

Name: \_\_\_\_\_

Worksheet

Below is the unadjusted trial balance for Ken Hensley Enterprises.

1. Create and complete a worksheet based on the following data.
2. Complete the financial statement and closing entries on the forms provided.

	Trial Balance	
	Dr	Cr
Cash	44,850	
Accounts Receivable	81,400	
Studio supplies	7,600	
Unexpired insurance	500	
prepaid studio rent	4,000	
Recording equipment	90,000	
Accumulated depreciation: recording equipment		52,500
Notes payable		16,000
Interest payable		840
Income taxes payable		3,200
Unearned studio revenue		89,600
Ken Hensley Capital		38,000
<i>Salaries payable</i>		
Studio Revenue Earned		107,000
Salaries expense	18,000	
Supplies expense	1,200	
Insurance expense	1,000	
Depreciation expense: recording equipment	16,500	
Studio rent expense	21,000	
Interest expense	840	
Utilities expense	2,350	
Income taxes expense	17,900	
Totals	<u>307,140</u>	<u>307,140</u>

Create and complete a worksheet based on the following data.

1. Records show that \$4,400 in studio revenue had not yet been billed or recorded as of December 31.
2. Studio Supplies on hand at December 31 amount to \$6,900
3. On August 1, 2002 the studio purchased a six-month insurance policy for \$1,500. The entire premium was initially debited to Unexpired Insurance.
4. The studio is located in a rented building on November 1, 2002, the studio paid \$6000 rent in advance for November, December, and January. The entire amount was debited to Prepaid studio rent.

5. The useful life of the studio's recording equipment is estimated to be five year (or 60 months). The straight line method of depreciation is used.
6. On May 1, 2002 the studio borrowed \$16,000 by signing a 12-month, 9% note payable to First Federal Bank of St. Louis. The entire \$16,000 plus 12 months interest is due in full on April 30, 2003.
7. Records show that \$3,600 of cash receipts originally recorded as Unearned Studio Revenue had been earned as of December 31.
8. Salaries earned by recording technicians that remain unpaid at December 31 amount to \$540
9. The studio's accountant estimates that income taxes expense for the *entire year* ended December 31, 2002, is \$19,600 (Note that \$17,900 of this amount has already been recorded).

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**Ken Hensley Enterprises, INC.**  
Worksheet

For the year ended 12/31/02

**Problem 4.5 (Check the bold adjustments)**

	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Cash		44,850								
Accounts Receivable		81,400								
Studio supplies		7,600								
Unexpired insurance		500								
prepaid studio rent		4,000								
Recording equipment		90,000								
Accumulated depreciation: recording equipment				52,500						
Notes payable				16,000						
Interest payable				840						
Income taxes payable				3,200						
Unearned studio revenue				89,600						
Ken Hensley Capital				38,000						
Salaries payable				107,000						
Studio Revenue Earned										
Salaries expense	18,000									
Supplies expense	1,200									
Insurance expense	1,000									
Depreciation expense: recording equipment	16,500									
Studio rent expense	21,000									
Interest expense	840									
Utilities expense	2,350									
Income taxes expense	17,900									
<b>Totals</b>		<u>307,140</u>		<u>307,140</u>						



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# Adjusting Entries

## General Journal

Date	Account Titles	Ref.	Debit	Credit
Dec 31	ATR			
	Studio Revenue		4400 -	4400
2	Studio Supplies Expense Studio Supplies 7600 - 6900		700 -	700 -
3	Insurance Expense Unexpired Insurance 1500 ÷ 6		250 -	250 -
4	Studio Rent Expense Prepaid Studio Rent 6000 ÷ 3		2000 -	2000 -
5	Depreciation Expense: recording Equip Accumulated Depreciation: record Equip 90000 ÷ 60		1500	1500 -
6	Interest Expense Interest Payable 6000 · .09 ÷ 12		120	120
7	Unearned Studio Revenue Studio Revenue Earned		3600	3600
8	Salaries Expense Salaries Payable		540 -	540 -
9	Income tax expense Income tax payable 17600 - 17900		1700 -	1700 -

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Key

Ken Hensley Enterprises, INC.  
Worksheet

For the year ended 12/31/02

Problem 4.5 (Check the bold adjustments)

	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Cash	44,850				44,850		44,850		44,850	
Accounts Receivable	81,400		4,400	1	85,800		85,800		85,800	
Studio supplies	7,600			700	6,900		6,900		6,900	
Unexpired insurance	500			250	250		250		250	
prepaid studio rent	4,000			2,000	2,000		2,000		2,000	
Recording equipment	90,000				90,000		90,000		90,000	
Accumulated depreciation: recording equipment		52,500		1,500		54,000				54,000
Notes payable		16,000				16,000				16,000
Interest payable		840		120		960				960
Income taxes payable		3,200		1,700		4,900				4,900
Unearned studio revenue		89,600	3,600	7		86,000				86,000
Ken Hensley Capital		38,000				38,000				38,000
Salaries payable				540		540				540
Studio Revenue Earned		107,000		8,000		115,000	115,000			
Salaries expense	18,000		540	8	18,540		18,540			
Supplies expense	1,200		700	2	1,900		1,900			
Insurance expense	1,000		250	3	1,250		1,250			
Depreciation expense: recording equipment	16,500		1,500	5	18,000		18,000			
Studio rent expense	21,000		2,000	4	23,000		23,000			
Interest expense	840		120	6	960		960			
Utilities expense	2,350				2,350		2,350			
Income taxes expense	17,900		1,700	9	19,600		19,600			
<b>Totals</b>	<b>307,140</b>	<b>307,140</b>	<b>14,810</b>	<b>14,810</b>	<b>315,400</b>	<b>315,400</b>	<b>85,600</b>	<b>115,000</b>	<b>229,800</b>	<b>200,400</b>
							29,400			29,400
							115,000		<b>229,800</b>	<b>229,800</b>

Net Income

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Name:

Ken Hensley Income Statement for the year ended 12/31/2002		
Revenue		
Studio Revenue Earned		115000
Expenses		
Salary Expense	18540	
Supply Expense	1400	
Insurance Expense	1250	
Depreciation Expense	18000	
Studio Rent Expense	23000	
Interest Expense	960	
Utilities Expense	2350	
Income Tax Expense	19600	
Total Expenses		85600
Net Income		<u>29400</u>

Ken Hensley Statement of Owner's Equity for the year ended 12/31/02		
Ken Hensley Capital 1/1/02		38000
Add: Net Income		<u>29400</u>
Ken Hensley, Capital 12/31/02		<u>67400</u>

Ken Hensley Balance Sheet 12/31/02		
Assets		
Cash		44850
A/R		85800
Studio Supplies		6900
Unexpired Insurance		750
Prepaid Studio Rent		2000
Recording Equipment	90000	
Accumulated Depreciation: Rec. Equip	<u>54000</u>	36000
Total Assets		<u>175800</u>
Liabilities + O/E		
Liabilities		
N/P		16000
I/P		960
Income Tax Payable		4900
Unearned Revenue		86000
Salaries Payable		540
Total Liabilities		<u>108400</u>
Owners Equity		
Ken Hensley Capital		67400
Total Liabilities + O/E		<u>175800</u>

# Closing Entries

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Ken Hendley General Journal		
Studio Rev. Earned I/S	115000-	115000-
I/S	85600-	118540-
Sal exp.		1900-
Supply exp		1250-
Ins. exp		18000-
Dep. exp		23000-
Studio rent exp		960-
Int exp		2350-
Utility exp		1960-
Income tax exp		
I/S	29400-	29400-
Ret. H. Cap.		