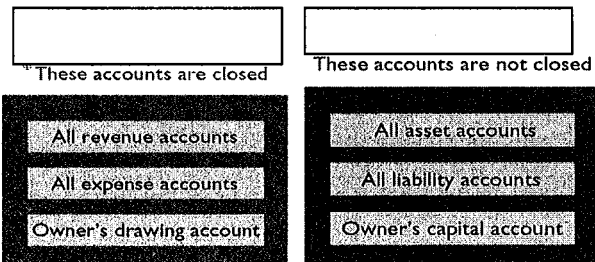


CLOSING THE BOOKS:

At the end of the accounting period, the company makes the accounts ready for the next period.



- _____ formally recognize, in the general ledger, the transfer of
- net income (or net loss) and
 - owner's drawing to owner's capital.
- Only at the end of the annual accounting period.

There are **FOUR** closing entries

1. Revenue is closed into the Income Summary
2. Expenses is closed into the Income Summary
3. The Income Summary balance is closed to the capital account
4. The Drawings account is closed to the capital account.

Journalize the closing entries from the financial statement columns of the worksheet.

	Service revenue	3,170	
	Income summary		3,170
	Income summary	2,410	
	Salary expense		1,050
	Supplies expense		960
	Depreciation expense		200
	Miscellaneous expense		200
	Income summary	760	
	I. Spy, Capital		760
	I. Spy, Capital	600	
	I. Spy, Drawing		600

Closing
Entries
need
to be
Posted

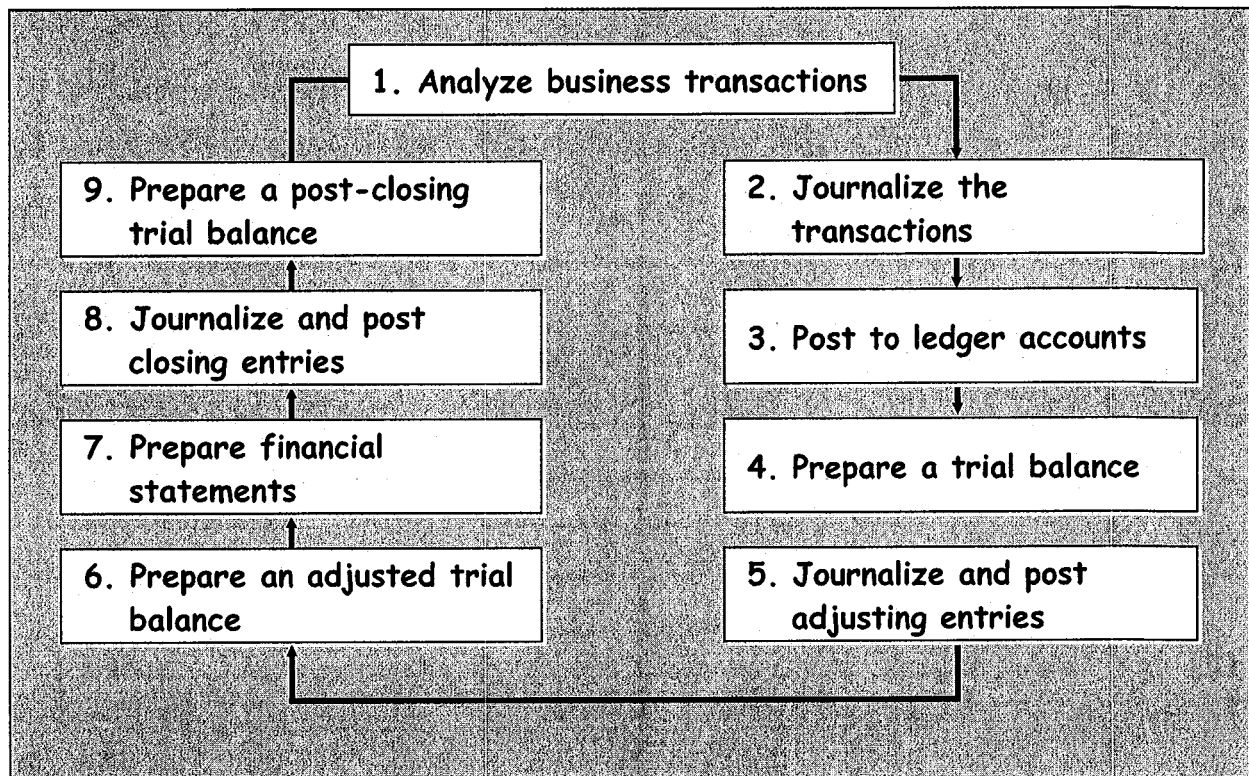
Preparing a Post-Closing Trial Balance:

After we close our accounts we must prepare a post-closing Trial Balance

The Purpose is to prove the equality of the permanent account balances after journalizing and posting of _____ entries. (Note: All temporary accounts will have a ZERO balance)

Account Titles	Post-Closing Trial Balance	
	Dr.	Cr.
Cash	\$ 2,500	
Accounts Receivable	1,800	
Roofing Supplies	140	
Equipment	6,000	
Accumulated Depreciation		\$ 1,400
Accounts Payable		1,400
Salaries payable		350
Unearned Revenue		130
I. Spy, Capital		7,160
Totals	<u>\$ 10,440</u>	<u>\$ 10,440</u>

SUMMARY OF THE ACCOUNTING CYCLE:



ADEQUATE DISCLOSURE:

To the users of financial statements, **adequate disclosure** is perhaps the most important accounting principle. This principle simply means that financial statements should be accompanied by any _____ necessary for the statements to be *interpreted properly*.

What Types of Information Must Be Disclosed?

Two items always disclosed in the notes to financial statements are the accounting **methods** in use, (calculation of depreciation) and **due** dates of major liabilities.

Ex: Note 1: Depreciation policies

Depreciation expense in the financial statements is computed by the straight-line method. Estimated useful lives are 20 years for the building and 5 years for tools and equipment.

Other information that should be disclosed include:

-
-
-
- Significant Events occurring after Balance sheet date but before Financial Statements are issued.

Using a Worksheet

A worksheet is:

- A multiple-column form used in preparing _____.
- Not a permanent accounting record.
- _____ step process.
- Use of worksheet is _____. (This is a tool to help make financial stmts it is NOT a stmt)

What a Worksheet looks like & the 4 steps:

Illustration 4-2

	A	B	C	D	E	F	G	H	I	J	K
	Worksheet										
		Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Account Titles	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											

1
Prepare a trial balance on the worksheet

2
Enter adjustment data

3
Enter adjusted balances

4
Extend adjusted balances to appropriate statement columns
5
Total the statement columns, compute net income (or net loss), and complete worksheet

1. Prepare a Trial Balance on the Worksheet

- Include _____ accounts with balances.
- Trial balance amounts come directly from _____ accounts.

2. Enter the Adjustments in the Adjustments Columns

- Add additional accounts as needed.
- Enter adjustment amounts, total adjustments columns, and check for equality.
- _____ each adjusting entry

3. Complete the Adjusted Trial Balance Columns

- Total the adjusted trial balance columns and check for _____.

4. Extend Amounts to Financial Statement Columns

- Extend all _____ and _____ account balances to the income statement columns.
- Extend all asset, liability, and equity account balances to the _____ sheet columns.

5. Total Columns, Compute Net Income (Loss)

- Compute Net _____ or Net _____.

A COMPLETED WORKSHEET:

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	2,500				2,500				2,500	
Accounts Receivable	1,800				1,800				1,800	
Roofing Supplies	1,100			960	140				140	
Equipment	6,000				6,000				6,000	
Accumulated Depreciation		1,200		200		1,400				1,400
Accounts Payable		1,400				1,400				1,400
Unearned Revenue		300	170			130				130
I. Spy, Capital		7,000				7,000				7,000
I. Spy, Drawing	600				600				600	
Service Revenue		3,000		170		3,170		3,170		
Salaries Expense	700		350		1,050		1,050			
Miscellaneous Expense	200				200		200			
Totals	12,900	12,900								
Supplies Expense			960		960		960			
Depreciation Expense			200		200		200			
Salaries Payable				350		350				350
Totals			1,680	1,680	13,450	13,450	2,410	3,170	11,040	10,280
Net Income							760			760
Totals							3,170	3,170	11,040	11,040

Preparing Financial Statements from a Worksheet

- _____ statement is prepared from the _____ statement columns.
- Balance sheet and owner's equity statement are prepared from the balance sheet columns.

Companies journalize and post adjusting entries.

ACCOUNTING FOR A CORPORATION:

_____: Money distributed to stockholders. (Think Drawings but for a corporation, Debit Balance)

_____: This is the investments made in the business when Stock is distributed.

_____: This represents all net income the company keeps, not given out in dividends, from running operations. This is a permanent account.

FINANCIAL STATEMENTS FOR A CORPORATION

INCOME STATEMENT

Nothing Changes Here!

Barone's Repair Shop	
Income Statement	
the Month Ended May 31, 2007	
Revenues:	
Service revenue	\$ 5,850
Expenses:	
Salary expense	2,000
Rent expense	400
Advertising expense	250
Total expenses	2,650
Net income	\$ 3,200

STATEMENT OF RETAINED EARNINGS

This is the statement of Owners Equity for a corporation.

- _____
- Only add _____ (NO _____)
- Deducts are Net Loss and Dividend

Barone's Repair Shop	
Statement of Retained Earnings	
For the Month Ended May 31, 2007	
Retained Earnings, May 1	\$ -
Add: Net Income	3,200
	3,200
Less: Dividends	1,000
Retained Earnings, May 31	\$ 2,200

BALANCE SHEET

- Stockholders Equity Section.
- 2 Columns

Barone's Repair Shop	
Balance Sheet	
May 31, 2007	
Assets	
Cash	\$ 6,820
Accounts receivable	630
Equipment	6,000
Less: Accumulated Depreciation	1,000
Total assets	\$12,450
Liabilities	
Accounts payable	\$ 250
Stockholders Equity	
Capital Stock	10,000
Retained Earnings	2,200
Total Stockholders' Equity	12,200
Total liab. & equity	\$12,450

CLOSING ENTRIES FOR A CORPORATION:

Journalize the closing entries from the financial statement columns of the worksheet.

Note: Retained Earnings and Dividends are now used.

Service Revenue	5,850	
Income Summary		5,850
Income Summary	2,650	
Salary Expense		2,000
Rent Expense		400
Advertising Expense		250
Income Summary	3,200	
Retained Earnings		3,200
Retained Earnings	1,000	
Dividends		1,000

Name: _____

Below is the adjusted trial balance for **Environmental Solutions** for the year ended 12/31/12. Based on this information complete the following Income statement, Statement of Owners Equity, Balance Sheet and Closing Entries, Post Closing Trial Balance. Note that no investments took place this year.

Account Name	Adjusted Trial Balance	
	Debit	Credit
Cash	42,750	
Notes Receivable	12,740	
Accounts Receivable	65,090	
Supplies	5,300	
Land	196,000	
Building	126,000	
Accumulated Depreciation: Building		33,600
Office Equipment	33,600	
Accumulated Depreciation: Office Equip.		13,440
Notes Payable		112,000
Accts. Payable--Gibbons Inc.		22,680
Frank Adams, Capital		230,300
Frank Adams, Withdrawals	70,000	
Consulting Fees		487,200
Advertising Expense	31,500	
Insurance Expense	38,720	
Utilities Expense	15,040	
Salaries Expense	245,280	
Supplies Expense	9,640	
Depreciation Expense: Building	4,200	
Depreciation Expense: Office Equip.	3,360	

Name: _____

Income Statement		

Statement of Owner's Equity		

Balance Sheet		

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[illegible]

Mystic Masters began operations this year and performs adjusting entries every month, but closes its accounts *only at year-end*. The company's year-end *adjusted trial balance* dated December 31, 2011 was:

Mystic Masters
Adjusted Trial Balance
December 31, 2011

Cash	\$	30,960	
Accounts Receivable		300	
Unexpired Insurance		2,000	
Prepaid Rent		1,500	
Supplies		200	
Furniture and Fixtures		8,400	
Accumulated Depreciation: Furniture and Fixtures	\$	5,200	
Accounts Payable		6,540	
Notes Payable		24,000	
Salaries Payable		2,060	
Unearned Client Revenue		200	
Joe Mystic, Capital		6,600	
Client Revenue Earned		82,000	
Office Rent Expense		15,000	
Salary Expense		48,000	
Supply Expense		440	
Depreciation Expense: Furniture & Fixtures		1,400	
Office & Telephone Expense		4,500	
Interest Expense		4,000	
Income Taxes Expense		9,900	
		<u>126,600</u>	<u>126,600</u>

Prepare the following:

- Income Statement
- Statement of Owner's Equity
- Balance Sheet
- Closing Entries

Income Statement

[illegible]

Statement of Owner's Equity

Balance Sheet

[illegible]

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Lawn Pride, Inc. performs adjusting entries every month, but closes its accounts *only at year-end*. The company's year-end *adjusted trial balance* dated December 31, 2011 was:

Lawn Pride, Inc.
Adjusted Trial Balance
December 31, 2011

Cash	\$58,525	
Accounts Receivable	4,800	
Unexpired Insurance	8,000	
Prepaid Rent.....	3,000	
Supplies	1,075	
Trucks	150,000	
Accumulated Depreciation: Trucks		\$120,000
Mowing Equipment.....	20,000	
Accumulated Depreciation: Mowing Equipment.....		12,000
Accounts Payable		1,500
Notes Payable		50,000
Salaries Payable.....		3,000
John Lawn, Capital.....		50,000
John Lawn, Drawings.....	5,000	
Mowing Revenue Earned		170,000
Office Rent Expense	36,000	
Salary Expense.....	60,000	
Supply Expense	7,600	
Depreciation Expense: Trucks	30,000	
Depreciation Expense: Mowing Equipment.....	4,000	
Fuel Expense	6,500	
Interest Expense.....	6,000	
Income Taxes Expense	6,000	
	406,500	406,500

Prepare the following:

- Income Statement
- Statement of Retained Earnings
- Balance Sheet
- Closing Entries

[illegible][illegible][illegible]

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[illegible]

Tutors, Inc. performs adjusting entries every month, but closes its accounts *only at year-end*. The company's year-end *adjusted trial balance* dated December 31, 2011 was:

Tutors, Inc.
Adjusted Trial Balance
December 31, 2011

Cash	\$91,100	
Accounts Receivable	4,500	
Supplies	300	
Equipment	12,000	
Accumulated Depreciation		\$5,000
Accounts Payable		1,500
Income Taxes Payable		3,500
Sara Tutors, Capital		70,000
Sara Tutors, Drawings	2,000	
Tutoring Revenue Earned		96,000
Salary Expense	52,000	
Supply Expense	1,200	
Advertising Expense	300	
Depreciation Expense: Equipment	1,000	
Income Taxes Expense	11,600	

Prepare the following:

- Income Statement
- Statement of Owners Equity
- Balance Sheet
- Closing Entries

[illegible][illegible][illegible]

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[illegible]

Chris' Cookies began operations this year and performs adjusting entries every month, but closes its accounts *only at year-end*. The company's year-end *adjusted trial balance* dated December 31, 2011 was:

Chris' Cookies
Adjusted Trial Balance
December 31, 2011

Cash	\$ 96,960	
Accounts Receivable	300	
Unexpired Insurance	2,000	
Prepaid Rent	1,500	
Supplies	200	
Furniture and Fixtures	8,400	
Accumulated Depreciation: Furniture and Fixtures		\$ 5,200
Accounts Payable		4,540
Notes Payable		24,000
Salaries Payable		2,060
Unearned Cookie Revenue		200
Chris Shortbread, Capital		6,600
Chris Shortbread, Drawings	2,000	
Cookie Revenue Earned		149,100
Office Rent Expense	15,000	
Salary Expense	46,000	
Supply Expense	440	
Depreciation Expense: Furniture & Fixtures	1,000	
Office & Telephone Expense	4,000	
Interest Expense	4,000	
Income Taxes Expense	9,900	
	191,700	191,700

Prepare the following:

- Income Statement
- Statement of Owner's Equity
- Balance Sheet
- Closing Entries

[illegible][illegible][illegible]

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[illegible]

Nick Charles operates a private investigating business called Nick Charles Investigations. Some clients are required to pay in advance for the company's services, while others are billed after the services have been rendered. Advance payments are credited to an account entitled Unearned Retainer Fees, which represents unearned revenue. The business adjusts its accounts each month and closes its accounts at the end of each quarter. At March 31, the end of the first quarter, the trial balance appeared as follows:

Nick Charles Investigations
Trial Balance
March 31, 20__

Cash in Bank	\$ 17,150	
Fees receivable	37,800	
Unexpired Insurance	1,600	
Prepaid rent	5,400	
Office Supplies	1,050	
Office Equipment	17,100	
Accumulated depreciation: Office Equipment		\$ 5,700
Accounts Payable		3,900
Unearned retainer fees		24,000
Nick Charles, Capital		45,300
Nick Charles, Drawings	3,200	
Fees Earned		33,320
Depreciation Expense	570	
Rent Expense	3,000	
Office Supplies Expense	450	
Insurance Expense	800	
Telephone Expense	1,200	
Travel Expense	3,400	
Salaries Expense	<u>19,500</u>	
	112,220	112,220

Additional Information:

- a. The useful life of the office equipment is estimated at 5 years
- b. Fees of \$8,400 were earned during the month by performing services for clients who had paid in advance.
- c. Salaries earned by employees during the month but not yet recorded or paid amounted to \$1,665.
- d. On March 1, the business moved into a new office and paid the first three months' rent in advance.
- e. Investigative services rendered during the month but not yet collected or billed to clients amounted to \$3,900
- f. Office supplies on hand March 31 amounted to \$700
- g. On January 1, \$2,400 was paid as a premium for six months' liability insurance.

INSTRUCTIONS:

Using a spreadsheet.

1. Prepare adjusting entries required at March 31, 20__.
2. Complete the worksheet.
3. On the forms provided prepare the Income Statement, Statement of Owner's Equity, Balance Sheet, and Closing Entries.

[illegible]

NICK CHARLES INVESTIGATIONS

Worksheet

For the Month Ended December 31, 2011

Acct. No.	Account Name	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
		Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
101	Cash in Bank	17,150									
102	Fees Receivable	37,800									
103	Unexpired Insurance	1,600									
104	Prepaid Rent	5,400									
110	Office Supplies	1,050									
115	Office Equipment	17,100									
116	Accu. Depreciation: Office Equipment		5,700				5,700				
201	Accts. Payable		3,900				3,900				
202	Unearned Retainer Fees		24,000				24,000				
203	Salaries Payable										
301	Nick Charles, Capital		45,300				45,300				
302	Nick Charles, Drawing	3,200									
401	Fees Earned		33,320				33,320				
501	Depreciation Expense: Office Equip.		570				570				
502	Rent Expense		3,000				3,000				
503	Office Supplies Expense		450				450				
504	Insurance Expense		800				800				
505	Telephone Expense		1,200				1,200				
506	Travel Expense		3,400				3,400				
507	Salaries Expense		19,500				19,500				
		112,220	112,220								

NET INCOME

[illegible][illegible][illegible]

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[illegible]

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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[illegible]

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								
<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

307,140	307,140	-	-	-	-	-	-	-	-	-
---------	---------	---	---	---	---	---	---	---	---	---

Name: _____

[illegible][illegible][illegible]

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[illegible]

43

INSTRUCTIONS: Finish the worksheet and do Financial Statements & Closing Entries

OVERNIGHT AUTO SERVICE
Worksheet
For the Year Ended December 31, 2011

	Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr	Cr	Dr	Cr	Dr	Cr
Balance sheet accounts:						
Cash	18,592					
Accounts Receivable	7,250					
Shop Supplies	1,200					
Unexpired Insurance	3,000					
Land	52,000					
Building	36,000					
Accumulated Depreciation: Building		1,650				
Tools & Equipment	12,000					
Accumulated Depreciation: Tools & Equip.		2,200				
Notes Payable		4,000				
Accounts Payable		2,690				
Income Taxes Payable		5,580				
Unearned Rent Revenue		6,000				
Gregg, Capital		80,000				
Gregg, Drawings	14,000					
Wages Payable		1,950				
Interest Payable		30				
Repair Service Revenue				172,000		
Advertising Expense	3,900					
Wages Expense	58,750					
Supplies Expense	7,500					
Depreciation Expense: Building	1,650					
Depreciation Expense: Tools & Equip.	2,200					
Utilities Expense	19,400					
Insurance Expense	15,000					
Income Taxes Expense	26,628					
Rent Revenue Earned						
Interest Expense	30					
	279,100	279,100				

Name: _____

[illegible][illegible][illegible]

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[illegible]

INSTRUCTIONS: Finish the worksheet and do Financial Statements & Closing Entries

**Island Hopper
Worksheet
For the Month Ended June 30, 2012**

Acct. No.	Account Name	Adjusted Trial Balance		Income Statement		Balance Sheet	
		Debit	Credit	Debit	Credit	Debit	Credit
101	Cash	23,600					
102	Accounts Receivable	11,800					
105	Prepaid Rent	4,800					
110	Unexpired Insurance	18,900					
120	Aircraft	1,200,000					
121	Accumulated Depreciation: Aircraft		390,000				
201	Notes Payable		600,000				
202	Salaries Payable		3,300				
203	Interest Payable		5,000				
204	Unearned passenger revenue		21,350				
301	Mary Earhart, Capital		230,850				
302	Mary Earhart, Drawing	7,000					
401	Freight Revenue		135,550				
402	Passenger Revenue		38,650				
501	Fuel Expense	53,800					
502	Salaries Expense	70,000					
503	Maintenance expense	12,900					
504	Depreciation Expense: Aircraft	10,000					
505	Interest Expense	5,000					
506	Rent Expense	4,800					
507	Insurance Expense	2,100					
		1,424,700	1,424,700				

Beginning Balance in Capital was \$200,000
There was an investment of \$30,850 during the year.

[illegible][illegible][illegible]

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[illegible]

Roberta Day, M.D.- Work Sheet
For the Year Ended December 31, 2011

Account Titles	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	3,000				3,000					
Accounts Receivable	8,000				8,000					
Supplies	11,000				1,000					
Equipment	60,000			10,000	60,000					
Accm Depreciation: Equip		9,000		3,000		12,000				
Accounts Payable		1,000				1,000				
Unearned Revenue		3,500	2,000			1,500				
Notes Payable (long-term)		20,000				20,000				
R. Day, Capital		24,000				24,000				
R. Day, Drawing	36,000				36,000					
Rees Revenue		98,000		2,000		100,000				
Rent Expense	26,000				26,000					
Salaries Expense	11,500		500		12,000					
Totals	155,500	155,500								
Interest Expense			1,000							
Interest Payable				1,000		1,000				
Salaries Payable				500		500				
Supplies Expense			10,000			10,000				
Depreciation Expense			3,000			3,000				
Totals			16,500	16,500	160,000	160,000				
Net Income										
Totals										

[illegible][illegible]

[illegible]

- j) Prepare a post-closing trial balance.

[illegible]

Blank w/s

Name: _____
Midterm Review
Original / Adjusting Entries

Original business transactions and related adjusting entries.

Among the ledger accounts used by the Silver Wing baseball team are: Prepaid Rent, Rent Expense, Unearned Admissions Revenue, Admissions Revenue, Prepaid Printing, Printing Expense, Office Supplies, Office Supplies Expense, Accounts Receivable, and Souvenir Revenue.

For each of the following items, write *first* the journal entry (if one is needed) to record the original transaction and *second* the adjusting entry on April 30, the end of the fiscal year.

- a) On April 1, paid rent for 3 months beginning April 1 at \$10,000 per month.
- b) On April 1, borrowed \$100,000 cash from First American Bank by issuing a 12% note payable due in 3 months.
- c) On April 1, collected \$2,400,000 from sales for season tickets. The season includes 60 home games; 5 in April, 10 in May, 10 in June, 15 in July, 15 in August, 5 in September.
- d) On April 1 bought office supplies for \$800 on account. The inventory at April 30 was \$100.
- e) On April 5, an agreement was reached with Logos Incorporated allowing the company to sell team souvenirs in the baseball park in return for 25% of the gross receipts from sales.
- f) On April 12, programs for 20 games were printed and paid for at a cost of \$9,000.
- g) On April 30, Logos Inc. reported that the gross receipts from souvenir sales in April had been \$140,000, and that the 25% owed to team would be remitted on May 15.

Original Entries

General Journal

Date		Account Titles	Ref.	Debit		Credit	
		Original Transactions					
a) 4	1						
b) 4	1						
c) 4	1						
d) 4	1						
e) 4	5						
f) 4	12						
g) 4	30						

Adjusting Entries

		Adjusting Entries									
a) 4	30										
b) 4	30										
c) 4	30										
d) 4	30										
e) 4	30										
f) 4	30										
g) 4	30										

1-8 Group discussion: users of accounting information.

Name three users of accounting information and briefly describe a decision they might make.

1. _____

2. _____

3. _____

1-9 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

- | | |
|---|---|
| a. Accounting | j. Monetary unit assumption |
| b. Internal users | k. Economic entity assumption |
| c. External users | l. Proprietorship |
| d. Financial accounting | m. Partnership |
| e. Managerial accounting | n. Corporation |
| f. Ethics | o. Unlimited liability |
| g. Generally accepted accounting principles | p. Limited liability |
| h. Cost principle | q. Financial Accounting Standards Board |
| i. Securities and Exchange Commission | r. Sarbanes-Oxley Act (SOX) |

_____ 1. Common standards that indicate how to report economic events.

_____ 2. The standards by which one's actions are judged as right or wrong.

- _____ 3. An unincorporated business owned by one person.
- _____ 4. The information system that identifies, records, and communicates the economic events of an organization to interested users.
- _____ 5. The employees of a business who need financial information to plan, organize, and run a business.
- _____ 6. An accounting principle that states that assets should be recorded at their cost.
- _____ 7. The legal concept that owners are not personally liable for the debts of a corporation.
- _____ 8. The field of accounting that provides economic and financial information for investors, creditors, and other external users.
- _____ 9. An assumption that requires that the activities of the entity be kept separate and distinct from the activities of its owner and all other economic entities.
- _____ 10. A business organized under state laws as a separate legal entity from its owners and having ownership divided into transferable shares.
- _____ 11. The field of accounting that provides economic and financial information for manager and other internal users.
- _____ 12. The legal concept that the owners of a business are personally liable for all the debts of the business.
- _____ 13. An assumption stating that only transaction data that can be expressed in terms of money be included in the accounting records.
- _____ 14. Individuals or organizations outside the business that require financial information to make decisions about an entity.
- _____ 15. An association of two or more persons to carry on as co-owners of a business for profit.
- _____ 16. A government agency that requires companies to file periodic financial reports in accordance with generally accepted accounting principles.
- _____ 17. A private organization that establishes generally accepted accounting principles.
- _____ 18. A law passed by Congress in 2002 intended to reduce unethical corporate behavior.

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1-10 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

- | | |
|------------------------------|-----------------------------|
| a. Basic accounting equation | j. External transactions |
| b. Assets | k. Internal transactions |
| c. Liabilities | l. Accounts receivable |
| d. Owner's equity | m. Account payable |
| e. Revenues | n. Income statement |
| f. Expenses | o. Owner's equity statement |
| g. Investments by owners | p. Balance sheet |
| h. Drawings | q. Statement of cash flows |
| i. Transactions | r. Net income |

- _____ 1. A financial statement that reports the assets, liabilities, and owner's equity at a specific date.
- _____ 2. An economic event between the company and some outside enterprise.
- _____ 3. The value of goods or services sold to customers and results in increasing owner's equity.
- _____ 4. Assets must equal the sum of liabilities and owner's equity.
- _____ 5. This amount is the result of revenues being greater than expenses.
- _____ 6. The assets the owner puts into the business.
- _____ 7. The amounts owed to the business by customers on account that result from the sale of goods or services.
- _____ 8. The amount of assets an owner withdraws for personal use.
- _____ 9. A financial statement that summarizes information about the cash inflows and cash outflows for a specific period of time.
- _____ 10. Resources owned by a business.
- _____ 11. The economic events of an enterprise that are recorded by accountants.
- _____ 12. A financial statement that summarizes the change in owner's equity for a specific period of time.
- _____ 13. A specific debt of a business that results from purchases of goods or services.
- _____ 14. The ownership claim on total assets.

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- _____ 15. The cost of assets consumed or services used in the process of earning revenues.
- _____ 16. The creditor's claims against the assets as a result of borrowing money or making purchases.
- _____ 17. A financial statement that presents the revenues and expenses of a company for a specific period of time.
- _____ 18. Economic events that occur entirely within one company.

2-8 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

- | | |
|-----------------|------------------------|
| a. Posting | g. Trial balance |
| b. Ledger | h. Compound entry |
| c. Credit | i. Normal balance |
| d. Debit | j. Double-entry system |
| e. Journalizing | k. Chart of accounts |
| f. Account | l. Journal |

- _____ 1. A record of increases and decreases in specific asset, liability, or owner's equity items.
- _____ 2. An accounting record in which transactions are initially recorded in chronological order.
- _____ 3. An account balance on the side where an increase in the account is recorded.
- _____ 4. A list of accounts and the account numbers that identify their location in the ledger.
- _____ 5. The entering of transaction data in the journal.
- _____ 6. The entire group of accounts maintained by a company.
- _____ 7. The procedure of transferring journal entries to the ledger accounts.
- _____ 8. The left side of an account.
- _____ 9. The right side of an account.
- _____ 10. A list of accounts and their balances at a given time.
- _____ 11. A journal entry that involves three or more accounts.
- _____ 12. A system that records in appropriate accounts the dual effect of each transaction.

3-10 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

- | | |
|--------------------------------|----------------------------------|
| a. Accrual basis of accounting | h. Matching principle |
| b. Accrued expenses | i. Accrued revenues |
| c. Time period assumption | j. Adjusting entries |
| d. Prepaid expenses | k. Book value |
| e. Fiscal year | l. Revenue recognition principle |
| f. Depreciation | m. Contra asset account |
| g. Adjusted trial balance | n. Unearned revenues |

- _____ 1. The assumption that the economic life of a business can be divided into units of a month, a quarter or a year.
- _____ 2. An accounting period that is one year in length, but not necessarily beginning on January 1 and ending on December 31.
- _____ 3. Revenue should be recognized in the accounting records when it is earned, regardless of when the cash is received.
- _____ 4. "Let the expenses follow the revenues," regardless of when the cash is paid. Efforts should be matched with accomplishments.
- _____ 5. Entries made at the end of accounting periods to ensure that the revenue recognition and matching principles have been properly applied.
- _____ 6. An asset that represents the amount paid in advance for a future expense.
- _____ 7. The systematic allocation of the cost of a plant asset to expense over its useful life in compliance with the matching principle.
- _____ 8. An account that is offset against an asset account on the balance sheet to permit clear disclosure of both the original cost and the expired cost of the asset.
- _____ 9. Original cost less accumulated depreciation.
- _____ 10. A liability that represents the amount received in advance for a service that has not yet been performed or a product that has not yet been delivered.
- _____ 11. Revenues that have been earned, but have been neither received nor recorded.
- _____ 12. Expenses that have been incurred, but have been neither paid nor recorded.
- _____ 13. Transactions are recorded in the time period in which the events occur, rather than in the period in which cash is paid or received.

d) Assume the company prepares a trial balance as of January 3, 2011. What will the balance in the Salaries Expense account be if the company uses reversing entries?

\$ _____

e) What will the balance in the Salaries Expense account be if the company does not use reversing entries?

\$ _____

4-6 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

- | | |
|--------------------------------|-------------------------------|
| a. Current liabilities | i. Accounting cycle |
| b. Liquidity | j. Classified balance sheet |
| c. Order of liquidity | k. Closing entries |
| d. Property, plant & equipment | l. Correcting entries |
| e. Service enterprise | m. Current assets |
| f. Stockholders' equity | n. Income summary |
| g. Temporary accounts | o. Permanent accounts |
| h. Worksheet | p. Post-closing trial balance |

- _____ 1. A multi-columned form used to organize accounting data.
- _____ 2. Revenue, expense and drawing accounts that are closed or zeroed out at the end of the accounting period.
- _____ 3. Asset, contra-asset, liability and owner's capital accounts that are not closed or zeroed out at the end of the accounting period.
- _____ 4. Four journal entries whose purpose is to zero out the temporary accounts and bring the owner's capital account to the proper year end balance.
- _____ 5. A temporary account used only in closing revenue and expense accounts.
- _____ 6. A trial balance that contains only the permanent accounts after the temporary accounts have been zeroed out.
- _____ 7. Steps in the accounting process that are repeated each accounting period.

- _____ 8. Unnecessary entries if the records are free of errors.
- _____ 9. Grouping accounts into subgroups improves the usefulness of this statement.
- _____ 10. Assets that are expected to be converted into cash or used up within one year.
- _____ 11. A type of business that earns revenue by performing a service, not by selling tangible product.
- _____ 12. The order in which current assets are expected to be converted into cash.
- _____ 13. Long-lived assets that are expected to be used by the business, not held for resale.
- _____ 14. Obligations that are expected to be paid within one year.
- _____ 15. The ability of the company to pay its bills when they are due.
- _____ 16. The name given to the owner's equity of a corporation.

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Accounting Review for Mid-term

Vocabulary terms:

Accounts (know account classifications: A, L, or OE)

Assets

Liabilities

Owner's equity

Accounting

Accounting cycle

Accounting equation ($A = L + OE$)

Accounting period

fiscal period

fiscal year vs. calendar year

Accounting system

Accrual basis of accounting

Accrue

Accumulated depreciation

Adequate disclosure

Adjusted trial balance

Adjusting entries

After-closing trial balance

Audit

Book value

Business entity principle

Capital stock

Certified Public Accountant (CPA)

***Closing entries**

Contra-asset account

Corporation

Cost principle

Credit

Creditor

Debit

Depreciation

Dividends

Double-entry accounting

Expenses

External user

Financial statements

***Income statement**

***Statement of Owner's Equity (Retained Earnings)**

***Balance sheet**

Cash Flows statement

General journal

Generally accepted accounting principles (GAAP)

Going-concern assumption
Income summary
Internal user
Ledger
Matching principle
Net income (profit) [Revenue – Expenses]
Net loss
Notes (accompanying the financial statements)
Partnership
Posting
Prepaid expenses
Realization principle
Retained earnings
Revenue
Sole proprietorship
Stable-dollar assumption
Stockholders' equity
Straight-line method of depreciation
Trial balance
Types of Accounting
 Financial accounting
 Managerial accounting (Cost accounting)
 Tax accounting
Unearned revenue
Useful life
*Worksheet

*know how to prepare!