Office Supplies	650	
Equipment	9,300	
Accumulated Depreciation		\$120
Accounts Payable		3,050
Unearned Revenue		1,040
Bank Loan		4,640
Patel, Capital		10,000
Total	\$18,850	\$18,850

GENERAL LEDGER

Account: Cash					GL. No: 101	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				7,200	DR
Sep 1		J1		1,800	5,400	DR
Sep 2		J1	1,900		7,300	DR
Sep 3		J1		1,350	5,950	DR
Sep 10		J1		40	5,910	DR
Sep 10		J1		960	4,950	DR
Sep 20		J1	2,200		7,150	DR
Sep 22		J1	850		8,000	DR
Sep 24		J1		600	7,400	DR
Sep 30		J1		1,600	5,800	DR

Account: Accounts Receivable					GL No: 105	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				2,300	DR
Sep 22		J1		850	1,450	DR

Account: Prepaid Insurance					GL No: 110	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				0	DR
Sep 1		J1	1,800		1,800	DR
Sep 30	Adjustment	J2		150	1,650	DR

Account: Office Supplies					GL No: 115	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				850	DR
Sep 4		J1	250		1,100	DR
Sep 30	Adjustment	J2		450	650	DR

Account: Equipment					GL No: 120	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				11,500	DR
Sep 20		J1		2,200	9,300	DR

Account: Accumulated Depreciation					GL No: 125	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 30	Adjustment	J2		120	120	CR

Account: Accounts Payable					GL No: 200	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				3,400	CR
Sep 4		J1		250	3,650	CR
Sep 24		J1	600		3,050	CR

Account: Unearned Revenue					GL No: 210	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				1,400	CR
Sep 30	Adjustment	J2	360		1,040	CR

Account: Bank Loan					GL No: 215	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				5,600	CR
Sep 10		J1	960		4,640	CR

Account: Patel, Capital					GL No: 300	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 1	Opening Balance				11,450	CR
Sep 30	Closing Entry	J3		150	11,600	CR
Sep 30	Closing Entry	J3	1,600		10,000	CR

Account: Patel, Drawings					GL No: 310	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 30		J1	1,600		1,600	DR
Sep 30	Closing Entry	J3		1,600	0	DR

Account: Income Summary					GL No: 315	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 30	Closing Entry	J3		2,260	2,260	CR
Sep 30	Closing Entry	J3	2,110		150	CR
Sep 30	Closing Entry	J3	150		0	CR

Account: Service Revenue					GL No: 400	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 2		J1		1,900	1,900	CR
Sep 30	Adjustment	J2		360	2,260	CR
Sep 30	Closing Entry	J3	2,260		0	CR

Account: Depreciation Expense					GL No: 510	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 30	Adjustment	J2	120		120	DR
Sep 30	Closing Entry	J3		120	0	DR

Account: Insurance Expense					GL No: 515	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 30	Adjustment	J2	150		150	DR
Sep 30	Closing Entry	J3		150	0	DR

Account: Interest Expense					GL No: 520	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 10		J1	40		40	DR
Sep 30	Closing Entry	J3		40	0	DR

Account: Office Supplies Expense					GL No: 530	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 30	Adjustment	J2	450		450	DR
Sep 30	Closing Entry	J3		450	0	DR

Account: Rent Expense					GL No: 540	
Date	Description	PR	DR	CR	Balance	
2016						
Sep 3		J1	1,350		1,350	DR
Sep 30	Closing Entry	J3		1,350	0	DR

AP-9B (4)

The following information is taken from the records of Basil Cleaning.

Accounts Payable	\$18,000
Inventory	14,000
Land	55,000
Cash	31,000
Factory Equipment	20,000
Current Loans Payable	21,000
Office Furniture	18,000
Prepaid Insurance	13,000
Unearned Revenue	8,000

Required

- a) Calculate total current assets.

Total Current Assets: \$58,000

- b) Calculate total long-term assets.

Total Non-Current Assets: \$93,000

c) Calculate total assets.

Total Assets: **\$151,000**

AP-10B (4)

Manuel Consulting borrowed a \$1,180,000 interest-free bank loan on January 1, 2016. Payment is agreed to be made in four years in four equal annual instalments (paid on each subsequent January 1). Calculate the current and long-term liabilities as at December 31 before the annual instalments are made for the following years.

	December 31			
	2016	2017	2018	2019
Current portion of loan	\$295,000	\$295,000	\$295,000	\$295,000
Long-term portion of loan	\$885,000	\$590,000	\$295,000	\$0

AP-11B (4)

On July 1, 2016, Bryte Services took out a \$200,000 bank loan. The loan will be repaid in equal annual installments over the next 10 years. Show how the bank loan will appear on Bryte Services' classified balance sheet on June 30, 2022.

Current Liabilities

Bank Loan—Current 20,000

Long-Term Liabilities

Bank Loan—Long-Term 60,000

Analysis

Show the journal entries required to record the receipt of the loan and the first principal payment.

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Date	Account Title and Explanation	PR	Debit	Credit
2016				
Jul 1	Cash		200,000	
	Bank Loan			200,000
	<i>Took out a bank loan</i>			
2017				
Jun 30	Bank Loan		20,000	
	Cash			20,000
	<i>Paid back a portion of the loan</i>			

AP-12B (4)

On January 1, 2016, Detmore Consulting took out a \$100,000 bank loan. The loan will be repaid in two equal payments; one on December 31, 2017, and the other on December 31, 2019. Complete the table below with the correct balances for the accounts at the dates listed.

	Bank Loan	
	Current	Long-Term
Dec. 31, 2016	50,000	50,000
Dec. 31, 2017	0	50,000
Dec. 31, 2018	50,000	0
Dec. 31, 2019	0	0

Analysis

Why is it helpful to split some liabilities into current and long-term portions for reporting purposes?

Readers of the financial statements are interested in knowing whether or not the company will have any problems paying its upcoming liabilities. The long-term liabilities can be compared to shareholders' equity to determine where most of the company's finances are coming from—i.e. debt or equity. Some investors perceive a company that has more debt financing as a riskier investment.

AP-13B (4)

Identify the following accounts as either current or long-term, and as either assets or liabilities.

Account Name	Current or Long-Term	Asset or Liability
Accounts Receivable	Current	Asset
Salaries Payable	Current	Liability
Equipment	Long-Term	Asset
Cash	Current	Asset
Bank Loan due in six months	Current	Liability
Office Furniture	Long-Term	Asset
Accounts Payable	Current	Liability
Prepaid Rent	Current	Asset
Bank Loan due in two years	Long-Term	Liability
Inventory	Current	Asset

AP-14B (4 5 6)

Below is Bravolo's adjusted trail balance for the year ending September 30, 2016. Assume all accounts have a normal balance.

Cash	\$17,400
Accounts Receivable	5,800
Prepaid Insurance	1,800
Equipment	23,000
Accumulated Depreciation	1,100
Accounts Payable	7,600
Unearned Revenue	1,500
Bank Loan	18,000
Bravolo, Capital	19,800

The bank loan is payable over three years and \$6,000 will be paid by September 30, 2017.

Required

- a) Prepare a classified balance sheet.

Bravolo Classified Balance Sheet As at September 30, 2016		
Assets		
Current Assets		
Cash	\$17,400	
Accounts Receivable	5,800	
Prepaid Insurance	<u>1,800</u>	
Total Current Assets		\$25,000
Property, Plant & Equipment		
Equipment	23,000	
Less Accumulated Depreciation	<u>(1,100)</u>	
Total Property, Plant & Equipment		<u>21,900</u>
Total Assets		<u>\$46,900</u>
Liabilities		
Current Liabilities		
Accounts Payable	\$7,600	
Unearned Revenue	1,500	
Bank Loan—Current Portion	<u>6,000</u>	
Total Current Liabilities		\$15,100
Long-Term Liabilities		
Bank Loan—Long-Term Portion	<u>12,000</u>	
Total Long-Term Liabilities		<u>12,000</u>
Total Liabilities		27,100
Owner's Equity		
Bravolo, Capital	<u>19,800</u>	
Total Owner's Equity		<u>19,800</u>
Total Liabilities and Owner's Equity		<u>\$46,900</u>

b) Calculate the working capital for Bravolo.

$$\underline{\$25,000 - \$15,100 = \$9,900}$$

c) Calculate the current ratio for Bravolo.

$$\underline{\$25,000 \div \$15,100 = 1.66}$$

d) Calculate the quick ratio for Bravolo.

$$\underline{(\$17,400 + \$5,800) \div \$15,100 = 1.54}$$

AP-15B (4 5 6)

Below is Canduro's financial information for the year ending June 30, 2016. Assume all accounts have a normal balance.

Accounts Payable	\$8,900
Accounts Receivable	6,100
Accumulated Depreciation	1,200
Bank Loan	21,000
Cash	19,000
Prepaid Insurance	3,250
Equipment	25,000
Canduro, Capital	20,550
Unearned Revenue	1,700

The bank loan is payable over five years and \$4,200 will be paid by June 30, 2017.

Required

a) Prepare a classified balance sheet.

Canduro Classified Balance Sheet As at June 30, 2016		
Assets		
Current Assets		
Cash	\$19,000	
Accounts Receivable	6,100	
Prepaid Insurance	<u>3,250</u>	
Total Current Assets		\$28,350
Property, Plant & Equipment		
Equipment	25,000	
Less Accumulated Depreciation	<u>(1,200)</u>	
Total Property, Plant & Equipment		<u>23,800</u>
Total Assets		<u>\$52,150</u>
Liabilities		
Current Liabilities		
Accounts Payable	\$8,900	
Unearned Revenue	1,700	
Bank Loan—Current Portion	<u>4,200</u>	
Total Current Liabilities		\$14,800
Long-Term Liabilities		
Bank Loan—Long-Term Portion	<u>16,800</u>	
Total Long-Term Liabilities		<u>16,800</u>
Total Liabilities		31,600
Owner's Equity		
Canduro, Capital	<u>20,550</u>	
Total Owner's Equity		<u>20,550</u>
Total Liabilities and Owner's Equity		<u>\$52,150</u>

b) Calculate the working capital for Canduro.

$$\$28,350 - \$14,800 = \$13,550$$

c) Calculate the current ratio for Canduro.

$$\$28,350 \div \$14,800 = 1.92$$

d) Calculate the quick ratio for Canduro.

$$(\$19,000 + \$6,100) \div \$14,800 = 1.70$$

AP-16B (8)

Charles Ly is the owner of Gamma Services. He has hired you to prepare the financial statements for his company on April 30, 2016. As part of the process, you need to create the worksheet. Use the unadjusted trial balance and the adjustments to complete the worksheet.

Apr 30 Recognized prepaid insurance worth \$100 for this month.

Apr 30 Recorded \$400 depreciation on equipment.

Apr 30 Recognized \$1,800 of unearned revenue that has now become earned.

Gamma Services Worksheet April 30, 2016										
Account Titles	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
Cash	\$21,750				\$21,750				\$21,750	
Accounts Receivable	13,000				13,000				13,000	
Prepaid Insurance	1,200			\$100	1,100				1,100	
Equipment	17,500				17,500				17,500	
Accumulated Depreciation		\$2,000		400		\$2,400				\$2,400
Accounts Payable		10,300				10,300				10,300
Unearned Revenue		4,500	\$1,800			2,700				2,700
Bank Loan		18,000				18,000				18,000
Ly, Capital		14,000				14,000				14,000
Service Revenue		9,000		1,800		10,800		\$10,800		
Insurance Expense	0		100		100		\$100			
Salaries Expense	4,000				4,000		4,000			
Telephone Expense	200				200		200			
Depreciation Expense	0		400		400		400			
Interest Expense	150				150		150			
Totals	\$57,800	\$57,800	\$2,300	\$2,300	\$58,200	\$58,200	4,850	10,800	53,350	47,400
Net Profit (Loss)							5,950			5,950
Total							\$10,800	\$10,800	\$53,350	\$53,350

Case Study

CS-1 (1 2 3 4 5)

Grindstone Paving provides residential and commercial paving services. Its balance sheet at the end of June 2016 is shown below, along with its chart of accounts.

Grindstone Paving Balance Sheet As at June 30, 2016			
Assets		Liabilities	
Cash	\$7,580	Accounts Payable	\$15,800
Accounts Receivable	6,000	Unearned Revenue	6,200
Prepaid Insurance	1,800	Bank Loan	22,000
Equipment	55,000	Total Liabilities	44,000
		Owner's Equity	
		Stone, Capital	26,380
Total Assets	\$70,380	Total Liabilities and Owner's Equity	\$70,380

Account Description	Account #
ASSETS	
Cash	101
Accounts Receivable	105
Prepaid Insurance	110
Equipment	120
Accumulated Depreciation	125

LIABILITIES	
Accounts Payable	200
Interest Payable	205
Salary Payable	210
Unearned Revenue	215
Bank Loan	220

OWNER'S EQUITY	
Stone, Capital	300
Stone, Drawings	310
Income Summary	315

Account Description	Account #
REVENUE	
Service Revenue	400

EXPENSES	
Advertising Expense	500
Depreciation Expense	510
Insurance Expense	515
Interest Expense	520
Salaries Expense	545
Telephone Expense	550

For the month of July 2016, Grindstone Paving had the following transactions.

- Jul 1 The owner invested \$8,000 cash into the business.
- Jul 2 Received \$2,530 cash for work that will be provided in August.
- Jul 5 Received an advertising bill for \$600 which will be paid next month.
- Jul 8 Paid the \$350 telephone bill with cash.
- Jul 10 Provided \$4,680 worth of services to customers who will pay later.
- Jul 14 Purchased equipment with \$8,200 cash.
- Jul 20 Received \$2,350 in payment from customers paying their account.
- Jul 22 Paid \$1,970 toward accounts payable.
- Jul 24 Paid \$1,300 toward bank loan principal.
- Jul 28 Paid salary of \$2,400 to an employee.
- Jul 30 The owner withdrew \$2,200 cash for personal use.

At the end of July, the following adjustments had to be journalized to properly report the balances of the company's accounts.

- Jul 31 One month of prepaid insurance worth \$100 has been used.
- Jul 31 Monthly depreciation on the equipment was \$450.
- Jul 31 Unearned revenue worth \$620 has now been earned.
- Jul 31 Interest of \$75 has accrued on the bank loan.
- Jul 31 Accrued salary expense of \$500 for an employee.

Note: Of the remaining balance of the bank loan, \$5,000 will be paid within the next year.

Required

- a) Enter the opening balances from the June 2016 balance sheet into the general ledger accounts (the ledger accounts are presented at the end of this question).
- b) Prepare the journal entries for the month of July and post them to the appropriate general ledger accounts.
- c) Create the trial balance in the worksheet and then complete the remaining section of the worksheet.
- d) Create the income statement, statement of owner's equity and the classified balance sheet.
- e) Prepare the journal entries for the adjustments and post them to the appropriate general ledger accounts.
- f) Prepare the journal entries to close the books for the month of July 2016 (use the income summary account), and post the journal entries to the appropriate general ledger accounts.
- g) Create the post-closing trial balance.

- a) Enter opening balances in the ledgers located at the end of the question.
- b) Journal entries

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Date	Account Title and Explanation	PR	Debit	Credit
2016				
Jul 1	Cash	101	8,000	
	Stone, Capital	300		8,000
	<i>Owner invested cash</i>			
Jul 2	Cash	101	2,530	
	Unearned Revenue	215		2,530
	<i>Received deposit for future services</i>			
Jul 5	Advertising Expense	500	600	
	Accounts Payable	200		600
	<i>Record advertising bill</i>			
Jul 8	Telephone Expense	550	350	
	Cash	101		350
	<i>Paid telephone bill</i>			
Jul 10	Accounts Receivable	105	4,680	
	Service Revenue	400		4,680
	<i>Provide service on account</i>			
Jul 14	Equipment	120	8,200	
	Cash	101		8,200
	<i>Purchased equipment</i>			
Jul 20	Cash	101	2,350	
	Accounts Receivable	105		2,350
	<i>Received payment from customers</i>			
Jul 22	Accounts Payable	200	1,970	
	Cash	101		1,970
	<i>Paid accounts payable</i>			
Jul 24	Bank Loan	220	1,300	
	Cash	101		1,300
	<i>Paid bank loan</i>			
Jul 28	Salaries Expense	545	2,400	
	Cash	101		2,400
	<i>Paid salary</i>			
Jul 30	Stone, Drawings	310	2,200	
	Cash	101		2,200
	<i>Owner withdrew cash for personal use</i>			

c) Worksheet

Grindstone Paving						
Worksheet						
July 31, 2016						
Account Titles	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
	DR	CR	DR	CR	DR	CR
Cash	\$4,040				\$4,040	
Accounts Receivable	8,330				8,330	
Prepaid Insurance	1,800			\$100	1,700	
Equipment	63,200				63,200	
Accumulated Depreciation		\$0		450		\$450
Accounts Payable		14,430				14,430
Interest Payable		0		75		75
Salary Payable		0		500		500
Unearned Revenue		8,730	\$620			8,110
Bank Loan		20,700				20,700
Stone, Capital		34,380				34,380
Stone, Drawings	2,200				2,200	
Service Revenue		4,680		620		5,300
Advertising Expense	600				600	
Depreciation Expense	0		450		450	
Insurance Expense	0		100		100	
Interest Expense	0		75		75	
Salaries Expense	2,400		500		2,900	
Telephone Expense	350				350	
Total	\$82,920	\$82,920	\$1,745	\$1,745	\$83,945	\$83,945

d) Financial statements

Grindstone Paving		
Income Statement		
For the Month Ended July 31, 2016		
Service Revenue		\$5,300
Less Expenses:		
Advertising Expense	\$600	
Depreciation Expense	450	
Insurance Expense	100	
Interest Expense	75	
Salaries Expense	2,900	
Telephone Expense	<u>350</u>	
Total Expenses		<u>4,475</u>
Net Income		<u>\$825</u>

Grindstone Paving		
Statement of Owner's Equity		
For the Month Ending July 31, 2016		
Stone, Capital at July 1		\$26,380
Add:		
Net Income	\$825	
Investments	<u>8,000</u>	<u>8,825</u>
Subtotal		35,205
Less: Stone, Drawings		<u>2,200</u>
Stone, Capital at July 31		<u>\$33,005</u>

Grindstone Paving		
Classified Balance Sheet		
As at July 31, 2016		
Assets		
Current Assets		
Cash	\$4,040	
Accounts Receivable	8,330	
Prepaid Insurance	<u>1,700</u>	
Total Current Assets		\$14,070
Property, Plant & Equipment		
Equipment	63,200	
Less Accumulated Depreciation	<u>(450)</u>	
Total Property, Plant & Equipment		<u>62,750</u>
Total Assets		<u>\$76,820</u>
Liabilities		
Current Liabilities		
Accounts Payable	\$14,430	
Interest Payable	75	
Salary Payable	500	
Unearned Revenue	8,110	
Current Portion of Bank Loan	<u>5,000</u>	
Total Current Liabilities		\$28,115
Long-Term Liabilities		
Long-Term Portion of Bank Loan	<u>15,700</u>	
Total Long-Term Liabilities		<u>15,700</u>
Total Liabilities		43,815
Owner's Equity		
Stone, Capital		<u>33,005</u>
Total Liabilities and Owner's Equity		<u>\$76,820</u>

e) Adjusting entries

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Date	Account Title and Explanation	PR	Debit	Credit
2016				
Jul 31	Insurance Expense	515	100	
	Prepaid Insurance	110		100
	<i>Expense one month of insurance</i>			
Jul 31	Depreciation Expense	510	450	
	Accumulated Depreciation	125		450
	<i>Depreciate property, plant and equipment</i>			
Jul 31	Unearned Revenue	215	620	
	Service Revenue	400		620
	<i>Earned revenue</i>			
Jul 31	Interest Expense	520	75	
	Interest Payable	205		75
	<i>Accrued interest on bank loan</i>			
Jul 31	Salaries Expense	545	500	
	Salary Payable	210		500
	<i>Accrued salaries</i>			

f) Closing entries

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Date	Account Title and Explanation	PR	Debit	Credit
2016				
Jul 31	Service Revenue	400	5,300	
	Income Summary	315		5,300
	<i>Close revenue accounts</i>			
Jul 31	Income Summary	315	4,475	
	Advertising Expense	500		600
	Depreciation Expense	510		450
	Insurance Expense	515		100
	Interest Expense	520		75
	Salaries Expense	545		2,900
	Telephone Expense	550		350
	<i>Close expense accounts</i>			
Jul 31	Income Summary	315	825	
	Stone, Capital	300		825
	<i>Close income summary account</i>			
Jul 31	Stone, Capital	300	2,200	
	Stone, Drawings	310		2,200
	<i>Close owner's drawings</i>			

g) Create the post-closing trial balance.

Grindstone Paving		
Post-Closing Trial Balance		
July 31, 2016		
Account Titles	DR	CR
Cash	\$4,040	
Accounts Receivable	8,330	
Prepaid Insurance	1,700	
Equipment	63,200	
Accumulated Depreciation		\$450
Accounts Payable		14,430
Interest Payable		75
Salary Payable		500
Unearned Revenue		8,110
Bank Loan		20,700
Stone, Capital		33,005
Total	\$77,270	\$77,270

GENERAL LEDGER

Account: Cash					GL. No. 101	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 1	Opening Balance				7,580	DR
Jul 1		J1	8,000		15,580	DR
Jul 2		J1	2,530		18,110	DR
Jul 8		J1		350	17,760	DR
Jul 14		J1		8,200	9,560	DR
Jul 20		J1	2,350		11,910	DR
Jul 22		J1		1,970	9,940	DR
Jul 24		J1		1,300	8,640	DR
Jul 28		J1		2,400	6,240	DR
Jul 30		J1		2,200	4,040	DR

Account: Accounts Receivable					GL. No. 105	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 1	Opening Balance				6,000	DR
Jul 10		J1	4,680		10,680	DR
Jul 20		J1		2,350	8,330	DR

Account: Prepaid Insurance					GL. No. 110	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 1	Opening Balance				1,800	DR
Jul 31	Adjustment	J2		100	1,700	DR

Account: Equipment					GL. No. 120	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 1	Opening Balance				55,000	DR
Jul 14		J1	8,200		63,200	DR

Account: Accumulated Depreciation					GL. No. 125	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 31	Adjustment	J2		450	450	CR

Account: Accounts Payable					GL. No. 200	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 1	Opening Balance				15,800	CR
Jul 5		J1		600	16,400	CR
Jul 22		J1	1,970		14,430	CR

Account: Interest Payable					GL. No. 205	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 31	Adjustment	J2		75	75	CR

Account: Salary Payable					GL. No. 210	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 31	Adjustment	J2		500	500	CR

Account: Unearned Revenue					GL. No. 215	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 1	Opening Balance				6,200	CR
Jul 2		J1		2,530	8,730	CR
Jul 31	Adjustment	J2	620		8,110	CR

Account: Bank Loan					GL. No. 220	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 1	Opening Balance				22,000	CR
Jul 24		J1	1,300		20,700	CR

Account: Stone, Capital					GL. No. 300	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 1	Opening Balance				26,380	CR
Jul 1		J1		8,000	34,380	CR
Jul 31	Closing Entry	J3		825	35,205	CR
Jul 31	Closing Entry	J3	2,200		33,005	CR

Account: Stone, Drawings						GL. No. 310
Date	Description	PR	DR	CR	Balance	
2016						
Jul 30		J1	2,200		2,200	DR
Jul 31	Closing Entry	J3		2,200	0	DR

Account: Income Summary						GL. No. 315
Date	Description	PR	DR	CR	Balance	
2016						
Jul 31	Closing Entry	J3		5,300	5,300	CR
Jul 31	Closing Entry	J3	4,475		825	CR
Jul 31	Closing Entry	J3	825		0	CR

Account: Service Revenue						GL. No. 400
Date	Description	PR	DR	CR	Balance	
2016						
Jul 10		J1		4,680	4,680	CR
Jul 31	Adjustment	J2		620	5,300	CR
Jul 31	Closing Entry	J3	5,300		0	CR

Account: Advertising Expense						GL. No. 500
Date	Description	PR	DR	CR	Balance	
2016						
Jul 5		J1	600		600	DR
Jul 31	Closing Entry	J3		600	0	DR

Account: Depreciation Expense						GL. No. 510
Date	Description	PR	DR	CR	Balance	
2016						
Jul 31	Adjustment	J2	450		450	DR
Jul 31	Closing Entry	J3		450	0	DR

Account: Insurance Expense					GL. No. 515	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 31	Adjustment	J2	100		100	DR
Jul 31	Closing Entry	J3		100	0	DR

Account: Interest Expense					GL. No. 520	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 31	Adjustment	J2	75		75	DR
Jul 31	Closing Entry	J3		75	0	DR

Account: Salaries Expense					GL. No. 545	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 28		J1	2,400		2,400	DR
Jul 31	Adjustment	J2	500		2,900	DR
Jul 31	Closing Entry	J3		2,900	0	DR

Account: Telephone Expense					GL. No. 550	
Date	Description	PR	DR	CR	Balance	
2016						
Jul 8		J1	350		350	DR
Jul 31	Closing Entry	J3		350	0	DR