

E3-6 Zaragoza Company accumulates the following adjustment data at December 31.

1. Services performed but not recorded total \$1,000.
2. Supplies of \$300 have been used.
3. Utility expenses of \$225 are unpaid.
4. Services related to unearned service revenue of \$260 were performed.
5. Salaries of \$800 are unpaid.
6. Prepaid insurance totaling \$350 has expired.

Identify types of adjustments and account relationships.

(LO 2, 3, 4)

Instructions

For each of the above items indicate the following.

- (a) The type of adjustment (prepaid expense, unearned revenue, accrued revenue, or accrued expense).
- (b) The status of accounts before adjustment (overstatement or understatement).

PROBLEMS

Prepare adjusting entries, post to ledger accounts, and prepare an adjusted trial balance.

(LO 2, 3, 4)

P3-1A Logan Krause started her own consulting firm, Krause Consulting, on May 1, 2017. The trial balance at May 31 is as follows.

KRAUSE CONSULTING Trial Balance May 31, 2017

Account Number		Debit	Credit
101	Cash	\$ 4,500	
112	Accounts Receivable	6,000	
126	Supplies	1,900	
130	Prepaid Insurance	3,600	
149	Equipment	11,400	
201	Accounts Payable		\$ 4,500
209	Unearned Service Revenue		2,000
301	Owner's Capital		18,700
400	Service Revenue		9,500
726	Salaries and Wages Expense	6,400	
729	Rent Expense	900	
		<u>\$34,700</u>	<u>\$34,700</u>

In addition to those accounts listed on the trial balance, the chart of accounts for Krause Consulting also contains the following accounts and account numbers: No. 150 Accumulated Depreciation—Equipment, No. 212 Salaries and Wages Payable, No. 631 Supplies Expense, No. 717 Depreciation Expense, No. 722 Insurance Expense, and No. 732 Utilities Expense.

Other data:

1. \$900 of supplies have been used during the month.
2. Utilities expense incurred but not paid on May 31, 2017, \$250.
3. The insurance policy is for 2 years.
4. \$400 of the balance in the unearned service revenue account remains unearned at the end of the month.
5. May 31 is a Wednesday, and employees are paid on Fridays. Krause Consulting has two employees, who are paid \$920 each for a 5-day work week.
6. The office furniture has a 5-year life with no salvage value. It is being depreciated at \$190 per month for 60 months.
7. Invoices representing \$1,700 of services performed during the month have not been recorded as of May 31.

Instructions

- (a) Prepare the adjusting entries for the month of May. Use J4 as the page number for your journal.
- (b) Post the adjusting entries to the ledger accounts. Enter the totals from the trial balance as beginning account balances and place a check mark in the posting reference column.
- (c) Prepare an adjusted trial balance at May 31, 2017.

(c) Adj. trial balance \$37,944

Prepare adjusting entries and financial statements.

(LO 2, 3, 4)

P3-3A Alena Co. was organized on July 1, 2017. Quarterly financial statements are prepared. The unadjusted and adjusted trial balances as of September 30 are shown below.

ALENA CO.
Trial Balance
September 30, 2017

	Unadjusted		Adjusted	
	Dr.	Cr.	Dr.	Cr.
Cash	\$ 8,700		\$ 8,700	
Accounts Receivable	10,400		11,500	
Supplies	1,500		650	
Prepaid Rent	2,200		500	
Equipment	18,000		18,000	
Accumulated Depreciation—Equipment		\$ -0-		\$ 700
Notes Payable		10,000		10,000
Accounts Payable		2,500		2,500
Salaries and Wages Payable		-0-		725
Interest Payable		-0-		100
Unearned Rent Revenue		1,900		450
Owner's Capital		22,000		22,000
Owner's Drawings	1,600		1,600	
Service Revenue		16,000		17,100
Rent Revenue		1,410		2,860
Salaries and Wages Expense	8,000		8,725	
Rent Expense	1,900		3,600	
Depreciation Expense			700	
Supplies Expense			850	
Utilities Expense	1,510		1,510	
Interest Expense			100	
	<u>\$53,810</u>	<u>\$53,810</u>	<u>\$56,435</u>	<u>\$56,435</u>

Instructions

(b) Net income \$4,475
Ending capital \$24,875
Total assets \$38,650

- Journalize the adjusting entries that were made.
- Prepare an income statement and an owner's equity statement for the 3 months ending September 30 and a balance sheet at September 30.
- If the note bears interest at 12%, how many months has it been outstanding?

Instructions

Prepare the adjusting entries at December 31, 2017.

P3-5A On November 1, 2017, the account balances of Hamm Equipment Repair were as follows.

No.	Debit	No.	Credit
101 Cash	\$ 2,400	154 Accumulated Depreciation—Equipment	\$ 2,000
112 Accounts Receivable	4,250	201 Accounts Payable	2,600
126 Supplies	1,800	209 Unearned Service Revenue	1,200
153 Equipment	12,000	212 Salaries and Wages Payable	700
		301 Owner's Capital	13,950
	<u>\$20,450</u>		<u>\$20,450</u>

Journalize transactions and follow through accounting cycle to preparation of financial statements.

(LO 2, 3, 4)



During November, the following summary transactions were completed.

- Nov. 8 Paid \$1,700 for salaries due employees, of which \$700 is for October salaries.
 10 Received \$3,620 cash from customers on account.
 12 Received \$3,100 cash for services performed in November.
 15 Purchased equipment on account \$2,000.
 17 Purchased supplies on account \$700.
 20 Paid creditors on account \$2,700.
 22 Paid November rent \$400.
 25 Paid salaries \$1,700.
 27 Performed services on account and billed customers for these services \$2,200.
 29 Received \$600 from customers for future service.

Adjustment data consist of:

- Supplies on hand \$1,400.
- Accrued salaries payable \$350.
- Depreciation for the month is \$200.
- Services related to unearned service revenue of \$1,220 were performed.

Instructions

- Enter the November 1 balances in the ledger accounts.
- Journalize the November transactions.
- Post to the ledger accounts. Use J1 for the posting reference. Use the following additional accounts: No. 407 Service Revenue, No. 615 Depreciation Expense, No. 631 Supplies Expense, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.
- Prepare a trial balance at November 30.
- Journalize and post adjusting entries.
- Prepare an adjusted trial balance.
- Prepare an income statement and an owner's equity statement for November and a balance sheet at November 30.

- Trial balance \$25,650
- Adj. trial balance \$26,200
- Net income \$1,770;
Ending capital \$15,720
Total assets \$19,250