

Gold Run Snowmobile

5th Edition

Adjusting Entries and Closing Entries For The Quarter Ended December 31

and the

Final Project Evaluation

ADJUSTING ENTRIES FOR THE QUARTER

Using a copy of the December 31 Unadjusted Trial Balance (printed after the bank reconciliation entries) and the information and financial data shown below, record the adjusting entries for Gold Run Snowmobile, Inc. **Be sure to click on the Adjusting JE button** on the tool bar. Adjusting entries **must not** be entered using the **Daily JE option**. Any corrections to adjusting entries must also be entered using the **Adjusting JE option**. Adjusting entries **will not** require documentation entries. Where necessary in the calculations, round all totals to the nearest cent. **ALL ENTRIES MUST BE RECORDED AS OF DECEMBER 31, THE END OF THE FOURTH QUARTER!**

- A. The ending store and shop supplies inventory is **\$1,240.50**.

- B. The **unexpired** insurance balance is **\$3,640**.

- C. A total of **\$1,050** worth of advertising copy, paid for and **correctly charged** to the Advertising Expense account, will be received early next quarter.

- D. **All** of the prepaid property tax is an **expense** for the quarter.

- E. Wages accrued total **15 hours** worked at **\$8.50 per hour**.

- F. Straight-line depreciation of store equipment and fixtures totals **\$2,125 for the quarter**.

- G. Depreciation of shop equipment is **\$560 for the quarter**.

H. Gold Run Snowmobile, Inc., has three trucks. The new truck acquired on December 22 will not depreciate this quarter. An old truck used only for short distance heavy hauling is fully depreciated. The third truck was acquired at a cost of \$25,000, has a salvage value of \$7,000, is depreciated on a miles driven basis (**units of production depreciation**), and has an estimated service life of 100,000 miles. The truck was driven **2,112 miles** during the fourth quarter.

I. Accrue the interest on the **short-term notes receivable**. Calculate the interest on each note to the nearest cent. Use the 360-day banker's year for all interest computations.

Note One: \$10,000, 14%, 90-day note, dated December 23

Note Two: \$25,000, 14%, 60-day note, dated December 28

J. Record the interest expense on the **short-term note payable**. On December 26, **\$30,000** was borrowed for **60 days** on a discounted basis (discount rate **12.0%**) and \$600 was debited to the Discount on Notes Payable account. Record the five days of accrued interest on this note payable. The Discount on Notes Payable account will be credited on this adjusting entry.

K. Storage Fees Earned for the quarter total **\$11,120**.

L. Additional income taxes expense for the period total **\$2,052**.

M. The aging method is used to estimate the Bad Debt Expense and the balance of the Allowance for Doubtful Accounts account for the end of each quarter. The program has analyzed all accounts receivable and calculated the estimated balance of the Allowance for Doubtful Accounts balance to be **\$1,520.50**.

- N. Credit Card Expense (3.75%) on the outstanding balance of the Accounts Receivable, Credit Card Companies account balance has not been recorded. This accrual entry will decrease the Accounts Receivable, Credit Card Companies account (**be sure to round to the nearest cent**) and correctly state the credit card expense for the quarter.

In the past, Gold Run Snowmobile, Incorporated, has experienced small shortages (shrinkage) in merchandise inventory when the perpetual inventory total maintained on the computerized accounting system was compared to the actual physical inventory count taken at the end of the accounting period. When this shrinkage occurred, the Cost of Goods Sold account was debited and the Merchandise Inventory account was credited for the total value of the inventory shortage. The entry was followed by an update of the specific merchandise items where the quantities were not correct. At the end of the current quarter the physical count of merchandise on hand matches the perpetual inventory for each item in stock. As a result of the satisfactory inventory control system that is in place, no losses have occurred and no adjusting entry for inventory shrinkage is required this quarter.

When all of the adjusting entries have been correctly entered, move the pointer to Journal/Ledger/Statements, down to General Ledger, and print the ADJUSTED TRIAL BALANCE! The correct balance of this document is \$830,406.64. Before printing the final documents and answering the final evaluation questions, your Adjusted Trial Balance should match the check figure above.

If necessary, make the necessary corrections to match the check figure and when this task has been completed, **print a copy of the Adjusted Trial Balance**. You are now ready to complete the final evaluation of the Gold Run Snowmobile operations. **To gather the necessary information to complete the final evaluation questions, PRINT ALL of the documents listed in instructions 1-10 on the next page.**

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

THE CORRECT NET INCOME FOR GOLD RUN SNOWMOBILE, INCORPORATED, IS BETWEEN: \$62,800.00 and \$62,900.00

2. From the Journal/Ledger/Statement option, click on Subsidiary Ledgers, select Accounts Receivable, 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, select Accounts Payable, and print the Schedule of Accounts Payable.
5. Click on the All Vendors button and print the Accounts Payable Subsidiary Ledger.
6. From the Journal/Ledger/Statements option, click on Subsidiary Ledgers select Inventory, and print the Inventory Analysis statement.
7. Click on the Inventory Items button and print the following inventory ledger cards.

T1500
T2000
SW660
SSS30
LL466
N6000
Z9000
8. The closing entry process in the Gold Run Snowmobile accounting system is an automatic function. The program will close all of the temporary accounts. Move the pointer to the Closing JE button and click. All of the temporary accounts of the business will be closed.
9. Click on General Ledger, click on the Trial Balance button and print a copy of the Post-Closing Trial Balance.
10. Click on the Ledger Card button and the Cash account (101) will appear on the monitor screen. Print a copy of the Cash account.

11. Using the pull-down screen, select, show, and print the following additional General Ledger accounts:

- 105 Accounts Receivable
- 107 Accounts Receivable, Credit Card Companies
- 115 Merchandise Inventory
- 201 Accounts Payable
- 305 Retained Earnings
- 401 Snowmobile, Accessories, & Parts Sales
- 411 Service Fees Earned
- 501 Cost of Goods Sold
- 607 Credit Card Expense
- 711 Interest Earned
- 901 Income Summary

When you have completed the printing of all of the required documents, exit the Gold Run Snowmobile 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 PROPERLY COMPLETE THE RESTORATION PROCESS, from the Journal/Ledger/Statements option select, General Ledger and the Adjusted Trial Balance will reappear on the monitor screen. Make sure that this is the reinstated Adjusted Trial balance. Then 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 PKL Software and exit the program.

FINAL PROJECT EVALUATION **NAME** _____
GOLD RUN SNOWMOBILE **CLASS DAY AND TIME** _____ **DATE** _____

1. Does the balance of the Schedule of Accounts Receivable match the Accounts Receivable account balance? _____
Answer only Y for Yes or N for No.

2. Which customer has the smallest outstanding balance on December 31? (Identify by customer number.) _____
Customer Number

3. A credit memo was issued to Mary Bermuda on December 16. What was the number of the sales invoice for this transaction? _____
Invoice Number

4. What amount of the balance owed by the Running Ramblers is past due? (Gold Run Snowmobile, Inc. extends net 30 credit terms to all customers). \$ _____

5. Which customer charged merchandise on account on December 21? (Identify by customer number.) _____
Customer Number

6. What is the invoice number of the \$1,185.00, December 21 entry to the Accounts Payable account? _____
Invoice Number

7. Identify by number the vendor who sold merchandise to Gold Run Snowmobile on December 21st. _____
Vendor Number

8. By what date should the Inglass, Inc., balance be paid?
(A) January 6 (B) January 7 (C) January 8 (D) February 6 (E) None of the above. _____

9. The Morelli Sports Equipment debit memo was for a return of merchandise from what original purchase invoice number? _____
Invoice Number

10. What was the balance owed to Morelli Sports Equipment before the posting of the debit memo? \$ _____

11. If the Trail-Tracker, Inc., account is not paid in full within the discount period for each of the outstanding invoices, what will be the total amount of the discounts lost? \$ _____

12. Examine the Fastwinn, Incorporated account. In order to take the discount offered, which outstanding invoice must be paid in full no later than January 7? (Identify by invoice number.) _____
Invoice Number

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13. How much cash was paid out on December 26? \$ _____
14. A Swift, Incorporated purchase invoice was paid in full on December 30. What was the number of the invoice paid? _____
Invoice Number
15. What was the number of the check issued December 30 to Swift Incorporated for payment? _____
Check Number
16. Check number 30116 was issued on what date? _____
(A) December 20 (B) December 30 (C) December 31 (D) January 2 (E) None of the above.
17. What was the amount of check 30116? **(A) \$14,071 (B) \$15,066 (C) \$16,501 (D) \$18,736 (E) None of the above.** _____
18. What was the reason for the December 17 credit entry of \$6,000 to the Cash Account? **(A) Paid a past due balance (B) Paid rent (C) Received a NSF check (D) Wrote a bad check (E) None of the above.** _____
19. For the month of December, how many Service Fees Earned transactions were charged by customers? _____
(A) 0 (B) 1 (C) 2 (D) 4 (E) 6
20. How many inventory items are now out of stock? _____
(A) 0 (B) 1 (C) 4 (D) 6 (E) None of the above.
21. How many inventory items with **only** three units in stock are at or below the reorder point? _____
(A) 0 (B) 1 (C) 2 (D) 3 (E) More than 10
22. How many CC100 units are in stock? _____
(A) 10 (B) 14 (C) 18 (D) 24 (E) 36
23. How many Trail-Tracker 1500 units were issued (sold) during December? **(A) 1 (B) 4 (C) 6 (D) 8 (E) None of the above.** _____
24. On what date were the 15 pairs of competition gloves (LL466) purchased? **(A) Dec 2 (B) Dec 18 (C) Dec 21 (D) Dec 31 (E) None of the above.** _____

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25. What is the FIFO inventory value of the 35 Neon Caps (N6000) in stock? (A) \$20.00 (B) \$200.00 (C) \$210.00 (D) \$245.00 (E) None of the above. _____
26. What is the FIFO inventory value of stock number SSS30? (A) \$1,188 (B) \$5,940 (C) \$4,940 (D) \$3,654 (E) None of the above. _____
27. A total of 21 Trail-Tracker snowmobiles are currently in stock. What is the total amount of cash tied up in this inventory at this time? (A) \$100,000 (B) \$100,070 (C) \$100,094 (D) \$100,195 (E) \$102,094 _____
28. If the transportation-in costs had been reduced to zero through more successful negotiation of merchandise contracts, what would be the corrected Gross Profit From Sales? (A) \$102,567.98 (B) \$97,423.00 (C) \$96,798.56 (D) \$95,784.68 (E) None of the above. _____
29. Total Cost of Goods Sold is what percent of Net Sales? **Round all percentage answers to two decimal positions (14.57689% = 14.58%). If you are taking the online examination, DO NOT write the word percent or use the percent sign (%) in your answer.** _____
30. Last quarter the Total Selling Expenses were 10.59% of total net revenues. Has this quarter, ending December 31, been an improvement over last quarter?
Answer only Y for Yes or N for No. _____
31. Salaries and Wages Expense is what percent of the total net revenues (net sales and fees earned)? **If you are taking the online examination, DO NOT write the word percent or use the percent sign (%) in your answer.** _____
32. Compared to the December 3 (beginning merchandise inventory balance), the December 31 ending merchandise inventory has increased by what percent? If you are taking the online examination, DO NOT write the word percent or use the percent sign (%) in your answer. _____

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33. What is the book value of Store Equipment and Fixtures? _____
(A) \$33,333.75 (B) \$33,563.65 (C) \$36,982.76
(D) \$37,998.98 (E) None of the above.
34. Does Gold Run Snowmobile have enough cash on hand to meet current liabilities? Answer only Y for Yes or N for No. _____
35. What is the Net Accounts Receivable balance? _____
(A) \$23,333.75 (B) \$22,463.65 (C) \$23,600.65
(D) \$24,998.98 (E) None of the above.
36. Plant and Equipment assets are what percent of the total assets of the business? (A) 39.99% (B) 39.75% (C) 39.69% _____
(D) 38.67% (E) None of the above.
37. If an additional \$500 was written off as an uncollectible bad debt, what would be the new Net Accounts Receivable balance? _____
(A) \$21,333.75 (B) \$22,111.65 (C) \$22,463.65
(D) \$23,998.98 (E) None of the above.
38. On the December 31 Balance Sheet, what is the "net worth" (total stockholders' equity) of the business? \$ _____
39. Calculate the current ratio of Gold Run Snowmobile. (List the numeric amount to 2 decimal places. Example: 3.01) _____ to 1
40. What is the working capital of Gold Run Snowmobile? _____
41. After closing, what is the balance of Dividends Declared? _____
(A) the same as net income
(B) the same as dividends payable (C) \$0.00
(D) Dividends Earned (E) None of the above.
42. What has been the Net increase in Retained Earnings this quarter? \$ _____
43. What must be the last account listed on the Gold Run Snowmobile Post-Closing Trial Balance? (A) Cash (B) Income Summary _____
(C) Capital Stock (D) Withdrawals (E) Retained Earnings

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44. After closing, what is the balance of the Income Summary account? _____
(A) the same as net income
(B) the same as retained earnings
(C) the same balance as the Cash account
(D) Both A and B (E) None of the above.
45. If you discovered that a December 31 adjusting entry for accrued Service Fees totaling \$100 had not been recorded and that \$50 of Miscellaneous Expense had been recorded in error in Supplies Expense, correcting these errors would change the operating income of Gold Run Snowmobile by what total amount?
(A) \$0.00 (B) \$50.00 (C) \$100.00 (D) \$150.00
(E) None of the above.
46. If the total for Service Fees Earned and Storage Fees Earned could be increased by 25% with only a \$450 increase in Salaries and Wages Expense and a \$350 increase in Advertising Expense, what would be the new total for Income From Operations? \$ _____
47. If \$800 of Delivery Expense charges were found to be recorded in the Transportation In account, the Cost of Goods Sold and Gross Profit would change by \$800. If this error was corrected, what would be the corrected balance of the Net Income? \$ _____
48. If it was discovered that the December 26 purchase invoice from Trail-Tracker had not been entered on the books, but the merchandise had been counted in the ending inventory, would Gross Profit be: (A) overstated (B) understated (C) unchanged _____
49. If an audit determined that due to "shrinkage" the ending inventory was overstated by \$1,500, would the reported Net Income of the business be:
(A) overstated (B) understated (C) unchanged _____
50. If "shrinkage" of \$1,000 was reported after the inventory was officially counted on December 31, the Merchandise Inventory account would be credited for the \$1,000. The missing inventory item/s would be accounted for in the entry and the perpetual inventory system would be brought up-to-date. Identify by account number the single account to be debited in this journal entry. _____