

Rebel Ridge Snowmobile

1st Web-Based Edition

Adjusting Entries and Closing Entries for the Quarter Ended December 31

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 Rebel Ridge Snowmobile. Be sure to select the **Adjusting JE button to journalize the adjusting entries. Adjusting entries must **NOT** be entered using the daily entries (**Daily JE**) procedure. Corrections to adjusting entries must also be entered using the adjusting entries selection. Where necessary, **round all calculations to the nearest cent**. **ALL ENTRIES MUST BE RECORDED AS OF DECEMBER 31, THE END OF THE FIRST QUARTER OF BUSINESS OPERATIONS!****

- A. The **unexpired** insurance balance is **\$3,780**.

- B. The ending store supplies inventory is **\$2,135**.

- C. The ending office supplies inventory is **\$867.00**.

- D. A total of **\$430** worth of advertising copy, paid for in advance and **correctly charged** to the Advertising Expense account, will be received early next quarter.

- E. Wages accrued for the student intern total **24.0 hours** worked at **\$12.40 per hour**.

- F. Straight-line depreciation of store fixtures totals **\$1,250 for the quarter**.

- G. Depreciation of office equipment is **\$125 per month**.

- H. Depreciation of the building is based on a straight-line rate of **10 years**, **no salvage value**.

- I. Accrue the interest on a **short-term, \$15,000, 8.5%, 120-day note receivable, dated October 2**. **Calculate the interest to the nearest cent. Use the 360-day banker's year for all interest computations.**

- J. Rent on the small building used by the business was paid for **six months on October 1 of this year**.

When inventory shrinkage occurs, the Cost of Goods Sold account is debited and the Merchandise Inventory account is credited for the total value of the inventory shortage. 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, PRINT THE ADJUSTED TRIAL BALANCE! The correct balance will be \$448,035.07. If you do not match this check figure, you have one or more errors that **MUST BE CORRECTED before you continue! Correct your adjusting entries using the Adjust JE option for data entry.**

It is recommended that you backup your data files at the end of each data entry session.

To be able to correctly answer the Final Evaluation questions, print the documents listed below.

- 1. Click on Journals/Ledgers/Statements, select Financial Statements, then select and print the Income Statement.**

THE CORRECT NET INCOME FOR REBEL RIDGE SNOWMOBILE IS BETWEEN \$20,000.00 and \$20,050.00.

- 2. Click on Journals/Ledgers/Statements, select Financial Statements, and select and print the Retained Earnings Statement.**
- 3. Click on Journals/Ledgers/Statements, select Financial Statements, and select and print the Balance Sheet.**
- 4. Print the Schedule of Accounts Receivable.**
- 5. Print all customer accounts.**
- 6. Print the Schedule of Accounts Payable.**
- 7. Print all vendor accounts**

RECORD THE CLOSING ENTRIES FOR REBEL RIDGE SNOWMOBILE.

The closing entry process in the Rebel Ridge Snowmobile web-based accounting system is an automatic function. When initiated, the program will close all of the temporary accounts.

- 8. Click on Data Entry. Click on Close JE. The program will automatically record (journalize) and post the closing entries to the General Ledger. When the closing is completed, click on OK.**

9. Print the Post-Closing Trial Balance.

10. Print the Closing Entries from the General Journal

11. Print the following General Ledger accounts:

101 Cash
305 Retained Earnings
401 Sales
501 Cost of Goods Sold
601 Salaries and Wages Expense
811 Interest Expense
901 Income Summary

Exit the Rebel Ridge 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 documents may be collected by your instructor. Please note: **The Final Evaluation can only be taken electronically and scored one time.**

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, you may return to the Adjusted Trial Balance totals. Click on **Support**, and select **Restore to Adjusted Balances**. The accounts will be returned to their pre-closing balances. Print a copy of the Adjusted Trial Balance.

Daily or adjusting entries can then be corrected using the **Daily JE** or **Adjusting JE** option. **NEW COPIES OF ALL CORRECTED DOCUMENTS MUST BE PRINTED. Be sure to print a copy of the Adjusted Trial Balance.** Again, close the General Ledger (**Closing JE**) and print a **Post-Closing Trial Balance**. Then exit the program.

FINAL EVALUATION

REBEL RIDGE SNOWMOBILE

NAME _____

CLASS DAY AND TIME _____

DATE _____

1. **Questions 1 to 5 refer to the Balance Sheet and General Ledger Accounts.** What is the total amount of stockholders' equity? \$ _____
2. What is the balance of Retained Earnings? \$ _____
3. What is the book value of Store Fixtures? \$ _____
4. What is the current ratio for Rebel Ridge Snowmobile? _____
 A. 4.09
 B. 4.26
 C. 4.62
 D. 4.82
5. Does Rebel Ridge Snowmobile have enough cash on hand to meet current debt? Answer **Y** for Yes or **N** for No. _____
6. **Questions 6 to 10 refer to the Schedule of Accounts Receivable and Customer Ledger Cards:** Identify by number the customer who charged merchandise on account on December 6. _____
Customer Number
7. Which customer has the smallest outstanding balance on December 31? (Identify by customer number.) _____
Customer Number
8. What was the balance of Klem's Snowmobile Klub account on December 15th? \$ _____
9. How many customers currently have a balance that is past due? Rebel Ridge Snowmobile extends net 30 terms to all customers. List you answer in numeric form. (8, 11, 22, etc.) _____
10. The account balance of Alexander Boxer is how many days past due? List you answer in numeric form. (8, 11, 22, etc.) _____
11. **Questions 11 to 15 refer to the Schedule of Accounts Payable and Vendor Ledger Cards:** An Edwards Sporting Goods invoice was paid in full On December 18. What was the number of the invoice paid? _____
Invoice Number
12. An Edwards Sporting Goods invoice was paid in full on December 18. What is the number of the check number used to pay this invoice? _____
Check Number
13. What was the balance owed to Edwards Sporting Goods before the posting of the debit memo? \$ _____

FINAL EVALUATION

REBEL RIDGE SNOWMOBILE

- 14. If the High Sierra Sports account had not been paid in full within the discount period, what would have been the total amount of the discount lost? \$ _____
- 15. What was the balance of the Boyd Business Supply account on December 31? \$ _____
- 16. **Questions 16 to 27 refer to the Income Statement:** If the transportation-in costs had been reduced to zero through more successful negotiation of merchandise contracts, what would be the new Gross Profit on Sales? \$ _____
- 17. **Round all percentage answers to two decimal positions (4.57689 = 4.58). Do not show a percent sign in your answer.** Total Cost of Goods Sold is what percent of Net Sales? _____
- 18. Gross Profit from Sales is what percent of Net Sales? _____
- 19. Income From Operations is what percent of Net Sales? _____
- 20. Salaries and Wages Expense is what percent of Net Sales? _____
- 21. The company goal for Salaries and Wages Expense has been set at **7.75%** of Total Net Sales. Has Rebel Ridge management met this goal this quarter? Answer **Y** for Yes and **N** for No. _____
- 22. If total Net Sales could be increased by 5% with only a \$450 increase in Salaries and Wages Expense and a \$150 increase in Advertising Expense, what would be the new total for Income From Operations? \$ _____
- 23. A 1% increase in Net Sales combined with a 1% decrease in Total Operating Expenses would improve the Income From Operations to what amount? \$ _____
- 24. If an audit determined that due to "shrinkage" the Cost of Goods Sold was understated by \$1,500, the reported Net Income of the business be:
 A. Overstated
 B. Understated
 C. Unchanged

FINAL EVALUATION

REBEL RIDGE SNOWMOBILE

25. If the Cost of Goods Sold is overstated, the Income from Operations will be: _____
A. Overstated
B. Understated
C. Unchanged
26. Rebel Ridge management wants to keep Sales Return and Allowances below 2% of total Sales. Have they achieved this goal this first quarter of business operation? Answer **Y** for Yes or **N** for No. _____
27. Rebel Ridge Management has a goal of having their Net Income From Operations be at least 17.5% of the Net Sales. Have they reached that goal this first quarter of operations? Answer **Y** for Yes or **N** for No. _____
28. **Questions 28 to 30 refer to the Post-Closing Trial Balance and General Ledger:** What is the account number of the last account listed on the Rebel Ridge Snowmobile Post-Closing Trial Balance? _____
29. After closing, what is the balance of the Income Summary account (901)? _____
A. \$20,019.07
B. \$291,195.09
C. \$46,996.93
D. \$0.00
E. None of the above
30. What is the balance of the Post Closing Trial Balance? \$ _____