

Granite Bay Jet Ski, Incorporated

Level I

5th Edition

Adjusting Entries and Closing Entries for the Quarter Ended June 30

and the

Final Project Evaluation

Page 1

Granite Bay Jet Ski, Inc., Level I – Module 5

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ADJUSTING ENTRIES FOR THE QUARTER

Using a copy of the June 30 Trial Balance (**printed after the bank reconciliation entries**), and the information and financial data shown below, record the adjusting entries for Granite Bay Jet Ski, Incorporated. **Be sure to click on the Adjusting entries button** on the tool bar. Adjusting entries must **NOT** be entered using the **Daily** entries procedure. Any corrections to adjusting entries must also be entered using the **Adjusting** entries option. Adjusting entries **will not** require documentation entries, such as check numbers or vendor or customer numbers. Where necessary, round all calculations to the nearest cent. **ALL ENTRIES MUST BE RECORDED AS OF JUNE 30, THE END OF THE SECOND QUARTER!**

- A. The **expired** insurance for the **quarter** totals **\$830.50**.

- B. Credit Card Expense (**3%**) on the Accounts Receivable, Credit Card Companies balance has accrued but has not been recorded. This entry will **decrease** the Accounts Receivable, Credit Card Companies account.

- C. The ending store and shop supplies inventory is **\$934.25**

- D. Rent on the Granite Bay Jet Ski facility (\$15,000.00 for **six months**) was prepaid on **April 1 of this year**. An additional \$1,500 was prepaid on June 3 for a four-month rental (June, July, August and September) of a small storage facility. Record a **single summarizing** entry for the rent adjustment.

- E. A total of **\$985** worth of media advertising, paid for and **correctly charged to the Advertising Expense account**, will be received/used in the first two weeks of July (third quarter).

- F. Wages accrued for June 30, assembly work totals 4.25 hours worked at **\$12.50 per hour**.

- G. Depreciation of store equipment and fixtures totals **\$3,300.00 for the quarter**.
- H. Depreciation of shop equipment is **\$3,720.00 per year**.
- I. The company truck was purchased on April 1, 2005. The truck cost **\$30,500**, has an estimated salvage value of **\$5,500**, and an estimated service life of five years. Straight-line depreciation is used for the truck.
- J. The balance of the Notes Receivable account is \$6,000.00 and represents a \$1,000.00 non-interest bearing note receivable and a **\$5,000.00 interest bearing note receivable**. The \$5,000.00 note is dated June 24, was received June 24, and has an interest rate of **8.00 percent**. Use a **360-day banker's year** and the interest formula to calculate the accrued interest for this note.
- K. Storage Fees Earned for the quarter total **\$8,564.00**.
- L. A close examination of the rental records shows that one customer renting a **\$90.00** per month storage space has not paid their storage fees for the month of June. **Please note that Accounts Receivable is not a part of this adjusting entry.**

When all of the adjusting entries have been correctly entered, click on the General Ledger tab and Print the Adjusted Trial Balance. The correct balance will be \$638,907.99. If you match this check figure you may proceed to the financial statements. If you do not match this balance, you must locate your adjusting entry error/errors and make the necessary correction/corrections.

When your account totals match the Adjusted Trial Balance figures, you are ready to complete the final evaluation of the Granite Bay Jet Ski operations. **To gather the necessary information to complete the final evaluation questions, PRINT ALL of the documents listed in instructions 1-8.**

1. **From the Journal/Ledger/Statements option, click on Financial Statements and select and print a copy of the Income Statement, Retained Earnings Statement, and the Balance Sheet.**

THE CORRECT NET INCOME FOR GRANITE BAY JET SKI IS BETWEEN \$81,000.00 AND \$81,100.00.

If your net income is correct, continue printing the required business documents with instruction 2 below. If your net income does not meet the check figure range above, you must check your adjusting and/or daily entries and correct the error/errors.

2. **From the Journal/Ledger/Statement option, click on Subsidiary Ledgers and print the Schedule of Accounts Receivable.**
3. **Click on the All Customers button and print the Accounts Receivable Subsidiary Ledger.**
4. **From the Journal/Ledger/Statements option, click on Subsidiary Ledgers and print the Schedule of Accounts Payable.**
5. **Click on the All Vendors button and print the Accounts Payable Subsidiary Ledger.**

RECORD THE CLOSING ENTRIES FOR GRANITE BAY JET SKI, INCORPORATED.

Before closing the books for Granite Bay Jet Ski, be sure that you have printed all of the documents listed in instructions 1-5 above. The financial statements cannot be printed after the closing entries have been recorded.

6. **The closing entry process in the Granite Bay Jet Ski accounting system is an automatic function. The program will close all of the temporary accounts.**

7. Move the pointer to the Closing JE button on the Menu Bar and click. The temporary accounts will be closed and balance of the Retained Earnings account will be updated for the total of net income or loss minus the amount of the dividends paid.
8. Move the pointer to General Ledger and click. Print a copy of the Post-Closing Trial Balance.

PRINT THE LEDGER CARDS FOR GRANITE BAY JET SKI, INCORPORATED.

9. From the General Ledger option click on Ledger Card. The Cash Account (101) will appear on the screen. Print a copy of the Cash ledger card.

Click again on Ledger Card. Using the pull-down screen, select the appropriate ledger card from the pull-down screen, then click on Show Ledger Card. Print each of the following general ledger cards:

- 105 Accounts Receivable
- 115 Merchandise Inventory
- 201 Accounts Payable
- 401 Watercraft and Accessory Sales
- 501 Cost of Goods Sold
- 602 Store & Shop Supplies Expense
- 607 Credit Card Expense
- 901 Income Summary

When you have completed the printing of all of the required documents, exit the Granite Bay Jet Ski accounting program. Using all of your printed documents, carefully answer the **Final Evaluation** questions. The questions and several of the end-of-the-quarter required documents may be collected by your instructor.

Error Correction After Closing the Books

If, after closing the books, you discover an error or wish to print a corrected copy of any of the financial statements, move the pointer to **Support**, then click on **Restore to Adjusted Balances**. To update the trial balance, from the **Journal/Ledger/Statements** option select **General Ledger** and the reinstated Adjusted Trial Balance will reappear on the monitor screen. This procedure will reopen your books for any required corrections.

Make the required correction entries using the **Daily JE** or **Adjusting JE** data entry modes as required. **Print the required corrected documents, close the books, and print a new Post-Closing Trial Balance.** When finished, return to the **Home** page for **PKLSoftware.com** and exit the program.

**FINAL EVALUATION
GRANITE BAY JET SKI**

NAME _____
CLASS DAY AND TIME _____ **DATE** _____

1. On June 30, how many accounts receivable customers owe Granite Bay Jet Ski an amount over \$1,000? **A) 5 B) 6 C) 7 D) 9 E) None of the above** _____
2. How many Granite Bay customers have a past due account balance? (Over 30 days) **A) 1 B) 3 C) 4 D) 6 E) None of the above** _____
3. What was the **five-digit** credit memo number for the return of merchandise made by the Browns Ravine Jet Skiers? _____
Credit Memo
4. What was the balance owed by Beverly Kyle before the partial payment made on June 25? \$ _____
5. Does the balance of the Schedule of Accounts Payable match the control account balance? **Answer Y for Yes or N for No.** _____
6. Before the payment of June 6, what was the balance owed to Kawasaki USA? \$ _____
7. The Springview, Inc., invoice (**\$9560**) must be paid on or before what date? **A) June 9 B) June 11 C) July 10 D) July 11 E) None of the above** _____
8. What Alfredo's Supply invoice was paid in full on June 7? _____
Invoice Number
9. What amount was charged with Larson Brothers, Inc., on invoice **L3598**? \$ _____
10. By what date must the Clear Water, Inc., balance be paid to allow Granite Bay Jet Ski to take the discount? **A) June 10 B) July 9 C) July 10 D) July 20 E) None of the above** _____
11. What will be the cost of not paying the Clear Water, Inc., invoice within the discount period? \$ _____
12. On June 30, merchandise was purchased from Clear Water, Inc., for \$23,988. Prior to this entry, what was the balance of this vendor account? **A) \$9,700 B) \$970.00 C) \$2,398 D) \$0.00 E) None of the above** _____

FINAL EVALUATION GRANITE BAY JET SKI

- 13. What was the amount of the debit memo issued to Zeaman Sprintcraft on June 13? **A) \$3,985 B) \$0.00 C) \$19,135 D) \$5,050 E) None of the above** _____

- 14. On June 5, check number 30403 was issued to Monster Sports Equipment. What was the number of the invoice paid by this check? **A) M2050 B) M1055 C) M0505 D) M0005 E) None of the above** _____

- 15. Is Granite Bay Jet Ski past due on any balance owed? **Answer Y for Yes or N for No.** _____

- 16. What was the total amount paid out by check on June 20? \$ _____

- 17. Without including transportation costs or debit memos, what was the total cost of merchandise purchased from June 5 through 10? \$ _____

- 18. On June 2, the balance of the Service Fees Earned account totaled \$7,990.00. Since June 2, what additional amount has been recorded for Service Fees Earned? \$ _____

- 19. Your accounting work for Granite Bay Jet Ski involved recording the wages earned by part-time employee Matt Burman. Including accrued wages, how much did this employee earn during June? \$ _____

- 20. What is the total Net Sales of the business? \$ _____

- 21. What has been the total gross sales of watercraft and accessory items since you took over the accounting work for Granite Bay Jet Ski on June 3? \$ _____

- 22. How much total revenue has been earned through service fees and storage fees? \$ _____

- 23. What has been the total amount of depreciation recognized this quarter? \$ _____

- 24. What is the total of Other Income? \$ _____

FINAL EVALUATION GRANITE BAY JET SKI

25. What is the total of Other Expenses? \$ _____
26. What is the total Income from Operations? \$ _____
27. **ANSWER QUESTIONS 27-30 INDIVIDUALLY** If the operating expenses were reduced by \$1,500, what would be the new total for Income From Operations? \$ _____
28. If the Advertising Expense account and the Store and Shop Supplies Expense account could both be reduced by 20%, what would be the new total of Income from Operations? \$ _____
29. If Sales Returns and Allowances were reduced to zero, what would be the new total for Net Sales? \$ _____
30. If the Transportation-In charges were eliminated, what would be the new Gross Profit From Sales total? \$ _____
31. Total Cost of Goods Sold is what percent of Net Sales?
A) **72.32%** B) **27.32%** C) **73.23%** D) **74.73%**
E) **None of the above** _____
32. The first quarter of 2006 (January to March) the cost of goods sold totaled 72.35% of Net Sales. Is the percentage for this quarter (question 31) an improvement over the first quarter?
Answer Y for Yes or N for No. _____
33. Total Net Revenues include Net Sales and Total Fees Earned. Selling Expenses are what percent of Total Net Revenues?
A) **4.35%** B) **5.31%** C) **5.23%** D) **5.93%**
E) **None of the above** _____
34. Income From Operations is what percent of Total Net Revenues?
A) **22.58%** B) **22.78%** C) **22.24%** D) **21.24%**
E) **None of the above** _____
35. Last quarter the total selling expenses were 6.01% of Total Net Revenues. Has this quarter (question 33) shown improvement over last quarter? **Answer Y for Yes or N for No.** _____

FINAL EVALUATION GRANITE BAY JET SKI

36. Credit Card Expense is what percent of Total Operating Expenses? _____
A) 9.35% B) 5.39% C) 5.99% D) 5.93%
E) None of the above
37. This quarter, what has been the cost to deliver merchandise to Granite Bay Jet Ski customers? \$ _____
38. Does Granite Bay Jet Ski have enough cash on hand to meet current liabilities? Answer Y for Yes or N for No. _____
39. What is the amount owed to Granite Bay Jet Ski by credit card companies? \$ _____
40. What is the book value of the Store Equipment and Fixtures? \$ _____
41. How much has stockholder equity increased during the quarter ended June 30? \$ _____
42. What is usually the last account listed on a corporation Post-Closing Trial Balance? A) Cash B) Common Stock C) Dividends
D) Income Summary E) Retained Earnings _____
43. After closing, what is the balance of the Income Summary account? (Answer with dollars and cents.) \$ _____
44. Did closing the books change the balance of the Dividends Declared account? Answer Y for Yes or N for No. _____
45. If an audit determined that the ending inventory was understated by \$1,400, the Cost Of Goods Sold would be: _____
A) Overstated B) Understated C) Unchanged
46. If an audit determined that the ending inventory was overstated by \$1,600, what would be the corrected total for Gross Profit From Sales? \$ _____
47. If an error is made and the ending inventory is understated, the Income From Operations be: _____
A) Overstated B) Understated C) Unchanged

FINAL EVALUATION GRANITE BAY JET SKI

48. If the Cost Of Goods Sold decreases, the Gross Profit of the business will: **A) Increase B) Decrease C) Not Change D) Increase or Not Change** _____
49. Calculate the current ratio for the period. Total current assets divided by the total current liabilities = the current ratio (round to 2 decimal places) **A) 4.77 B) 4.55 C) 4.45 D) 4.76 E) None of the above** _____
50. If the current ratio for the 2nd quarter one year ago was 3.77 to 1, would the results for this quarter (question 49), show a significant improvement? **Answer Y for Yes or N for No.** _____