

Summerset Fencing

An Algorithmic Practice Set

Featuring Job-Order Costing and JIT Inventories

1st Web-Based Edition

Module 5

**ADJUSTING ENTRIES
For the Quarter Ended June 30**

SUMERSET FENCING ADJUSTING ENTRIES FOR THE QUARTER ENDED JUNE 30

Using a copy of the June 30 Unadjusted Trial Balance and the information and financial data shown below, record the adjusting entries for Summerset Fencing. 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. Round all calculations to the nearest one cent. **ALL ENTRIES MUST BE RECORDED AS OF JUNE 30, THE END OF THE SECOND QUARTER!**

- A. The accountant for Summerset Fencing has decided that the underapplied balance in the Manufacturing Overhead account is insignificant and should be closed to the Cost of Goods Sold account.
- B. The ending balance of office supplies inventory is **\$735.80**
- C. A total of **\$485.00** worth of advertising copy, paid for in advance and **correctly charged** to the Advertising Expense account, will be received early next quarter.
- D. Accrued property tax on office equipment is **\$283.00**
- E. The prepaid insurance applicable to the administrative and office operations is **\$721.00**.
- F. Accrue the interest on the \$13,280, 15%, 60-day note, received on June 24, and the \$38,000.00, 8%, 120-day note received on May 31. Use the 360-day 'bankers year' to calculate the accrued interest receivable.
- G. Straight-line depreciation of office equipment is **\$1,830.00 for the quarter**. Office equipment is depreciated quarterly; not monthly.
- H. Summerset Fencing has two trucks. There is no depreciation on the new truck used for manufacturing related functions acquired on June 22. The second truck was acquired at a cost of **\$26,800.00** and is used for delivery of finished products. It has a salvage value of **\$3,800.00** and is expected to be driven for **100,000** miles. Record the depreciation on the second truck on the basis of miles-driven (units of production). The truck was driven for **5,800** miles during the quarter.
- I. Additional accrued income tax expense for the quarter is **\$4,600.00**.

When all of the adjusting entries have been correctly entered, PRINT THE ADJUSTED TRIAL BALANCE.

- A. Move the pointer to Check Figures and click on **Weekly Check Figures**. The “Correct Totals” and “Your Totals” for selected account balances are shown. Any differences in account balances are notated. **Print** a copy of the **Check Figures for After Adjustments**. If “Your Totals” match the “Correct Totals” for the selected accounts, **proceed with printing all of the documents in instructions 1-9, below**.**
 - B. If “Your Totals” do not match the “Correct Totals”, the errors that must be corrected before you continue. Carefully analyze all of your journal entries for the week, locate the error(s), and make the necessary corrections. When all of your totals match, **proceed with printing all of the documents in instructions 1-9, below**.**
- 1. Click on Journals/Ledgers/Statements, select Financial Statements, then select Income Statement. Print the Income Statement.**
 - 2. Click on Journals/Ledgers/Statements, select Financial Statements, then select Retained Earnings. Print the Retained Earnings Statement.**
 - 3. Click on Journals/Ledgers/Statements, select Financial Statements, then select Balance sheet. 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**
 - 8. Under Subsidiary Ledgers, select Raw & In-Process Inventory, and print the Job Cost Status Report**
 - 9. Print the following inventory job cards (sheets):
JOB 31 JOB 32 JOB 33 JOB 34 JOB 35**

RECORD THE CLOSING ENTRIES FOR SUMMERSET FENCING

The closing entry process in the Summerset Fencing accounting system is an automatic function. When initiated, the program will close all of the temporary accounts. Continue with instructions **10**, **11**, and **12**.

10. 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 answer OK.

11. Print the Post-Closing Trial Balance.

12. Print the following additional General Ledger accounts:

105 Accounts Receivable
115 Raw and In-Process Inventory
185 Manufacturing Overhead
201 Accounts Payable
305 Retained Earnings
401 Custom Fence and Gate Sales
501 Cost of Goods Sold
601 Office Salaries and Wages Expense
731 Gain on Short-Term Investments
821 Loss on Sale/Disposal of Asset

Exit the Summerset Fencing 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.

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**, select **Restore to Adjusted Balances**. The accounts will be returned to their pre-closing balances. 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**. Again, close the General Ledger (**Close JE**) and print a **Post-Closing Trial Balance**. Then exit the program.

Complete the Final Evaluation on the following pages as a guide to completing the on-line version. To complete the on-line version, move the pointer to Evaluations, select Final Evaluation and follow the directions. If your instructor requires the on-line version to be emailed, click on Email after scoring the evaluation.

**FINAL PROJECT EVALUATION
SUMMERSET FENCING**

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

1. What is the total the 'quick' assets used to determine the acid-test (quick) ratio? \$ _____
2. What is the ending balance of Retained Earnings this quarter? \$ _____
3. What is the ending balance of Accounts Payable? \$ _____
4. What is the book value of the Factory? \$ _____
5. To the nearest hundredth, what is the current ratio? _____
6. To the nearest hundredth, what is the acid test (quick) ratio? _____
7. Does Summerset Fencing have enough cash on hand to meet current debt?
 A. Yes
 B. No _____
8. What is the ending balance of Short-Term Investments? \$ _____
9. Identify by customer number the customer who paid an advance on June 12. _____
10. Which customer has the largest outstanding balance on June 30? (Identify by customer number) _____
11. Does any customer currently have a balance that is past due? (Summerset Fencing extends net 30 terms to all customers.)
 A. Yes
 B. No _____
12. What is the balance of the Sierra Builders account? \$ _____
13. A Rapid City Steel purchase invoice was paid in full on June 18. What was the number of the invoice paid? _____
14. A Rapid City Steel purchase invoice was paid in full on June 18. What was the number of the check that was issued for payment? _____

FINAL PROJECT EVALUATION SUMMERSET FENCING

15. What is the amount of the Rapid City Steel invoice that must be paid in full by July 11? \$ _____
16. If the Ambrosini Steel invoice **A8300** is not paid within the discount period, what will be the amount of the discount lost? \$ _____
17. How many Jobs are in process at the end of the quarter? _____
18. What is the gross profit on **JOB 33**? \$ _____
19. What is the total dollar cost amount of the 3 inch Square Tubing .095 used on **JOB 33**? \$ _____
20. What is the total of the labor cost at \$48 per hour for **Job 34**? \$ _____
21. If **JOB 34** is sold on July 1 at 150% of cost, what will be the selling price? \$ _____
22. If a 10% surcharge was added to jobs on June 28th, what would have been the total direct labor cost on **JOB 35**? \$ _____
23. To the nearest hundredth, what percent of the cost of JOB 31 is for direct labor?
Do not show the percent sign in your answers. _____
24. Does the balance of the Job Card Status Report match the balance of the Raw and In-Process Inventory account?
A. Yes
B. No _____
25. To the nearest hundredth, the Cost of Goods Sold is what percent of Sales? _____
26. To the nearest hundredth, the Gross Profit from Sales is what percent of Sales? _____
27. To the nearest hundredth, the Income From Operations is what percent of Sales? _____

FINAL PROJECT EVALUATION SUMMERSET FENCING

28. Last quarter the Total Operating Expenses were 14.01% of Total Sales. Has this quarter, ending June 30, been an improvement over last quarter? _____
A. Yes
B. No
29. To the nearest hundredth, the Office Salaries and Wages Expense is what percent of Sales? _____
30. A 1% decrease in the Cost of Goods Sold combined with a 1% decrease in Total Operating Expenses would improve the Income From Operations to what amount? \$ _____
31. Without the Other Revenues, what would the net income before income taxes have been? \$ _____
32. To the nearest hundredth, what percent of net income is composed of other revenues? _____
33. What has been the net earnings per share (after taxes) for the Quarter ended June 30, on the 25,000 outstanding shares held by Summerset Fencing stockholders? \$ _____
34. To the nearest hundredth, the Office Salaries and Wages is what percent of Total Operating Expenses? _____
35. If the Cost of Goods Sold increases, the Gross Profit (Gross Margin) will be: _____
A. Increased
B. Decreased
C. Unchanged
D. None of the above

FINAL PROJECT EVALUATION SUMMERSET FENCING

36. After closing the books, is the balance of the Dividends Declared account \$0.00? _____
 A. Yes
 B. No
37. List by account number the account that will be the last account listed on the Summerset Fencing Post-Closing Trial Balance? _____
38. What is the net increase in the Retained Earnings account? \$ _____
39. When added to the balance of Cash account, to the nearest hundredth, what percent of the balance of Accounts Receivable must be collected in order to pay the current balance of the Accounts Payable? _____
40. What is the book value per share of common stock (25,000 shares)? \$ _____